Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of November 7, 2011 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three and nine months ended September 30, 2011 and 2010, which were prepared under International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34") and IFRS 1, and the audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009, the period from December 13, 2008 to December 31, 2008, and the period from January 1, 2008 to December 12, 2008, which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In accordance with IFRS 1, the transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with the Company's IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following Canadian GAAP and has not been re-presented. A discussion of the differences between IFRS and Canadian GAAP applicable to the Company is presented in this MD&A under "Accounting Policies". For a detailed reconciliation of the changes, see note 23 to the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010.

The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of September 30, 2011, its results of operations for the three and nine months ended September 30, 2011 and 2010, and its cash flows for the three and nine months ended September 30, 2011 and 2010. The unaudited condensed consolidated financial statements do not include all disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes and the annual disclosures and accounting policies included in the unaudited condensed consolidated financial statements for the three months ended March 31, 2011. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2011. Amounts are stated in Canadian dollars unless otherwise noted.

This MD&A contains forward-looking statements and non-GAAP measures and readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Forward looking statements" and "Non-GAAP financial measures" included at the end of this MD&A.

EXECUTIVE OVERVIEW

Gibson is one of the largest independent midstream energy companies in Canada and a major participant in the crude oil transportation business in the United States and is engaged in the movement, storage, blending, processing, marketing, and distribution of crude oil, condensate, natural gas liquids ("NGL"), and refined products. The Company transports hydrocarbons by utilizing its integrated network of terminals, pipelines, storage tanks, and truck fleet located throughout western Canada and the United States. The Company is also involved in the processing, blending and marketing of hydrocarbons and is the second largest retail propane distribution company in Canada. The Company's integrated operations allow it to participate across the full midstream energy value chain, from the hydrocarbon producing regions in Canada and the United States, through the Company's strategically located terminals in Hardisty and Edmonton, Alberta and injection stations in the United States, to the refineries of North America via major pipelines.

Gibson has provided market access to leading oil and gas industry participants in western Canada for the last 58 years. The Company has grown its business by diversifying its service offerings to meet customers' needs and by expanding geographically. Most recently, Gibson expanded its service offerings to key hydrocarbon producing regions throughout the United States to position itself as a North American midstream energy company.

The Company's five integrated segments can be broken down as follows: (1) Terminals and Pipelines, (2) Truck Transportation, (3) Propane and NGL Marketing and Distribution, (4) Processing and Wellsite Fluids and (5) Marketing. The Company believes its competitive advantage is driven by its geographic presence in some of the most hydrocarbon-rich basins in the world, its footholds in strategic market hubs, its positioning that enables it to capture value throughout the energy value chain, its diversified, integrated, synergistic service offerings, its proven track record of sourcing and successfully executing internal growth projects, its proven track record of sourcing, executing and successfully integrating business acquisitions, its leading health, safety, security and environmental record, its experienced management with a

proven history of operations and strong industry reputation and its conservative risk management policies. The Company is continuously focused on improving its operations across all segments by lowering costs, utilizing the Company's integrated asset base to capture inter segment synergies and expanding the Company's network of assets, as well as increasing the Company's margins by providing additional value added services along the midstream energy chain.

Highlights

The key highlights for the three and nine months ended September 30, 2011 were as follows:

- Revenue increased 40% and 33% in the three and nine months ended September 30, 2011, respectively, compared to the three and nine months ended September 30, 2010. The increase was primarily due to increased activity and global commodity price increases;
- Segment profit increased by 53% to $67.3 million in the three months ended September 30, 2011 compared to $44.1 million in the three months ended September 30, 2010, with increases in the Terminals and Pipelines, Truck Transportation, Processing and Wellsite Fluids and Marketing segments. Segment profit increased by 68% to $182.0 million in the nine months ended September 30, 2011 compared to $108.5 million in the nine months ended September 30, 2010, with increases across all of the Company's segments;
- Adjusted EBITDA in the three months ended September 30, 2011 increased 52% to $64.9 million compared to $42.8 million in the three months ended September 30, 2010. Adjusted EBITDA in the nine months ended September 30, 2011 increased 71% to $163.9 million compared to $95.9 million in the nine months ended September 30, 2010. Pro-Forma Adjusted EBITDA for the twelve months ended September 30, 2011 was $220.6 million;
- Capital expenditures were $106.3 million in the nine months ended September 30, 2011, of which $77.3 million related to internal growth projects. The internal growth project expenditures are primarily related to the construction of tankage and pipeline connections at the Company's terminals and the expansion of the Truck Transportation and Canwest fleets;
- On August 11, 2011, the Company entered into a partnership agreement to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato, Saskatchewan area for an initial contribution by the Company of $4.6 million.
- During the three months ended September 30, 2011, the Company completed and commissioned the Enbridge Line 4 and Cold Lake pipeline connections at the Company's Hardisty Terminal.
- During the three months ended September 30, 2011, the Company entered into a long-term service agreement with a major customer providing the customer with the use of a storage tank at its Hardisty Terminal, beginning September 1, 2011. The agreement provides for a fixed monthly fee plus additional usage fees based on monthly volume throughput. As a result, all four tanks acquired as part of the Company's acquisition of the remaining 75% interest in Battle River Terminal ULC ("BRT") on August 25, 2010 have been leased out to customers on a long term basis with each agreement providing for fixed monthly fees plus additional usage fees based on monthly volume throughput;
- In the three months ended September 30, 2011, the Company declared a dividend of $0.28 per share for a total dividend of $26.2 million, of which $9.0 million was paid in cash on October 21, 2011 with the remainder of the dividend being settled with the issuance of shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP");
- On June 15, 2011, the Company completed an initial public offering of its common shares (the "Offering") for gross proceeds of $500.0 million. Concurrent with the Offering, the Company entered into a series of transactions to refinance its existing indebtedness (the "Refinancing"), whereby the Company entered into a new senior secured first lien term loan facility in an aggregate principal amount of U.S.$650.0 million, with a term of seven years (the "Term Loan"), and a revolving credit facility of up to U.S.$275.0 million, with a term of five years (the "Revolving Credit Facility"). The Company used the proceeds from the Offering and the Refinancing to repay its outstanding First Lien Senior Secured Notes issued on May 27, 2009 in an aggregate principal amount of U.S.$560.0 million ("First Lien Notes") and its Unsecured Senior Notes issued on January 19, 2010 in an aggregate principal amount of U.S.$200.0 million ("Senior Notes", and together with the First Lien Notes, the "Notes"), to pay a repayment bonus of $128.1 million relating to the

Notes, to acquire the outstanding warrant held by Hunting Energy Holding Limited for $134.6 million and for general corporate purposes;

- As part of the Offering and Refinancing, Gibson Energy Holding ULC, Gibson Energy Inc. 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. is accounted for using continuity of interest and, as such, Gibson Energy Inc. is considered a continuity of Gibson Energy Holding ULC;

- On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal to Pembina Midstream Limited Partnership for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million. The terminal was a remotely operated facility located in Edmonton, Alberta, with a capacity of 310,000 barrels. As part of the consideration received, the Company secured important pipeline assets and connections that will provide access to crude oil streams within the Edmonton area, thereby allowing the Company to expand and grow its Edmonton South Terminal; and

- Net loss was $5.1 million and $95.2 million in the three and nine months ended September 30, 2011, respectively, compared to net income of $10.7 million in the three months ended September 30, 2010 and a net loss of $28.5 million in the nine months ended September 30, 2010. The decrease in net income in the three months ended September 30, 2011 was primarily due to a foreign exchange loss on long-term debt compared to a gain in the prior year period, offset by an increase in segment profit and lower interest expense. The increase in net loss in the nine months ended September 30, 2011 was primarily due to debt extinguishment costs of $166.1 million that were incurred as part of the Refinancing offset by the increase in segment profit and the gain on sale of the Edmonton North Terminal.

On October 17, 2011, subsequent to quarter end, the Company entered into an agreement providing for the acquisition of all of the issued and outstanding common shares of Palko Environmental Ltd. ("Palko") not already owned by the Company. Under the terms of the agreement, shareholders of Palko may elect to receive either: (i) 0.1717 of a common share of the Company for each Palko Share; or (ii) $3.05 cash for each Palko Share; or (iii) a combination thereof. If the shareholders of Palko elect to receive 100% cash consideration, the acquisition cost to the Company to acquire Palko will be approximately $62.7 million, including the assumption of estimated net debt of approximately $15.95 million. The acquisition, which is expected to be completed by mid December 2011, will expand the Company's Canadian custom terminal operations to include emulsion treating, water disposal and oilfield waste management.

On October 18, 2011, R/C Guitar Coöperatief U.A. ("Co-op"), a Dutch cooperative owned by Riverstone Holdings LLC ("Riverstone"), and the Company entered into an agreement with a syndicate of underwriters to complete a secondary offering. Under the agreement, the underwriters agreed to purchase 14,000,000 common shares of the Company from Co-op at a purchase price of $18.00 per share for gross proceeds of $252.0 million. The Company will not be entitled to any of the proceeds from the sale of the common shares by Co-op. In addition, Co-op granted the underwriters an over-allotment option, exercisable at the purchase price for a period of 30 days from and including October 31, 2011, to purchase up to an additional 15% of the secondary offering to cover over-allotments, if any. The secondary offering together with the purchase of shares from Co-op following the exercise of the over-allotment option closed on November 7, 2011. As a result, Riverstone beneficially owns approximately 45% of the common shares of the Company.

Trends affecting the Company's business

In accordance with the Company's long-range strategic plan, the Company is continuously evaluating organic growth opportunities and potential acquisitions of transportation, retail propane distribution, gathering, terminalling or storage and other complementary midstream businesses. Most recently, the Company expanded its Canadian custom terminals business to include emulsion treating, water disposal and oilfield waste management, which includes its investment in the Plato partnership, the agreement to acquire the remaining shares of Palko and its development plans at the Rimbey custom terminal.

Some of the key industry trends that are currently affecting Gibson's business and prospects are:

- Increased activity levels are forecasted to continue in the Bakken, Cardium, Viking, Eagle Ford, and Niobrara areas stemming from increased drilling budgets proposed by industry leaders. This may generate increased demand for the services Gibson provides;
- Continued unrest in the Middle East that is underscoring the importance of domestic oil production to the North American market. This should result in an increased focus on development of North American supply and regenerate drilling activity and production levels domestically;
- Technology advancements within the drilling and fracturing process are providing production companies new opportunities to increase production levels from wells that were previously uneconomic and to bring on production from areas that were previously unable to economically produce crude oil, such as tight shale plays;
- Increased production levels and increased crude oil prices have increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing and refining, all of which are activities in which the Company participates;
- Currently, the price of West Texas Intermediate ("WTI") crude oil is trading at a significant discount to both Brent crude and Edmonton based light crude oil. If these trends continues, it could create incremental margin opportunities and increased opportunities for multiple areas of the Company's operations;
- The proposed Keystone XL pipeline project, if approved, will help provide a growing supply of Canadian crude oil to the largest refining markets in the United States. If approved, the pipeline would begin in Hardisty and could provide increased opportunities for the Company's services;
- On September 12, 2011, Enbridge announced a twinning of the southern section of its Athabasca pipeline. The project will provide for additional volumes into the Hardisty area and could provide increased opportunities for the Company's services; and
- In the first nine months of 2010, heavy to light crude oil pricing differentials were at historically low levels. However, since then, differentials have widened from those low levels, but continue to be volatile. The widening of differentials creates incremental margin opportunities in multiple areas of the Company's operations.

Longer-term outlook

The Company's longer-term outlook, spanning three to five years or more, is influenced by many factors affecting the North American midstream energy sector. Some of the more significant trends and developments relating to crude oil include:

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company's operating areas;
- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;
- Increased crude oil production on shore in North America, including from the Canadian oil sands; and
- Expansion of the 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 Western Canada Sedimentary Basin ("WCSB").

The Company believes the collective impact of these trends and developments, many of which are beyond the Company's control, will result in an increasingly volatile crude oil market that is subject to more frequent short-term swings in market prices and grade differentials and shifts in market structure.

Acquisitions and internal growth projects

The following table summarizes the Company's capital expenditures for internal growth projects, acquisitions and upgrade and replacement capital (in thousands):

	Nine months ended September 30,	
	2011	**2010**
Internal growth projects	$ 77,334	$ 20,278
Acquisitions	-	233,395
Upgrade and replacement capital[1]	28,984	23,040
	$ 106,318	$ 276,713

(1) Upgrade capital above includes improvement projects that extend the physical life of an asset, while replacement capital includes purchases that replace existing assets as necessary to maintain current service levels or replace assets that no longer have a useful economic life.

Total capital expenditures for internal growth projects and upgrade and replacement capital were $106.3 million and $43.3 million in the nine months ended September 30, 2011 and 2010, respectively. In the nine months ended September 30, 2011 and 2010, $102.5 million and $41.6 million, respectively, were included as additions to property, plant and equipment and $3.8 million and $1.7 million, respectively, were included as additions to intangible assets.

Internal growth projects

	Nine months ended September 30,	
	2011	**2010**
Terminals and Pipelines[1]	$ 47,493	$ 7,085
Truck Transportation[2]	26,141	4,137
Propane and NGL Marketing [3]	2,311	4,931
Processing and Wellsite Fluids[4]	1,322	3,857
Other	67	268
Total	$ 77,334	$ 20,278

(1) Relates to a number of key construction and expansion projects including:

- *Construction of four 300,000 barrel tanks at the Hardisty Terminal. The Company expects that two of the tanks will be operational by the third quarter of 2012, with the remaining two tanks expected to be operational in 2013;*
- *Construction of a tank at the Hardisty Terminal that is expected to be completed in the fourth quarter of 2011. The Company has entered into an agreement whereby, on completion, the tank will be leased to a customer on a long-term fixed fee basis, plus additional throughput charges;*
- *Connections at the Hardisty Terminal, including connections to Enbridge Line 4 and the Cold Lake pipeline system, both of which were commissioned in the three months ended September 30, 2011;*
- *Connections to an existing tank at the Hardisty Terminal which has been contracted to a customer to provide terminalling services that was commissioned in the three months ended September 30, 2011;*
- *Connections to the Edmonton South Terminal, including the Southern Lights pipeline and a capacity expansion expected to be operational in the fourth quarter of 2011; and*
- *Assets acquired to build a pipeline, treating and disposal facility in connection with the Plato partnership agreement.*

(2) Largely represents the ongoing addition of rolling stock to meet demand growth in key market areas, with $5.2 million spent in Canada and $18.0 million in the United States in the nine months ended September 30, 2011. Also, includes the purchase of land in Sexsmith, Alberta for the expansion of the Truck Transportation business.

(3) Mainly represents the ongoing addition of trucks, tanks and generators to meet growing demand in key market areas. Included in the nine months ended September 30, 2010 is the purchase of land in Calgary, Alberta, for the Company's retail propane business.

(4) Largely related to expenditures incurred in the expansion of capacity and the building of a new tank at the Moose Jaw Refinery.

Acquisitions

The Company did not make any business acquisitions during the nine months ended September 30, 2011.

During the nine months ended September 30, 2010, the Company completed the acquisition of Johnstone Tank Trucking Ltd. ("Johnstone") for aggregate consideration of $21.2 million, effective January 31, 2010; Aarcam Propane & Construction Heat Ltd. ("Aarcam") for aggregate consideration of $3.4 million, effective February 1, 2010; Taylor Companies LLC and substantially all the assets of Taylor Propane Gas Inc. (collectively, "Taylor") for aggregate consideration of $150.9 million, effective May 14, 2010; and the remaining 75% interest in Battle River Terminal ULC ("BRT") for aggregate consideration of $54.8 million, effective August 25, 2010. In addition, in the nine months ended September 30, 2010, the Company participated in a private placement with Palko Environmental Ltd. ("Palko") for $3.1 million, thereby allowing the Company to maintain its 39% equity interest.

Seasonality

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

The Company's Processing and Wellsite Fluids 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 Processing and Wellsite Fluids segment's sales of asphalt peak in the summer and sales of wellsite fluids peak in the winter.

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

CONSOLIDATED FINANCIAL RESULTS

The following table sets forth the Company's consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010:

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(in thousands)			
Revenue	$ 1,235,321	$ 884,968	$ 3,591,247	$ 2,698,362
Cost of sales	1,193,089	863,928	3,482,553	2,651,360
Gross profit	42,232	21,040	108,694	47,002
General and administrative	8,394	9,166	27,233	27,728
Gain on sale of Edmonton North Terminal	-	-	(20,370)	-
Other operating income	(2,696)	(745)	(2,131)	(1,941)
Income from operating activities	36,534	12,619	103,962	21,215
Loss from investment in associates	167	324	110	882
Interest expense	11,504	25,241	57,542	74,181
Financial instruments relating to interest expense	11,393	-	11,325	-
Interest income	(179)	(29)	(337)	(307)
Foreign exchange loss (gain) on long-term debt	15,121	(23,408)	2,960	(10,008)
Debt extinguishment costs	-	-	166,056	-
Income (loss) before income taxes	(1,472)	10,491	(133,694)	(43,533)
Income tax provision (recovery)	3,649	(246)	(38,466)	(15,079)
Net income (loss)	$ (5,121)	$ 10,737	$ (95,228)	$ (28,454)
Earnings (loss) per share				
Basic	$ (0.05)	$ 0.12	$ (1.38)	$ (0.62)
Diluted	(0.05)	0.12	(1.38)	(0.62)

SEGMENTED RESULTS OF OPERATIONS

The Company's senior management evaluates segment performance based on a variety of measures depending on the particular segment being evaluated, including profit, volumes, operating expenses, profit per barrel and upgrade and replacement capital requirements. The Company defines segment profit as revenues less cost of sales and operating expenses. Revenues presented by segment in the table below include inter-segment revenue, as this is considered more indicative of the level of each segment's activity. Profit by segments excludes depreciation, amortization, accretion, impairment charges, stock based compensation and corporate expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items such as depreciation, amortization and stock based compensation, as one of the Company's important measures of segment performance. The Company has also excluded the gain on the sale of the Company's Edmonton North Terminal from segment profit since it is a non-recurring gain. The terminal was part of the Company's Marketing segment.

The following is a discussion of the Company's segmented results of operations for the three and nine months ended September 30, 2011 and 2010 and the following table sets forth revenue and profit (loss) by segment for those periods:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Segment revenue				
Terminals and Pipelines	$ 211,667	$ 176,556	$ 674,909	$ 688,930
Truck Transportation	119,372	99,838	333,383	246,359
Propane and NGL Marketing and Distribution	239,022	183,401	711,446	499,238
Processing and Wellsite Fluids	144,730	110,063	375,439	316,784
Marketing	890,400	656,830	2,655,880	2,235,543
Total segment revenue	1,605,191	1,226,688	4,751,057	3,986,854
Revenue—inter-segmental	(369,870)	(341,720)	(1,159,810)	(1,288,492)
Total revenue—external	1,235,321	884,968	3,591,247	2,698,362
Segment profit (loss)				
Terminals and Pipelines	15,961	10,590	49,772	26,433
Truck Transportation	19,545	17,900	48,958	38,904
Propane and NGL Marketing and Distribution	3,645	4,919	25,853	22,186
Processing and Wellsite Fluids	22,393	14,242	37,298	23,958
Marketing	5,795	(3,599)	20,122	(3,011)
Total segment profit	67,339	44,052	182,003	108,470
General and administrative	6,519	6,738	18,666	21,561
Depreciation and amortization	24,605	24,259	74,589	65,007
Stock based compensation	1,047	1,744	6,185	4,154
Debt extinguishment costs	-	-	166,056	-
Foreign exchange loss (gain)	13,922	(24,392)	2,041	(12,593)
Gain on sale of Edmonton North Terminal	-	-	(20,370)	-
Interest expense, net	11,325	25,212	57,205	73,874
Financial instruments relating to interest expense	11,393	-	11,325	-
Income (loss) before income tax	(1,472)	10,491	(133,694)	(43,533)
Income tax provision (recovery)	3,649	(246)	(38,466)	(15,079)
Net income (loss)	$ (5,121)	$ 10,737	$ (95,228)	$ (28,454)

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

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

Terminals and Pipelines

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

Volumes (barrels in thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Terminals				
Hardisty Terminal	21,947	17,189	62,930	47,846
Edmonton South Terminal	4,668	4,790	11,825	13,581
Injection stations	10,155	7,959	26,321	12,170
Total terminals	36,770	29,938	101,076	73,597
Pipelines				
Bellshill pipeline	491	472	1,443	1,436
Provost pipeline	1,680	1,736	5,074	5,110
Total pipelines	2,171	2,208	6,517	6,546
Total terminals and pipelines	38,941	32,146	107,593	80,143
Custom terminals	2,141	2,240	6,661	8,369

(in thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues				
Terminals and pipelines	$ 21,042	$ 15,490	$ 60,599	$ 41,705
Custom terminals	190,625	161,066	614,310	647,225
Total revenues	211,667	176,556	674,909	688,930
Cost of sales	187,185	159,411	602,462	644,650
Operating expenses and other	8,521	6,555	22,675	17,847
Segment profit	$ 15,961	$ 10,590	$ 49,772	$ 26,433

Three months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 28% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, as a result of increased volumes through the additional tanks that were acquired as part of the Company's acquisition of BRT. Revenue at the Hardisty Terminal increased by $4.6 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to additional revenue from customers with dedicated tank usage that is largely related to the BRT acquisition.

Edmonton South Terminal volumes decreased by 3% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to a decrease in diesel shipments through the terminal from a customer that is subject to minimum volume charges. However, as result of minimum volume and fixed fee agreements, revenue at the Edmonton South Terminal increased by $0.3 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Injection station volumes increased by 28% in the three months ended September 30, 2011, compared to the three months ended September 30, 2010 due to an increase in overall crude oil activity in certain regions in the United States and capital spent to increase capacity at injection stations. As a result, revenue increased by $0.4 million in the three months ended September 30, 2011, compared to the three months ended September 30, 2010.

Volumes for the Company's Bellshill pipeline were 4% higher in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, due to an increase in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.1 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of the increase in volumes and also an increase in tariffs.

Volumes for the Company's Provost pipeline declined by 3% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to a decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.1 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Custom terminal volumes decreased by 4% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, as a result of a decrease in the trucked-in volume at the Company's Edmonton South Terminal. Despite the decrease in volumes, revenues increased by approximately $29.6 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of higher commodity prices that also resulted in an increase in cost of sales.

Operating expenses and other. Overall operating expenses and other costs increased by $2.0 million, or 30% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010. The increase was largely related to the additional operating costs as a result of the BRT acquisition.

Segment profit. Overall, segment profit in the three months ended September 30, 2011 increased by $5.4 million, or 51%, compared to the three months ended September 30, 2010. The primary reason for the increase was increased activity through the Company's Hardisty Terminal, largely as a result of the BRT acquisition, and a $1.6 million increase in profit being generated from the Company's custom terminal operations to $2.4 million in the three months ended September 30, 2011 as a result of wider price differentials between crude oil types.

Nine months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 32% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, as a result of increased volumes from the Athabasca pipeline and from other pipeline sources and also due to increased volumes through the additional tanks that were acquired as part of the Company's acquisition of BRT. Revenue at the Hardisty Terminal increased by $14.9 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase in revenue was due to both the increase in volume and the additional revenue from customers with dedicated tank usage that is primarily related to the BRT acquisition.

Edmonton South Terminal volumes decreased by 13% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 mainly due to a decrease in diesel shipments through the terminal from a customer that is subject to minimum volume charges. However, as result of minimum volume and fixed fee agreements, revenues at the Edmonton South Terminal increased by $0.7 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Injection station volumes increased by 116% in the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010 due to the full period impact of the Taylor acquisition which occurred on May 14, 2010. As a result, revenue increased by $2.3 million in the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010.

Volumes for the Company's Bellshill pipeline were relatively stable in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. However, revenue increased by $0.4 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as a result of an increase in tariffs.

Volumes for the Company's Provost pipeline declined by 1% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.5 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Custom terminal volumes decreased by 20% in the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010, as a result of a decrease in the trucked-in volume at the Company's Edmonton South Terminal. As a result of the decrease in volumes offset in part by higher commodity prices, revenues decreased by approximately $32.9 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, which also resulted in a corresponding decrease in cost of sales.

Operating expenses and other. Overall operating expenses and other costs increased by $4.8 million, or 27%, in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase was largely related to the additional operating costs as a result of the BRT and Taylor acquisitions.

Segment profit. Overall, segment profit in the nine months ended September 30, 2011 increased by $23.3 million, or 88%, compared to the nine months ended September 30, 2010. The primary reason for the increase was due to increased activity through the Company's Hardisty Terminal, largely as a result of the BRT acquisition, and an $8.9 million increase in profit being generated from the Company's custom terminal operations to $8.6 million in the three months ended September 30, 2011 as a result of wider price differentials between crude oil types.

Truck Transportation

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

	Three months ended September 30,		Nine months ended September 30,	
Volumes (barrels in thousands)	**2011**	**2010**	**2011**	**2010**
Barrels hauled	37,908	36,960	107,959	95,115

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
		(in thousands)		
Revenues	$ 119,372	$ 99,838	$ 333,383	$ 246,359
Cost of sales	81,024	67,290	232,093	165,121
	38,348	32,548	101,290	81,238
Operating expenses and other	18,803	14,648	52,332	42,334
Segment profit	$ 19,545	$ 17,900	$ 48,958	$ 38,904

Three months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

For the three months ended September 30, 2011, barrels hauled increased by 3% compared to the three months ended September 30, 2010, due mainly to an increase in hauling volumes in the United States offset by a decrease in hauling volumes in Canada due to adverse weather conditions early in the quarter that limited the Company's ability to haul in certain regions.

Revenues increased by 21% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. The increase was driven by the increase in volumes and rate increases along with an increase in fuel surcharge revenue.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales in the three months ended September 30, 2011 increased by 20%, as compared to the three months ended September 30, 2010. The increase was driven by the increase in revenue.

Operating expenses and other. Overall operating expenses and other costs increased by $4.2 million, or 28%, in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, mainly due to an increase in payroll related costs and maintenance costs.

Segment profit. Segment profit increased by $1.6 million or 9% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of the increase in volumes and revenues, offset by an increase in operating expenses.

Nine months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

For the nine months ended September 30, 2011, barrels hauled increased by 14% compared to the nine months ended September 30, 2010, due mainly to the full period impact of the acquisition of Taylor, which occurred on May 14, 2010, and to a lesser extent the full period impact of the acquisition of Johnstone, which occurred on January 31, 2010. However, this was offset by a decrease in hauling volumes due to adverse weather conditions in both Canada and the United States and also a decrease in petroleum coke hauling that experienced strong demand in the nine months ended September 30, 2010 as a result of favorable pricing for the commodity.

Revenues increased by 35% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The increase was driven by the increase in volumes but also due to an increase in fuel surcharge revenue and rate increases.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 41% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase was largely driven by the increase in revenue with the additional increase due to a higher cost of sales for Taylor trucking.

Operating expenses and other. Overall operating expenses and other costs increased by $10.0 million, or 24%, in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, mainly due to the full period impact of additional costs related to the Taylor and Johnstone acquisitions and also due to increased payroll related and maintenance costs.

Segment profit. Segment profit increased by $10.1 million or 26% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as a result of the increase in revenues, mainly driven by the impact of the Taylor acquisition and increases in rates and fuel surcharges but offset by a decrease in other hauling volumes.

Propane and NGL Marketing and Distribution

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

Volumes	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Sales volumes—retail (litres in thousands)				
Residential	3,389	3,841	14,259	12,678
Oil and gas	36,445	27,199	121,514	93,887
Commercial and industrial	7,928	8,489	45,920	36,193
Automotive	7,751	7,744	19,800	20,351
Other	4,184	4,408	13,649	13,133
	59,697	51,681	215,142	176,242
Sales volumes—wholesale				
Propane distribution (litres in thousands)	139,615	150,121	504,450	465,523
NGL Marketing (barrels in thousands)				
Propane	-	-	-	41
Butane	540	497	1,438	1,125
Condensate	322	284	937	868
Taylor	709	635	2,163	1,299
	1,571	1,416	4,538	3,333

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(in thousands)			
Revenues				
Retail				
Propane	$ 31,263	$ 22,123	$ 113,786	$ 84,868
Other	2,691	2,506	10,285	9,130
Total retail	33,954	24,629	124,071	93,998
Wholesale				
Propane distribution	57,459	47,257	205,942	164,951
NGL Marketing	147,609	111,515	381,433	240,289
Total wholesale	205,068	158,772	587,375	405,240
Total revenues	239,022	183,401	711,446	499,238
Cost of sales				
Retail				
Propane	22,782	14,279	81,720	57,916
Other	594	403	1,587	1,196
Total retail	23,376	14,682	83,307	59,112
Wholesale				
Propane distribution	54,711	45,711	195,495	155,386
NGL Marketing	146,670	109,523	373,072	234,578
Total wholesale	201,381	155,234	568,567	389,964
Total cost of sales	224,757	169,916	651,874	449,076
	14,265	13,485	59,572	50,162
Operating expenses and other	10,620	8,566	33,719	27,976
Segment profit	$ 3,645	$ 4,919	$ 25,853	$ 22,186

Three months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Retail volumes increased 16% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, due to an increase in volumes in the oil and gas market. The increase in the oil and gas market was due to an overall increase in drilling activity in the three months ended September 30, 2011 compared to the three months ended September 30, 2010. Offset against this were decreases in the commercial and industrial, residential and other markets. The decrease in the commercial and industrial market was due to a decrease in construction activity. The decrease in the residential market was due to warmer weather conditions in the Company's key markets. The volumes in the automotive market remained relatively stable. Overall retail propane revenues increased 41% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, as a result of the increase in sales volumes and also increased rack prices.

Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 7% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, due to an increase in equipment sales.

Wholesale propane distribution volumes decreased by 7% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, due to a decrease in volumes from customers purchasing product for storage for the upcoming winter season. Revenues increased by 22% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of an increase in rack prices.

NGL marketing volumes increased by 11% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, primarily as a result of the increased activity in the United States relating to Taylor. The increase was also due to an increase in condensate volumes sold to external customers and an increase in butane volumes sold to external customers and product used by the Company's Marketing segment. NGL marketing revenues increased 32% due to the impact of increased volumes and also an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale distribution propane increased 38% and 29%, respectively, in the three months ended September 30, 2011 compared to the three months ended September 30, 2010. Retail propane margin per litre decreased by 6%, largely as a result of a change in the overall sales mix, as oil and gas sales contributed a higher percentage of total sales but have lower margins than other retail markets. Wholesale propane distribution margin per litre was 60% higher in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to the negative impact on margins in the prior year period of the strong Canadian dollar.

Cost of sales for NGL marketing increased 34% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, largely in line with the increase in revenue.

Operating expenses and other. Overall operating expenses and other costs increased by $2.1 million, or 24%, in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 primarily due to an increase in payroll related costs in retail and also in wholesale as the Company continues to build its operations in the United States.

Segment profit. The Propane and NGL Marketing and Distribution segment profit decreased in the three months ended September 30, 2011 by $1.3 million or 26% as compared to the three months ended September 30, 2010, primarily as a result of lower NGL marketing margins and an increase in operating costs, offset in part by increased gross margin in retail and wholesale propane.

Nine months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Retail volumes increased 22% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, largely as a result of increased volumes in the oil and gas and the commercial and industrial markets. The increase in the oil and gas market was as a result of an overall increase in drilling activity in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase in the commercial and industrial market was due to an increase in construction activity. There was also an increase in the residential market due to colder weather conditions in the Company's key markets. However, there was a decline in the automotive market, where declines have been occurring for several years as propane is not the preferred fuel choice. Overall retail propane revenues increased 34% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, primarily as a result of increased sales volumes but also due to an increase in rack prices.

Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 13% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, due to an increase in equipment sales and also equipment rentals as the Company has increased its investment in generator rentals.

Wholesale propane distribution volumes increased by 8% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, due to an increase in overall volumes from long-term customers as they continue to grow their business. Revenues increased by 25% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as a result of the increase in volumes and also an increase in rack prices.

NGL marketing volumes increased by 33% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, primarily as a result of the impact of a full period of results from the Taylor acquisition and also due to an increase in butane and condensate volumes sold to external customers and product used by the Company's Marketing segment. NGL marketing revenues increased by 59% due to the impact of increased volumes and also an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale distribution propane both increased by 16% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. Retail propane margin per litre decreased by 3% due to a change in the overall sales mix, as oil and gas sales contributed a higher percentage of total sales but have lower margins than other retail markets. Wholesale propane distribution margin per litre remained relatively stable in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Cost of sales for NGL marketing increased by 59% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, with the increase in line with the increase in revenue.

Operating expenses and other. Overall operating expenses and other costs increased by $5.7 million, or 21%, in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, primarily due to an increase in payroll related costs in both retail and wholesale and also the additional costs from the Taylor acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the nine months ended September 30, 2011 by $3.7 million or 17% as compared to the nine months ended September 30, 2010, primarily as a result of increased volumes and margins in retail propane and NGL marketing and the increase in other retail revenue, offset in part by increased operating costs.

Processing and Wellsite Fluids

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

Volumes (barrels in thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Roofing flux	312	222	1,091	948
Road asphalt	243	326	404	572
Frac fluid	132	106	343	348
Tops	428	403	1,151	1,120
Distillate	206	128	560	394
Other	14	8	50	24
Total sales volumes	1,335	1,193	3,599	3,406

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(in thousands)			
Revenues				
Road asphalt and roofing flux	$ 58,407	$ 50,316	$ 144,250	$ 133,943
Frac fluid	18,956	12,230	45,593	40,769
Tops	37,272	29,688	104,486	84,505
Distillate	28,167	16,156	74,992	53,795
Other	1,928	1,673	6,118	3,772
Total revenues	144,730	110,063	375,439	316,784
Cost of sales	119,466	91,629	324,945	278,019
Operating expenses and other	2,871	4,192	13,196	14,807
Segment profit	$ 22,393	$ 14,242	$ 37,298	$ 23,958

Three months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Sales volumes for roofing flux increased by 41% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 as a result of increased demand in the United States following a number of severe weather events. In addition, there was an increase in demand for the Company's straight run roofing flux. In the three months ended September 30, 2011, road asphalt volumes decreased by 25% compared to the three months ended September 30, 2010 due to the increase in the amount of asphalt being sold as roofing flux resulting in the Company selling less volume as road asphalt. Road asphalt and roofing flux revenue increased by 16% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due mainly to increases in both roofing flux and road asphalt prices.

Frac fluid volumes increased by 25% in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to an increase in overall industry demand for frac fluids. However, frac fluid revenues were 55% higher in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, which was due to both higher volumes and selling prices in the market.

Tops volumes were 6% higher in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. The increase in volume was largely due to higher inventory coming into the current quarter compared to the prior year quarter, as typically when frac fluid and distillate volumes increase, the Company sells less of the light end volumes as tops. Tops revenues were 26% higher over the same period, reflecting the higher price of the Light Sour Blend (“LSB”) crude stream, which is the basis for pricing tops.

Sales volumes for distillate were 61% higher in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 due to an increase in drilling activity driving sales demand higher. Distillate revenues were 74% higher in the period largely as a result of the higher volumes and pricing.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 17% due to an increase in crude prices, which was partially offset by wider price differentials, which had a positive impact on product margins.

Overall margins increased by $6.8 million, or 37%, in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. The primary reasons for the increase in overall margins were increased margins for all products due to increased volumes and also wider differentials for crude oil feedstock, which positively impacted margins.

Operating expenses and other. Operating expenses decreased by $1.3 million or 32% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, primarily due to a foreign exchange gain of $1.2 in the three months ended September 30, 2011 as a result of a stronger U.S. dollar.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the three months ended September 30, 2011 by $8.2 million or 57% as compared to the three months ended September 30, 2010 primarily as a result of increased volumes and margins for all products.

Nine months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Sales volumes for roofing flux increased by 15% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as a result of increased demand in the United States following a number of severe weather events. In the nine months ended September 30, 2011, there was also an increase in demand for the Company’s straight run roofing flux. In the nine months ended September 30, 2011, road asphalt volumes decreased by 29% compared to the nine months ended September 30, 2010 due to the increase in the amount of asphalt being sold as roofing flux resulting in the Company selling less volume as road asphalt. Road asphalt and roofing flux revenue increased by 8% in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 due to an increase in both roofing flux and road asphalt pricing.

Frac fluid revenues were 12% higher in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, which was largely due to higher overall selling prices in the market. Frac fluid volumes were relatively stable in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

Tops volumes increased by 3% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The increase in volume was largely due to higher inventory coming into the current year period compared to the prior year period, as typically when frac fluid and distillate volumes increase, the Company sells less of the light end volumes as tops. Tops revenues were 24% higher over the same period, reflecting the higher price of the LSB crude stream, which is the basis for pricing tops.

Sales volumes for distillate were 42% higher in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 due to an increase in overall drilling activity driving sales demand higher. Distillate revenues were 39% higher in the period as a result of higher volumes, which was offset by lower pricing particularly in the first quarter, as a result of increased competition.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 11% due to the increase in crude prices that was partially offset by wider price differentials, which had a positive impact on product margins.

Overall margins increased by $11.7 million, or 30%, in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. The primary reasons for the increase in overall margins were wider differentials for crude oil feedstock, which positively impacted margins and increased margins for distillate due to increased volumes.

Operating expenses and other. Operating expenses decreased by $1.6 million or 11% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, primarily due to a foreign exchange gain of $0.9 million in the nine months ended September 30, 2011 as a result of a stronger U.S. dollar and lower operational costs.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the nine months ended September 30, 2011 by $13.3 million or 56% as compared to the nine months ended September 30, 2010 primarily as a result of increased margins for tops. The selling price for tops increased but crude oil input prices did not increase correspondingly due to wider price differentials for crude oil resulting in increased margins. The increase was also due to the increased margin from higher sales volumes of roofing flux and distillate offset by lower volumes of road asphalt.

Marketing

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

	Three months ended September 30,		Nine months ended September 30,	
Volumes (barrels in thousands)	**2011**	**2010**	**2011**	**2010**
Sales Volumes				
Crude and diluent	13,739	11,826	39,089	34,634
Natural gas (GJ)	6,098	9,313	16,426	27,982

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
	(in thousands)			
Revenues				
Crude and diluent	$ 865,967	$ 510,526	$ 2,583,048	$ 1,805,594
Natural gas	24,433	42,361	72,832	138,166
Edmonton North Terminal	-	103,943	-	291,783
Total revenues	890,400	656,830	2,655,880	2,253,543
Cost of sales	882,711	657,296	2,628,928	2,229,607
Operating expenses and other	1,894	3,133	6,830	8,947
Segment profit (loss)	$ 5,795	$ (3,599)	$ 20,122	$ (3,011)

Three months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$85.61 to U.S.$97.34 during the three months ended September 30, 2011 and from approximately U.S.$75.55 to U.S.$76.67 during the three months ended September 30, 2010.

Sales volumes for crude and diluent increased by 16% in the three months ended September 30, 2011, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue for crude and diluent increased by 70% due to the increase in volume and also the increase in commodity prices.

Natural gas sales volumes decreased by 35% in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, primarily due to the expiration and non-renewal of gas contracts since September 30, 2009. As a result, natural gas revenues were 42% lower in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010.

The decrease in revenue at the Company's Edmonton North Terminal was as a result of the sale of the terminal on January 7, 2011. Inventory at the terminal that was not sold as part of the transaction was sold subsequently and is included in the Company's crude and diluent revenue.

Cost of sales in the three months ended September 30, 2011 was 34% higher compared to the three months ended September 30, 2010. This was mainly attributable to the increase in commodity prices and volumes of crude and diluent, that was offset by decreases in volumes from natural gas and the Edmonton North Terminal.

Operating expenses and other. Operating expenses decreased by $1.2 million in the three months ended September 30, 2011 compared to the three months ended September 30, 2010. The decrease in costs was mainly as a result of cost saving from the sale of the Edmonton North Terminal.

Segment profit. The Marketing segment results increased by approximately $9.4 million in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010. In the three months ended September 30, 2011, margins were positively impacted by wider pricing differentials between crude oil types, which are generally beneficial for segment profitability. In the three months ended September 30, 2010, margins were negatively impacted by a narrow price differential environment as well as third party pipeline supply issues, whereby some volumes could not be delivered to the customer and ultimately were resold at lower spot market rates.

Nine months ended September 30, 2011 and 2010.

Volumes, revenues and cost of sales.

The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$85.61 to U.S.$110.04 during the nine months ended September 30, 2011 and from approximately U.S.$74.12 to U.S.$84.58 during the nine months ended September 30, 2010.

Sales volumes for crude and diluent increased by 13 % in the nine months ended September 30, 2011, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue for crude and diluent increased by 43% due to the increase in volume and also the increase in commodity prices.

Natural gas sales volumes decreased by 41% in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, primarily due to the expiration and non-renewal of gas contracts since September 30, 2009. As a result, natural gas revenues were 47% lower in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010.

The decrease in revenue at the Company's Edmonton North Terminal was as a result of the sale of the terminal on January 7, 2011. Inventory at the terminal that was not sold as part of the transaction was sold subsequently and is included in the Company's crude and diluent revenue.

Cost of sales in the nine months ended September 30, 2011 was 18% higher compared to the nine months ended September 30, 2010. This was mainly attributable to the increase in commodity prices and volumes of crude and diluent, that was offset by the decreases in volumes from natural gas and the Edmonton North Terminal.

Operating expenses and other. Operating expenses decreased by $2.1 million in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The decrease in costs was mainly as a result of cost savings from the sale of the Edmonton North Terminal.

Segment profit. The Marketing segment profit increased by $23.1 million in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010. In the nine months ended September 30, 2011 margins were positively impacted by rising prices and widening pricing differentials between crude oil types, which is generally beneficial for segment profitability. In the nine months ended September 30, 2010, margins were negatively impacted by a narrow price differential environment.

General and administrative, excluding depreciation and amortization

General and administrative expense ("G&A") is comprised of costs incurred for executive services, accounting, finance, legal, human resources, investor relations and communications that are incurred at a corporate level and are not related to a specific segment of operations.

G&A expense was $6.5 million and $18.7 million in the three and nine months ended September 30, 2011, respectively, compared to $6.7 million and $21.6 million in the three and nine months ended September 30, 2010, respectively. G&A expense was relatively stable in the three months ended September 30, 2011 compared to the three months ended September 30, 2010, with the decrease relating to the termination of the management agreement with Riverstone on completion of the Offering. The decrease in G&A expenses in the nine months ended September 30, 2011 was largely related to the expensing of acquisition transaction costs of $2.4 million in the nine months ended September 30, 2010.

Depreciation and amortization

Depreciation and amortization expense was $24.6 million and $74.6 million in the three and nine months ended September 30, 2011, respectively, compared to $24.3 million and $65.0 million in the three and nine months ended September 30, 2010, respectively. The increase was largely due to the additional depreciation and amortization related to the Company's acquisitions, primarily Taylor and BRT. In addition, in the nine months ended September 30, 2011 the expense included an impairment charge of $2.3 million relating to a tank at the refinery in Moose Jaw that, upon inspection, was determined not to be suitable for future use.

Stock based compensation

Stock based compensation expense was $1.0 million and $6.1 million in the three and nine months ended September 30, 2011, respectively, compared to $1.7 million and $4.2 million in the three and nine months ended September 30, 2010, respectively. The decrease in expense in the three months ended September 30, 2011 was due to the graded recognition of stock compensation expense, whereby each vesting installment is accounted for as a separate arrangement and expense is recognized over each installment's vesting period. The increase in expense in the nine months ended September 30, 2011 was largely due to the additional expense incurred from the granting of options in June 2011 that vested upon completion of the Offering. The increase was also due to the incremental expense incurred from the vesting of performance awards that did not vest in prior periods but vested in the nine months ended September 30, 2011.

Foreign exchange loss (gain) not affecting segment profit

In the three and nine months ended September 30, 2011, the Company recorded a foreign exchange loss of $13.9 million and $2.0 million, respectively compared to a foreign exchange gain of $24.4 million and $12.6 million in the three and nine months ended September 30, 2010, respectively. The gains and losses recorded were primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt. In the three months ended September 30, 2011, the loss was due to an unfavorable movement in exchange rate offset by an unrealized gain of $33.4 million that was largely related to the Company entering into U.S. dollar forward contracts to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In the nine months ended September 30, 2011, the gain was due to the unfavorable movement in exchange rates offset by an unrealized gain of $24.0 million related to the Company's U.S. dollar forward contracts. The gains recorded in the three and nine months ended September 30, 2010 were primarily as a result of the favorable movement in exchange rates relating to the Company's U.S. dollar denominated long-term debt.

Gain on sale of Edmonton North Terminal

On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal to Pembina Midstream Limited Partnership for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million in the nine months ended September 30, 2011.

Debt extinguishment costs

In the nine months ended September 30, 2011, the Company recorded debt extinguishment costs of $166.1 million as a result of the Refinancing in June 2011. The amount largely relates to the repurchase bonus of $128.1 million that was incurred in connection with the tender and discharge of the Notes, the write-off of the Company's unamortized deferred debt issue costs from the repayment of the Notes and the unamortized prepaid financing costs on the replacement of the Company's revolving credit facilities totaling $37.3 million. In addition, the expense includes professional fees incurred in the tender and discharge process.

Interest expense, net

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $11.5 million and $57.5 million in the three and nine months ended September 30, 2011, respectively, compared to $25.2 million and $73.9 million in the three and nine months ended September 30, 2010, respectively. The decrease is primarily due to the lower interest rate and principal balance on the Company's long-term debt following the Refinancing.

Financial instruments relating to interest expense

In the three and nine months ended September 30, 2011, the Company recorded a non-cash expense of $11.4 million and $11.3 million, respectively, relating to financials instruments with respect to the Company's interest expense. This expense includes a $10.0 million loss related to an embedded derivative on an interest rate floor within the Term Loan that is required to be separated from the carrying value of long-term debt and accounted for as a separate financial instrument that is remeasured to fair value at each balance sheet date. In addition, the non-cash expense for the three and nine months ended September 30, 2011 also included a $1.4 million adjustment to fair value of an interest rate swap that the Company entered into in the current quarter. No financial instruments relating to interest existed in the prior year periods.

Income tax recovery

Income tax provision in the three months ended September 30, 2011 was $3.6 million and income tax recovery in the nine months ended September 30, 2011 was $38.5 million, compared to an income tax recovery of $0.2 million and $15.1 million in the three and nine months ended September 30, 2010, respectively. The effective tax rate was a negative 247.9% during the three months ended September 30, 2011 and a recovery rate of 28.8% during the nine months ended September 30, 2011, compared to a recovery rate of 2.3% in the three months ended September 30, 2010 and an effective tax rate 34.6% in the nine months ended September 30, 2010. The main reason for recognizing an income tax provision and the change in the effective rate in the three months ended September 30, 2011 compared to the three months ended September 30, 2010 was the impact of non deductible foreign exchange losses on long-term debt in the current quarter compared to losses in the prior year period. The main reason for the increase in the income tax recovery in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 was the increase in net loss before tax. The effective tax rate change in the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 was due mainly to the impact of non deductible foreign exchange losses on long-term debt and the non-taxable portion of the Edmonton North Terminal gain in the nine months ended September 30, 2011.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Company's quarterly results for each of the last eight quarters. The quarterly results after January 1, 2010 have been prepared in accordance with IFRS. The quarterly results prior to January 1, 2010 have been prepared in accordance with Canadian GAAP.

	IFRS							Canadian GAAP
	2011			2010				2009
	Three months ended							
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
	(in thousands)							
Revenues...............	$1,235,321	$1,207,909	$1,148,017	$ 992,048	$ 884,968	$ 848,865	$964,529	$ 988,702
Net income (loss)..	(5,121)	(130,238)	40,131	31,396	10,737	(50,172)	10,981	(97,181)
EBITDA[(1)]............	46,030	(133,012)	96,744	84,497	59,991	(21,194)	56,859	(69,423)
Earnings (loss) per share								
Basic..................	(0.05)	(1.98)	0.58	0.45	0.12	(0.86)	0.12	(1.62)
Diluted..............	(0.05)	(1.98)	0.51	0.41	0.12	(0.86)	0.12	(1.62)

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

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

- EBITDA:
  - excludes certain income tax payments that may represent a reduction in cash available to the Company;
  - does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
  - does not reflect the impact of the movement in exchange rates on the Company's long-term debt;
  - does not reflect changes in, or cash requirements for, the Company's working capital needs; and
  - does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on the Company's debt, including the Term Loan and Revolving Credit Facility;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

- Other companies in the industry may calculate EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results for the periods subsequent to January 1, 2010 and Canadian GAAP results for the period prior to January 1, 2010 and using EBITDA only supplementally. The following table reconciles consolidated net income (loss) to EBITDA:

	IFRS							Canadian GAAP
	2011			2010				2009
	Three months ended							
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
	(in thousands)							
Net income (loss)	$ (5,121)	$ (130,238)	$ 40,131	$ 31,396	$ 10,737	$ (50,172)	$ 10,981	$ (97,181)
Depreciation and amortization	24,605	26,178	23,806	24,882	24,259	22,074	18,675	20,360
Interest expense[(1)]	22,897	21,265	24,705	25,555	25,241	24,904	24,036	19,383
Income tax expense (recovery)	3,649	(50,217)	8,102	2,664	(246)	(18,000)	3,167	(11,985)
EBITDA	$ 46,030	$ (133,012)	$ 96,744	$ 84,497	$ 59,991	$ (21,194)	$ 56,859	$ (69,423)

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

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

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

The following table reconciles EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last four quarters and for the twelve months ended September 30, 2011:

	IFRS				
	Three months ended				Twelve months ended
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2011
			(in thousands)		
EBITDA	$ 46,030	$ (133,012)	$ 96,744	$ 84,497	$ 94,259
Unrealized foreign exchange loss (gain) on long-term debt[(a)]	48,488	(4,200)	(17,328)	(26,752)	208
Net unrealized loss (gain) from financial instruments[(b)]	(30,637)	8,536	(3,034)	(1,787)	(26,922)
Employee stock option plan[(c)]	971	4,517	621	475	6,584
Management fee[(d)]	-	250	306	255	811
Gain on sale of Edmonton North Terminal [(e)]	-	-	(20,370)	-	(20,370)
Debt extinguishment costs [(f)]	-	166,056	-	-	166,056
Adjusted EBITDA	$ 64,852	$ 42,147	$ 56,939	$ 56,688	$ 220,626
Pro forma impact of acquisitions [(g)]					-
Pro Forma Adjusted EBITDA					$ 220,626

(a) Non-cash adjustment representing the unrealized foreign exchange loss (gain) on long-term debt, as a result of the movement in exchange rates in the periods.

(b) Reflects the exclusion of the change in net unrealized gains or losses attributable to movement in the mark-to-market valuation of financial instruments used in commodity price risk management activities. The Company uses oil and gas price futures, options and swaps to manage the exposure to oil and gas price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for IFRS accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.

(c) Represents the non-cash stock based compensation relating to the Company adopted equity incentive plan.

(d) Reflects an adjustment for the management fee payable to Riverstone. The management fee agreement was terminated in connection with the Offering.

(e) Represents the non-recurring gain of $20.4 million on the sale of the Edmonton North Terminal on January 7, 2011.

(f) In connection with the Refinancing, the Company recorded $166.1 million of debt extinguishment costs.

(g) Reflects the pro forma effect of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions took place on October 1, 2010. The Company did not complete any acquisitions in the twelve months ended September 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company's sources and uses of funds for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Statement of Cash Flows				
Cash flows provided by (used in):				
Operating activities	$ 84,302	$ 44,844	$ 171,405	$ 88,496
Investing activities	(42,790)	(74,617)	(41,015)	(269,964)
Financing activities	(12,149)	18,403	(30,918)	179,826

Cash provided by operating activities

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

Cash provided by operations in the three and nine months ended September 30, 2011 was $84.3 million and $171.4 million, respectively, compared to $44.8 million and $88.5 million in the three and nine months ended September 30, 2010, respectively. The increase was primarily attributable to an increase in overall profitability in the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010. In addition, inventory decreased by $37.9 million and $83.0 million in the three and nine months ended September 30, 2011, respectively, compared to an increase in inventory of $33.7 million and $39.4 million in the three and nine months ended September 30, 2010, respectively. In addition there was a net inflow from trade receivables and payables of $15.3 million and $14.4 million in the three months ended September 30, 2011 and 2010, respectively. In the nine months ended September 30, 2011, there was a net outflow from trade receivables and payables of $28.4 million compared to an inflow of $38.6 million in the nine months ended September 30, 2010.

Cash used in investing activities

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

Cash used in investing activities was $42.8 million and $41.0 million in the three and nine months ended September 30, 2011, respectively, compared to cash used in investing activities of $74.6 million and $270.0 million in the three and nine months ended September 30, 2010, respectively. The decrease in cash used in investing activities was due to a decrease in

business acquisitions in the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010. The Company did not complete any business acquisitions in the three and nine months ended September 30, 2011. In the three months ended September 30, 2010, the Company completed the acquisition of the remaining 75% interest in BRT. In the nine months ended September 30, 2010, the Company completed the acquisitions of the remaining 75% interest in BRT, Taylor, Johnstone and Aarcam. In addition, in the nine months ended September 30, 2010 the Company participated in a private placement with Palko for $3.1 million, thereby allowing the Company to maintain its 39% equity interest. Offset against this was an increase in capital expenditures in the three and nine months ended September 30, 2011 compared to the three and nine months ended September 30, 2010. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A. In addition, the decrease in cash used in investing activities in the nine months ended September 30, 2011 was due an increase in proceeds from the sale of assets of $56.0 million, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011.

Cash (used in) provided by financing activities

Cash used in financing activities was $12.1 million and $30.9 million in the three and nine months ended September 30, 2011, respectively, compared to $18.4 million and $179.8 million provided by financing in the three and nine months ended September 30, 2010, respectively. The cash used in financing activities in the three months ended September 30, 2011 related to interest paid of $9.5 million on the Company's outstanding debt and transaction fees paid in connection with the Offering and Refinancing. In the nine months ended September 30, 2011, the Company received net proceeds from the Offering of $471.0 million and proceeds from the Term Loan, net of debt issue and financing costs, of $629.3 million that was offset by the repayment of the Notes of $745.0 million, the payment of debt extinguishment costs of $128.8 million and the repurchase of a warrant held by Hunting Energy Holding Ltd. for $134.6 million. In addition, interest paid in the nine months ended September 30, 2011 was $64.1 million. The cash provided by financing activities in the three months ended September 30, 2010 related to net proceeds from the Company's credit facilities of $30.3 million, offset by interest paid of $11.9 million. The cash provided by financing in the nine months ended September 30, 2010 was largely as a result of the issuance of the Senior Notes in an aggregate principal amount of U.S.$200.0 million less debt issuance costs of $6.5 million and a debt discount of $5.7 million. In addition, offset against this was interest paid of $48.8 million on the Company's outstanding indebtedness.

As of September 30, 2011, the Company had total outstanding long-term debt, excluding debt issuance costs, of U.S.$648.4 million. The Term Loan has a term of seven years expiring on June 15, 2018, and accrues interest at the option of the Company at a rate equal to Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25%. The Term Loan is repayable in equal quarterly installments commencing September 30, 2011 totaling 1% per annum of the original principal of U.S.$650.0 million, with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of annual net excess cash flow subject to certain ratios and the disposition of assets in excess of $10.0 million in any given year, where such proceeds are not reinvested into capital assets within specified time periods. Additionally, the Company has a Revolving Credit Facility of up to U.S.$275.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. At September 30, 2011, the Company did not have any amount drawn against this facility and the Company had issued letters of credit totaling $62.3 million. At September 30, 2011, the Company had restricted cash of $0.7 million. The Term Loan and Revolving Credit Facility are secured by substantially all of the Company's property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by all of the Company's existing material wholly owned subsidiaries.

The terms of the Company's Term Loan and Revolving Credit Facility requires the Company to maintain a "Senior Secured Leverage Ratio" of greater than 5.0 to 1.0 and an "Interest Coverage Ratio" of not less than 2.5 to 1.0. These ratios will become more restrictive over the term of the Term Loan as the Senior Secured Leverage Ratio will decrease to 4.5 to 1.0 on June 15, 2013 and to 4.0 to 1.0 on June 15, 2015 and the Interest Coverage Ratio will increase to 2.75 to 1.0 on June 15, 2013 and to 3.0 to 1.0 on June 15, 2015. As of September 30, 2011, the Company was in compliance with the financial ratios. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, and could result in an acceleration of amounts due and payable under the Term Loan.

The Term Loan and Revolving Credit Facility also contain non-financial covenants that restrict some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, create liens, make investments and engage in specified transactions with affiliates. The Term Loan and Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, subject to specified grace periods, breach of specified covenants, change in control and material inaccuracy of representations and warranties. As of September 30, 2011, the Company was in compliance with all of its covenants under the Term Loan and Revolving Credit Facility.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, planned capital expenditures, debt service, targeted dividend level and other cash requirements for at least the next twelve months. At September 30, 2011, the Company had unrestricted cash of $108.0 million and $223.4 million available under the Revolving Credit Facility.

The Company's ability to make scheduled payments of principal and interest on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended September 30, 2011, the Company declared a dividend of $0.28 per share for a total dividend of $26.2 million, of which $9.0 million was paid in cash on October 21, 2011 with the remainder of the dividend being settled with the issuance of shares to shareholders participating in the DRIP. The declaration of dividends is at the sole discretion of the board of directors of the Company (the "Board") and considered quarterly.

Capital expenditures amounted to $106.3 million in the nine months ended September 30, 2011. However, the Company did not make any acquisitions in the nine months ended September 30, 2011. The Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $128.0 million that the Company expects to undertake over the next 12 to 24 months. In addition, on October 17, 2011, the Company entered into an agreement providing for the acquisition of all of the issued and outstanding common shares of Palko not already owned by the Company whereby if the shareholders of Palko elect to receive 100% cash consideration, the acquisition cost to the Company to acquire Palko will be approximately $62.7 million, including the assumption of estimated net debt of approximately $15.95 million. While the Company anticipates that these capital expenditures and acquisitions will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

The agreements governing the Term Loan and Revolving Credit Facility limit the Company's ability to incur additional indebtedness or to make certain acquisitions unless the Company meets the Senior Secured Leverage Ratio and the Interest Coverage Ratio, which are based on the Company's Pro Forma Adjusted EBITDA during the most recently ended four-quarter period. Because the Company's Pro Forma Adjusted EBITDA may fluctuate materially from period to period, the Company cannot assure readers that the Company will always meet these ratios. As at September 30, 2011, the Company did meet these ratios.

Contingencies

Two of the Company's subsidiaries are currently undergoing various income tax related audits. While the final outcome of such audits cannot be predicted with certainty, the Company believes that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations. As part of the acquisition of the Company by Riverstone from Hunting PLC ("Hunting") on December 12, 2008, Hunting has indemnified the Company for any income taxes as a result of these audits relating to periods prior to the acquisition date.

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

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

Contractual obligations

The following table presents, at September 30, 2011, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	**Total**	**Remainder of the year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt[1]	$ 673,597	$ 1,688	$ 13,506	$ 13,506	$ 644,897
Interest payments on long-term debt[1][2]	256,831	9,683	78,220	77,321	91,607
Operating lease obligations	108,569	4,858	33,035	23,850	46,826
Total contractual obligations	$1,038,997	$ 16,229	$ 124,761	$ 114,677	$ 783,330

(1) *The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of September 30, 2011 of U.S.$0.9626 to $1.00.*

(2) *The interest rate used to calculate the Company's future interest payments is the rate as of September 30, 2011 of 5.75% and includes the impact of an interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 6.5% for a three year period beginning in September 2012.*

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2011, there were approximately 93.6 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were approximately 1.4 million restricted stock units, performance stock units and deferred stock units outstanding and approximately 3.8 million stock options outstanding as at September 30, 2011.

TRADING PRICE AND VOLUME

After the completion of the Offering, on June 15, 2011, the common shares commenced trading on the TSX under the ticker symbol GEI. The following table sets for the high and low sales prices per common share at the close of market, as well as total monthly trading volumes forth the shares on the TSX for the periods indicated.

	Price Range		
Calendar Period	**High**	**Low**	**Volume**
2011			
June (from June 15)	$ 16.05	$ 15.95	1,662,254
July	$ 17.65	$ 16.10	2,107,532
August	$ 17.58	$ 15.55	2,320,371
September	$ 18.90	$ 17.29	4,144,199
October	$ 18.96	$ 17.84	6,796,042
November (to November 4)	$ 18.78	$ 18.60	668,495

DIVIDENDS

The Company is currently paying quarterly dividends to holders of common shares. It is expected that the holders of common shares of record on December 30, 2011 will receive a dividend of $0.24 per common share, which is expected to be paid on or about January 17, 2012.

The Board has approved a DRIP that provides eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the third quarter dividend, holders of approximately 69% of the common shares, including Riverstone, participated in the DRIP.

The payment of dividends is not guaranteed, and the amount and timing of any dividends payable by Gibson will be at the discretion of the Board and will be established on the basis of Gibson's earnings, financial requirements for the Company's operations, the satisfaction of solvency tests imposed by applicable corporate law and the instruments evidencing the Company's indebtedness for the declaration and payment of dividends and the satisfaction of regulatory capital requirements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the NYMEX or ICE. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at September 30, 2011 and December 31, 2010. All derivative positions offset physical exposures to the cash market. Price-risk sensitivities were calculated by assuming a 15% volatility in crude oil related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in crude oil prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $2.4 million as of September 30, 2011 and by $6.8 million as of September 30, 2010. A 15% unfavorable change would decrease the Company's net income by $2.4 million as of September 30, 2011 and by $7.4 million as of September 30, 2010. However, these changes may be offset by the use of one or more risk management strategies.

Electricity Price Risk. The Company has hedged its exposure to electricity price fluctuations by entering into a financial swap contract to fix the level of anticipated electricity costs that are price sensitive to the Alberta Electric System Operator (AESO) Pool Price. If the actual AESO Pool Price is greater than the bought fixed price per megawatt hour, the Company receives the difference between that price and the bought fixed price per megawatt hour. If the actual AESO Pool Price is less than the bought fixed price per megawatt hour, the Company pays the difference between that price and the bought fixed price per megawatt hour. A 10% favorable change would increase the Company's net income by $0.2 million as of September 30, 2011 and by $0.2 million as of September 30, 2010. A 10% unfavorable change would decrease the Company's net income by $0.2 million as of September 30, 2011 and by $0.2 million as of September 30, 2010.

Interest rate risks. Prior to the issuance of the Term Loan on June 15, 2011, the Company was not subject to interest rate risk on the Company's long-term debt as the Notes accrued interest at a fixed rate. The amounts outstanding under the Term Loan accrue interest at a variable rate of either, at the Company's option, Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25% per annum. A 1% increase in interest rates would not have had a material impact on the Company's cash interest expense for the three and nine months ended September 30, 2011. A 1% decrease in interest rates would not have any impact on the Company's cash interest expense for the three and nine months ended September 30, 2011, as the change would still have resulted in the Company accruing interest on the Term Loan at the minimum LIBOR floor rate of 1.25%, plus 4.5%.

At the inception of the Term Loan, the interest rate floor was considered an embedded derivative as the floor exceeded the LIBOR interest rate at that time. As a result, the fair value of the interest rate floor was measured as a separate financial liability at fair value. In the three months ended September 30, 2011, the Company entered into a forward U.S. dollar interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 6.5% for a three year period beginning in September 2012. A 1% increase in interest rates would increase the Company's net income by $8.3 million as of September 30, 2011. A 1% decrease in interest rates would decrease the Company's net income by $11.5 million as of September 30, 2011.

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either LIBOR, the lenders prime rate, the Bankers' Acceptance rate or the Above Bank Rate, plus an applicable margin based on a pricing grid. For the three and nine months ended September 30, 2011, the impact on net income for a 1% change in interest rates on the outstanding amount under the Company's Revolving Credit Facility would not be material.

Currency exchange risks. The Company's assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and would decrease the Company's net income by $1.3 million as at September 30, 2011 and by $1.6 million as at September 30, 2010. A 5% favorable change would increase the Company's net income by $1.3 million as at September 30, 2011 and by $1.6 million as at September 30, 2010. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on the principal of the Company's long-term debt and the related interest payments, as they are both denominated in U.S. dollars. As at September 30, 2011, the Company had outstanding U.S. dollar denominated debt of U.S.$648.4 million. Following the completion of the Refinancing, the Company entered into U.S. dollar forward contracts on $498.0 million of the principal of the Term Loan and also sold long-dated U.S. dollar call options to offset the credit cost related to the forward contracts. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $11.0 million as at September 30, 2011 and by $33.7 million as at September 30, 2010. A corresponding favorable change would increase the Company's net income by $11.0 million as at September 30, 2011 and by $33.7 million as at September 30, 2010.

With respect to the related interest payments on the Term Loan, to date the Company has not entered into any foreign currency hedges. Based on the interest rate in effect at September 30, 2011, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2011 would increase the Company's annual interest expense by $1.9 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2011 would decrease the Company's annual interest expense by $1.9 million.

The Company is exposed to credit loss in the event of non-performance by the other party to the derivative financial instruments. The Company mitigates this risk by entering into agreements directly with a number of major financial institutions that meet the Company's credit standards and that the Company expects to fully satisfy their contractual obligations. The Company views derivative financial instruments purely as a risk management tool and, therefore, does not use them for speculative trading purposes.

ACCOUNTING POLICIES

IFRS

As discussed in note 2 to the Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010, the Company will adopt IFRS as adopted by the International Accounting Standards Board (''**IASB**'') for the first time in its financial statements for the year ended December 31, 2011, which will include comparative financial statements for the year ended December 31, 2010. IFRS 1, ''*First-time Adoption of International Financial Reporting Standards*'', requires that an entity develop accounting policies based on standards and related interpretations effective at the reporting date of its first annual IFRS financial statements, which in the Company's case will be December 31, 2011. IFRS 1 also requires that those policies be applied as of the date of transition to IFRS, which in the Company's case is January 1, 2010, and throughout all periods presented in the first IFRS financial statements. The unaudited condensed consolidated financial statements as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 have been prepared in accordance with those IASB standards and International Financial Reporting Interpretations Committee (''**IFRIC**'') interpretations issued and effective as of November 7, 2011, the date the Board approved the unaudited interim condensed consolidated financial statements for issuance. The IASB standards and IFRIC interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these unaudited interim condensed consolidated financial statements. As a result, the accounting policies used to prepare this financial information are subject to change up to the

reporting date of the Company's first IFRS annual financial statements. In this regard, before the first annual financial statements prepared under IFRS are complete, and such financial statements are audited, the IFRS financial information included in this MD&A is subject to change.

The Company's unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011 provide the following reconciliations from Canadian GAAP to IFRS:

- Balance sheet as at September 30, 2010; and
- Statement of income for the three and nine months ended September 30, 2010.

The following is a summary of the significant impacts on the Company's results for the three and nine months ended September 30, 2010.

Impairment testing. Under IFRS, the recoverable amount used in recognizing and measuring an impairment is the greater of the asset's fair value less costs to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition. As a result of the change in approach, on January 1, 2010, the Company recognized an impairment charge of $40.1 million relating to property, plant and equipment and of $9.6 million relating to intangible assets. As a result of this impairment charge, depreciation and amortization expense decreased by $1.5 million and $4.4 million for the three and nine months ended September 30, 2010, respectively.

Asset retirement obligations. On transition to IFRS, the Company elected to remeasure asset retirement obligations in accordance with the provisions of International Accounting Standard 37 ''Provisions, Contingent Liabilities and Contingent Assets''. Under IFRS, the liability is remeasured at each reporting date using the current risk free interest rate as opposed to the credit adjusted rate used under Canadian GAAP. As a result, on January 1, 2010, the Company increased property, plant and equipment by $12.8 million and the asset retirement obligations liability by $19.3 million, with a net impact to deficit of $6.5 million. In addition, as a result of an acquisition in the three months ended September 30, 2010, the Company increased its decommissioning and environmental liabilities and its property, plant and equipment by $1.9 million. As a result, the expense relating to the unwinding of the discount increased by $0.2 million and $0.6 million for the three and nine months ended September 30, 2010, respectively, and depreciation of property, plant and equipment increased by $0.1 million and $0.3 million for the three and nine months ended September 30, 2010, respectively.

Capitalized Interest. Under Canadian GAAP, capitalization of interest during the construction of a qualifying asset was an acceptable, but not mandatory, accounting policy. The Company chose not to capitalize interest for qualifying assets. Under IFRS, capitalization of interest is required for qualifying assets under construction prior to the time they are ready for use. As a result, on January 1, 2010, the carrying value of property, plant and equipment was increased by $0.3 million. In addition, under IFRS, interest capitalized was $0.3 million and $0.8 million during the three and nine months ended September 30, 2010, respectively. As a result, depreciation of property, plant and equipment increased by $13,000 and $34,000 for the three and nine months ended September 30, 2010, respectively.

Employee benefit plans. Under IFRS, the Company elected to recognize actuarial gains and losses arising from the re-measurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, the Company applied the corridor method of accounting whereby gains and losses are recognized only if they exceed specified thresholds. Accordingly, under IFRS, the carrying value of the net liability for employee future benefit obligations increased by $2.8 million to recognize actuarial losses accumulated on the transition date of January 1, 2010. As a result, amortization of the unrecognized loss under Canadian GAAP is no longer required, resulting in a decrease in general and administrative expense of $44,000 and $0.1 million for the three and nine months ended September 30, 2010, respectively.

Capitalized software. Under Canadian GAAP, capitalized computer software was included within property, plant and equipment. Under IFRS, capitalized computer software, not integral to plant and equipment, is classified as an intangible asset. On January 1, 2010, the Company reclassified $4.6 million from property, plant and equipment to intangible assets. In the three and nine months ended September 30, 2010, the Company incurred approximately $0.3 million and $1.7 million, respectively, of capitalized computer software, which was reclassified from property, plant and equipment to intangible assets. There was no net impact in the statement of income.

Business Combinations. Under Canadian GAAP, the purchase price of an acquisition includes direct costs incurred by the acquirer, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees. Under IFRS, these costs associated with business acquisitions are expensed in the period they are incurred. The Company elected to apply IFRS to all business combinations that occurred on or after January 1, 2010. There was no impact for the three months ended September 30, 2010. The impact was additional general and administrative expense of $2.4 million for the nine months ended September 30, 2010 with a corresponding decrease in goodwill.

Property, plant and equipment. Under IFRS, the Company is required to identify material components of assets within property, plant and equipment, and depreciate the components based on the estimated service life of the components. Under Canadian GAAP, the Company had recognized certain components in prepaid expenses and other assets. On January 1, 2010, the Company reclassified $3.1 million from short-term and long-term prepaid expenses and other assets to property, plant and equipment. In the three and nine months ended September 30, 2010, the Company reclassified $0.2 million and $0.7 million, respectively, from short-term and long-term prepaid expenses and other assets to property, plant and equipment. As a result of the reclassifications, there was no net impact in the statement of income.

Revenue. Under Canadian GAAP, the Company classified certain realized and unrealized gains (losses) on financial instruments in revenue. Under IFRS, these financial instruments do not meet the revenue recognition criteria. The impact was to reclassify $2.7 million and $3.8 million of losses from revenue to cost of sales for the three and nine months ended September 30, 2010, respectively. There was no net impact in the statement of income.

Income taxes. The Company has evaluated the differences in guidance between International Accounting Standard 12, ''Income Taxes'' and the relevant Canadian GAAP requirements and concluded that, other than tax effecting the adjustments, the impact will be minimal. In addition, under Canadian GAAP, deferred income tax, relating to current assets or current liabilities, was classified as current. Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax relates to or the expected timing of reversal. Accordingly, current deferred income tax reported under Canadian GAAP will be reclassified as non-current under IFRS.

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are discussed in the Supplemented PREP Prospectus filed with SEDAR on June 7, 2011.

Future changes in accounting policies

The Company's IFRS financial statements for the year ending December 31, 2011 must use the standards that are in effect on December 31, 2011, and therefore the Company's financial statements under IFRS for the three and nine months ended September 30, 2011 are subject to change. Changes to the accounting policies used may result in material changes to the Company's reported financial position, results of operations and cash flows.

IFRS 9 ''Financial Instruments'' (''IFRS 9'') amends the classification and measurement criteria for financial instruments included within the scope of IAS 39 ''Financial Instruments: Recognition and Measurements'' (''IAS 39''). IFRS 9 will be published in three phases, of which only the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the

multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with different transitional arrangements depending on the date of initial application. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 10, "Consolidated financial statements" (''IFRS 10'') builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 10 on its consolidated financial statements.

IFRS 11, "Joint Arrangements" (''IFRS 11'') addresses joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 11 on its consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" (''IFRS 12'') is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting IFRS 12 on its consolidated financial statements.

IFRS 13, "Fair Value Measurement" ("IFRS 13") provides a consistent and less complex definition of fair value, establishes a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company is currently evaluating the impact of adopting IFRS 13 on its consolidated financial statements.

IAS 19, "Employee Benefits" ("IAS 19") is amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach, and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended and requires companies to group items presented within OCI based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

FORWARD LOOKING STATEMENTS

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

- *the addition of assets to the business and the increase in the number of services to be offered by the Company;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production 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 (as defined herein);*
- *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 Company's conversion to IFRS and the potential impact on the Company's business;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions and capital expenditures;*
- *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; and*
- *the Company's dividend policy.*

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

- *future growth in world-wide demand for crude oil;*
- *crude oil prices supporting increased production and services in North America, including the Canadian oil sands;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *operating costs;*
- *future capital expenditures to be made by the Company;*
- *the Company's ability to obtain financing for its capital programs on acceptable terms;*
- *the Company's future debt levels; and*
- *the impact of increasing competition on the Company.*

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Supplemented PREP Prospectus dated June 7, 2011 as filed on SEDAR and available on the Gibson website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with Canadian GAAP. EBITDA (as defined herein), Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measures recognized under IFRS or Canadian GAAP and do not have standardized meanings prescribed by IFRS or Canadian GAAP. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. See ''Summary of Quarterly Results" for a reconciliation of EBITDA to net income (loss), the IFRS and Canadian GAAP measure most directly comparable to EBITDA, and for a reconciliation of Adjusted EBITDA and Pro Forma Adjusted EBITDA to EBITDA. Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS or Canadian GAAP as an indication of the Company's performance.