Annual Information Form

For the year ended December 31, 2016

March 7, 2017

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GLOSSARY OF TERMS AND DEFINED TERMS

In this Annual Information Form ("AIF"), references to "we", "us", "our", "its", "Gibsons" or "the Company" mean Gibson Energy Inc., its subsidiaries, partnerships and joint venture investments unless the context otherwise requires.

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below. Capitalized terms represent frequently used concepts that have been specifically defined herein for ease of use in reading this AIF. Non-capitalized terms represent commonly used industry terms and measurements used throughout the document.

ABCA: *Business Corporations Act* (Alberta).

API Gravity: American Petroleum Institute Gravity, a measure of the relative density of liquid petroleum products. A higher API Gravity value is associated with a lighter petroleum liquid.

asphalt: Liquid asphalt cement is a dark brown to black cementitious material that is primarily produced by petroleum distillation. When crude oil is separated in distillation towers, the heaviest hydrocarbons with the highest boiling points settle at the bottom. These tar-like fractions, called residuum, require relatively little additional processing to become products such as asphalt cement or residual fuel oil. Liquid asphalt cement is primarily used in the road construction and maintenance industry and for shingle manufacturing and roofing purposes. Residual fuel oil is primarily used as burner fuel in numerous industrial and commercial business applications. As used herein, the term refers to both liquid asphalt cement and residual fuel oils.

barrel ("bbl"): One barrel of petroleum.

Board: The board of directors of Gibson Energy Inc.

butane: A common LPG that is colorless and flammable, C_4H_{10}. Butane has numerous commercial uses and is used industrially as a feedstock for gasoline and in petrochemical production.

Cal-Gas: Cal-Gas Inc.

Canwest Propane / Canwest: The Company's branded industrial propane distribution business.

Common Shares: The common shares of the Company.

condensate: A petroleum mixture composed primarily of pentane and heavier hydrocarbons, usually produced with or extracted from natural gas, which is liquid at normal pressure and temperature. The component of NGLs that remains after the propane and butane have generally been removed, comprised of a pentane and higher hydrocarbon composition.

Continuing Operations: all of the Company's operations excluding the Discontinued Operations.

CVGO: Combined Vacuum Gas Oil. A feedstock for fluid catalytic crackers used to make gasoline, gasoil and many other by-products.

Debentures: The Company's $100.0 million in aggregate principal amount of 5.25% convertible debentures due July 15, 2021.

diesel: Combustible petroleum distillate used as a fuel for diesel engines.

diluent: A petroleum stock which is used to reduce the viscosity and increase the API Gravity of a heavier petroleum stock by dilution; typically condensate or butane.

Discontinued Operations: The Industrial Propane segment which was announced for potential sale on July 20, 2016. On February 13, 2017, the Company entered into an agreement to sell its Industrial Propane business for non-refundable cash consideration of $412 million, subject to certain adjustments, to Superior Plus LP.

distillate: A liquid condensed from vapor in distillation, including diesel and jet fuel.

DRIP: Dividend Re-Investment Plan.

DSU: Deferred Share Unit.

Edmonton Terminal: Gibsons' terminal located at Edmonton, Alberta, with crude oil and petroleum products storage capacity that has receipt and delivery connections to major pipelines in the area, including pipeline receipts from Suncor's Edmonton and Fort McMurray refineries.

feedstock: A raw material required for an industrial process such as petrochemical processing or manufacturing.

frac fluids: A fluid, either water or hydrocarbon, used to transport proppant in a hydraulic fracture well completion.

gasoline: Volatile, flammable liquid mixture of hydrocarbons obtained from petroleum.

GHG: Greenhouse Gas.

Hardisty Terminal: Gibsons' terminal located at Hardisty, Alberta, with crude oil storage capacity that has receipt and delivery connections to most major pipelines in the area and to the Hardisty Unit Train Facility.

Hardisty Unit Train Facility: A unit train facility at Hardisty, jointly developed with U.S. Development Group LLC, that includes an exclusive five kilometer pipeline connection from the Company's Hardisty Terminal.

IPO: The initial public offering or the first sale of Common Shares by Gibsons to the public which closed on June 15, 2011.

LIBOR: London Interbank Offered Rate is the average interest rate estimated by leading banks in London, UK that the average leading bank would be charged if borrowing from other banks.

LPG: Liquefied petroleum gas. Typically comprised of ethane, propane and butane.

midstream: The industry term for the components of the energy industry in between the production of oil and gas (upstream) and the refining and distribution of refined and finished products (downstream).

NGLs: Natural gas liquids, comprised of ethane, propane, butane and natural gasoline.

Notes: The Company's $250.0 million in aggregate principal amount of 7.00% senior unsecured notes due July 15, 2020, U.S. $550.0 million in aggregate principal amount of 6.75% senior unsecured notes due July 15, 2021, and $300.0 million in aggregate principal amount of 5.375% senior unsecured notes due July 15, 2022.

OMNI: Parent holding company of OMNI Energy Services Corp.

pentane: A common flammable hydrocarbon, C_5H_{12}. Commonly used as fuel, diluent and as a solvent. Also a major component of condensate.

PRDs: Processing, recovery and disposal facilities.

propane: A common LPG, C_3H_8, that is colorless and flammable. Used industrially in the petrochemical industry and commercially as a heating or engine fuel.

PSU: Performance Share Unit.

Revolving Credit Facility: The Company's revolving credit facility of up to $500.0 million (or U.S. $ equivalent) which has an extendable term of five years expiring on March 7, 2022.

roofing flux: Processed asphaltic product used in the manufacturing of shingles and other roofing products.

RSU: Restricted Share Unit.

SCADA: Supervisory control and data acquisition. Gibsons' SCADA system is operated out of a central control room staffed with operators 24 hours per day, 7 days per week. Gibsons' SCADA system allows the control room operators to control the various equipment at each of the facilities including opening/closing valves, turning pumps on and off as well as, for example, selecting the speed of certain pumps, directing product to or from the appropriate tank and adjusting blending ratios.

SDP: Stock Dividend Plan.

Shareholders: The holders of issued and outstanding Common Shares from time to time.

sour/sweet: Describes the degree of a given crude oil's sulfur content. Sour refers to high sulfur, greater than 0.5% by weight, and sweet refers to low sulfur.

Stittco: Stittco Energy Limited

Suncor: Suncor Energy Inc.

T&R Transport: Ross Eriksmoen, Inc., GWCC, LLC, and Frontier Ventures, LLC, collectively doing business as T&R Transport

terminalling: The receipt of crude oil and petroleum products for storage into storage tanks and other related equipment, including pipelines, where the crude oil will be commingled with other products of similar quality; the storage of crude oil; and the delivery of the crude oil as directed by a distributor into a truck, vessel or pipeline.

throughput: The volume of product transported or passing through a pipeline, plant, terminal or other facility over a stated period of time.

tops: A bottomless light sour crude oil, a residual from the asphalt refining process, which is a feedstock for refiners.

TSX: Toronto Stock Exchange.

U.S.: United States.

USEPA: U.S. Environmental Protection Agency.

wellsite fluids: Includes oil based drilling and frac fluids used in the drilling and completion of oil and natural gas wells.

WCSB: Western Canadian Sedimentary Basin.

WTI: West Texas Intermediate, a type of crude oil used as a benchmark in crude oil pricing.

FORWARD-LOOKING INFORMATION

Certain statements and information included or referred to in this AIF constitute forward-looking information (as such term is defined under applicable Canadian securities laws). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking information. 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 expressing future outcomes or statements regarding an outlook are intended to identify forward-looking information. Forward-looking information, included or referred to in this AIF include, but are not limited to statements with respect to:

- the completion of the sale of the Industrial Propane segment;
- the realization of anticipated benefits from the sale of Industrial Propane segment and associated contracts, including the ability to reinvest net proceeds of disposition in a timely and efficient manner;
- the realization of anticipated benefits from headcount rationalization efforts;
- 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, including opportunities to promote the Company's broader services platform;
- 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 (including the timing thereof) 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 strategic acquisitions, capital expenditures or other similar transactions, including the amount, timing and costs thereof;
- the potential impacts of various identified risk factors;
- the anticipated timelines for future regulatory, partner or internal approvals;

- the future impact of regulatory measures;
- in-service dates for new infrastructure 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 tax treatment thereof); and
- the Company's dividend policy.

Developing forward-looking information involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to Gibsons and others that apply to the industry in general. With respect to forward-looking information included or referred to in this AIF, 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 necessary regulatory and partner approvals;
- the successful and timely implementation of capital projects or stages thereof;
- the Company’s ability to generate sufficient cash to meet its current and future obligations;
- 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; and

- other risks and uncertainties described from time to time in the filings the Corporation makes with securities regulatory authorities.

The forward-looking information included or referred to in this AIF 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 information. Readers are cautioned that the foregoing lists are not exhaustive and are made as at the date hereof. For a full discussion of Gibsons' material risk factors, see "Risk Factors" in this AIF. Readers should also refer to "Risk Factors" in the Company's current Management's Discussion and Analysis and to the risk factors described in other documents Gibsons files from time to time with securities regulatory authorities, available on SEDAR at sedar.com and on the Company's website at Gibsons.com. No assurance can be given that these expectations will prove to be correct. As such, forward-looking information included or referred to in this AIF and the Company's other filings with Canadian securities regulatory authorities should not be unduly relied upon. These statements speak only as of the date of this AIF.

Information on, or connected to, our website www.Gibsons.com does not form part of this AIF.

The forward-looking information included or referred to in this AIF are expressly qualified by this cautionary statement and are made as of the date of this AIF. The Company does not undertake any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

CORPORATE STRUCTURE

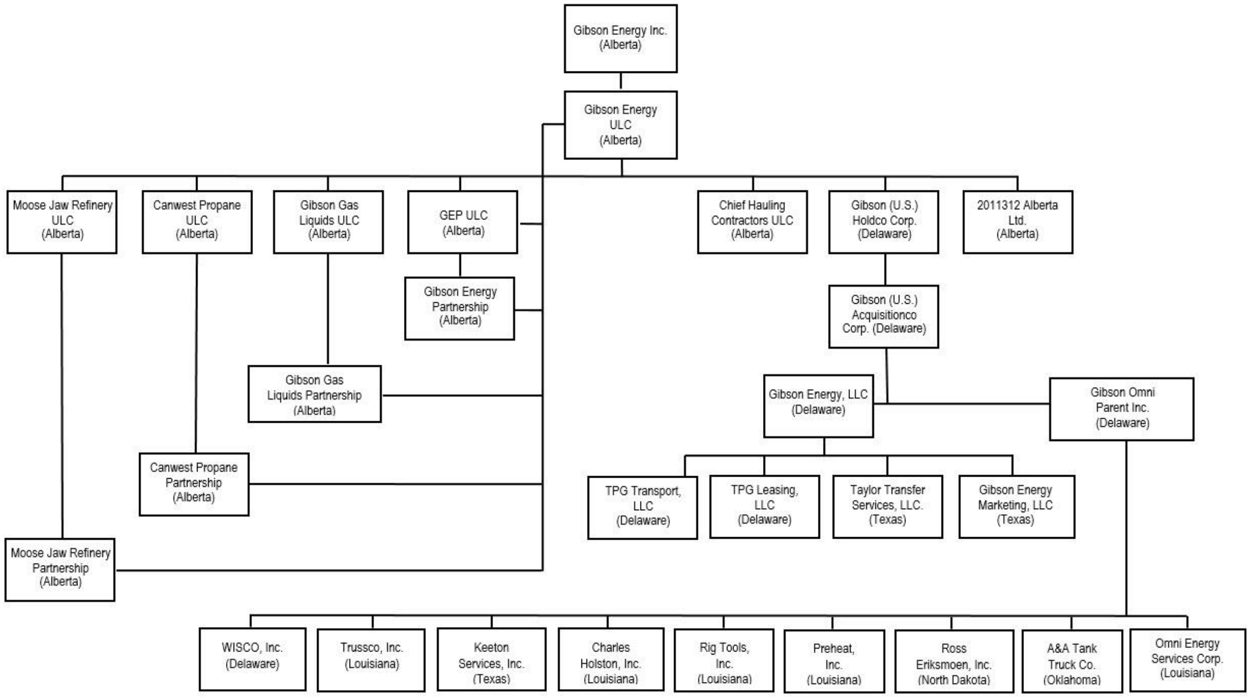
Incorporation and Organization

The Company was incorporated as "Gibson Energy Inc." pursuant to the ABCA on April 21, 2011. On June 15, 2011, concurrent with the consummation of its IPO, Gibson Energy Inc., Gibson Energy Holding ULC and 1441682 Alberta Ltd. amalgamated into one entity, with the surviving entity being Gibson Energy Inc. (the "Reorganization"). The Reorganization was a common control transaction whereby Gibson Energy Inc. was accounted for using continuity of interest and, as such, Gibson Energy Inc. is considered a continuity of Gibson Energy Holding ULC.

The Company's head office and registered office is located at 1700, 440-2nd Avenue, S.W., Calgary, Alberta, Canada T2P 5E9.

Corporate Structure

The following organizational chart illustrates the intercorporate relationship of the Company with the other material entities in which the Company has an interest. All entities listed are wholly owned, directly or indirectly, by the Company. Jurisdictions of incorporation or organization, as applicable, are indicated in parentheses.



HISTORY OF THE BUSINESS

The origins of Gibsons date back to 1950 with the incorporation of Gibson Petroleum Marketing Co. Ltd., which started marketing petroleum products in 1953. In 1954, Gibsons entered the pipeline business with the creation of Gibson Crude Oil Purchasing Co. Ltd. and the construction of a pipeline gathering system in Alberta. In 1957, Gibsons built its first oil terminal facility in Hardisty, Alberta, connected into the Interprovincial Pipeline, moving oil from Western Canada to the east. In 1955, Gibsons began its oil trucking operations and subsequently expanded these operations throughout Western Canada and the U.S. through organic growth and various acquisitions. In 1988, Gibsons entered the propane business with the purchase of James Propane Calgary Ltd., followed by the purchase of Canwest Propane Ltd. in 1990, and has since expanded its propane operations throughout western Canada, Manitoba and the Northwest Territories. In 2002, Gibsons entered the processing business with the purchase of a heavy crude oil processing facility in Moose Jaw, Saskatchewan, which is strategically connected to pipelines and significant product storage capacity.

From inception, Gibsons was a subsidiary of Hunting PLC, a UK-based energy services company listed on the London Stock Exchange. However, on December 12, 2008, Gibsons was acquired by an indirect wholly owned subsidiary of R/C Guitar Cooperatief U.A., a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings (“Riverstone”). On June 15, 2011, Gibsons completed an IPO on the TSX. Over the course of 2011 and early 2012, Riverstone liquidated its ownership of Gibsons.

On October 31, 2012, the Company completed the acquisition of OMNI, which was the largest acquisition in Gibsons’ history. OMNI is an environmental and production services company that services the oil and gas industry in the U.S. This acquisition expanded the Company’s environmental services business, including waste management, into the U.S. market.

On April 1, 2014, the Company completed the acquisition of Stittco and on August 1, 2014, the Company completed the acquisition of Cal-Gas Inc., both providers of propane and related equipment, service and delivery to commercial, industrial and residential customers. These acquisitions expanded the footprint of the propane segment, with locations in Western Canada as well as Northern Manitoba, Northwest Territories and Northwestern Ontario.

On July 1, 2015, the Company completed the acquisition of T&R Transport. This acquisition expanded the Company's water and oil field waste hauling and related transportation service offering to customers in the oil, gas and petrochemical industry throughout the Bakken region in North Dakota.

On July 20, 2016, the Company announced its intention to explore the potential sale of its Industrial Propane division which is consistent with the Company's efforts to increasingly focus both investment capital and management attention on attractive growth opportunities within our Infrastructure business.

On February 13, 2017, the Company entered into an agreement to sell its Industrial Propane business for non-refundable cash consideration of $412 million, subject to certain adjustments, to Superior Plus LP.

Corporate History

1950s

1950: Gibson Petroleum is incorporated

1953: First oil sale (366 barrels) and first purchase of tank trucks

1954: Enters pipeline business with construction of Bellshill Pipeline

1957: Hardisty Terminal built (40,000 barrels)

1960s

1961: Edmonton Terminal built

1969: Purchased first two semi-trailers for crude hauling

1970s

1973: Enters asphalt hauling business

1975: Enters LPG hauling business

1980s

1988: Construct Provost Pipeline

1990s

1990: Acquired Canwest Propane

1995: Enters bitumen market

1997: Construct ECHO Pipeline (50% ownership interest)

2000s

2002: Acquire Moose Jaw Asphalt Inc., Tulsa Oilfield Services Ltd. and Wells Cargo Oilfield Services (Trucking Division)

2004: Moose Jaw facility winterization; open propane rail terminal in Surrey, BC; begin marketing frac fluid and solvent

2007: Acquire Del's Propane, REV Fluid, Boychuk Transport, MP Energy, Western Propane & Gas Services; complete Moose Jaw Tops Pipeline project

2008: Riverstone purchases Gibson from Hunting; Gibson acquires Chief Hauling

2009: Acquire Bridge Creek and Turner Gas; investment in Deepwell Energy Services (Palko)

2010s

2010: Acquire Johnstone, Aarcam, Taylor and remaining 75% of Battle River Terminal, sign agreement to construct an additional 1.2 mmbbls of tankage at Hardisty

2011: Complete IPO on TSX; enter into partnership for Plato pipeline and custom treating facility construction; acquire remaining interest in Palko

2012: Acquire Summit assets, Mobile Propane, Jalbert Enterprises, Gator Services, Fricken Fracken Water Hauling, Northern Trucking, All Clean Fluid & Filtration Services and OMNI Energy Services; announce commitments to build an additional 1.1 mmbbls of storage at Hardisty

2013: Announce commitment to build an additional 0.6 mmbbls of storage at Hardisty Terminal; agreement to partner with USD on crude unit train facility at Hardisty; and commitment from Statoil to construct 0.3 mmbbls of storage and a new rail loading rack at Edmonton

2014: Acquire Stittco Energy and Cal-Gas; announce commitments to build an additional 0.6 mmbbls of storage at Hardisty Terminal; successful commissioning of unit train facility at Hardisty and an additional 0.8mmbbls of storage at Hardisty Terminal

2015: Acquire Littlehawk Enterprises and T&R Transport; announce commitments to build an additional 1.8 mmbbls of storage at Hardisty Terminal; successful commissioning of an additional 0.9 mmbbls of storage at Hardisty Terminal; successful commissioning of connectivity enhancement projects related to the twinning of the Cold Lake and Athabasca pipeline connections at Hardisty Terminal

2016: Announce commitments to build an additional 0.8 mmbbls of storage and related pipeline infrastructure at Edmonton Terminal; successful commissioning of an additional 2.9 mmbbls of storage at Hardisty Terminal; successful commissioning of an additional 0.5 mmbbls of storage at the Edmonton Terminal; announce intentions to explore potential sale of Industrial Propane segment

DESCRIPTION OF THE BUSINESS

Company Overview

Gibsons is a Canadian-based midstream energy company with operations in key hydrocarbon basins across North America. Gibsons' Continuing Operations employ over 1,900 people and are engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, NGLs, refined products, water and oilfield waste. The Company transports energy products by using its network of terminals, pipelines, storage tanks and trucks located throughout Western Canada and through its significant truck transportation and injection station network in the U.S. The Company also provides emulsion treating, water disposal and oilfield waste management services through its transportation fleet and network of PRDs in Canada and the United States. 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 U.S., through the Company's strategically located terminals in Hardisty, Alberta and Edmonton, Alberta, and injection stations and small terminals in the U.S., to the end user or refineries of North America.

For over 60 years, Gibsons has delivered integrated midstream energy solutions to customers in the oil and gas industry, safely and reliably. 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 North America.

Assets held for sale and discontinued operations

On February 13, 2017, the Company entered into an agreement to sell its Industrial Propane business for non-refundable cash consideration of $412 million, subject to certain adjustments, to Superior Plus LP ("Superior"). The sale will be completed through a series of transactions. Pursuant to an option purchase agreement, dated February 13, 2017, subject to the fulfilment of customary conditions, Gibsons and Superior agreed to complete the initial transaction pursuant to which Superior would pay $412 million in exchange for the grant of an irrevocable option (the "Option") to Superior to acquire 100% of the partnership units and shares (the "Securities") of the Canwest and Stittco businesses.

On March 1, 2017, the Company received the cash payment of $412 million in exchange for the grant of the Option and, and effective this date, Superior became entitled to the economics of the Industrial Propane business. Following the granting of the Option by Gibsons, closing risk resides with Superior. Gibsons will continue to operate the business based on the terms and covenants of the option agreement under the direction of the current management team, with no disruption to its employee base and customer service levels, until the final closing of the divestiture, which is expected to occur no later than the fourth quarter of 2017. Upon exercise of the Option by Superior, and receipt of regulatory approvals, the Securities will be transferred to Superior for nominal consideration.

As part of the sale, Superior has agreed to 5-year wholesale supply and truck transportation agreements that offer Gibsons an ability to continue procuring propane volumes for Canwest and Stittco and provide bulk delivery rights to the associated branch distribution locations.

The Company's Industrial Propane division is one of the largest retail propane suppliers in Canada with a diversified customer base, including a focus on oil and gas customers in Western Canada. This division operates under the Canwest and Stittco brands and sells propane and related equipment to oil and gas, commercial and other end-user customers. It represents a major line of business for the Company.

Segment Overview

The Company utilizes its network of integrated oil and gas midstream assets to provide essential services to its customers. In the first quarter of 2016, following a review of the management of the Company's operations, and in support of improved customer interface and enhanced internal efficiencies, the Company implemented several management and organizational changes. These changes caused the Company to realign its internal management reporting structure, and therefore the Company has also changed its external segment reporting structure to align with how information related to the business is regularly reviewed internally for the purposes of decision making, allocating resources and assessing performance. Gibsons' Continuing Operations comprise four integrated segments:

- *Infrastructure:* includes a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The primary facilities within this segment include the Edmonton Terminal and the Hardisty Terminal, which are the principal hubs for aggregating and exporting oil and refined products out of the WCSB; gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States; a crude oil processing facility in Moose Jaw, Saskatchewan, and PRDs located throughout Western Canada and the Northern United States.

- *Logistics:* includes a suite of logistical services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides transportation and related services that allow the Company to service its customers' needs several times between the wellhead and the end market, and includes providing hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for many of North America's leading oil and gas producers. Additionally, the Company also provides several ancillary services at the wellsite for production companies.

- *Wholesale:* involves the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGL's, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, CVGO, and an oil based mud product. This segment earns margins by providing aggregation services to producers and by capturing quality, locational or time-based arbitrage opportunities.

- *Other:* includes the provision of other services to the oil and gas industry including exploration support services and accommodation services.

Gibsons' Discontinued Operations consists solely of its Industrial Propane segment:

- *Industrial Propane:* is one of the largest retail propane suppliers in Canada with a diversified customer base including a focus on oil and gas customers in Western Canada. This segment operates under the Canwest and Stittco brands and sells propane and related equipment to oil and gas, commercial and other end-user customers.

The following table shows the Company's revenues from its operations for the years ended December 31, 2016 and 2015.

Revenues ($ in thousands)	2016	2015
Continuing Operations		
Infrastructure	$ 298,150	$ 271,341
Logistics	512,935	681,056
Wholesale	4,187,508	4,967,646
Other	11,291	38,885
Total Revenues	5,009,884	5,958,928
Revenues – inter-segmental	(415,703)	(553,617)
Total Revenues – external	$ 4,594,181	$ 5,405,311
Discontinued Operations		
Industrial Propane	$ 167,910	$ 186,919

Vision and Business Strategy

Vision

Gibsons' vision is to be a growth-oriented, solutions-based, North American midstream energy company with an integrated portfolio of businesses. Gibsons strives to be acknowledged for: leading health, safety, security, environmental and operational performance; providing an integrated service offering; being responsive and adaptable to a continuously changing business environment; being a valued business partner who provides innovative, cost-effective solutions to all stakeholders; having the best customer solutions focused, engaged workforce in the industry in which it participates; being an outstanding investment for its Shareholders; and being a socially responsible organization valued by the communities in which it does business.

Business Strategy

Gibsons' principal business strategy is to use its assets, market knowledge and operational expertise to provide the critical link for crude oil, NGLs and refined products between the source of production and the most appropriate end-markets, throughout Canada and the United States. To achieve this, the Company's strategy is to:

- Invest in midstream infrastructure with a focus on fee-based commercial structures that are responsive to customer's needs and generate predictable, sustainable, long-term cash flow and earnings;
- Expand the business by improving and enhancing services at existing facilities;
- Pursue focused, complementary 'bolt-on' growth, within our existing footprint, that directly supports our infrastructure assets;
- Deliver safe and reliable operations, while aggressively managing costs to maintain and improve operating margins; and,
- Maintain a strong balance sheet and ample liquidity to adapt to market conditions and opportunities.

Integrated Business Model

Gibsons offers customers a fully integrated platform, providing valuable services across the full spectrum of midstream activities. An oil and gas production company could be serviced by Gibsons in a variety of ways, providing the Company with several opportunities to provide value to the customer, while at the same time ''touching'' the barrel multiple times, earning revenue at each ‘‘touch”. The following illustrates the possible life cycle of a barrel of crude oil:

- Gibsons’ Wholesale segment purchases crude oil at the wellhead and transports the product through the Logistics segment to a Gibsons terminal;

- Gibsons’ Infrastructure segment earns a terminalling fee from the product delivered;

- The product moves downstream to North American refineries or to Gibsons’ Moose Jaw facility to be processed for a fixed fee into refined products, such as road asphalt, roofing flux, tops, vacuum gas oils, and/or wellsite fluids, which are subsequently sold to third parties by the Wholesale segment; and

- Gibsons’ Logistics segment transports wellsite fluids from the Moose Jaw facility to the original customer to assist in bringing the customer’s next well to production and then subsequently collects, transports, treats and disposes of the water and waste associated with that well

By employing an integrated model, Gibsons touches a barrel of product multiple times, creating value and driving profit with each touch.

By operating a network of terminals and injection stations, the Company is able to provide exclusive delivery points for its Logistics operations as certain Gibsons’ terminals, PRDs and injection stations will only accept crude oil trucked in by a Gibsons-operated truck. This provides a competitive advantage to the Company’s Logistics segment and also ensures that the necessary safety, security and environmental policies are controlled by Gibsons. In addition, Gibsons’ Wholesale segment is provided with priority access to Gibsons’ terminal infrastructure, thereby enabling the Wholesale segment to capitalize on quality, time and location based market disconnects.

The crude and by-product processing assets contained within the Infrastructure segment offer synergistic benefits with other segments, such as Logistics and Wholesale, providing a platform for growth focused on environmental services and refined product marketing. Management believes significant opportunities exist to promote the Company’s broader services platform to existing environmental services and refined product customers.

The Logistics segment’s unique integration with the other segments of the Company positions it to optimize the Company’s overall assets to increase profitability and cash flows. In particular, the Logistics assets allow Gibsons’ Wholesale segment to take advantage of opportunities where the Wholesale segment utilizes Gibsons’ trucks when making spot purchases from the wellhead. These purchases are then delivered to the Company’s terminals, which, in turn, results in additional throughput fees in Gibsons’ Infrastructure segment.

The Company’s Wholesale segment works to supply crude oil to the Company’s Infrastructure segment and connect NGL and refined products to end markets, capturing arbitrage opportunities in the process.

The Company believes that its business model provides significant competitive advantages, including the following:

- *Strategic Asset Base:* Gibsons owns competitively advantaged land positions and infrastructure in Canada’s major crude oil hubs at Hardisty, Alberta and Edmonton, Alberta largely underpinned by dedicated tankage with fixed fee arrangements. The Company’s North American presence allows it to build local relationships in those basins, provide competitive services and capitalize on opportunities.

- *Integrated Solutions:* Through the Company’s integrated solutions offering, it can deliver to customers a broad range of synergistic midstream services. This approach allows the Company to use the full value of its assets and network to better solve customer challenges, create opportunities, and ultimately, deliver more profitable results. The Company believes that it is one of the few industry players who have the capability to deliver these integrated solutions to its customers.

- *Customer relationships:* Gibsons' culture is based on putting the customer at the center of everything it does. The Company focuses on building long-term relationships and believes this approach allows it to be more responsive to its customers' midstream challenges and requirements.

- *Operational Excellence:* In addition to being highly skilled in building and operating infrastructure, Gibsons has a track record of sourcing and successfully executing internal growth projects while also adhering to its commitment to be a leader in health, safety, security and the environment. The Company's experienced leadership team has a proven history of successful operations and a strong industry reputation.

Economic Dependence

The Company is not a party to any contract for the purchase or sale of services or products or any other agreement upon which its business is substantially dependent. In addition, the Company is not a party to any contracts or sub-contracts which terminate, or which are subject to renegotiation this current financial year, and which would reasonably be expected to materially affect the Company's business.

<u>Gibsons' Continuing Operations</u>

Infrastructure

Business Overview

The Company's Infrastructure segment includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets.

The Company's Infrastructure segment includes a network of midstream assets with the most significant being the Hardisty Terminal and the Edmonton Terminal. The Hardisty Terminal comprises approximately 8.9 million barrels of storage which averaged 580,000 barrels per day of throughput in 2016, 400 kilometers of crude oil pipeline with a combined capacity of approximately 90,000 barrels per day, access to the Hardisty Unit Train Facility (and connection thereto) and a fractionation plant that processes NGL mix and splits it into its components of condensate, butane, propane and ethane. The Edmonton Terminal comprises approximately 0.9 million barrels of storage which averaged 46,000 barrels per day of throughput in 2016. Both terminals are well connected to major pipelines within their respective areas.

The Company also owns over 65 pipeline injection stations located in key hydrocarbon producing regions throughout the U.S. Together, these injection stations averaged approximately 89,000 barrels per day of throughput in 2016.

The Infrastructure segment also includes a crude oil processing facility located in Moose Jaw, Saskatchewan that processed an average of approximately 16,800 barrels per day of heavy crude oil into an average of approximately 7,300 barrels per day of asphaltic products and approximately 9,500 barrels per day of wellsite fluids and tops. The facility has approximately 1.0 million barrels of storage capacity, and access to over 1,000 leased rail cars. The Company also has a mud mixing plant, located in Sexsmith, Alberta, where it utilizes its wellsite fluid products in the provision of custom mud blending services.

The segment also includes over 15 PRDs and oil terminals, over 30 disposal wells and 2 landfills which are located in close proximity to major high-growth basins and provide convenient access to customer operations.

Description of Services

The Hardisty Terminal has receipt and delivery connections to most major pipelines in the area and to the Hardisty Unit Train Facility and also receives product from Gibsons' Bellshill and Provost pipelines. The Edmonton Terminal has receipt and delivery connections to major pipelines in the area, including pipeline receipts from Suncor's

Edmonton and Fort McMurray refineries. In addition to pipeline receipts, crude oil and condensate are trucked into all terminals, including the injection stations in the United States. In 2016, the Company successfully commissioned 3,360,000 barrels of total storage at the Edmonton Terminal and the Hardisty Terminal collectively. In addition, the Company announced it had received committed customer support for the construction of 800,000 barrels of storage capacity and related pipeline infrastructure at the Edmonton Terminal.

The Moose Jaw facility processes heavy crude oil into asphaltic and lighter distillate products to be sold into specialized markets. Products include several grades of road asphalt, roofing flux, wellsite fluids, CVGO, and tops. The Company's refined products are shipped by truck, rail and pipeline from Saskatchewan to high demand markets in the U.S. and Canada. Currently, the facility processes heavy crude oil received from two independent pipelines and by truck and is interconnected to the critical Enbridge and South Saskatchewan pipelines located between the Canadian oil producing markets and the Canadian and U.S. product consuming markets.

The PRD Terminals provide:

- waste management services that process, recover and dispose of industrial waste streams, including produced water and completion water, workover fluids, frac fluids, drilling fluids, drilling muds and wastes from spills;

- oil treatment and recovery services such as: waste oil recovery, custom treating (oil emulsions), facility services, crude oil terminalling and marketing and shipping. A combination of processing technology, heat, time and pressure is used to separate these waste streams into three components: water, solids and oil. Water is clarified and filtered before deep well disposal. Solids are dried, analyzed against acceptance criteria and then transported to an oil and gas waste landfill for disposal. Oil is treated to meet standard crude specifications and delivered to a pipeline;

- processing and disposal of drilling and production waste such as fluids and cuttings; and,

- water treatment and recovery services.

Customers and Contracts

The Company provides fee-based storage and terminal services and tariff-based pipeline services to independent and integrated oil companies and petroleum marketing companies. End users for the Company's Infrastructure segment services are primarily major exploration and production companies, marketers and refiners, with product reaching the end markets via major export pipelines and rail infrastructure to which the Company is connected. The Company also contracts certain of its Infrastructure assets with its Wholesale segment.

The Company's contracts are typically structured as fixed fee arrangements, with 71% and 27% of total segment revenue in the year ended December 31, 2016 generated from long-term fixed fee and fee-for-service contracts, respectively. Intercompany contracts, all on a fixed fee arrangement, represented 23% of total segment revenue in the year ended December 31, 2016.

Competition

Certain major pipeline companies have existing storage facilities connected to their systems that compete with certain of the Company's storage facilities. Competition among terminals is based on location, connectivity of assets and the range of services provided. Competition among pipelines is based primarily on transportation charges, availability of service to producing areas and access to specific crude oil blend streams by the owners of the crude oil.

The Company believes that the maturity of producing oilfields, capital requirements, environmental considerations, its strategic position at Hardisty and Edmonton and the difficulty of acquiring rights-of-way and related permits, make it unlikely that new midstream competitors will be able to replicate the Company's asset base and service offerings in the foreseeable future.

Many of the Moose Jaw facility's competitors are fully integrated national or multinational oil companies engaged in various segments of the petroleum business. However, most of the facility's competitors typically produce asphalt as a by-product of their gasoline production and do not focus on asphalt quality and consistency which is a primary focus for Gibsons. With regards to wellsite fluids, the competitors range from multinational companies to independent producers of competing products, as well as purchasers and resellers from North American supply sources that compete in this market when demand for fluids outstrips domestic production.

The Company's PRDs face competition that varies by both service offering and geography; however, no company has the exact same service offering across the geographic areas the Company services, which includes most major oil and liquids areas in Western Canada and select basins in the United States.

Logistics

Business Overview

The Company's logistics segment includes a suite of logistical services that enable oil and liquids production to access fixed midstream infrastructure including crude and other product hauling, water hauling and disposal and other products and services. With its fleet of approximately 2,825 trailers and approximately 1,300 tractors, the Company operates one of the largest truck haulers of crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, and drilling fluids in North America, transporting over 80 million barrels of oil equivalent throughout Canada and the U.S. in 2016. The Company also owns and operates over 30 sales and logistics hubs located in the Permian, Bakken, Granite Wash, Eagle Ford, Tuscaloosa Marine, Mississippi Lime and Gulf of Mexico regions that offer specialized and complementary drilling and production services to its exploration and production customers.

Description of Services

The crude and other product hauling business line provides transportation services to its customers throughout North America. This business line connects crude, condensate, propane, butane asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, and drilling fluids to either the Company's existing Infrastructure assets or to third party terminals for further processing or long haul transportation to end markets. Trucking services are heavily relied upon by the Company's customers to connect remote sources of production to end markets and to provide critical transportation services when pipeline disruptions occur.

The water hauling and disposal business line has historically developed innovative and proprietary solutions for its customers, thereby increasing the demand for the Company's services. Increasing regulatory scrutiny and customers' heightened awareness regarding the environmental impact of their businesses have driven increased demand for water handling. Consequently, customers are focused on mitigating the potential reputational and financial risks associated with these activities and have, increasingly, turned to operators like Gibsons, who can provide turn-key solutions to solve these issues. This business line provides transportation and disposal services of industrial waste water streams, which include both produced and completion water, to its customers across North America.

The other products and services business line provides exploration and production companies with critical services that facilitate uptime and consistent operation of producing wells. The Company also offers a comprehensive fluids service package which includes drilling support packages as well as cleaning packages. The production services the Company provides are natural extensions of its environmental fluid transport services and PRDs, which target both drilling and production related activities.

Customers and Contracts

The Company's customers in the crude and other product hauling business line include oil and gas exploration and production companies, refiners, oilfield drilling contractors, road construction companies and LPG and refined product marketing companies. The crude and other product hauling business line conducts its business using a combination of long-term contracts, master service agreements, tenders that range between one and two year periods and short-term evergreen contracts with a cancellation notice period, typically 30 days. The Company has an agreement with Shell Trading (US) Company ("Shell") providing the Company with the opportunity to act as Shell's transportation provider within agreed areas in the U.S. and requiring the Company to operate certain of its injection stations exclusively for Shell. Transportation rates vary based on receipt point, delivery point, length of haul and type of product hauled. Hauls can be regularly scheduled under service agreements or hauled as spot movements.

The Company's customers in the water hauling and disposal and other products and services business lines include many major exploration and production companies. Services provided by these business lines are typically required on a non-deferrable basis with a frequency of service mandated by regulatory and operational requirements. Additionally, environmental services generally carry with them significant regulatory barriers and permitting costs. As a result, Gibsons generates significant repeat business with its largest customers.

As part of the sale of the Industrial Propane business, Superior has agreed to a 5-year truck transportation agreement that offers Gibsons the ability to provide bulk delivery services to the associated Canwest and Stittco branch distribution locations.

Competition

The Company faces competition which varies by both product and geography, and some of the Company's competitors have the same service offering across the geographic areas the Company services. Price competition increases in periods of lower activity across all products and all geographies and decreases when activity levels peak. Any changes in the level of price and volume competition have a potential impact on net margin, which ultimately impacts overall segment profit.

Wholesale

Business Overview

The Company's Wholesale segment provides valuable marketing services to the Company's customers and also focuses on increasing volumes through the Company's Infrastructure and Logistics segments. The Wholesale segment also takes advantage of specific location, quality or time-based opportunities when they are available. Location-based opportunities arise when value differentials between commodity prices at two locations are greater than the transportation cost between the two locations. In these circumstances, the Company can use its own transportation assets, or its access to rail transportation, to physically move the product and capture the value differential. Quality-based opportunities are dependent on the prevailing price differentials between various grades of crude oil and diluent that can be combined to create a specific crude oil grade. When the combined cost of the components is less than the value of the specific grade created, a positive margin can be earned. At its various terminals, Gibsons has access to many different crude oil types, which enables it to capture quality opportunities when they exist. Time-based opportunities may arise when the forward price curve is in contango, meaning that forward month prices are greater than the current month's prices. In this market situation, physical commodities could potentially be stored and sold forward using financial contracts at prices that are higher than the current physical value of the commodity. The Wholesale segment purchases, sells, stores and blends crude oil, NGLs and refined products selling an average of approximately 320,000 physical barrels per day in 2016.

Over the last few years, the Company has grown its presence in the North American wholesale propane distribution market and currently owns four propane storage facilities in Ontario, Washington and Montana with combined storage capacity of approximately 3.0 million litres. The Company's wholesale propane distribution business sold over 815 million litres of propane in 2016.

Description of Services

The Wholesale segment includes the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGL's, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, CVGO, and an oil based mud product. This segment earns margins by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities and also drive the volume based business to our Infrastructure segment. Gibsons operates an extensive transportation network that provides a critical link from the wellhead to the refinery gate and allows the Company to provide increased assurance to producers that their production will not get shut-in due to logistical issues between the wellhead and injection into a main line pipeline system. The extent of the Company's asset network allows Gibsons to source more barrels for its Wholesale segment.

Customers and Contracts

The Company's Wholesale segment buys and sells crude oil, NGLs and refined products. The largest component of its revenues is the sale of crude oil. In the crude oil business, the Company's customer base is diversified and includes major integrated oil companies, producers, refineries and an electronic trading platform. The Company also provides wholesale propane distribution to customers in Canada and the U.S. The customer base for the NGL marketing business is diversified and includes refining customers, independent retailers and other end users. The refined product customer base includes road construction companies, governments, roofing shingle manufacturers, oilfield drilling contractors, refiners and oil and gas exploration and production companies.

As part of the sale of the Industrial Propane business, Superior has agreed to a 5-year wholesale supply agreement that offers Gibsons the ability to procure propane volumes for Canwest and Stittco.

Competition

The Company's competitors in the Wholesale segment include other oil and gas midstream companies, the major integrated oil companies, their marketing affiliates and independent gatherers, investment banks that have established a trading platform, brokers and marketers of widely varying sizes, financial resources and experience.

Competition in the wholesale propane distribution market and NGL marketing business is also strong; however, there are significant barriers to entry such as high capital requirements. The Company has focused on geographic areas that do not have major NGL pipeline infrastructure. Margins there tend to be higher, whereas intense competition occurs in areas where NGL pipelines exist, such as the Northeastern U.S. and the Mid Continental U.S. These assets allow numerous players to share similar economics which, in turn, can significantly erode margins. The Wholesale segment is focused around long-term strategic supply contracts with key players. A large part of the Company's business also revolves around strategic terminal assets in areas where competitors who do not have such assets are at a disadvantage.

There are large players in the refined product marketing business which include fully integrated national or multinational oil companies engaged in various segments of the petroleum business. However, most of these competitors produce asphalt as a by-product of their gasoline production and do not focus on asphalt quality and consistency, which is a primary focus for Gibsons.

Other

Business Overview

The Company's Other segment offers a range of complementary business solutions to support its exploration and production customers located throughout key basins in the United States.

Description of Services

The Other segment offers a multitude of services that include:

- a complete range of exploration support services including permitting, surveying and exploratory drilling services in logistically difficult and environmentally sensitive onshore terrain;
- cold-weather, skid-mounted accommodations packaged with supporting equipment and services in the Williston Basin; and,

- a complete line of rental forklifts and lift trucks strategically located throughout Louisiana and Texas.

Customers and Contracts

The Company's customers in the Other segment include many major exploration and production and geophysical companies. Services provided by the Other segment are typically required on a non-deferrable basis with a frequency of service mandated by regulatory and operational requirements. Additionally, environmental services generally carry with them significant regulatory barriers and permitting costs. As a result, Gibsons generates significant repeat business with its largest customers.

Competition

The Company faces competition which varies by both product and geography, and some of the Company's competitors have the same service offering across the geographic areas the Company services. Price competition increases in periods of lower activity across all products and all geographies and decreases when activity levels peak. Any changes in the level of price competition and demand for services may have a potential impact on overall segment profit.

Gibsons' Discontinued Operations

Industrial Propane

Business Overview

The Company's Industrial Propane segment is comprised of the Canwest Propane business which distributes propane to customers throughout western Canada. In the year ended December 31, 2016, Canwest Propane's operations distributed in excess of 420 million litres to oil and gas, industrial, commercial and residential customers. Approximately 75% of these volumes were derived from oil and gas related and commercial/industrial volumes.

Over the last 29 years, the Company has established its presence in the market as one of the largest industrial propane distributors in Canada. This size enables Canwest Propane to compete for large, geographically diverse accounts that smaller competitors may not be able to service effectively. The Company believes that it has the purchasing power that creates increased potential to enter into large supply contracts at attractive prices. As a result, Canwest Propane is able to offer competitive pricing to its customers. Canwest Propane also offers its customers flexible arrangements that smaller competitors do not offer, such as pre-pay plans based on average estimated annual usage and fixed price plans.

On February 13, 2017, the Company entered into an agreement to sell its Industrial Propane business for non-refundable cash consideration of $412 million, subject to certain adjustments, to Superior Plus LP. The sale will be completed through a series of transactions. Pursuant to an option purchase agreement, dated February 13, 2017, subject to the fulfilment of customary conditions, Gibsons and Superior agreed to complete the initial transaction pursuant to which Superior would pay $412 million in exchange for the grant of an irrevocable option to Superior to acquire 100% of the partnership units and shares of the Canwest and Stittco businesses. See "Description of the Business – Assets held for sale and discontinued operations".

Description of Services

Canwest Propane leases the vast majority of its tanks to its customers, providing Gibsons with a steady source of cash flow and income and creating a consistent, dependable customer base. In addition, Canwest Propane provides a variety of equipment rentals that are complementary to sales of propane. Other income includes parts and equipment sales, service labour and rental and delivery charges which are part of the ancillary services performed through the Company's Canwest Propane branch offices.

Propane sales are categorized according to final usage of the propane at the point of sale. Pricing in the industrial market is heavily dependent on the market pricing of propane, which forms a basis for the cost of sales known as the "rack price." Rack price is the price at which the product is offered for sale at the production plant, typically a natural gas processing plant or a refinery. Rack price is dependent on product supply and demand, weather and location, as well as transportation and storage costs. The Industrial Propane business is exposed to minimal inventory price risk as the business only carries operational propane inventory levels for short periods of time, typically days.

Customers and Contracts

Canwest Propane distributes propane to a diverse oil and gas, commercial, automotive and residential customer base which includes over 50,000 customers across Canada. Typical contract terms are from one to five years with automatic renewal provisions.

Competition

In the propane marketplace, the Industrial Propane business faces competition from large, mid-sized and small players throughout Western Canada. There are approximately 50 companies that compete for market share across Western Canada. The industry is, for the most part, mature with geographic pockets that have higher growth potential. The Company believes its market share is protected by high fuel switching costs and growth potential is based on its ability to provide timely, reliable service at competitive prices to its customers.

Competition is often the greatest in markets such as central Alberta, where supply points are readily available. Smaller retailers are more prevalent in these markets because they are not required to invest capital in storage facilities as they can load directly from the supply source. Price competition also exists in areas with large oil and gas accounts where significant volumes can be achieved.

Propane also competes with other energy sources, including natural gas, electricity, wood, fuel oil and diesel, many of which are more cost effective on an equivalent energy basis. Propane has advantages over these other fuels in remote locations, in particular, where natural gas or electricity is not economically viable.

CORPORATE SOCIAL RESPONSIBILITY

Code of Conduct and Ethics Policy

Gibsons' Code of Conduct and Ethics Policy (the "Code") outlines the employee qualities and cultural elements that the Company values, including integrity, innovation, teamwork, excellence, respect, accountability, compassion and transparency. The Code embodies the values to guide personnel in identifying and managing business situations, allowing Gibsons to conduct business in a responsible and ethical manner, and treating those with whom it deals with fairness and respect. The Code specifically addresses the Company's expectations for directors, officers, employees, contractors and consultants regarding compliance with laws, conflict of interest, confidentiality and disclosure, employment practices, health, safety and environment, use of company property and resources, retention of documents and records and reporting financial transactions. The Code also provides information on how directors, officers, employees, contractors and consultants can report non-compliance and how such reports will be managed. To ensure that the Code is effective, the Company requires its Board members and management personnel to confirm on an annual basis that they have read the Code and are in full compliance with its terms. A copy of the Code has been filed on the Company's SEDAR profile at http://www.sedar.com.

Gibsons is committed to maintaining a high standard of corporate governance and ethical practices, both within the corporate boardroom and throughout its operations. Gibsons' corporate governance practices are designed with a view to:

- ensure it operates in a safe, reliable and environmentally responsible manner;

- ensure it meets its obligations to all regulatory bodies, business partners, customers, stakeholders, employees and shareholders; and

- ensure its businesses are effectively managed in the best interests of all stakeholders.

Health, Safety, Security and Environment Policy

Health, safety, security and the environment ("HSSE") are top priorities in all of Gibsons' operations and business activities. The Company is committed to being an industry leader in conducting its business so that it meets or exceeds all applicable laws and regulations and it is committed to protecting the health, safety and security of its employees, contractors, agents and the public and safeguarding the environment affected by its activities. These areas are of paramount importance to management, employees and contractors at the Company.

Respectful Workplace Policy

Gibsons is committed to providing a workplace that is pleasant, healthy, comfortable, and free from intimidation, hostility or other offenses which might interfere with workplace performance. Employees are expected to treat each other with mutual respect, fairness and dignity. Discrimination or harassment of any sort will not be tolerated. The purpose of this policy is to create a respectful workplace through the prevention and quick resolution of harassment and/or discrimination.

Whistleblower Policy

Gibsons is committed to high standards of professional and ethical conduct in all activities. The Company's reputation for honesty and integrity among its stakeholders is key to the success of the business. The transparency, honesty, integrity and accountability of Gibsons' financial, administrative and management practices is vital. These high standards guide the decisions of the Board and are relied upon by Gibsons' stakeholders and the financial markets. For these reasons, it is critical to maintain a workplace where concerns regarding questionable business practices can be raised without fear of any discrimination, retribution or harassment. This reporting mechanism invites employees, officers, directors and other stakeholders to act responsibly to uphold the reputation of Gibsons and maintain public confidence. Encouraging a culture of openness and ethical leadership from management will also help this process. This policy is intended to encourage and enable stakeholders to raise serious concerns within the Company rather than overlooking a problem or seeking a resolution of the problem outside the Company. A copy of the Whistleblower Policy has been filed on the Company's website.

DESCRIPTION OF CAPITAL STRUCTURE

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series (the "Preferred Shares"). As at December 31, 2016, there were 141,733,032 Common Shares issued and outstanding and no Preferred Shares were issued and outstanding.

Common Shares

Holders of Common Shares are entitled to one vote per Common Share at meetings of Shareholders, 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 or winding-up, subject to the rights of shares having priority over the Common Shares.

Preferred 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 are no Preferred Shares issued and outstanding.

DEBT

Revolving Credit Facility

On June 28, 2013, the Company established the Revolving Credit Facility of up to $500.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility 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 March 7, 2022.

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 upon the Company's total debt leverage ratio.

On July 30, 2015, the Company also established three new bilateral demand letter of credit facilities totaling $150.0 million. The Company pays letter of credit fees based upon the Company's total debt leverage ratio.

Long-term debt

On June 28, 2013, the Company issued $250.0 million 7.00% Senior Unsecured Notes due July 15, 2020 at an issue price of 98.633% and U.S. $500.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 98.476%. 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.

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 a 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.

Debentures

On June 2, 2016, the Company issued $100.0 million 5.25% Debentures due July 15, 2021 at an issue price of par. Interest is payable semi-annually on July 15 and January 15 in each year and may be redeemed, in certain circumstances, on or after July 15, 2019. The Debentures will be convertible at the holder's option into Common Shares at any time prior to the earlier of the July 15, 2021 and the business day immediately preceding the date fixed for redemption by the Company at a conversion price of $21.65 per Share (the "Conversion Price"), being a ratio of approximately 46.1894 Shares per $1,000 principal amount of the Debentures.

DIVIDENDS

The Company is currently paying quarterly dividends to Shareholders. Gibsons' intention is to provide Shareholders with growing and predictable quarterly dividends, while retaining a portion of cash flow to fund ongoing growth projects. The payment of dividends is not guaranteed and the amount and timing of any dividends payable will be at the discretion of the Board and will be established on the basis of Gibsons' earnings, financial requirements, operations, the satisfaction of solvency tests and the compliance with Gibsons' debt agreements for the declaration and payment of dividends and the satisfaction of regulatory capital requirements. See "Risk Factors".

The Company suspended its DRIP and SDP until further notice in 2015 and did not issue any shares from treasury related to these plans in 2016. When enacted, the DRIP allows holders of the Common Shares to elect to reinvest all or any portion of their quarterly dividends paid on their Common Shares to purchase additional Common Shares at a discount to the prevailing market price without having to pay any commissions. The SDP is similar to the DRIP but allows holders of Common Shares to elect to receive their quarterly dividends in the form of common shares at a discount to the weighted-average price calculated five days before the dividend payment date. The Company pays all the fees associated with the DRIP and the SDP.

Dividend History

The following table sets forth the dividend history of the Company for each of the three most recently completed financial years:

Payment Date	Per Common Share Cash Dividend
January 17, 2014	$0.275
April 17, 2014	$0.30
July 17, 2014	$0.30
October 17, 2014	$0.30
January 16, 2015	$0.30
April 17, 2015	$0.32
July 17, 2015	$0.32
October 16, 2015	$0.32
January 15, 2016	$0.32
April 15, 2016	$0.33
July 15, 2016	$0.33
October 17, 2016	$0.33
January 17, 2017	$0.33

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares trade on the TSX under the ticker symbol "GEI". The following table sets forth the monthly high and low sales prices per Common Share at the close of market and trading volumes for the Common Shares on the TSX for the periods indicated.

	Monthly		
Calendar Period	**High**	**Low**	**Volume**
2016			
January	$ 15.53	$ 12.52	11,683,300
February	$ 17.21	$ 14.65	7,036,400
March	$ 18.65	$ 16.99	6,924,600
April	$ 18.65	$ 16.39	7,163,500
May	$ 18.81	$ 15.13	12,937,500
June	$ 16.00	$ 14.71	9,593,400
July	$ 15.11	$ 14.37	6,569,600
August	$ 17.88	$ 14.70	9,466,400
September	$ 18.05	$ 16.59	8,329,400
October	$ 18.38	$ 16.83	5,878,500
November	$ 18.25	$ 15.68	6,130,500
December	$ 19.25	$ 18.56	4,112,400

CREDIT RATING

The following information relating to the Company's credit ratings is provided as it relates to the Company's financing costs, liquidity and operations. Specifically, credit ratings can affect the Company's ability to obtain short term and long-term financing and the cost of such financing. Additionally, the ability of the Company to engage in certain collateralized business activities on a cost effective basis depends, in part, upon the Company's credit ratings. Negative changes in credit ratings may affect the Company's ability to, and the associated costs of: (i) entering into ordinary course derivative or hedging transactions and may require the Company to post additional collateral under certain of its contracts; and (ii) entering into and maintaining ordinary course contracts with customers and suppliers on acceptable terms; and could adversely affect the Company's cost of financing and its access to sources of liquidity and capital.

The following table outlines the credit ratings received by the Company:

	Standard & Poor's Ratings Services (“S&P”)	**Moody's Investors Service (“Moody's”)**
Issuer Corporate Credit Rating	BB	Ba2
Long-Term, Debt Credit Rating (Senior Unsecured Notes)	BB	Ba2

S&P's issuer corporate credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality. The ratings may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within a particular rating category. An issuer credit rating of BB by S&P is fifth highest of ten categories and indicates that the obligor is less vulnerable in the near-term than other lower-rated obligors; however, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

S&P’s long-term debt credit ratings are on a rating scale that ranges from AAA to D, which represents the highest to lowest quality of such securities rated. The ratings may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within a particular rating category. A long-term credit rating of BB is within the fifth highest of ten categories and is considered to have significant speculative characteristics. An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

Moody's issuer credit rating is an opinion of the ability of the issuer to honour senior unsecured financial obligations and contracts. Moody’s issuer credit rating is a forward-looking opinion about an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. Long-term credit ratings are intended to provide an independent measure of the credit quality of long-term debt.

Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of “Ba” by Moody's is the fifth highest of nine categories and is assigned to obligations which are judged to be speculative and are subject to substantial credit risk. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the debt or other securities of the issuer nor do the ratings comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period of time and may, in the future, be entirely revised or withdrawn by a rating agency if, in its judgment, circumstances so warrant.

Gibsons has made payments in the ordinary course to the applicable rating agencies in connection with the assignment of ratings on the securities of the Company. In addition, the Company has made customary payments in respect of certain other services provided to the Company by the applicable rating agencies during the last two years.

RISK FACTORS

The following information is a summary of certain risk factors relating to the Company or an investment in the Company's securities. The risks have been categorized as risks relating to the Company's business and risks related to financial and other risks. Each of these risks could negatively impact the trading price of the Common Shares and investors could lose all or part of their investment in the Common Shares. There can be no assurance that risk management steps taken by the Company will prevent future loss due to the occurrence of any of the events described in the risk factors below or other unforeseen events. Readers are cautioned that this summary of risks may not be exhaustive, as there may be risks that are unknown and other risks that may pose unexpected consequences. Additional risks and uncertainties not currently known to Gibsons, or that it currently views as immaterial, may also materially and adversely affect its business, financial condition and/or results of operations.

Risks Relating to the Company's Business

Market and Commodity Price Risk

The Company enters into contracts to purchase and sell crude oil, NGLs and refined products. Most of these contracts are priced at floating market prices. Although the majority of these contracts are back-to-back, these activities could expose the Company to market risks resulting from movements in commodity price, margin and currency exchange rate differentials between the timing of purchases and subsequent sales. The prices of the products that the Company markets are subject to fluctuations as a result of such factors as seasonal demand changes, changes in commodity markets and other factors. In many circumstances, purchase and sale contracts are not perfectly matched, as they are entered into at different times and for different values. Furthermore, the Company normally has a long position in propane, NGLs, crude oil and refined products that the Company markets, and may store these products in order to meet seasonal demand and take advantage of seasonal pricing differentials, thereby resulting in inventory risk.

Because crude oil margins are earned by capturing spreads between different qualities of crude oil, the Company's crude oil marketing business is subject to volatility in price differentials between crude oil streams and blending agents. As a result, margins, and profitability can vary significantly from period to period as a result of this volatility. We expect that commodity prices will continue to fluctuate significantly in the future. The Company manages this commodity risk in a number of ways, including the use of financial contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. For example, as NGL and refined product prices are somewhat related to the price of crude oil, crude oil financial contracts are one of the more common price risk management strategies that the Company uses. Also, with respect to crude oil, the Company manages its exposure using WTI based futures, options and swaps. These strategies are subject to basis risk between the prices of crude oil streams, WTI, NGL and refined product values and, therefore, may not fully offset future price movements. Furthermore, there is no guarantee that these strategies and other efforts to manage marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. If the Company utilizes price risk management strategies, the Company may forego the benefits that may otherwise be experienced if commodity prices were to increase. In addition, any non-compliance with the Company's trading policies could result in significantly adverse financial effects. To the extent that the Company engages in these kinds of activities, the Company is also subject to credit risks associated with counterparties with whom the Company has contracts.

Additionally, the Company purchases from producers and other customers a substantial amount of crude oil and condensate, propane and NGLs for resale to third parties, including other marketers and end-users. However, the Company may not be successful in balancing its purchases and sales. A producer or supplier could fail to deliver contracted volumes or could deliver in excess of contracted volumes, or a purchaser could purchase less than contracted volumes. Any of these actions could cause the Company's purchases and sales to be unbalanced. While the Company attempts to balance its purchases and sales, if its purchases and sales are unbalanced, the Company will face increased exposure to commodity price risks and could have increased volatility in its operating income and cash flow.

Capital Expenditures by Oil and Gas Companies

Declines in capital expenditures to explore, develop and produce oil and natural gas by the Company's oil and gas customers, could result in project modifications, delays or cancellations resulting in production declines or delays in the basins where we operate and, thereby, significantly reduce the Company's cash flow and revenues. Customers' expectations for lower commodity prices, as well as the availability of capital for operating and capital expenditures, may also cause customers to curtail spending, thereby reducing demand for the Company's services.

Industry conditions are influenced by numerous factors, over which the Company has no control, including:

- domestic and worldwide supplies of crude oil and petroleum products;
- changes in the level of consumer demand;
- the price and availability of alternative fuels;
- the availability, proximity and capacity of pipelines, other transportation facilities and processing facilities;
- the level and effect of trading in commodity futures markets, including by commodity price speculators and others;
- the price and level of foreign imports;
- the nature and extent of domestic and foreign governmental regulations and taxes;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil and natural gas producing regions; and
- overall domestic and global economic and market conditions.

The volatility of the oil and natural gas industry and the impact on exploration and production activity could adversely impact the level of drilling activity by customers in some of the regions in which the Company operates. Any reduction in activity may cause a decline in the demand for the Company's products and services or adversely affect the price of products and services provided, and the financial results of operations, particularly if rigs are moved to areas in which the Company does not currently operate. In addition, reduced discovery rates of new oil and natural gas reserves in the Company's market areas also may have a negative long-term impact on the Company's business, even in an environment of stronger oil and natural gas prices, to the extent existing production is not replaced and the number of producing wells is not increased to service production declines.

Demand for Crude Oil and Petroleum Products

Any sustained decrease in demand for crude oil and petroleum products in the markets the Company serves could result in a significant reduction in the volume of products and services that the Company provides and thereby could significantly reduce cash flow and revenues. Factors that could lead to a decrease in market demand include:

- lower demand by consumers for refined products, including asphalt and wellsite fluids, as a result of recession or other adverse economic conditions or due to high prices caused by an increase in the market price of crude oil, which is subject to wide fluctuations in response to changes in global and regional supply over which the Company has no control;

- an increase in fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles, technological advances by manufacturers, governmental or regulatory actions or otherwise;

- provincial, state and federal legislation either already in place or under development requiring the inclusion of ethanol and use of biodiesel which may negatively affect the overall demand for crude oil products;

- lower demand by the oil and gas drilling industry for products such as drilling mud additives and for wellsite fluids as a result of legislation regulating hydraulic fracturing currently being considered by the U.S. Congress, a number of U.S. states and the Province of Quebec;

- technological advances in the production and longevity of fuel cells and solar, electric and battery-powered engines; and

- fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdowns.

The Company cannot predict and does not have control over the impact of future economic and political conditions on the energy and petrochemical industries, which, in turn, could affect the demand for crude oil and petroleum products. As a result of decreased demand, the Company may experience a decrease in the Company's margins and profitability.

Production of Crude Oil

Crude oil production may decline for a number of reasons, including natural declines due to depleting wells, a material decrease in the price of crude oil, a lack of takeaway capacity, or the inability of producers to obtain necessary drilling or other permits from applicable governmental authorities. Further, a sustained decrease in the price of oil and production levels may result in significant headcount reductions as producers try to remain profitable. There is no guarantee that these displaced workers will return to the oil and gas industry which may delay any anticipated production recoveries. If the Company is unable to replace volumes lost due to a temporary or permanent material decrease in production or a decrease in demand from the oil fields served by the Company, the Company's revenue and cash flow could decline. In addition, certain of the Company's field and pipeline operating costs and expenses are fixed and do not vary with the volumes the Company gathers and transports. These costs and expenses may not decrease rateably, or at all, should the Company experience a reduction in the Company's volumes gathered or transported by the Company's operations. As a result, the Company may experience declines in its margins and profitability if the volumes decrease.

Future Climate Control Legislation

Canada is a signatory to the Paris Agreement, an agreement aimed at fostering climate resilience and lower GHG development consistent with a pathway towards a low carbon future. Signatories have set targets for 2025 or 2030 that intend to establish a 2-degree celsius temperature change ceiling. This will be achieved by reducing carbon dioxide, methane, nitrous oxide and other GHG emission sources. One outcome of the agreement is that the Canadian federal government has announced a carbon tax effective in 2018. This federal "carbon basement" pricing would be imposed on provinces who fail to implement a carbon levy regime by 2018. Over the last several years, the federal Government has undertaken a number of initiatives to achieve domestic GHG reductions. These measures include regulations, codes and standards, targeted investments, incentives, tax measures and programs that directly or indirectly reduce GHG emissions. Going forward, the Government has announced that it will focus on a sector-by-sector regulatory approach, beginning with the largest sources of emissions.

There has been much public debate surrounding Canada's ability to meet emission reduction targets and the strategies proposed for controlling climate change and GHG emissions. It is likely that any such strategies which are eventually adopted by the Canadian government will materially impact the nature of oil and gas operations, including those carried out by the Company and its customers. At present, it is not possible to predict the impact such strategies will have on the Company's business, operations and/or finances. Regulatory focus on other air emissions criteria such as VOC emissions, particulate matter and ground level ozone may also impact the oil and gas sector, particularly the midstream component.

Alberta currently regulates GHG emissions under the Climate Change and Emissions Management Act, the Specified Gas Reporting Regulation (the "SGRR"), which imposes GHG emission reporting requirements, and the Specified Gas Emitters Regulation (the "SGER"), which imposes GHG emission limits. Under the SGRR, GHG emissions of 50,000 tonnes or more from a facility in any year must be reported to the ESRD. The SGER applies to facilities in Alberta that have produced 100,000 or more tonnes of GHG emissions in 2003 or any subsequent year and requires reductions in GHG emissions intensity (i.e. the quantity of GHG emissions per unit of production) from emissions intensity baselines that are established in accordance with the SGER. The SGER distinguishes between "established" facilities that completed their first year of commercial operation before January 1, 2000, or have completed eight years of commercial operation on December 31, 2000 or a subsequent year and have completed less than eight years of commercial operation. Generally, the baseline for an established facility reflects emission in the third year of commercial operation. For an established facility, the required reduction in GHG emissions is 12% from its baseline, and such reduction must be maintained over time. For a new facility, the reduction requirement from its baseline is phased in by annual 2% increments beginning in the fourth year of commercial operation until the maximum 12% reduction requirement imposed on established facilities is reached. Under the SGER, there are three ways to meet emissions intensity reduction targets: (i) improve operational efficiency in terms of GHG emissions, with excess improvements generating emission performance credits that are both bankable and tradeable; (ii) purchase verified, Alberta-based emission offset credits and/or emission performance credits; or (iii) purchase "fund credits" at a present cost of $15 per excess tonne of GHG emissions, with the proceeds going into Alberta's Climate Change and Emissions Management Fund run by the Alberta Government.

None of the Company's Alberta facilities produce emissions above the threshold of 50,000 tonnes of GHGs annually for reporting under the SGRR.

Alberta has recently enacted the Climate Leadership Plan, which includes a carbon levy that complies with the federal "carbon basement" tax proposal, and therefore limits the potential for Alberta assets to be impacted by a federal carbon pricing scheme. Other provinces such as Saskatchewan have resisted implementing a compliant carbon management scheme and may be subject to the federal scheme. The Alberta Carbon Levy applies to the consumption and combustion of designated fuels. Exposure to the levy is anticipated where designated fuels are used (transportation, commercial heating, oil and gas flaring). Other elements of the Climate Leadership Plan include methane reduction initiatives, capping oil sands emissions to 100 megatonnes per year and phasing out coal combustion for electricity generation. The methane component of the plan focuses on upstream petroleum assets and the oil sands emissions cap may reduce investment in the wood buffalo region, resulting in a reduction of new bitumen production volumes.

The Company does not expect ongoing compliance costs associated with these regulations at its facilities to have a material adverse effect on the Company's operations or financial condition. However, the Alberta regulations may become more stringent and apply to more facilities over time, and future regulations enacted by the Alberta government may result in further regulatory requirements that could affect the Company's business, or the businesses of its customers. At this time, the costs of complying with any such requirements are unknown.

In May, 2010, the Management and Reduction of Greenhouse Gases Act (the "MRGGA") received Royal Assent in the Province of Saskatchewan. However, the MRGGA is still awaiting proclamation and is currently undergoing a consultative process. This new legislation will establish a provincial plan for reducing GHG emissions to meet provincial targets and promote investments in low-carbon technologies. Saskatchewan has indicated that it intends to enter into an equivalency agreement with the federal government to achieve equivalent outcomes under provincial regulation. The MRGGA sets a policy and regulatory framework for reducing GHG emissions in Saskatchewan and sets a provincial target of a 20% reduction in GHG emission from 2006 levels by 2020. The specific GHG emission reduction requirements, and the industries required to meet those reductions, as well as details on the methods by which reductions may be achieved, are to be set by further regulations. It is expected that facilities which emit 50,000 tonnes or more of GHGs per year will be required to reduce GHG emissions by 2% per year over a baseline emission level from 2010 to 2019. New facilities constructed after 2006 that have emissions of 50,000 tonnes or more of GHGs annually will also be required to achieve emission reduction targets. In the year ended December 31, 2015, none of the Company's Saskatchewan facilities produced GHG emissions above the threshold of 50,000 tonnes annually.

The B.C. government has already enacted a tax on the use of certain carbon intensive fuels, and has previously proposed additional adverse measures to reduce GHG emissions; these and other GHG emissions mitigation measures in the province may have operational or financial consequences for the Company's business. Accordingly, any prospective strategies that are eventually adopted by the Canadian government could materially impact the nature of oil and gas operations, including those carried out by the Company and its customers. At present, it is not possible to predict the impact such strategies will have on the Company's business, operations and/or finances.

The U.S. Energy Independence and Security Act of 2007 precludes agencies of the U.S. federal government from procuring mobility-related fuels from non-conventional petroleum sources that have lifecycle GHG emissions greater than equivalent conventional fuel. This may have implications for the Company's marketing of some heavy oil and oil sands production in the U.S., but the impact cannot be determined at this time.

In June of 2009, the U.S. House of Representatives passed a cap and trade bill known as the American Clean Energy and Security Act of 2009, which was then placed on the U.S. Senate legislative calendar for consideration. However, the Senate has never acted on the legislation and Congress is not expected to enact comprehensive climate change legislation in the current legislative session. The USEPA is working on regulations to limit greenhouse gas emissions within its existing statutory authority under the Clean Air Act. In addition, more than one-third of the states already have begun implementing legal measures to reduce emissions of greenhouse gases.

On May 13, 2010, the USEPA issued its GHG "tailoring rule" that would, in two phases, impose requirements upon the U.S.' largest emitters of GHGs. Additionally, in September 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including NGLs fractionators and local natural gas/distribution companies, beginning in 2011 for emissions occurring in 2010. In November 2010, the EPA expanded its existing GHG reporting rule to include onshore and offshore oil and natural gas production and onshore processing, transmission, storage and distribution facilities, which may include certain of the Company's facilities, beginning in 2012 for emissions occurring in 2011. In addition, the EPA has continued to adopt GHG regulations of other industries, such as the March 2012 proposed GHG rule restricting future development of coal-fired power plants.

In addition, a number of U.S. states and some Canadian provinces have formed regional partnerships to regulate emissions of GHGs. New legislation or regulatory programs, including those enacted pursuant to regional partnerships, that restrict emissions of GHGs in areas where the Company conducts business could adversely affect the Company's operations and demand for its services.

Foreign Operations Risk

The Company is actively involved in operations in the U.S. The Company's reliance on these markets means that it is subject to downturns in the U.S. economy, weather patterns in the U.S., U.S. regulatory changes, protectionist actions by U.S. legislators and other political developments, all of which could have an adverse impact on the Company's results.

Major Customers and Collection Risk

There can be no assurance that the Company's current customers will continue their relationships with the Company, or that the Company has adequately assessed their creditworthiness, or that there will not be an unanticipated deterioration in their creditworthiness. The loss of one or more major customers or any material nonpayment or nonperformance by such customer, or any significant decrease in services provided to a customer, prices paid, or any other changes to the terms of service with customers, could have a material adverse effect on the Company's profitability.

Contract Renegotiation

Some of the Company's contract-based revenues are generated under contracts with terms which allow the customer to reduce or suspend performance under the contract in specified circumstances, such as the occurrence of a catastrophic event to the Company or the customer's operations. The occurrence of an event which results in a material reduction or suspension of the Company's customer's performance could reduce the Company's profitability.

Many of the Company's contracts with third party customers for services have terms of one year or less. As these contracts expire, they must be extended and renegotiated or replaced. The Company may not be able to extend, renegotiate or replace these contracts when they expire, and the terms of any renegotiated contracts may not be as favorable as the contracts they replace. The Company faces intense competition in its gathering, transportation, terminalling and storage activities. Other providers of crude oil gathering, transportation, terminalling and storage services that are able to supply the Company's customers with those services at a lower price could reduce the Company's ability to compete in this industry. Additionally, the Company may incur substantial costs if modifications to the Company's terminals are required in order to attract substitute customers or provide alternative services. If the Company cannot successfully renew significant contracts, or if the Company must renew them on less favorable terms, or if the Company incurs substantial costs in modifying its terminals, the Company's revenues from these arrangements could decline.

Competition

The Company is subject to competition from other terminals, pipelines, trucking, environmental, water treating, waste management, refining, marketing and industrial and wholesale propane operations that operate in the same markets as the Company. The Company's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, individual producers and operators, some of which are substantially larger than the Company, have greater financial resources, and control substantially greater storage capacity than the Company does. The Company also faces competition from other means of transporting, storing and distributing crude oil and petroleum products, including from other pipeline systems, terminal operators and integrated refining and marketing companies that own their own terminal facilities and that may be able to supply the Company's customers with the same or comparable services on a more competitive basis, and with other industries in supplying energy, fuel and related products to customers. The Company's customers demand delivery of products on tight time schedules and in a number of geographic markets, if the Company's quality of service declines or it cannot meet the demands of its customers, they may utilize the services of the Company's competitors.

Competitive forces may result in a shortage of development opportunities for infrastructure to produce and transport production. It may also result in an oversupply of crude oil, natural gas, petroleum products and chemicals. Each of these factors could have a negative impact on costs and prices and, therefore, the Company's financial results. If the Company is unable to compete with services offered by other midstream enterprises, the Company's cash flow and revenues may be adversely affected.

Capital Project Delivery and Success

The Company has a number of organic growth projects that require the expenditure of significant amounts of capital. Many of these projects involve numerous regulatory, environmental, commercial, weather-related, political and legal uncertainties that will be beyond the Company's control. As these projects are undertaken, required approvals may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, the Company will incur financing costs during the planning and construction phases of its growth projects, but the operating cash flow the Company expects these projects to generate will not materialize until after the projects are completed. These projects may be completed behind schedule or in excess of budgeted cost. For example, the Company must compete with other companies for the materials and construction services required to complete these projects, and competition for these materials or services could result in significant delays and/or cost overruns. Any such cost overruns, or unanticipated delays in the completion or commercial development of these projects, could reduce the Company's liquidity. The Company may construct facilities or other assets in anticipation of market demand that dissipates during the intervening period between project conception and delivery to market or never materializes. As a result of these uncertainties, the anticipated benefits associated with the Company's capital projects may not be achieved.

Dependence on Key Personnel

The Company's success depends, to a significant extent, on the continued services of the Company's core senior management team and other key personnel. If one or more of these individuals were unable or unwilling to continue in their present positions, the Company's business could be disrupted and the Company might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact the Company's financial results. The ability to execute the Company's business plan and expand its services will be dependent upon the Company's ability to attract and retain qualified employees, which is constrained in times of strong industry activity. For example, the failure to attract and retain a sufficient number of qualified drivers, owner-operators and lease operators for the Company's truck transportation business could have a material adverse effect on the Company's profitability. Failure to attract and retain critical talent with the necessary leadership, professional and technical competencies could have a material adverse effect on Gibsons' results of operations, pace of growth and financial condition.

Reputation

Gibsons relies on its reputation to build and maintain positive relationships with its stakeholders, to recruit and retain staff, and to be a credible, trusted company. Reputational risk is the potential for negative impacts that could result from the deterioration of Gibsons' reputation with key stakeholders. The potential for harming the Company's corporate reputation exists in every business decision and public interaction, which in turn can negatively impact the Company's business and its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory, environmental and legal risks must all be managed effectively to safeguard the Company's reputation. Negative impacts from a compromised reputation could include revenue loss, reduction in customer base and diminution of share price.

Seasonality and Adverse Weather Conditions

Certain businesses are impacted by seasonality. Generally, the Company's logistics and wellsite fluids businesses are impacted in the second quarter due to road bans and other restrictions which impact overall activity levels in the WCSB and in certain regions of the U.S. Additionally, certain oil and gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Harsh weather conditions are particularly challenging and can impede the movement of goods and increase the operating costs for the materials that can be transported, which can have a material adverse effect on the Company's profitability.

The Company's Wholesale segment is impacted by seasonality because the road asphalt industry in Canada is affected by the impact that weather conditions have on road construction schedules. Refineries produce liquid asphalt year round, but road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. Demand for wellsite fluids is dependent on overall well drilling activity, with drilling activity normally the busiest in the winter months. As a result, the Company's Wholesale refined product sales of road asphalt peak in the summer and sales of wellsite fluids peak in the winter.

The Company's propane business is characterized by a high degree of seasonality with much of the 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. A warm winter could, therefore, lead to reduced demand for propane which would negatively impact the cash flow of the Company's wholesale propane business and could reduce the Company's revenues.

In addition, certain of the Company's facilities are located in regions of the U.S. that are susceptible to, and have been historically impacted by damage from, hurricanes and other adverse weather events. Future hurricanes or similar natural disasters that impact the Company's facilities may negatively affect the Company's financial position and operating results. These negative effects may include reduced operations, costs associated with resuming operations, reduced demand for services from customers that were similarly affected by these events, lost market share, late deliveries, additional costs to purchase materials and supplies from outside suppliers, uninsured property losses, inadequate business interruption insurance and an inability to retain necessary staff.

Acquisition and Integration Risk

The Company has historically expanded its business through acquisitions and may seek to further expand its business through acquisitions. The Company intends to consider and evaluate opportunities for acquisitions; however, there can be no assurance that the Company will find attractive acquisition candidates in the future, or that the Company will be able to acquire such candidates on economically acceptable terms. Acquisitions may require substantial capital and negotiations of potential acquisitions and the integration of acquired business operations could disrupt the Company's business by diverting management's attention away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. At times, acquisition candidates may have liabilities or adverse operating issues that the Company fails to discover through due diligence prior to the acquisition.

Acquisitions or investments may require the Company to expend significant amounts of cash, resulting in the Company's inability to use these funds for other business purposes. Any potential impairment of tangible assets, goodwill and other intangible assets related to any such acquisition would reduce the Company's overall earnings, which in turn could negatively affect the Company's capitalization and results of operations.

To effectively integrate the acquisitions into its current operations, the Company must establish appropriate operational, administrative, finance and management systems and controls and marketing functions relating to the acquisitions. These efforts, together with the ongoing integration following the acquisition, will require substantial attention from the Company's management. This diversion of management attention, as well as any other difficulties which the Company may encounter in completing the acquisitions and integration process, could have an adverse effect on the Company's business, financial condition, results of operations and cash flow. There can be no assurance that the Company will be successful in integrating the acquired operations or that the expected benefits of the acquisitions will be realized. If the Company consummates any future acquisitions, the capitalization and results of operations may change significantly.

Dependence on Third Parties

The Company's terminals, pipelines and rail activities are dependent upon their interconnections with other terminals, pipelines and rail networks and facilities owned and operated by third parties to reach end markets and as a significant source of supply for the Company's facilities. Outages at these facilities, or reduced or interrupted throughput on these pipelines or networks because of weather-related or other natural causes, testing, line repair, damage, reduced operating pressures or other causes, could result in the Company being unable to deliver products to its customers from the Company's terminals, or to receive products for storage at its terminals, or to receive products for processing at its facility in Moose Jaw, Saskatchewan. Changes in product quality specifications, blending requirements, batch sizes or the number of streams allowable on pipelines or networks could reduce the Company's throughput volume, require the Company to incur additional handling costs, or require capital expenditures and could adversely affect the Company's cash flow and revenues.

Although it is now in the process of reducing the fleet from its peak size, the Company has expanded the number of rail cars that it leases over the years. Rail activities may be impacted by service delays, inclement weather or derailment which could adversely impact sales volumes, the price received for products and profit margins. The product on railcars may be involved in a derailment or incident that results in reputational and environmental harm. In addition, when petroleum products are loaded, the Company may be considered the consignor in which case it has specific responsibilities under the applicable laws. If additional new regulations are introduced, including but not limited to the potential amendment of the safety standards for rail tank cars used to transport crude oil and other hazardous materials, it could adversely affect the Company's or the customers' ability to move crude oil and other hazardous materials by rail or the economics associated with rail transportation. Further, the Company's profitability may be adversely affected if it is unable to fulfill long term rail commitments due to declining crude-by-rail demand.

Dependence on Certain Key Suppliers

The Company's ability to compete and expand will be dependent on having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by the Company's competitors, and on the development and acquisition of new and competitive technologies. Although the Company has individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts or components or relationships with key suppliers will be maintained. If these sources are not maintained, the Company's ability to compete may be impaired. The Company is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for the Company's relationship with certain key suppliers. Should the relationships with these key suppliers cease, the availability and cost of securing certain equipment and parts may be adversely affected.

Terrorist or Cyber-Attacks

Terrorist attacks and threats, cyber-attacks, escalation of military activity or acts of war may have significant effects on general economic conditions, fluctuations in consumer confidence and spending and market liquidity, each of which could materially and adversely affect the Company's business. Future terrorist or cyber-attacks, rumors or threats of war, actual conflicts involving the U.S., Canada or their respective allies, or military or trade disruptions may significantly affect the Company's operations and those of its customers. Strategic targets, such as energy-related assets, may be at greater risk of future attacks than other targets in the U.S. or Canada. The Company does not maintain specialized insurance for possible liability resulting from a cyber-attack on its assets that may shut down all or part of the Company's business. It is possible that any of these occurrences, or a combination of them, could have a material adverse effect on the Company's business, financial condition and results of operations.

Hazards and Operational Risks

The Company's operations are subject to the many hazards inherent in the transportation, storage, processing, treating and distribution of crude oil, NGLs and petroleum products, including:

- explosions, fires and accidents, including road and rail accidents;
- damage to the Company's tanker trucks, pipelines, storage tanks, terminals and related equipment;
- ruptures, leaks or releases of crude oil or petroleum products into the environment;
- acts of terrorism or vandalism; and
- Other accident or hazards that may occur at or during transport to, or from, commercial or industrial sites.

If any of these events were to occur, the Company could suffer substantial losses because of the resulting impact on the Company's reputation, personal injury or loss of life, severe damage to and destruction of property, equipment, information technology systems, related data and control systems, environmental damage, which may include polluting water, land or air, resulting in curtailment or suspension of the related operations. Mechanical malfunctions, faulty measurement or other errors may also result in significant costs or lost revenues.

Regulatory Approvals

Gibsons' operations require it to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licenses, permits and other approvals that may be required to conduct its business. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Aboriginal consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions, including, but not limited to: security deposit obligations; ongoing regulatory oversight of projects; mitigating or avoiding project impacts; habitat assessments; and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects and increased costs.

Decommissioning, Abandonment and Reclamation Costs

The Company is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of the Company's facilities and pipelines at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of regulatory requirements at the time of decommissioning, abandonment and reclamation. The Company may, in the future, be required by applicable laws or regulations to establish and fund one or more decommissioning, abandonment and reclamation reserve funds to provide for payment of future decommissioning, abandonment and reclamation costs, which could decrease funds available to the Company to execute its business plan and service its debt obligations. In addition, such reserves, if established, may not be sufficient to satisfy such future decommissioning, abandonment and reclamation costs and the Company will be responsible for the payment of the balance of such costs.

Labour Relations

The largest components of the Company's overall operating expenses are salary, wages, benefits and costs of contractors. Any significant increase in these expenses could impact the Company's financial results. In addition, the Company is at risk if there are any labour disruptions. The Company's processing facility located at Moose Jaw, Saskatchewan, is subject to a collective agreement with its employees and the Unifor, Local 595, which expires on January 31, 2019, and certain employees of its subsidiary, Gibson Energy Partnership (operators and lab technicians at the Edmonton Terminal and the Hardisty Terminal), are subject to an agreement with the Gibsons Employees Association (which expires on March 31, 2018). Labour disruptions could restrict the ability of the Moose Jaw facility to process crude oil or the terminal and pipeline operations to operate and, therefore, affect the Company's financial results. The Company attempts to enter into union negotiations on a timely basis in light of the length of the collective agreements. However, the Company cannot guarantee that it will be able to successfully negotiate collective agreements prior to their expiration. Any work stoppages or unbudgeted or unexpected increases in compensation could have a material adverse effect on the Company's profitability.

Technology

The Company is dependent on technology for certain of its operations. Notwithstanding back-up and redundancy procedures/plans, if, for example, the Company were to lose functionality of its SCADA (due to loss of back-up power, servers, communication links or control interfaces), terminal and pipeline operations would cease due to loss of leak detection capability and the Company would no longer have the ability to receive, deliver, transfer or blend petroleum due to being unable to control valves and pumps and monitor flow rates and tank levels. The impact of short-term disruptions would typically be minimal due to the ability to re-schedule the planned activities and use spare capacity. Disruptions of a longer duration in the primary systems and the complete back-up control room located off site would likely result in a loss of revenue.

Gibsons relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Company is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on Gibsons' business, financial condition, results of operations and cash flow.

In the ordinary course of business, Gibsons collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of Gibsons' employees and third parties. Despite Gibsons' security measures, Gibsons' information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on Gibsons' systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to Gibsons' operations and damage to Gibsons' reputation, which could have a material adverse effect on Gibsons' business, financial condition, results of operations and cash flows.

Jointly Owned Facilities

Certain of the Company's facilities are jointly owned with third parties. Approvals must be obtained from such joint owners for proposals to make capital expenditures regarding such facilities. These approvals typically require that a capital expenditure proposal be approved by the owners holding a specified percentage of the ownership interests in the relevant facility. It may not be possible for the Company to obtain the required levels of approval from co-owners of facilities for future proposals for capital expenditures to expand or improve its jointly-owned facilities. In addition, agreements for joint ownership often contain restrictions on transfer of an interest in a facility. The most frequent restrictions require a transferor who is proposing to transfer an interest to offer such interest to the other holders of interests in the facility prior to completing the transfer. Such provisions may restrict the Company's ability to transfer its interests in facilities or to acquire partners' interests in facilities, and may also restrict the Company's ability to maximize the value of a sale of its interest.

As part of the Company's effort to minimize these risks, the Company maintains communication with its co-owners through participation in operating committees and formal decision-making processes. The Company also utilizes its knowledge of industry activity and relationships with other owners to mitigate the risk of uncooperative behavior. However, there is no guarantee that the Company will be able to proceed with its plans for any facilities which are jointly owned.

Legislative and Regulatory Changes

The Company's industry is highly regulated. There can be no guarantee that laws and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry will not be changed in a manner which directly and adversely affects the Company's business. There can also be no assurance that the laws, regulations or rules governing the Company's customers will not be changed in a manner which adversely affects the Company's customers and, therefore, the Company's business.

In addition, the Company's pipelines and facilities are potentially subject to common carrier and common processor applications and to rate setting by regulatory authorities in the event agreement on fees or tariffs cannot be reached with producers. To the extent that producers believe processing fees or tariffs with respect to pipelines and facilities are too high, they may seek rate relief through regulatory means. If regulations were passed lowering or capping the Company's rates and tariffs, the Company's results of operations and cash flows could be adversely affected.

Petroleum products that the Company stores and transports are sold by the Company's customers for consumption into the public market. Various federal, provincial, state and local agencies have the authority to prescribe specific product quality specifications for commodities sold into the public market. Changes in product quality specifications or blending requirements could reduce the Company's throughput volume, require the Company to incur additional handling costs or require capital expenditures. For instance, different product specifications for different markets impact the fungibility of the products in the Company's system and could require the construction of additional storage. If the Company is unable to recover these costs through increased revenues, the Company's cash flows could be adversely affected. In addition, changes in the quality of the products the Company receives on its petroleum products pipeline system could reduce or eliminate the Company's ability to blend products.

The Company's cross-border activities are subject to additional regulation, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Such regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement, the Toxic Substances Control Act and the Canadian Environmental Protection Act, 1999. Violations of these licensing, tariff and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties.

In addition, local, consumption and income tax laws relating to the Company may be changed in a manner which adversely affects the Company.

Environmental and Health and Safety Regulations

Each of the Company's segments is subject to the risk of incurring substantial costs and liabilities under environmental and health and safety laws and regulations. These costs and liabilities arise under increasingly stringent environmental and health and safety laws, including regulations and governmental enforcement policies and legislation, and as a result of third party claims for damages to property or persons arising from the Company's operations. Environmental laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental laws and regulations also require that pipelines, facilities and other properties associated with the Company's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Health and safety laws and regulations impose, among other things, requirements designed to ensure the protection of workers and to limit the exposure of persons to certain hazardous substances. In addition, certain types of projects may be required to submit and obtain approval of environmental impact assessments, to obtain and maintain environmental permits and approvals and to implement mitigative measures prior to the implementation of such projects.

Failure to comply with environmental and health and safety laws and regulations, including related permits and approvals, may result in assessment of administrative, civil and criminal penalties, the issuance of regulatory or judicial orders, the imposition of remedial obligations such as clean-up and site restoration requirements, the payment of deposits, liens, the amendment, suspension or revocation of permits and approvals and the potential issuance of injunctions to limit or cease operations. If the Company were unable to recover these costs through increased revenues, the Company's ability to meet its financial obligations could be adversely affected.

Some of the Company's facilities have been used for many years to transport, distribute or store petroleum products. Over time the Company's operations, or operations by the Company's predecessors or third parties not under the Company's control, may have resulted in the disposal or release of hydrocarbons or wastes at or from these properties upon which the facilities are situated or along over pipeline rights-of-way. In addition, some of the Company's facilities are located on or near current or former refining and terminal sites, and there is a risk that contamination is present on those sites. The Company may be subject to strict joint and several liability under a number of these environmental laws and regulations for such disposal and releases of hydrocarbons or wastes or the existence of contamination, even in circumstances where such activities or conditions were caused by third parties not under the Company's control or were otherwise lawful at the time they occurred.

Further, the transportation of hazardous materials and/or other substances in the Company's pipelines or by truck or rail may result in environmental damage, including accidental releases that may cause death or injuries to humans, damage to third parties and natural resources, and/or result in federal and/or provincial civil and/or criminal penalties that could be material to the Company's results of operations and cash flow.

The Company engages in operations which handle hazardous materials. As a result of these and other activities, the segment is subject to a variety of federal, state, local and foreign laws and regulations relating to the generation, transport, use handling, storage, treatment and exposure to and disposal of these materials, including record keeping, reporting, and registration requirements. The Company has incurred and expects to continue to incur expenditures to maintain compliance with environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which the Company is subject could become more stringent or be more stringently enforced in the future. Its failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures or remedial actions.

Certain environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and comparable state laws in the U.S., impose joint and several liability, without regard to fault or legality of the operations, on certain categories of persons, including current and prior owners or operators of a facility where there is a release or threatened release of hazardous substances, transporters of hazardous substances, and entities that arranged for disposal of the hazardous substances at the site. Under CERCLA, these "responsible persons" may be held jointly and severally liable for the costs of cleaning up the hazardous substances, as well as for damages to natural resources and for the costs of certain health studies, relocation expenses and other response costs.

CERCLA generally exempts "petroleum" from the definition of hazardous substance; however, in the course of the Company's operations, the Company has accepted, handled, transported and/or generated materials that are considered "hazardous substances." Further, hazardous substances or hazardous wastes may have been released at properties owned or leased by the Company now or in the past, or at other locations where these substances or wastes were taken for treatment or disposal. Given the nature of the Company's environmental services business, it has incurred, and will in the future periodically incur, liabilities under CERCLA or other environmental cleanup laws, at its current or former facilities, adjacent or nearby third party facilities, or offsite disposal locations. There can be no assurance that the costs associated with future cleanup activities that the Company may be required to conduct or finance will not be material. Additionally, the Company may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Failure to comply with environmental regulations could have an adverse impact on Gibsons' reputation. There is also risk that Gibson could face litigation initiated by third parties relating to climate change or other environmental regulations.

Federal Air Quality Management System

The Multi-sector Air Pollutants Regulations ("MAPR"), issued under the Canadian Environmental Protection Act, 1999, seek to protect the environment and health of Canadians by setting mandatory, nationally-consistent air pollutant emission standards. The MAPR are aimed at equipment-specific Base-Level Industrial Emissions Requirements ("BLIERs"). Nitrogen oxide BLIERs from the Company's non-utility boilers, heaters and reciprocating engines are regulated in accordance with specified performance standards.

Gibson does not anticipate a material impact to existing or future operations as a result of the MAPR.

Federal Review of Environmental and Regulatory Processes

In 2016, the Government of Canada commenced a review of environmental and regulatory processes under various acts and is scheduled to release various reports in 2017 for public comment. Legislative, regulatory or policy changes may follow the public comment period. The extent and magnitude of any adverse impacts of changes to the legislation or programs on project development and operations cannot be reliably or accurately estimated at this time as uncertainty exists with respect to recommendations being considered. Increased environmental assessment obligations may create risk of increased costs and project development delays.

Expansion/Contraction of Operations

The Company's operations and expertise are currently focused on midstream oil and gas activities; however, in the future it is possible that the Company could engage in other activities. Expansion/contraction of the Company's business into new/from current areas may present new risks or significantly increase the exposure to one or more of the existing risks, any of which may adversely affect future operational and financial conditions.

Litigation Risk

From time to time, the Company may be the subject of litigation arising out of its operations. The Company is not a party to any material litigation. However, if any legitimate cause of action arose which was successfully prosecuted against the Company, the operations or results of operations could be adversely affected.

Claims under such litigation may be material or may be indeterminate. Various types of claims may be made including, without limitation, environmental damages, breach of contract, negligence, product liability, antitrust, bribery and other forms of corruption, tax, patent infringement and employment matters. The outcome of such litigation is uncertain and may materially impact Gibsons' financial condition or results of operations. Moreover, unfavorable outcomes or settlements of litigation could encourage the commencement of additional litigation. Gibsons may also be subject to adverse publicity associated with such matters, regardless of whether Gibsons is ultimately found responsible. The Company may be required to incur significant expenses or devote significant resources in defense against any such litigation.

Financial and Other Risks

Commodity Prices

The Company's financial performance is significantly dependent on the prevailing prices of crude oil, natural gas and refined products. Crude oil prices are impacted by a number of factors including, but not limited to: the supply of and demand for crude oil; economic conditions; the actions of OPEC including, without limitation, compliance or non-compliance with quotas agreed upon by OPEC members and decisions by OPEC not to impose production quotas on its members; government regulation; political stability; market access constraints and transportation interruptions (pipeline, marine or rail); the availability of alternate fuel sources; and weather conditions. Natural gas prices are impacted by a number of factors including, but not limited to: North American supply and demand; developments related to the market for liquefied natural gas; weather conditions; and prices of alternate sources of energy. Refined product prices are impacted by a number of factors including, but not limited to: global supply and demand for refined products; market competitiveness; levels of refined product inventories; refinery availability; planned and unplanned refinery maintenance; and weather. All of these factors are beyond Gibsons' control and can result in a high degree of price volatility. Fluctuations in currency exchange rates further compound this volatility when the commodity prices, which are generally set in U.S. dollars, are stated in Canadian dollars.

Fluctuations in the price of commodities, associated price differentials and refining margins may impact the value of Gibsons' assets, the Company's ability to maintain its business and to fund growth projects. Prolonged periods of commodity price volatility may also negatively impact Gibsons' ability to meet guidance targets and meet all of its financial obligations as they come due.

Capital Markets and Availability of Future Financing

The future development of Gibsons' business may be dependent on its ability to obtain additional capital including, but not limited to, debt and equity financing. Disruptions in international credit markets and other financial systems and a deterioration of global economic conditions, may cause significant volatility in commodity prices and interest rates at which the Company is able to borrow funds for capital programs. Uncertainty in the global economic situation could mean that the Company, along with other oil and gas entities, may face restricted access to capital and increased borrowing costs. This could have an adverse effect on the Company, as future capital expenditures will be financed out of cash generated from operations and borrowings, and the Company's ability to borrow is dependent on, among other factors, the overall state of the capital markets and investor appetite for investments in the energy industry generally and the Company's securities, in particular. The Company's ability to obtain additional capital is dependent on, among other things, investor interest in investments in the energy industry in general and investor interest in its securities in particular.

To the extent that external sources of capital become limited or unavailable, or available on onerous terms, Gibsons' ability to make capital investments and maintain existing properties may be impaired, and the business, its financial condition, results of operations and cash flow may be materially adversely affected as a result.

Credit Ratings

The credit rating agencies regularly evaluate the Company and its long-term and short-term debt, and their ratings are based on the Company's financial strength and a number of factors not entirely within the Company's control, including conditions affecting the oil and gas industry generally and the state of the economy. There can be no assurance that one or more of the Company's credit ratings will not be downgraded. A reduction in any of the Company's current credit ratings could adversely affect the cost and availability of borrowing and access to sources of liquidity and capital.

Counterparties and suppliers are often interested in the Company's credit ratings when establishing and maintaining contractual business arrangements. The Company may be obligated to post collateral in the form of cash, letters of credit or other financial instruments in order to establish or maintain business arrangements, if one or more of its credit ratings falls below certain ratings floors. Additional collateral may be required due to further downgrades below certain ratings floors. Failure to provide adequate risk assurance to counterparties and suppliers may result in the Company foregoing or having contractual business arrangements terminated.

Indebtedness

The Company has, and will continue to have, a significant amount of indebtedness. As of December 31, 2016, Gibsons had $550.0 million and U.S. $550.0 million of Notes outstanding, $100 million of Debentures outstanding and access to the undrawn $500 million Revolving Credit Facility. The Notes and the Revolving Credit Facility are senior unsecured obligations and the Debentures are subordinate unsecured obligations. The Company also has operating lease commitments with respect to office leases, rail cars, vehicles, field buildings and various equipment that expire with initial or remaining terms in excess of one year.

The Company's indebtedness could have important consequences. For example, it could:

- make it more difficult for the Company to satisfy its obligations under its indebtedness;
- require the Company to further dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its indebtedness, thereby reducing the availability of its cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes;
- increase the Company's vulnerability to and limit its flexibility in planning for, or reacting to, downturns or changes in its business and the industry in which it operates;

- restrict the Company from making strategic acquisitions or cause it to make non-strategic divestitures;
- expose the Company to the risk of increased interest rates as the borrowings under the Revolving Credit Facility are subject to variable rates of interest;
- place the Company at a competitive disadvantage compared to its competitors that have less debt; and
- limit the Company's ability to borrow additional funds.

Debt Service and Refinancing

The Company's ability to make cash payments on its indebtedness and to fund planned capital expenditures will depend on its ability to generate significant operating cash flow in the future. This, to a significant extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control.

The Company cannot make assurances that its business will generate sufficient cash flow from operations or that future borrowings will be available to it under its Revolving Credit Facility in an amount sufficient to enable it to pay its indebtedness or to fund its other liquidity needs. In such circumstances, the Company may need to refinance all or a portion of its indebtedness on or before maturity. The Company cannot make assurances that it will be able to refinance any of its indebtedness on commercially reasonable terms or at all. If the Company cannot service its indebtedness, it may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances or reducing/eliminating its dividend. The Company cannot make assurances that any such actions, if necessary, could be effected on commercially reasonable terms or at all.

If the Company is unable to generate sufficient cash flow or is otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on its indebtedness, or if the Company otherwise fails to comply with the various covenants in the instruments governing its indebtedness, the Company could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest. The lenders under the Revolving Credit Facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against the Company's assets, and the Company could be forced into bankruptcy or liquidation.

If the Company's operating performance declines, it may in the future need to obtain waivers from the required lenders under the Revolving Credit Facility, Notes and Debentures to avoid being in default. If the Company, or any of its subsidiaries, breaches the covenants under the Revolving Credit Facility, Notes and Debentures and seeks a waiver, the Company may not be able to obtain a waiver from the required lenders. If this occurs, the Company would be in default under the Revolving Credit Facility, Notes and Debentures, the lenders could exercise their rights, as described above, and the Company could be forced into bankruptcy or liquidation.

Additional Indebtedness

The Company and its subsidiaries may be able to incur additional indebtedness in the future because the Revolving Credit Facility, Notes and Debentures do not fully prohibit Gibsons or its subsidiaries from doing so, subject to certain conditions. If new debt is added to Gibsons' current debt levels the related risks that the Company faces could intensify.

Issuance of Additional Securities

The Board may issue an unlimited number of Common Shares, as well as debt that is convertible to equity, without any vote or action by the Company's Shareholders, subject to the rules of any stock exchange on which the Company's securities may be listed from time to time. The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities. In addition, pursuant to the Company's 2011 Equity Incentive Plan, the Company may issue securities exercisable to acquire, together with Common Shares issuable pursuant to any other security-based compensation arrangements of the Company, up to 10% of the Company's currently issued and outstanding Common Shares. If the Company issues any additional equity, the percentage ownership of existing Shareholders may be reduced and diluted and the market price of the Common Shares may be adversely impacted.

Market Price

The market price of the Common Shares may fluctuate due to a variety of factors relating to the Company's business, including announcements of new developments, fluctuations in the Company's operating results, sales of Common Shares or the issuance of Preferred Shares in the marketplace, failure to meet analysts' expectations, general market conditions or the worldwide economy. In recent years, the Common Shares and stock markets in Canada and the United States have experienced significant price fluctuations, which may have been unrelated to the operating performance of the Company or the other affected companies. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance. For these reasons, past trends in the price of Common Shares should not be relied upon to predict the future price of Common Shares of the Company.

Changes in Tax Legislation

Tax laws may be amended (their interpretation may change), retroactively or prospectively, resulting in tax consequences that materially differ from those contemplated by the Company in the jurisdictions in which the Company has operations or sales, which may create a risk of non-compliance and re-assessment. While the Company believes that its tax filing positions are appropriate and supportable, it is possible that tax authorities may amend tax legislation (or its interpretation may change), or successfully challenge the Company's interpretation of tax legislation which may affect the Company's estimate of current and future income taxes and, have an adverse effect on the financial condition and prospects of the Company and the distributable cash flow available to pay dividends to the Company's shareholders.

In November 2016, the U.S. elected a new Republican president. The Republicans control both the U.S. House of Representatives and the U.S. Senate. The new administration is reported to be considering comprehensive U.S. tax reform that could have a significant impact on Gibsons' financial condition or results from operations, however, any impact is not presently quantifiable.

Payment of Dividends Not Guaranteed

The payment of dividends is not guaranteed and may fluctuate with the performance of the Company. The Board has the discretion to determine the amount of dividends to be declared and paid to Shareholders. The Company may alter its position on dividends at any time and the payment of dividends will depend on, among other things, results of operations, financial condition, current and expected future levels of earnings, operating cash flow, liquidity requirements, market opportunities, income taxes, maintenance capital, growth capital expenditures, debt repayments, debt covenants, commodity prices, legal, regulatory and contractual constraints, working capital requirements, tax laws and other relevant factors (including the risk factors set forth in this AIF). The Company's indebtedness may prohibit the Company from paying dividends at any time at which a default or event of default would exist under such debt, or if a default or event of default would exist as a result of paying the dividend.

Over time, the Company's capital and other cash needs may change significantly from its current needs, which could affect whether the Company pays dividends and the amount of any dividends it may pay in the future. If the Company continues to pay dividends at the current level, it may not retain a sufficient amount of cash to finance growth opportunities, meet any large unanticipated liquidity requirements, or fund its operations in the event of a significant business downturn. The Board, subject to the requirements of the Company's bylaws and other governance documents, may amend, revoke or suspend the Company's dividend at any time. A decline in the market price or liquidity, or both, of the Common Shares could result if the Board establishes large reserves that reduce the amount of quarterly dividends paid or if the Company reduces or eliminates the payment of dividends, which could result in losses to Shareholders.

The Company has adopted a DRIP and SDP but the extent to which Shareholders will be eligible to participate and continue to participate in the DRIP and SDP in the future is unknown. The Company suspended the DRIP and SDP on August 6, 2015 and may amend, terminate or reinstate them at any time.

Hedging

The Company monitors its exposure to variations in commodity prices, interest rates, foreign exchange rates and share price. In response, the Company periodically enters into financial instruments to reduce exposure to unfavourable movements in commodity prices, interest rates, foreign exchange rates and share price. The use of such hedging activities exposes the Company to risks which may cause significant loss. These risks include, but are not limited to: changes in the valuation of the hedge instrument being not well correlated to the change in the valuation of the underlying exposures being hedged; deficiency in the Company's systems or controls; human error; and the unenforceability of Gibsons' contracts. The terms of these contracts or instruments may limit the benefit of favourable changes in commodity prices, interest rates, currency values and share price and may result in financial opportunity loss.

Exposure to Counterparties

In the normal course of business, Gibsons enters into contractual relationships with suppliers, partners and other counterparties in the energy industry and other industries for the provision and sale of goods and services. If such counterparties do not fulfill their contractual obligations, the Company may suffer financial losses, may have to delay its development plans or may have to forego other opportunities which may materially impact its financial condition or operational results.

Foreign Exchange Risk

The Company's results are affected by movements in the exchange rate between the Canadian and U.S. dollar. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the Canadian dollar equivalent of revenues the Company receives from its U.S. activities and U.S. dollar denominated activities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the Canadian dollar equivalent of revenues received from the Company's U.S. activities and U.S. dollar denominated activities.

In addition, a change in the value of the Canadian dollar against the U.S. dollar will result in an increase or decrease in the Company's U.S. dollar denominated debt, as expressed in Canadian dollars, as well as in the related interest expense. While a portion of the Company's sales generate cash denominated in U.S. dollars, to the extent that such U.S. dollar denominated cash is less than the amounts required to service the Company's U.S. dollar denominated debt and pay other U.S. dollar denominated expenses, the Company is exposed to currency fluctuations and exchange rate risks that may adversely affect the Company's results of operations. The Company monitors its exposure to foreign currencies, including associated interest payments, and, where optimal, will consider minimizing exposure using appropriate hedging strategies; however, there can be no guarantee that the Company will be able to fully mitigate its exposure to foreign exchange risk. Exchange rate fluctuations could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

Interest Rate Risk

The indebtedness under the Revolving Credit Facility is at variable rates of interest and exposes the Company to interest rate risk. If interest rates increase, the Company's debt service obligations on the variable rate indebtedness would increase, even though the amount borrowed remained the same, and the Company's net income and cash flows would decrease. The Company's practice is to selectively hedge its exposure to interest rate risk. However, there can be no guarantee that the Company will be able to fully mitigate its exposure to interest rate risk.

Access to Credit

The Company's significant debt levels could restrict its ability to access open credit from the Company's suppliers, who may require increased performance assurances. If the Company is unable to access open credit from its suppliers or provide performance assurance, the Company's ability to purchase product could decrease and the Company's financial condition and results of operations could be negatively impacted.

Insurance

The Company currently maintains customary insurance of the types and amounts consistent with prudent industry practice. However, the Company is not fully insured against all risks incident to the Company's business. The Company is not obliged to maintain any such insurance if it is not available on commercially reasonable terms. There can be no guarantee that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which the Company is insured, or the proceeds of such insurance, will compensate the Company fully for the Company's losses. In addition, the insurance coverage obtained with respect to the Company's business and facilities will be subject to limits and exclusions or limitations on coverage that are considered by management to be reasonable, given the cost of procuring insurance and current operating conditions. There can be no assurance that the insurance proceeds received by the Company in respect of a claim will be sufficient in any particular situation to fully compensate the Company for losses and liabilities suffered. If a significant accident or event occurs that is not fully insured, it could adversely affect the Company's results of operations, financial position or cash flows.

Effective Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under applicable Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could impact the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and reduce the trading price of the Common Shares.

At the operational level, the Company relies on electronic systems for recording sales and accumulating financial data. A major breakdown of the Company's computer systems would disrupt the flow of information and could cause a loss of records. The conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

DIRECTORS AND EXECUTIVE OFFICERS

The following are the directors and executive officers of the Company as at December 31, 2016:

Name, Province/State and Country of Residence	Position	Director Since	Principal Occupation During the Past Five Years
A. Stewart Hanlon(3) Alberta, Canada	Director, President and Chief Executive Officer	June 15, 2011	President and Chief Executive Officer of the Company since April 2009, prior thereto, Executive Vice President and Chief Operating Officer
Sean M. Brown Alberta, Canada	Chief Financial Officer	N/A	Chief Financial Officer of the Company since March 2, 2016, prior thereto, a Managing Director of BMO Capital Markets, BMO Nesbitt Burns Inc., prior thereto, investment banker of BMO Nesbitt Burns Inc.
Brian J. Recatto(5) Louisiana, USA	President U.S. Operations	N/A	President U.S. Operations since January 2014, prior thereto, Senior Vice President, Environmental Services of the Company since October 2012, prior thereto, President and Chief Executive Officer of OMNI
Douglas P. Wilkins(5) Alberta, Canada	Chief Commercial Officer	N/A	Chief Commercial Officer since January 2014, prior thereto, Senior Vice President Marketing, Supply and Trading of the Company since April 2009
Richard M. Wise Alberta, Canada	Chief Operating Officer	N/A	Chief Operating Officer since January 2014, prior thereto, Senior Vice President Operations of the Company since October 2009
Samuel van Aken(6) Alberta, Canada	Senior Vice President Propane Marketing & Distribution	N/A	Senior Vice President Propane Marketing & Distribution of the Company since April 2009, prior thereto, Vice President Canwest Propane of the Company
Sean W. Duffee Alberta, Canada	Senior Vice President Wholesale	N/A	Senior Vice President, Wholesale since January 2014 and, prior thereto, Vice President, Marketing, Supply and Trading of the Company since April 2009
Stephen L. Bart Alberta, Canada	Senior Vice President Terminals & Pipelines	N/A	Senior, Vice President, Terminals & Pipelines of the Company since June 2014 and, prior thereto, Vice President of Operations at Plains Midstream Canada

Name, Province/State and Country of Residence	Position	Director Since	Principal Occupation During the Past Five Years
Clayton H. Woitas(2) Alberta, Canada	Director	June 15, 2011	Independent businessman, formerly the Chair of the board and the President and Chief Executive Officer of Range Royalty Management Ltd.
Donald R. Ingram(1)(3) Alberta, Canada	Director	June 15, 2011	President and Chief Executive Officer of CamCar & Associates
James J. Cleary(2)(3) Colorado, U.S.	Director	April 4, 2013	Managing Director of Global Infrastructure Partners since May 2012 and, prior thereto, President of El Paso Corporation's Western Pipeline Group
James M. Estey(1)(2)(4)Alberta, Canada	Director	June 15, 2011	Investment banker, formerly the Chair of UBS Securities Canada Inc. and, prior thereto, President and Chief Executive Officer of UBS Securities Canada
Marshall L. McRae(1) Alberta, Canada	Director	June 15, 2011	Independent financial and management consultant since August 2009, formerly served as Interim Executive Vice President and Interim CFO of Black Diamond Group Limited, prior thereto, Chief Financial Officer of CCS Inc.
Douglas P. Bloom British Columbia, Canada	Director	May 4, 2016	Corporate director, formerly served as the President of Spectra Energy's Canadian LNG business and, prior thereto, the President of Spectra Energy's Western Canada business and, prior thereto, executive of Duke Energy and Westcoast Energy Inc.
Mary Ellen Peters(3) Florida, U.S.	Director	Feb 3, 2014	Oil and gas executive, formerly served as Senior Vice President of Transportation and Logistics and Senior Vice President of Marketing with Marathon Petroleum Company LP.

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance, Nominating and Compensation Committee.

(3) Member of the Health, Safety, Security and Environment Committee.

(4) Chair of the Board.

(5) Effective February 1, 2017, Brian Recatto departed the Company and Doug Wilkins was appointed the President, U.S. Operations. As of the date of this AIF, Doug Wilkins is based out of the Company's Houston, Texas office.

(6) Samuel van Aken retired effective March 1, 2017.

Shareholders elect the directors of the Company at each annual meeting of the Shareholders. The directors of the Company serve until the next annual meeting of the Shareholders or until their successors are duly elected or appointed. As of the date hereof, all of the Company's directors are "independent" within the meaning of National Instrument 58-101 (Disclosure of Corporate Governance Practices), adopted by the Canadian Securities Administrators, with the exception of Mr. Hanlon, who is the President and Chief Executive Officer of the Company.

The Board has three committees, being the Audit Committee, the Corporate Governance, Nominating and Compensation Committee and the Health, Safety, Security and Environment Committee. Additional information regarding the responsibilities of these committees will be contained in the Company's information circular for its annual meeting of Shareholders to be held on May 9, 2017.

As of the date of this AIF, the directors and executive officers of the Company beneficially own, or control or direct, directly or indirectly, 692,295 Common Shares, representing less than one percent of the issued and outstanding Common Shares (not including any Common Shares issuable pursuant to the exercise of the issued and outstanding stock options, DSUs, PSUs or RSUs).

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee Charter is set forth in Appendix "A" to this AIF.

Audit Committee Structure and Responsibilities

The Audit Committee has been structured to comply with the requirements of National Instrument 52-110 Audit Committees ("NI 52-110"). The Company has determined that each of the members of the Audit Committee possesses: (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting. The Audit Committee meets at least once each financial quarter to fulfill its mandate.

The Audit Committee's primary role is to assist the Board in fulfilling its oversight responsibilities regarding the Company's internal controls, financial reporting and risk management processes.

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including the resolution of disagreements between the external auditor and management. The external auditor reports directly to the Audit Committee. The Audit Committee is also responsible for reviewing and approving the Company's hiring policies regarding current and former partners and employees of the external auditor. In addition, the Audit Committee pre-approves all non-audit services undertaken by the external auditor.

The Audit Committee is responsible for establishing and maintaining satisfactory procedures for the receipt, retention and treatment of complaints and for the confidential, anonymous submission by employees of the Company regarding any questionable accounting or auditing matters. The Audit Committee is accountable to the Board and will provide a report to the Board at each regularly scheduled Board meeting outlining the results of the Audit Committee's activities and any reviews it has undertaken.

Composition of the Audit Committee

The Company's Audit Committee comprises Marshall L. McRae, as Chair, Donald R. Ingram and James M. Estey, each of whom is financially literate and independent within the meaning of NI 52-110. Set forth below are additional details regarding each member of the Audit Committee.

Marshall L. McRae has been an independent financial and management consultant since August 2009. Prior thereto, Mr. McRae was Chief Financial Officer of CCS Inc., administrator of CCS Income Trust and its successor corporation, CCS Corporation, since August 2002. Mr. McRae has over 30 years of experience in senior operating and financial management positions with a number of publicly traded and private companies, including CCS Inc., Versacold Corporation and Mark's Work Wearhouse Limited. Mr. McRae served as Interim Chief Financial Officer and Interim Executive Vice President of Black Diamond Group Limited from October 16, 2013 to August 8, 2014, and as its Executive Vice President to December 31, 2014. Mr. McRae is a director and chair of the audit committee of Athabasca Oil Corporation and a director of Black Diamond Group Limited. This experience combined with a Bachelor of Commerce degree, with Distinction, from the University of Calgary obtained in 1979, and a Chartered Accountant designation from the Institute of Chartered Accountants of Alberta obtained in 1981, provide Mr. McRae with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.

Donald R. Ingram is President and Chief Executive Officer of CamCar & Associates and he is also a director of the Calgary Airport Authority. Mr. Ingram is a former director of NAL Energy Corporation and UTS Energy Corporation as well as the former Chairs of the Board of SilverBirch Energy Corporation and SilverWillow Energy Corporation. Mr. Ingram has over 30 years of experience in the oil and gas industry including as Senior Vice President and lead officer of Husky Energy Inc., responsible for the Midstream and Downstream Operations, and Chair of the Board of Sultran Limited, the Oil and Gas Industry's Sulphur Logistics Company. Mr. Ingram received a Diploma of Business Administration from Mount Royal University; he is a chartered professional accountant and he was made a Fellow chartered professional accountant of the Chartered Professional Accountants of Alberta. This academic and business experience provides Mr. Ingram with the skill set and financial literacy to carry out his duties as a member of the Audit Committee.

James M. Estey is the former Chair of the board of UBS Securities Canada Inc. and has more than 30 years of experience in the financial markets. Mr. Estey is also currently the Chair of the board of PrairieSky Royalty Ltd. and serves as a director of New Gold Inc. Mr. Estey serves on the Advisory Committee at the Murray Edwards School of Business and is involved in several charitable organizations.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees of the external auditor during the prior two years for services provided to Gibsons (in thousands):

	2016	2015
Audit fees	$ 956	$ 981
Audit-related fees	108	80
Tax fees	221	8
All other fees	614	247
Total fees	$ 1,899	$ 1,316

Audit fees include fees for the audit of the Company's consolidated financial statements and the review of the Company's quarterly reports.

Audit-related fees include fees for services that are related to the audit of the consolidated financial statements, including audit of pension plans.

Tax fees include fees for assistance in the preparation of income tax returns and advice on certain tax-related matters.

All other fees include fees for professional services related to the issuances of the Company's indebtedness, assistance with the certification for internal controls over financial reporting, procurement consulting costs and an annual subscription to accounting research software.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an ''Order''), and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of the Company are engaged in, and may continue to be engaged in, other activities in the industries in which the Company operates from time to time. As a result of these and other activities, certain directors and officers of the Company may become subject to conflicts of interest from time to time. The ABCA provides that in the event that a director or officer is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such director or officer shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

As of the date hereof the Company is not aware of any existing or potential material conflict of interest between the Company (or a subsidiary of the Company) and any director or officer of the Company (or a subsidiary of the Company).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that the Company is or was a party to, or that any of the Company's property is or was the subject of, since January 1, 2016, that were or are material to the Company, and there are no such material legal proceedings that the Company knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be ''material'' by the Company if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10% of the Company's current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the Company has included the amount involved in the other proceedings in computing the percentage. See ''Risk Factors''.

There were no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2016; (ii) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority, during the financial year ended December 31, 2016.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise set out herein, there were no material interests, direct or indirect, of any director or executive officer of the Company, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of such persons or companies, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent, registrar and dividend distribution agent for the Common Shares and the Debentures is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

The only material contracts entered into by Gibsons during the most recently completed financial year, or before the most recently completed financial year and still in effect, other than in the ordinary course of business, are as follows:

(i) The Credit Agreement dated August 20, 2014 between Gibsons and a syndicate of eleven financial institutions concerning the Revolving Credit Facility was amended on February 29, 2016, June 30, 2016, December 16, 2016 and subsequently on March 3, 2017; and
(ii) The Debentures Indenture dated June 2, 2016 between Gibsons and Computershare Trust Company of Canada providing for the issue of the Debentures.

A copy of these contracts have been filed by Gibsons' on its profile on the SEDAR website at www.sedar.com.

EXPERTS

PricewaterhouseCoopers LLP has prepared the audit report on the consolidated financial statements of the Company for the year ended December 31, 2016. PricewaterhouseCoopers LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Company is available via SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's information circular for its next annual general meeting of Shareholders that involves the election of directors. Additional financial information is provided in the Company's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2016.

APPENDIX "A" AUDIT COMMITTEE CHARTER

A. POLICY STATEMENT

It is the policy of Gibson Energy Inc. (the ''Company'') to establish and maintain an audit committee (the ''Committee'') to assist the Board of Directors (the ''Board'') in carrying out its oversight responsibility regarding the Company's internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

B. REPORTING AND ACCOUNTABILITY

1. The Committee is accountable to the Board. The Committee shall, after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

2. All information reviewed and discussed by the Committee at any meeting shall be retained and made available for examination by the Board.

3. The Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board for its approval.

4. Each year the Committee and each member thereof shall review and evaluate its performance and submit itself to a review and assessment by the Board.

C. COMPOSITION OF THE COMMITTEE

1. The Committee will consist of at least three Directors appointed annually by the Board. The Board may seek advice as considered necessary, including from management of the Company and any committee of the Board, including the Corporate Governance, Compensation and Nomination Committee, in identifying qualified candidates. Each year the Board will designate one member as a chair of the Committee (the ''Chair'').

2. Each director appointed to the Committee by the Board shall be independent (as defined by National Instrument 52-110 — Audit Committees (or any successor instrument) of the Canadian Securities Administrators (''NI 52-110'') except to the extent permitted by NI 52-110.

3. Each member of the Committee shall be ''financially literate.'' In order to be financially literate, a director must be, at a minimum, able to read and understand basic financial statements, and at least one member shall have ''accounting or related financial management expertise'', meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles recognized by the Chartered Professional Accountants of Canada from time to time and applicable to publicly accountable enterprises (''GAAP'').

4. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

D. MEETINGS OF THE COMMITTEE

1. The Committee shall meet as often as it determines necessary, but not less frequently than quarterly at such times and places as may be designated by the Chair of the Committee and whenever a meeting is requested by the Board, a member of the Committee or a senior officer of the Company.

2. Notice of each meeting of the Committee shall be given by the Chair to each member of the Committee and to the external auditors of the Company, who shall be entitled to attend each meeting of the Committee and shall attend whenever requested to do so by a member of the Committee.

3. Notice of a meeting of the Committee shall:

(a) be in writing;

(b) state the nature of the business to be transacted at the meeting in reasonable detail, in the form of an agenda;

(c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and

(d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Committee may permit.

4. A quorum for a meeting of the Committee shall consist of a simple majority of the members of the Committee. However, it shall be the practice of the Committee to require review, and, if necessary, approval of certain important matters by all members of the Committee. The presence in person or by telephone of a majority of the Committee's members constitutes a quorum for any meeting.

5. The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee at which a majority of the members constituting a quorum are present is necessary for the adoption of any resolution.

6. A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.

7. In the absence of the Chair of the Committee, the members of the Committee shall choose one of the members present to be Chair of the meeting. In addition, the Chair of the Committee shall choose one of the persons present to be the Secretary of the meeting.

8. The Chair of the Board, directors of the Company who are not members of the Committee, senior management of the Company and other parties invited by the Committee may attend meetings of the Committee on a non-voting basis; however the Committee (a) shall meet with the external auditors independent of management, as necessary, in the sole discretion of the Committee, but in any event, not less than quarterly; and (b) may meet separately with management. The Committee may request any officer or employee of the Company or the Company's legal counsel to attend all or parts of a Committee meeting, or to meet with any members of, or consultants to, the Committee.

9. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the Secretary of the meeting. A report in respect of each meeting of the Committee shall be provided to the Board.

E. DUTIES AND RESPONSIBILITIES

1. Committee's Authority

The Committee shall have the authority to:

(a) inspect any and all of the books and records of the Company, its subsidiaries and affiliates;

(b) discuss with the management of the Company, its subsidiaries and affiliates and senior staff of the Company, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;

(c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and

(d) set and pay the compensation for any advisors employed by the Committee.

2. Oversight in Respect of Risk Management

The Committee shall:

(a) identify and monitor the principal risks that could affect the financial reporting of the Company;

(b) review and assess the adequacy of the Company's risk management policies, systems, controls and procedures with respect to the Company's principal business risks, and report regularly to the Board;

(c) monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;

(d) deal directly with the external auditors to approve external audit plans, other services (if any) and the external auditors' fees;

(e) directly oversee the external audit process and results (in addition to items described in Section 5 below);

(f) review the amount and terms of any insurance to be obtained or maintained by the Company with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities; and

(g) provide an avenue of communication among the external auditors, management and the Board.

3. Oversight in Respect of Internal Controls

The Committee shall:

(a) monitor the quality and integrity of the Company's system of internal controls, disclosure controls and management information systems through discussions with management and the external auditors;

(b) oversee the system of internal controls by: (i) consulting with the external auditors regarding the effectiveness of the Company's internal controls; (ii) monitoring policies and procedures for internal accounting, financial controls and management information, electronic data controls and computer security; (iii) obtaining from management adequate assurances that all statutory payments and withholdings have been made; and (iv) taking other actions as considered necessary;

(c) oversee investigations of alleged fraud and illegality relating to the Company's finances and any resulting actions;

(d) be responsible for establishing, maintaining and reviewing on a periodic basis, procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(e) review and discuss with the Chief Executive Officer and Chief Financial Officer of the Company the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and/or quarterly filings with applicable securities regulatory authorities;

(f) review disclosures made by the Chief Executive Officer and Chief Financial Officer to the Company during their certification process for annual and/or quarterly financial statements with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees of the Company who have a significant role in the Company's internal controls; and

(g) review or satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted from the Company's financial statements and periodically assess the adequacy of those procedures.

4. Oversight in Respect of the External Auditors

The Committee shall:

(a) receive confirmation from the external auditors as to their standing as a "participating audit firm" and their compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 – Auditor Oversight (or any successor instrument) of the Canadian Securities Administrators;

(b) be directly responsible for overseeing the work of the external auditors (including the resolution of any disagreements between management and the external auditors regarding financial reporting), monitor the independence and performance of the external auditors, annually assess the quality of services provided by the external auditor and annually recommend to the Board the appointment and compensation of the external auditors or the discharge of the external auditors when circumstances are warranted;

(c) consider the recommendations of management in respect of the appointment of the external auditors;

(d) pre-approve, or delegate pre-approval to the Chair of the Committee as appropriate, all non-audit services to be provided to the Company by the external auditors, or the external auditors of the Company's subsidiaries;

(e) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;

(f) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditor and documentation required pursuant to National Instrument 51-102 —Continuous Disclosure Obligations (or any successor instrument) of the Canadian Securities Administrators and the planned steps for an orderly transition period; and

(g) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

5. Oversight in Respect of the Annual Audit, Financial Disclosure and Accounting Practices

The Committee shall:

(a) review the Company's audit plan with the external auditors and management;

(b) discuss with management and the external auditors any proposed changes in major accounting policies, standards or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;

(c) review with management and the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;

(d) review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(e) confirm through discussions with management and the external auditors that GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with;

(f) review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Company's financial statements, and the disclosure of such in the financial statements;

(g) meet with management and the external auditors to review, and to recommend to the Board for approval prior to public disclosure, the audited annual financial statements and unaudited quarterly financial statements, including reviewing the report of the external auditors, the specific disclosures in the management's discussion and analysis, and the quarterly interim reports;

(h) meet with management and the external auditors to review and discuss, and to recommend to the Board for approval prior to public disclosure:

   (i) the annual information form;

   (ii) the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant information within the Committee's mandate;

   (iii) all audited and unaudited financial statements included in prospectuses or other offering documents;

   (iv) all prospectuses and all documents which may be incorporated by reference in a prospectus, other than any pricing supplement issued pursuant to a shelf prospectus;

   (v) any significant financial information respecting the Company contained in a material change report;

   (vi) any unaudited interim financial statements, other than quarterly statements;

   (vii) any audited financial statements, other than annual statements, required to be prepared regarding the Company or its subsidiaries or benefit plans if required to be made publicly available or filed with a regulatory agency;

   (viii) each press release that contains significant financial information respecting the Company or contains estimates or information regarding the Company's future financial performance or prospects (such as annual and interim earnings press releases);

   (ix) the type and presentation of information to be included in such press releases (in particular, the use of ''pro forma'' or ''adjusted'' non-GAAP information); and

   (x) financial information and any earnings guidance proposed to be provided to analysts and rating agencies; and

   (xi) discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses.

6. Oversight in Respect of Other Items

The Committee shall:

(a) review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process;

(b) enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters which are directed to the Committee by any member of the Board, a shareholder of the Company, the external auditors or management;

(c) periodically review with management the responsibilities, performance and effectiveness of the internal audit function of the Company;

(d) review the Company's accounting and reporting of environmental costs, liabilities and contingencies;

(e) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors;

(f) assess, on an annual basis, the adequacy of this Charter and the performance of the Committee;

(g) be responsible for meeting separately, on a periodic basis, with the internal auditors (or other personnel responsible for the internal audit function); and

(h) conduct other investigations or assignments as assigned by the Board or deemed necessary by the Committee to fulfill its mandate.

7. Approval of Audit and Permitted Non-Audit Services Provided by the External Auditors

(a) Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

(b) Any proposed audit and permitted non-audit services to be provided by the external auditors to the Company or its subsidiaries must receive prior approval from the Committee. The Chief Financial Officer of the Company shall act as the primary contact to receive and assess any proposed engagements from the external auditors.

(c) The Committee is also authorized to approve non-audit services that may be provided by a party that is not the external auditors. Examples may be a quarterly review or consulting advice relating to the quarterly financial statements (which the Committee may approve without committing the Company to have a quarterly review of the financial statements on an ongoing basis), tax advice and tax consulting services, or any other consulting services that the Committee determines that it will obtain from any party that is not the external auditors.

(d) Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Committee for review and confirmation that a proposed engagement is permitted.

(e) In the majority of such instances, proposals may be received and considered by the Chair (or such other member of the Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Committee. The Chair will then inform the Committee of any approvals granted at the next scheduled meeting.

8. Limitations on Oversight Function

Notwithstanding the foregoing oversight responsibilities of the Board:

(a) management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements as well as the Company's financial reporting process, accounting policies, internal audit function, internal controls over financial reporting and disclosure controls and procedures;

(b) the external auditors are responsible for performing an audit of the Company's annual financial statements, expressing an opinion as to the conformity of such annual financial statements with GAAP, and reviewing the Company's quarterly financial statements;

(c) it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosure are complete and accurate or that they were prepared in accordance with GAAP or any other applicable laws, rules and regulations;

(d) each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and the integrity of the professionals and experts (including the Company's internal auditor (or others responsible for the internal audit function, including contracted non-employee or audit or accounting firms engaged to provide internal audit services), if any, and the Company's external auditors) from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts; and

(e) auditing literature discusses the objectives of a ''review'', including a particular set of required procedures to be undertaken by external auditors. The members of the Committee are not independent auditors, and the term ''review'' as used in this Charter is not intended to have that meaning and should not be interpreted to suggest that the Committee members can or should follow the procedures required of auditors performing reviews of financial statements.