Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of May 8, 2012 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three months ended March 31, 2012 and 2011 and the audited consolidated financial statements and related notes for the year ended December 31, 2011 and 2010, which were prepared under International Financial Reporting Standards ("IFRS"). 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 March 31, 2012, its results of operations for the three months ended March 31, 2012 and 2011, and its cash flows for the three months ended March 31, 2012 and 2011. 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. 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, 2012. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

Gibson is a North American midstream energy company and 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, the provision of water disposal services and oilfield waste management services 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 has expanded geographically to provide 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 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 months ended March 31, 2012 were as follows:

- Revenue increased by 13% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase was primarily due to increased activity across all segments and global commodity price increases;
- Segment profit increased by 18% to $78.4 million in the three months ended March 31, 2012 compared to $66.5 million in the three months ended March 31, 2011, with increases in the Company's Terminal and Pipelines, Truck Transportation and Marketing segments;
- Adjusted EBITDA in the three months ended March 31, 2012 increased 26% to $71.8 million compared to $56.9 million in the three months ended March 31, 2011. Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2012 was $249.8 million;
- Excluding the gain of $20.4 million on the sale of the Edmonton North Terminal in the three months ended March 31, 2011, net income increased $20.3 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to the increase in overall segment profit and lower interest expense;
- The Company declared a dividend of $0.25 per common share, reflecting a 4.2% increase from the prior quarterly dividend rate, for total dividends of $24.7 million that was settled in April 2012, of which $8.9 million was settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") and the remainder being settled in cash;
- Capital expenditures were $42.0 million in the three months ended March 31, 2012, of which $33.1 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 facilities, the expansion of the custom treating and terminals business and the growth of the Truck Transportation and Canwest fleets;
- On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by R/C Guitar Coöperatief U.A. ("Co-op"), a Dutch cooperative owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. As a result, Co-op and Riverstone no longer owns any common shares of the Company; and
- As of March 31, 2012, the Company has an outstanding senior secured first lien term loan, excluding debt issuance costs, of U.S.$645.1 million, expiring on June 15, 2018 (the "Term Loan") and a revolving credit facility of up to U.S.$275.0 million, expiring June 15, 2016 (the "Revolving Credit Facility"). At March 31, 2012, the Company was in compliance with all of its covenants, had unrestricted cash of $74.8 million and had $232.6 million available under the Revolving Credit Facility.

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, such as emulsion treating, water disposal and oilfield waste management services.

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

- Robust activity levels are forecasted to continue in the oil producing areas in North America stemming from increased drilling budgets proposed by industry leaders. This may generate increased demand for the services Gibson provides;
- Increased production levels and continued strong 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;

- The continued focus on the development of North American crude oil supply should result in a continuation of strong 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;
- Currently, the price of West Texas Intermediate ("WTI") crude oil is trading at a discount to Brent crude. If this trend 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, would help provide a growing supply of Canadian crude oil to the largest refining markets in the United States. If approved, the pipeline would begin adjacent to the Company's Hardisty Terminal and could provide increased opportunities for the Company's services;
- Enbridge's twinning of the southern section of its Athabasca pipeline should provide for additional volumes into the Hardisty area and could provide increased opportunities for the Company's services; and
- The widening of heavy to light crude oil pricing differentials should create incremental margin opportunities in multiple areas of the Company's operations. However, differentials continue to be volatile.

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):

	Three months ended March 31, 2012	2011
Internal growth projects	$ 33,050	$ 14,959
Upgrade and replacement capital[1]	8,979	8,468
	$ 42,029	$ 23,427

(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 $42.0 million and $23.4 million in the three months ended March 31, 2012 and 2011, respectively. In the three months ended March 31, 2012 and 2011, $41.8 million and $21.9 million, respectively, were included as additions to property, plant and equipment and $0.2 million and $1.5 million, respectively, were included as additions to intangible assets.

Internal growth projects

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

	Three months ended March 31, 2012	2011
Terminals and Pipelines[1]	$ 13,177	$ 8,402
Truck Transportation[2]	11,782	4,968
Propane and NGL Marketing and Distribution[3]	1,641	1,137
Processing and Wellsite Fluids[4]	6,368	413
Other	82	39
Total	$ 33,050	$ 14,959

(1) Expenditures in the three months ended March 31, 2012 relate to a number of key construction and expansion projects including the construction of four 300,000 barrel tanks at the Hardisty Terminal and expenditures in connection with expanding the Company's custom treating and terminals business.

(2) Largely represents the ongoing addition of rolling stock to meet demand growth in key market areas, with $4.5 million spent in Canada and $7.3 million in the United States in the three months ended March 31, 2012. The amount in the three months ended March 31, 2012 also includes expansion expenditures in Sexsmith, Alberta. In the year ended December 31, 2011, the Company acquired land in Sexsmith, Alberta for expansion opportunities by multiple segments.

(3) Mainly represents the ongoing addition of trucks, tanks and generators to meet growing demand in key market areas. Also, includes expansion expenditures in Sexsmith, Alberta in the three months ended March 31, 2012.

(4) Expenditures in the three months ended March 31, 2012 relate to the expansion of capacity and the building of a new tank and pipeline connections at the Moose Jaw facility and costs to construct a mud blending facility in Sexsmith, Alberta.

Acquisitions

During the three months ended March 31, 2012 and 2011, the Company did not complete any acquisitions but continues to evaluate opportunities as they arise.

Seasonality

The Company believes that seasonality does not have a material impact on its combined operations and segments. However, certain of the Company's individual segments are impacted by seasonality. Generally, the Company's second quarter results are impacted by road bans and other restrictions which impact overall activity levels in the WCSB, and 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 Canadian road asphalt construction activity is affected by the impact of weather conditions on road construction. 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.

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 considered to be a non-recurring gain. The Edmonton North 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 months ended March 31, 2012 and 2011 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended March 31,	
	2012	2011
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 38,328	$ 222,825
Truck Transportation	128,709	107,618
Propane and NGL Marketing and Distribution	286,204	265,792
Processing and Wellsite Fluids	143,556	119,359
Marketing	917,227	815,780
Total segment revenue	1,514,024	1,531,374
Revenue—inter-segmental	(219,096)	(383,357)
Total revenue—external	1,294,928	1,148,017
Segment profit		
Terminals and Pipelines	23,053	16,736
Truck Transportation	19,362	16,236
Propane and NGL Marketing and Distribution	15,334	17,548
Processing and Wellsite Fluids	10,729	11,128
Marketing	9,956	4,826
Total segment profit	78,434	66,474
General and administrative	6,817	5,982
Depreciation and amortization	27,887	23,806
Stock based compensation	852	621
Foreign exchange gain	(15,388)	(16,445)
Gain on sale of Edmonton North Terminal	-	(20,370)
Net interest expense	11,138	24,423
Financial instruments relating to interest expense	(4,023)	224
Income before income tax	51,151	48,233
Income tax expense	11,114	8,102
Net income	$ 40,037	$ 40,131

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, 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:

	Three months ended March 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Terminals		
Hardisty Terminal	30,934	21,271
Edmonton Terminal	6,133	3,780
Injection stations	10,552	8,181
Total terminals	47,619	33,232
Pipelines		
Bellshill pipeline	481	451
Provost pipeline	1,724	1,746
Total pipelines	2,205	2,197
Total terminals and pipelines	49,824	35,429
Custom treating and terminals	1,886	2,329

	Three months ended March 31,	
	2012	**2011**
	(in thousands)	
Revenues	$ 38,328	$ 222,825
Cost of sales	2,168	199,573
	36,160	23,252
Operating expenses and other	13,107	6,516
Segment profit	$ 23,053	$ 16,736

Three months ended March 31, 2012 and 2011.

Volumes, revenues and cost of sales. Custom treating and terminal's volumes decreased by 19% in the three months ended March 31, 2012, compared to the three months ended March 31, 2011. The decrease was largely due to a revised agreement with the Marketing segment whereby at the beginning of the current year, Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminal facilities. Volumes in the three months ended March 31, 2011 largely related to product sold to the Marketing segment. Offsetting these volumes are the additional volumes from the custom treating and terminals business which increased as a result of the acquisition of Palko Environmental Ltd. ("Palko") completed on December 8, 2011. As a result of the change in the arrangement with the Marketing segment and the changes in volume, custom treating and terminals revenue decreased by $191.4 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, which also resulted in the decrease in custom treating and terminals cost of sales of $197.4 million.

Hardisty Terminal volumes increased by 45% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, as a result of increased throughput volumes from customers with dedicated tank usage and the impact of additional pipeline connections at the terminal including the Enbridge Line 4 and the Cold Lake pipeline connections. Revenue at the Hardisty Terminal increased by $4.6 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in revenue was due mainly to the increase in volume but was also due to the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges.

Edmonton Terminal volumes increased by 62% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 mainly due to increased throughput volumes from the Southern Lights connection that was completed in the fourth quarter of 2011 and also due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. As a result, revenues at the Edmonton Terminal increased by $1.1 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

Injection station volumes increased by 29% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to an increase in activity with a major customer as a result of an overall increase in activity in the United States. As a result, revenue increased by $0.8 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

Volumes for the Company's Bellshill pipeline increased 7% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to a slight increase in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.1 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 as a result of the increase in volumes and also an increase in tariffs.

Volumes for the Company's Provost pipeline declined by 1% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.2 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

Operating expenses and other. Overall operating expenses and other costs increased by $6.6 million, or 101%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase was largely related to the additional operating costs from the custom treating and terminals business, largely as a result of the Palko acquisition. The increase was also due to the movement in the fair value of the electricity swap whereby a loss of $0.2 million was recorded in the three months ended March 31, 2012 compared to a gain of $0.9 million in the three months ended March 31, 2011.

Segment profit. Overall, segment profit in the three months ended March 31, 2012 increased by $6.3 million, or 38%, compared to the three months ended March 31, 2011. The primary reason for the increase was due to increased volumes through both of the Company's terminals. The increase was also attributed to the incremental profit from the custom treating and terminals business.

Truck Transportation

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

	Three months ended March 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Barrels hauled	38,503	35,719

	Three months ended March 31,	
	2012	**2011**
	(in thousands)	
Revenues	$ 128,709	$ 107,618
Cost of sales	89,143	75,425
	39,566	32,193
Operating expenses and other	20,204	15,957
Segment profit	$ 19,362	$ 16,236

Three months ended March 31, 2012 and 2011.

Volumes, revenues and cost of sales. For the three months ended March 31, 2012, barrels hauled increased by 8% compared to the three months ended March 31, 2011, due mainly to increased activity in crude hauling in both Canada and the United States coupled with increased capacity as a result of the Company investment in rolling stock to meet demand.

Revenues increased by 20% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. The increase was driven by the increase in volumes and also due to an increase in hauling rates and accessorial charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 18% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase was driven by the increase in volumes with a lower percentage increase than revenue as a result of the impact of rate increases, particularly in the United States.

Operating expenses and other. Overall operating expenses and other costs increased by $4.2 million, or 27%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, mainly due to increased payroll related costs and maintenance costs.

Segment profit. Segment profit increased by $3.1 million, or 19%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, with such increase largely driven by the increase in volumes and also due to increases in hauling rates and accessorial charges.

Propane and NGL Marketing and Distribution

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

	Three months ended March 31,	
Volumes	**2012**	**2011**
Sales volumes—retail (litres in thousands)		
Residential	6,880	8,240
Oil and gas	55,237	51,393
Commercial and industrial	23,809	28,451
Automotive	4,307	4,758
Other	5,042	5,381
	95,275	98,223
Sales volumes—wholesale		
Propane (litres in thousands)	254,725	241,756
Other NGL's (barrels in thousands)		
Butane	463	561
Condensate	164	254
Taylor	951	586
	1,578	1,435

	Three months ended March 31, 2012	2011
	(in thousands)	
Revenues		
Retail		
Propane	$ 48,393	$ 53,127
Other	5,207	4,647
Total retail	53,600	57,774
Wholesale		
Propane	81,173	99,125
Other NGL's	151,431	108,893
Total wholesale	232,604	208,018
Total revenues	286,204	265,792
Cost of sales		
Retail		
Propane	29,762	37,691
Other	554	508
Total retail	30,316	38,199
Wholesale		
Propane	78,109	93,918
Other NGL's	149,348	103,864
Total wholesale	227,457	197,782
Total cost of sales	257,773	235,981
Gross Margin		
Retail	23,284	19,575
Wholesale	5,147	10,236
Total gross margin	28,431	29,811
Operating expenses and other	13,097	12,263
Segment profit	$ 15,334	$ 17,548

Three months ended March 31, 2012 and 2011.

Volumes, revenues and cost of sales. Retail volumes decreased 3% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, largely as a result of lower volumes in the residential and the commercial and industrial markets. The decrease in the commercial and industrial and residential markets was primarily due to warmer weather conditions in the first quarter of 2012 in the Company's key markets. There was also a decline in the automotive market, where declines have been occurring for several years as propane is not the preferred fuel choice. These were offset in part by an increase in the oil and gas market as a result of continued strong drilling activity in the three months ended March 31, 2012. Overall retail propane revenues decreased 7% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, as a result of lower sales volumes and also lower rack prices.

Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 12% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, due to an increase in equipment sales and also equipment rentals, as the Company has increased its generator rental operations.

Wholesale propane volumes increased by 5% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The increase in volumes was due to an increase in propane buy/sell transactions in the three months ended March 31, 2012 that was offset in part by lower volumes from warmer weather in the first quarter of 2012. Revenues decreased by 18% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 as a result of the impact of buy/sell transactions where revenues associated with these volumes are recorded on a net basis and also due to the warmer weather negatively impacting both volumes and wholesale propane rack prices.

Other NGL's volumes increased by 10% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, primarily as a result of increased volumes in the United States offset in part by lower volumes of butane and condensate demand from internal and external customers as unfavorable pricing impacted blending programs. Other NGL's revenues increased by 39% due to the impact of increased volumes and also due to an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale propane decreased by 19% and 21%, respectively, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to prices declining from lower overall demand as a result of warmer weather. As a result, retail propane margin per litre benefitted from lower wholesale propane prices and increased 24% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. However, the wholesale propane margin per litre was negatively impacted by lower wholesale propane prices and decreased 50% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011.

Cost of sales for other NGL's increased by 44% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, with the increase driven by the increase in volumes and commodity prices.

Operating expenses and other. Overall operating expenses and other costs increased by $0.8 million, or 7%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, primarily due to an increase in payroll related costs in both retail and wholesale.

Segment profit. The Propane and NGL Marketing and Distribution segment profit decreased in the three months ended March 31, 2012 by $2.2 million, or 13%, compared to the three months ended March 31, 2011, primarily as a result of lower margins in wholesale propane and other NGL's, offset in part by the increase in retail propane margin and other retail revenue.

Processing and Wellsite Fluids

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

	Three months ended March 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Roofing flux	496	396
Frac fluid	187	163
Tops	393	406
Distillate	182	224
Other	15	21
Total sales volumes	1,273	1,210

	Three months ended March 31,	
	2012	**2011**
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 51,331	$ 33,087
Frac fluid	27,143	19,863
Tops	34,622	35,571
Distillate	28,070	28,606
Other	2,390	2,232
Total revenues	143,556	119,359
Cost of sales	128,708	104,462
Operating expenses and other	4,119	3,769
Segment profit	$ 10,729	$ 11,128

Three months ended March 31, 2012 and 2011.

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 25% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 as a result of increased demand in the United States following a number of severe weather events and also due to the impact of the Company introducing a straight run roofing flux into the market in 2011. There were no sales of road asphalt in either the three months ended March 31, 2012 or 2011, as the Canadian paving season does not start until later in the year. Asphalt revenue increased by 55% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 due to an increase in both roofing flux volume and pricing.

Frac fluid volumes increased 15% in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 largely due to an increase in market demand for frac fluids. Frac fluid revenues were 37% higher in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, due to the increase in volume and higher overall selling prices in the market.

Tops volumes decreased 3% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 due to pipeline apportionment in the current period. As a result, Tops revenues were 3% lower in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Despite overall higher commodity prices, pricing for Tops was negatively impacted in the three months ended March 31, 2012 due to wider differentials in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011.

Sales volumes for distillate were 19% lower in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 largely due to an early spring break up driving drilling activity and demand lower. Distillate revenues were 2% lower in the three months ended March 31, 2012, compared to the three months ended March 31, 2011 which was driven by the decrease in volumes offset in part by higher overall selling prices in the market.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 17% due to the increase in crude prices.

Overall margins remained relatively stable in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. Overall margins for asphalt and frac fluids were positively impacted by increased volumes. In addition, asphalt margins were positively impacted by higher product margins for the Company's straight run roofing flux. Offsetting these were lower overall margins for Tops and distillate due to lower volumes and also due to Tops pricing being negatively impacted by wider differentials.

Operating expenses and other. Operating expenses increased by $0.4 million, or 9%, in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, primarily due to an increase in payroll related cost.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the three months ended March 31, 2012 by $0.4 million, or 4%, as compared to the three months ended March 31, 2011, primarily due to lower margins for Tops and distillate and higher operating expenses offset in part by increased margins for asphalt and frac fluids.

Marketing

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

Volumes (barrels in thousands)	Three months ended March 31, 2012	2011
Sales Volumes		
Crude and diluent	17,981	12,940
Natural gas (GJ)	5,012	5,510

	Three months ended March 31, 2012	2011
	(in thousands)	
Revenues		
Crude and diluent	$ 902,329	$ 790,391
Natural gas	14,898	25,389
Total revenues	917,227	815,780
Cost of sales	904,851	807,773
Operating expenses and other	2,420	3,181
Segment profit	$ 9,956	$ 4,826

Three months ended March 31, 2012 and 2011.

Volumes, revenues and cost of sales. The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$100.32 to U.S.$106.21 during the three months ended March 31, 2012 and from approximately U.S.$89.58 to U.S.$102.98 during the three months ended March 31, 2011.

Sales volumes for crude and diluent increased by 39% in the three months ended March 31, 2012, due to a continued focus on bringing volumes to the Company's integrated assets and the impact of new pipeline connections at the Company's terminals. Revenue for crude and diluent increased by 14% due to the increase in volume offset by the impact of an increase in buy/sell transactions whereby revenues associated with these volumes are recorded on a net basis.

Natural gas sales volumes decreased by 9% in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, primarily due to the expiration and non-renewal of gas contracts as the Company has been exiting this business since 2009. Natural gas revenues were 41% lower in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 due to both the decline in volume and natural gas prices.

Cost of sales in the three months ended March 31, 2012 was 12% higher compared to the three months ended March 31, 2011. This was mainly attributable to the increase in crude and diluent volumes that was offset in part by the decrease in natural gas volumes and prices.

Operating expenses and other. Operating expenses decreased by $0.8 million, or 24%, in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. The decrease in costs was mainly as a result of a customer bad debt expense that was incurred in the three months ended March 31, 2011.

Segment profit. The Marketing segment profit increased by $5.1 million, or 106%, in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. In the three months ended March 31, 2012 margins were positively impacted by rising crude prices and wider pricing differentials between crude oil types, which is generally beneficial for segment profitability, as compared to the three months ended March 31, 2011.

General and administrative, excluding depreciation and amortization

General and administrative expense ("G&A") was $6.8 million in the three months ended March 31, 2012 compared to $6.0 million in the three months ended March 31, 2011. The increase was largely driven by an increase in payroll related costs.

Depreciation and amortization

Depreciation and amortization expense was $27.9 million in the three months ended March 31, 2012 compared to $23.8 million in the three months ended March 31, 2011. The increase is due to the additional depreciation and amortization related to the Company's capital expenditures and the Palko acquisition.

Stock based compensation

Stock based compensation expense was $0.9 million in the three months ended March 31, 2012 compared to $0.6 million in the three months ended March 31, 2011. The increase in expense in the three months ended March 31, 2012 was primarily due to the additional expense incurred from the granting of stock awards.

Foreign exchange loss (gain) not affecting segment profit

In the three months ended March 31, 2012, the Company recorded a foreign exchange gain of $15.4 million compared to a foreign exchange gain of $16.4 million in the three months ended March 31, 2011. 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 and related financial instruments. In the three months ended March 31, 2012, a gain of $11.6 million due to the favorable movement in exchange rates was offset by an unrealized loss of $3.0 million 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 addition, the Company also recorded an unrealized gain of $7.8 million related to the Company's U.S. dollar forward call options. The gain recorded in the three months ended March 31, 2011 was 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 for consideration of $54.3 million, realizing a gain on the sale of $20.4 million in the three months ended March 31, 2011.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $11.1 million in the three months ended March 31, 2012 compared to $24.4 million in the three months ended March 31, 2011. The decrease is primarily due to the lower interest rate and principal balance on the Company's long-term debt following the refinancing of the Company's long-term debt on June 15, 2011 (the "Refinancing").

Financial instruments relating to interest expense

In the three months ended March 31, 2012, the Company recorded a non-cash gain of $4.0 million, relating to financial instruments with respect to the Company's interest expense. The gain largely relates 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 measured at fair value at each balance sheet date. In the three months ended March 31, 2011, the expense relates to a forward contract entered into to mitigate currency exposure on U.S. dollar interest payments.

Income tax expense

Income tax expense in the three months ended March 31, 2012 was $11.1 million compared to $8.1 million in the three months ended March 31, 2011. The effective tax rate was 21.7% during the three months ended March 31, 2012 compared to a rate of 16.8% in the three months ended March 31, 2011. The main reason for the increase in the income tax expense in the three months ended March 31, 2012 compared to the three months ended March 31, 2011 was the increase in net income before tax. The effective tax rate increased mainly due to the impact of the non-taxable portion of the Edmonton North Terminal gain in the three months ended March 31, 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:

	2012	2011				2010		
		Three months ended						
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
				(in thousands)				
Revenues	$1,294,928	$1,480,784	$1,235,321	$1,207,909	$1,148,017	$992,048	$ 884,968	$848,865
Net income (loss)	40,037	32,623	(5,121)	(130,238)	40,131	31,396	10,737	(50,172)
EBITDA(1)	86,251	77,263	46,030	(133,012)	96,744	84,497	59,991	(21,194)
Adjusted EBITDA(2)	71,789	67,345	64,852	42,147	56,939	56,688	42,769	14,895
Earnings (loss) per share								
Basic	0.41	0.34	(0.05)	(1.98)	0.58	0.45	0.12	(0.86)
Diluted	0.40	0.33	(0.05)	(1.98)	0.51	0.41	0.12	(0.86)

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

(2) Adjusted EBITDA is defined as consolidated net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of goodwill and intangible assets, and 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.

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

- EBITDA:
  - excludes certain income tax payments that may represent a reduction in cash available to the Company;
  - does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
  - does not reflect 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 and using EBITDA only supplementally. The following table reconciles consolidated net income (loss) to EBITDA:

	2012	2011				2010		
	Three months ended							
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
	(in thousands)							
Net income (loss)	$ 40,037	$ 32,623	$(5,121)	$ (130,238)	$ 40,131	$ 31,396	$ 10,737	$ (50,172)
Depreciation and amortization	27,887	25,928	24,605	26,178	23,806	24,882	24,259	22,074
Interest expense(1)	7,213	11,646	22,897	21,265	24,705	25,555	25,241	24,904
Income tax expense (recovery)	11,114	7,066	3,649	(50,217)	8,102	2,664	(246)	(18,000)
EBITDA	$ 86,251	$ 77,263	$ 46,030	$ (133,012)	$ 96,744	$ 84,497	$ 59,991	$ (21,194)

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

Adjusted EBITDA and Pro Forma Adjusted EBITDA are presented in the table below because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense and foreign exchange differences on the Company's long-term debt), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property, plant and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA and Pro Forma Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented herein are not recognized measures under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA differs from the term EBITDA as it is commonly used. Adjusted EBITDA is defined as consolidated net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of goodwill and intangible assets, and 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 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 tables reconcile EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last eight quarters and for the twelve months ended March 31, 2012 and 2011:

	Three months ended				Twelve months ended
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2012
			(in thousands)		
EBITDA	$ 86,251	$ 77,263	$ 46,030	$ (133,012)	$ 76,532
Unrealized foreign exchange loss (gain) on long-term debt[a]	(11,577)	(14,198)	48,488	(4,200)	18,513
Net unrealized loss (gain) from financial instruments[b]	(3,737)	18,576	(30,637)	8,536	(7,262)
Employee stock option plan[c]	852	1,590	971	4,517	7,930
Acquisition related costs [d]	-	1,014	-	-	1,014
Management fee[e]	-	-	-	250	250
Gain on remeasurement of interest in equity investment [f]	-	(16,900)	-	-	(16,900)
Debt extinguishment costs [g]	-	-	-	166,056	166,056
Adjusted EBITDA	$ 71,789	$ 67,345	$ 64,852	$ 42,147	$ 246,133
Pro forma impact of acquisitions [j]					3,620
Pro Forma Adjusted EBITDA					$ 249,753

	Three months ended				Twelve months ended
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2011
			(in thousands)		
EBITDA	$ 96,744	$ 84,497	$ 59,991	$ (21,194)	$ 220,036
Unrealized foreign exchange loss (gain) on long-term debt[a]	(17,328)	(26,752)	(23,408)	34,200	(33,288)
Net unrealized loss (gain) from financial instruments[b]	(3,034)	(1,787)	1,639	(1,986)	(5,168)
Employee stock option plan[c]	621	475	1,744	1,260	4,100
Acquisition related costs [d]	-	-	-	2,359	2,359
Management fee[e]	306	255	260	256	1,077
Gain on sale of Edmonton North Terminal [h]	(20,370)	-	-	-	(20,370)
Non-recurring charges [i]	-	-	2,543	-	2,543
Adjusted EBITDA	$ 56,939	$ 56,688	$ 42,769	$ 14,895	$ 171,291
Pro forma impact of acquisitions [j]					3,041
Pro Forma Adjusted EBITDA					$ 174,332

(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 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) Represents transaction fees that were expensed in connection with acquisitions made by the Company.

(e) Reflects an adjustment for the management fee payable to Riverstone. The management fee agreement was terminated in connection with the Company's initial public offering on June 15, 2011 (the "Offering").

(f) Reflects a gain on the remeasurement to fair value of the Company's 39% equity interest in Palko held prior to the acquisition.

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

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

(i) In the three months ended September 30, 2010, the charge of $2.5 million was as a result of the Company subleasing excess office space at less than the amount payable on the head lease.

(j) Reflects the pro forma effect of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions that took place in the twelve months occurred on April 1 of each twelve month period.

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 months ended March 31, 2012 and 2011:

	Three months ended March 31, 2012	2011
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 64,641	$ 63,571
Investing activities	(34,655)	36,106
Financing activities	(20,203)	(54,326)

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 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 months ended March 31, 2012 was $64.6 million compared to $63.6 million in the three months ended March 31, 2011. The increase was primarily attributable to an increase in overall segment profitability in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. Offsetting this, inventory decreased by $35.9 million in the three months ended March 31, 2012, compared to a decrease in inventory of $39.3 million in the three months ended March 31, 2011. In addition, the net outflow from trade receivables and payables was $42.4 million in the three months ended March 31, 2012, compared to an outflow of $39.4 million in the three months ended March 31, 2011.

Cash (used in) provided by investing activities

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

Cash used in investing activities was $34.7 million in the three months ended March 31, 2012 compared to $36.1 million provided by investing activities in the three months ended March 31, 2011. The change in cash used in investing activities was due largely to the decrease in proceeds from the sale of assets of $53.8 million in the three months ended March 31, 2012 compared to the three months ended March 31, 2011, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011. Offset against this was an increase in capital expenditures in the three months ended March 31, 2012 compared to the three months ended March 31, 2011. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A.

Cash used in financing activities

Cash used in financing activities was $20.2 million in the three months ended March 31, 2012 compared to $54.3 million in the three months ended March 31, 2011. In the three months ended March 31, 2012, the Company repaid $1.6 million on the Company's long-term debt, paid net cash dividends of $11.7 million, paid interest of $11.5 million and received proceeds of $4.9 million on the exercise of stock options. In the three months ended March 31, 2011, the Company repaid $43.5 million net on the Company's credit facilities and paid interest of $10.9 million.

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 March 31, 2012, the Company had unrestricted cash of $74.8 million and $232.6 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 March 31, 2012, the Company declared a dividend of $0.25 per share for a total dividend of $24.7 million, of which $15.9 million was paid in cash on April 17, 2012 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's DRIP. The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the board of directors of the Company (the "Board") and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $42.0 million in the three months ended March 31, 2012. At March 31, 2012, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $199.4 million that the Company expects to undertake over the next 12 to 24 months. 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 may require additional capital and there can be no assurance that such capital will be available to the Company on acceptable terms, if at all.

As of March 31, 2012, the Company had total outstanding long-term debt, excluding debt issuance costs, of U.S.$645.1 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 December 31, 2011 totaling 1.0% 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 U.S.$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. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, Adjusted LIBOR plus 2.5%, Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating. In addition, the Company must pay a commitment fee of 0.5%, subject to adjustment based on a change in the Company's corporate credit rating, on the unused portion of the Revolving Credit Facility. At March 31, 2012, the Company did not have any amount drawn against this facility, had no restricted cash and had issued letters of credit totaling $42.2 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 substantially all of the Company's existing 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 no 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 March 31, 2012, the Company was in compliance with the financial ratios with the Senior Secured Leverage Ratio at 2.3 to 1.0 and the Interest Coverage Ratio at 6.3 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, 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, pay dividends, 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 March 31, 2012, the Company was in compliance with all of its covenants under the Term Loan and Revolving Credit Facility.

Contingencies

The Company is currently undergoing various income tax related and excise tax 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 March 31, 2012, 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)	$ 644,573	$ 4,871	$ 12,988	$ 12,988	$ 613,726
Interest payments on long-term debt(1)(2)	228,403	28,040	75,423	72,358	52,582
Operating lease obligations(3)	110,722	15,222	30,490	25,496	39,514
Total contractual obligations	$ 983,698	$ 48,133	$ 118,901	$ 110,842	$ 705,822

(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 March 31, 2012 of U.S.$1.0009 to $1.00.*

(2) *The interest rate used to calculate the Company's future interest payments is the rate as of March 31, 2012 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.*

(3) *Operating lease obligations relate primarily to an office lease for the Company's Calgary head office. They also relate to rail tank cars, vehicles, field buildings and computer equipment leases.*

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 March 31, 2012, there were 98,931,422 common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were an aggregate of 1,186,505 restricted share units, performance share units and deferred share units outstanding and 2,838,391 stock options outstanding as at March 31, 2012.

Subsequent to March 31, 2012, 435,426 common shares were issued to shareholders enrolled in the DRIP for consideration of $8.9 million and 65,865 stock awards were exercised, bringing the total common shares outstanding at April 30, 2012 to 99,432,712.

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 forth the high and low sales prices per common share at the close of market, as well as total monthly trading volumes for 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	$ 20.35	$ 18.43	6,682,582
December	$ 19.33	$ 18.95	5,538,720
2012			
January	$ 19.79	$ 19.25	5,167,329
February	$ 21.33	$ 19.70	6,007,057
March	$ 21.30	$ 20.46	15,794,577
April	$ 22.64	$ 20.79	6,986,425
May (to May 4)	$ 22.30	$ 21.61	706,036

DIVIDENDS

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

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 first quarter dividend of 2012, holders of approximately 36% of the common shares participated in the DRIP.

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 March 31, 2012 and 2011. All derivative positions offset physical exposures to the cash market. Price-risk sensitivities were calculated by assuming a 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $2.4 million and $2.1 million as of March 31, 2012 and 2011, respectively. A 15% unfavorable change would decrease the Company's net income by $2.4 million and $2.7 million as of March 31, 2012 and 2011, respectively. 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 $0.1 million and $0.2 million as of March 31, 2012 and 2011, respectively. A 10% unfavorable change would decrease the Company's net income by $0.1 million and $0.2 million as of March 31, 2012 and 2011, respectively.

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 have increased cash interest expense by $0.3 million for the three months ended March 31, 2012. A 1% decrease in interest rates would not have any impact on the Company's cash interest expense for the three months ended March 31, 2012, 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 March 31, 2012, 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 change in interest rates would result in a change in the fair value of the Company's position in the floor and swap. As of March 31, 2012, a 1% increase in interest rates would increase the Company's net income by $9.9 million and a 1% decrease in interest rates would decrease the Company's net income by $16.6 million. The Company had no such positions at December 31, 2010.

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 months ended March 31, 2012, the Company had no outstanding amount under the Company's Revolving Credit Facility.

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 $2.6 million and $1.9 million as at March 31, 2012 and 2011, respectively. A 5% favorable change would increase the Company's net income by $2.6 million and $1.9 million as at March 31, 2012 and 2011, respectively. 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 March 31, 2012, the Company had outstanding U.S. dollar denominated debt of U.S.$645.1 million. Following the completion of the Refinancing, the Company entered into U.S. dollar forward contracts on U.S.$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 $5.8 million and $31.8 million as at March 31, 2012 and 2011, respectively. A corresponding favorable change would increase the Company's net income by $5.8 million and $31.8 million as at March 31, 2012 and 2011, respectively.

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 March 31, 2012, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of March 31, 2012 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 March 31, 2012 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

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 Company's annual 2011 MD&A dated March 6, 2012 as filed on SEDAR.

Future changes in accounting policies

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements. This amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013 with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

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, 2015. 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 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 adoption of this amendment will not have a material impact on the Company's 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 adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") has been amended to conform to the changes made in IFRS 10 and IFRS 11. This amended standard is effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted provided it is adopted concurrently with other related standards. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. 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 and exploration activity on shore in North America, including from the Canadian oil sands;*
- *the expansion of midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB;*
- *the effect of competition in regions of North America and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions 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 and continuing availability of the Company's DRIP.*

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

- *future growth in world-wide demand for crude oil and petroleum products;*
- *crude oil prices 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 Annual Information Form dated March 6, 2012 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 IFRS. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. See ''Summary of Quarterly Results" for a reconciliation of EBITDA to net income (loss), the IFRS measure most directly comparable to EBITDA, and for a reconciliation of Adjusted EBITDA and Pro Forma Adjusted EBITDA to EBITDA. Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of the Company's performance.