



## Management's Discussion and Analysis

*The following Management's Discussion and Analysis ("MD&A") was prepared as of November 4, 2014 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three and nine months ended September 30, 2014 and 2013, the audited consolidated financial statements and related notes for the year ended December 31, 2013 and 2012, which were prepared under International Financial Reporting Standards ("IFRS"), and MD&A for the year ended December 31, 2013. The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of September 30, 2014, its results of operations for the three and nine months ended September 30, 2014 and 2013, and its cash flows for the three and nine months ended September 30, 2014 and 2013. The unaudited condensed consolidated financial statements do not include all the annual 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, 2014. Amounts are stated in Canadian dollars unless otherwise noted.*

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

### EXECUTIVE OVERVIEW

Gibson is a large independent integrated service provider to the oil and gas industry with operations across major producing regions throughout North America. Gibson is engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids ("NGLs"), water, oilfield waste, and refined products. The Company transports energy products by utilizing its integrated network of terminals, pipelines, storage tanks, and trucks located throughout western Canada and through its significant truck transportation and injection station network in the United States. The Company also provides emulsion treating, water disposal and oilfield waste management services in Canada and the United States 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 and small terminals 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 many years and celebrated its 60<sup>th</sup> anniversary as an organization in 2013. The Company has grown by diversifying its service offerings to meet customers' needs and by expanding geographically to provide its service offerings to key hydrocarbon producing regions throughout the United States.

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



## Highlights

The key highlights for the three and nine months ended September 30, 2014 were as follows:

- Revenue increased by 28% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 and by 31% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The increase was primarily due to increased overall activity in the Company's segments;
- Adjusted EBITDA in the three months ended September 30, 2014 increased 10% to \$114.1 million compared to \$103.5 million in the three months ended September 30, 2013. Adjusted EBITDA in the nine months ended September 30, 2014 increased 7% to \$333.8 million compared to \$311.8 million in the nine months ended September 30, 2013. The increase in adjusted EBITDA was primarily due to the increase in segment profits. Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2014 was \$460.5 million;
- Overall segment profit increased by 2% to \$119.9 million in the three months ended September 30, 2014 compared to \$117.1 million in the three months ended September 30, 2013. Segment profit increased by 7% to \$357.6 million in the nine months ended September 30, 2014 compared to \$333.0 million in the nine months ended September 30, 2013. The increase in segment profit was primarily driven by increases in the Terminals and Pipelines, Environmental Services, Processing and Wellsite Fluids, and Propane and NGL Marketing and Distribution segments;
- Net income was \$8.5 million in the three months ended September 30, 2014 compared to \$42.6 million in the three months ended September 30, 2013. The decrease was largely due to the non-cash foreign exchange loss incurred on translating the Company's U.S. dollar denominated long-term debt and the increase in interest expense. Net income was \$78.5 million in the nine months ended September 30, 2014 compared to \$83.1 million in the nine months ended September 30, 2013. The decrease was largely due to the non-cash foreign exchange loss incurred on translating the Company's U.S. dollar denominated long-term debt, higher depreciation, amortization and interest charges, partially offset by an increase in overall segment profitability and decreased debt extinguishment charges;
- The Company declared a dividend of \$0.30 per common share in each of the first three quarters of 2014 for total dividends of \$37.2 million in the three months ended September 30, 2014 and \$111.1 million in the nine months ended September 30, 2014. For the twelve months ended September 30, 2014, distributable cash flow was \$264.7 million resulting in a dividend payout ratio of 55%;
- Capital expenditures were \$290.6 million in the nine months ended September 30, 2014, of which \$251.5 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty Terminal, and the expansion of the Environmental Services business. At September 30, 2014, the Company had capital expenditures totaling \$199.2 million included in work in progress;
- On August 1, 2014, the Company completed the acquisition of Cal-Gas Inc. ("Cal-Gas") for cash consideration of \$94.8 million subject to final purchase price adjustments. Cal-Gas is one of the largest propane distribution companies in western Canada, with operations in British Columbia, Alberta, Saskatchewan, Manitoba and northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors;
- On April 1, 2014, the Company completed the acquisition of all of the issued and outstanding common shares of Stittco Energy Limited ("Stittco") for cash consideration of \$32.1 million. Stittco is a private company which provides propane equipment, service and delivery to the residential and commercial and mining customers in Northern Manitoba and the Northwest Territories;
- In June 2014, the crude oil unit train rail loading facility near Hardisty, Alberta, was successfully commissioned. The facility, which the Company jointly developed with US Development Group LLC., is underpinned by long-term customer commitments. With pipeline connectivity from the Company's Hardisty Terminal, the facility provides customers with increased optionality to facilitate crude oil movements across North America;
- On June 12, 2014, the Company completed an offering of Senior Unsecured Notes totaling \$300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 issued at par and U.S.\$50.0 million aggregate principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 108%. The net proceeds were used to repay all outstanding indebtedness under the existing revolving credit facility (excluding letters of credit), with the remaining net proceeds to be used to fund planned capital expenditures and for general corporate purposes;



- On August 20, 2014, the Company amended the terms of its \$500.0 million secured revolving credit facility to, among other things, release all security required by the lenders, and to extend the maturity date from June 2018 to August 2019 (the "Revolving Credit Facility"); and

Subsequent to the quarter-end, Gibson revised the design configuration of its storage tank construction project currently underway at Hardisty resulting in a 200,000 barrel increase in the original planned capacity and the construction of an incremental 300,000 barrel tank to accommodate current and forecasted operational requirements at the terminal. Incorporating these revisions, the Hardisty expansion project will increase total storage capacity at the terminal to 7.1 million barrels, a 65% increase over pre-construction levels.

On November 4, 2014, the Board declared a quarterly dividend of \$0.30 cents per common share for the three months ended December 31, 2014 on its outstanding common shares. The dividend is payable on January 16, 2015 to shareholders of record at the close of business on December 31, 2014.

### **Trends affecting the Company's business**

In accordance with the Company's long-range strategic plan, the Company continuously evaluates 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 currently affect Gibson's business and prospects are:

- Increased production levels in North America have increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities the Company participates in;
- The growing supply of Canadian heavy crude oil from the oilsands will result in an increasing demand for diluent in the Western Canada Sedimentary Basin (the "WCSB"). This should result in increased movements of diluent through the Edmonton area pipeline and terminal infrastructure and may generate increased opportunities for Gibson's services;
- Continuing crude pricing, location and quality disconnects combined with a shortage of pipeline takeaway capacity from the WCSB are creating a demand for crude rail movements that could persist for an extended period. If this trend continues, it should create opportunities for the Company to increase its service offering to include more crude rail movements;
- Technology advancements within the drilling and fracturing processes 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 and liquids, such as tight shale plays. If this trend continues, it should create opportunities for the Company to increase the various services offered by the network of integrated segments;
- The Keystone XL and Energy East pipeline projects, if approved, would help provide a growing supply of Canadian crude oil access to the largest refining markets in the United States, Eastern Canada and other foreign markets. If approved, the starting point for both pipelines would be adjacent to the Company's Hardisty Terminal which could provide increased opportunities for the Company's terminalling services;
- Enbridge's twinning of the southern section of its Athabasca pipeline as well as Inter Pipeline Ltd.'s twinning of its Cold Lake pipeline should provide for additional volumes into the Hardisty area and increased opportunities for the Company's terminalling services at Hardisty;
- The price fluctuations between crude oil types should create incremental margin opportunities in multiple areas of the Company's operations. Price differentials continue to be volatile and the Company expects this trend to continue; and
- The growing supply of propane related to higher liquids rich natural gas development should result in stable or declining pricing for propane in Western Canada. This may result in increased volumes and potential margin improvement related to our Propane and NGL Marketing and Distribution segment.



**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 and liquids include:

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company’s operating areas;
- North American self-sufficiency goals and investment in drilling and production across North America should drive demand for the Company’s services;
- Increased oil and gas production in North America should also mean a significant increase in produced water and other oilfield waste. This increase in oilfield waste, together with increased regulatory scrutiny, should increase demand for the Company’s Environmental Services solutions;
- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;
- Increased crude oil production in North America, including from the Canadian oil sands and activity levels across the U.S. production basins; 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 crude oil from the 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. However, the Company feels demand for its services should remain strong in the medium to long-term.

**Capital expenditures**

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

	Nine months ended September 30,	
	2014	2013
Growth capital.....	\$ 251,460	\$ 122,130
Upgrade and replacement capital.....	39,161	48,166
	<u>\$ 290,621</u>	<u>\$ 170,296</u>

Total expenditures for growth capital and upgrade and replacement capital were \$290.6 million and \$170.3 million in the nine months ended September 30, 2014 and 2013, respectively. In the nine months ended September 30, 2014 and 2013, \$276.2 million and \$164.2 million, respectively, were included as additions to property, plant and equipment and \$14.4 million and \$6.1 million, respectively, were included as additions to intangible assets. At September 30, 2014, the Company had capital expenditures totaling \$199.2 million included in work in progress.



*Growth capital*

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

	Nine months ended September 30,	
	2014	2013
Terminals and Pipelines <sup>(1)</sup> .....	\$ 153,599	\$ 64,792
Environmental Services <sup>(2)</sup> .....	55,235	35,120
Truck Transportation <sup>(3)</sup> .....	15,252	14,307
Propane and NGL Marketing and Distribution <sup>(4)</sup> .....	9,000	5,019
Processing and Wellsite Fluids <sup>(5)</sup> .....	6,320	2,141
Other <sup>(6)</sup> .....	12,054	751
<b>Total</b> .....	<b>\$ 251,460</b>	<b>\$ 122,130</b>

- (1) Expenditures in the nine months ended September 30, 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty Terminal and the related infrastructure for the unit rail facility connected to the Hardisty Terminal.
- (2) Expenditures in the nine months ended September 30, 2014 relate to the expansion of existing and construction of new emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.
- (3) Largely represents the purchase of land in the Edmonton area and the initial costs for constructing a new office and maintenance facility.
- (4) Mainly represents the addition of trucks, tanks and generators to meet growing demand in key market areas and the expansion of rail infrastructure at a Company facility.
- (5) Expenditures in the nine months ended September 30, 2014 largely relate to capacity expansion at the facility in Moose Jaw.
- (6) Mainly includes the purchase of strategic land in Strathcona County in Alberta's Industrial Heartland as well as equipment and software related to information and operational systems.

*Upgrade and replacement capital*

Upgrade and replacement capital includes improvement projects that extend the physical life of an asset, while replacement capital includes purchases that replace existing assets as necessary to maintain current service levels or replace assets that no longer have a useful economic life. Upgrade and replacement capital decreased by 20% to \$39.2 million in the nine months ended September 30, 2014 from \$48.2 million in the nine months ended September 30, 2013. The decrease was mainly due to a reduction in the replacement of rolling stock within the Truck Transportation segment.

**Acquisitions**

On August 1, 2014, the Company acquired all of the issued and outstanding common shares of Cal-Gas for cash consideration of \$94.8 million subject to final purchase price adjustments. Cal-Gas is one of the largest retailers in Western Canada with operations in British Columbia, Alberta, Saskatchewan, Manitoba and Northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors.

On April 1, 2014, the Company acquired all of the issued and outstanding common shares of Stitcco for cash consideration of \$32.1 million. Stitcco provides propane equipment, service and delivery to residential and commercial and mining customers in Northern Manitoba and Northwest Territories.



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### Seasonality

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

Within the Company's Processing and Wellsite Fluids segment, certain products are impacted by seasonality. Canadian road asphalt activity is affected by the impact of weather conditions on road construction. 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. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling 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 road asphalt peak in the summer and sales of wellsite fluids peak in the winter.

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

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



**SEGMENTED RESULTS OF OPERATIONS**

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

The following is a discussion of the Company’s segmented results of operations for the three and nine months ended September 30, 2014 and 2013 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
<b>Segment revenue</b>				
Terminals and Pipelines .....	\$ 41,618	\$ 34,885	\$ 113,882	\$ 96,936
Environmental Services .....	131,190	90,097	315,968	243,673
Truck Transportation .....	139,024	138,951	413,638	398,388
Propane and NGL Marketing and Distribution .....	303,041	267,545	969,476	781,788
Processing and Wellsite Fluids .....	184,486	200,475	505,540	454,167
Marketing .....	1,998,940	1,620,535	5,502,185	4,155,616
Total segment revenue .....	2,798,299	2,352,488	7,820,689	6,130,568
Revenue—inter-segmental .....	(438,292)	(510,594)	(1,223,625)	(1,105,937)
Total revenue—external .....	2,360,007	1,841,894	6,597,064	5,024,631
<b>Segment profit</b>				
Terminals and Pipelines .....	31,082	25,806	82,504	70,548
Environmental Services .....	28,522	24,335	72,176	60,530
Truck Transportation .....	20,518	22,834	60,435	61,509
Propane and NGL Marketing and Distribution .....	13,183	13,146	54,747	39,073
Processing and Wellsite Fluids .....	14,263	12,089	36,868	35,108
Marketing .....	12,296	18,845	50,848	66,271
Total segment profit .....	119,864	117,055	357,578	333,039
General and administrative .....	8,968	8,880	26,401	25,354
Depreciation and amortization .....	53,510	44,460	151,587	132,055
Stock based compensation .....	3,642	2,365	10,150	6,013
Debt extinguishment .....	-	-	-	38,209
Foreign exchange loss (gain) .....	18,207	(9,318)	16,250	669
Net interest expense .....	18,549	14,644	47,493	38,325
Gain on financial instruments relating to interest expense .....	-	-	-	(18,252)
Income before income tax .....	16,988	56,024	105,697	110,666
Income tax expense .....	8,446	13,425	27,162	27,574
Net income .....	\$ 8,542	\$ 42,599	\$ 78,535	\$ 83,092

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

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



## Terminals and Pipelines

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

Volumes (barrels in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Terminals</b>				
Hardisty Terminal .....	44,952	35,291	131,015	106,140
Edmonton Terminal.....	4,204	4,266	12,953	12,123
Injection stations .....	12,321	12,876	36,227	33,980
Total terminals.....	61,477	52,433	180,195	152,243
<b>Pipelines</b>				
Bellshill pipeline .....	404	443	1,199	1,317
Provost pipeline.....	1,376	1,313	4,211	4,276
Total pipelines.....	1,780	1,756	5,410	5,593
Total terminals and pipelines .....	63,257	54,189	185,605	157,836
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues .....	\$ 41,618	\$ 34,885	\$ 113,882	\$ 96,936
Operating expenses and other.....	10,536	9,079	31,378	26,388
Segment profit.....	\$ 31,082	\$ 25,806	\$ 82,504	\$ 70,548

### Three months ended September 30, 2014 and 2013

#### Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 27% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, as a result of increased throughput volumes from customers with dedicated tank usage and the incremental volumes for the new Hardisty Unit Train and Rail facility. Revenue at the Hardisty Terminal increased by \$5.6 million in the three months ended September 30, 2014 compared to the three months ended September 30, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, including the impact of the new tanks at the west side of the Hardisty Terminal that were commissioned in late 2013, as well as the impact of additional revenue from the Hardisty Unit Train and Rail connection that was commissioned in June 2014.

Edmonton Terminal volumes decreased slightly in the three months ended September 30, 2014 compared to the three months ended September 30, 2013. Despite the decrease in volumes, revenues increased by \$0.6 million in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to increases in volumes not subject to minimum volume charges.

Injection station volumes decreased by 4% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to a decrease in activity with a major customer. Despite the overall decrease in volumes, revenue increased by \$0.2 million in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to the impact of foreign exchange rates on translating revenue denominated in U.S dollars.

Volumes for the Company's Bellshill pipeline decreased by 9% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 remained relatively stable as a result of an increase in tariffs.

Volumes for the Company's Provost pipeline increased by 5% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to an increase in receipts from oil production batteries that produce into the pipeline. As a result, revenue also increased by \$0.3 million in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

*Operating expenses and other.* Overall operating expenses and other costs increased by \$1.5 million, or 16%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013. The increase was largely related to the





increase in volumes through the facilities and operating costs incurred relating to the new Hardisty Unit Train and Rail connection.

*Segment profit.* Overall, segment profit in the three months ended September 30, 2014 increased by \$5.3 million, or 20%, compared to the three months ended September 30, 2013. The increase was primarily due to the impact of additional volumes including the impact of the commencement of operations at the Hardisty Unit Train and Rail facility, offset in part by increased operating costs.

***Nine months ended September 30, 2014 and 2013.***

*Volumes, revenues and cost of sales.*

Hardisty Terminal volumes increased by 23% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, as a result of increased throughput volumes from customers with dedicated tank usage and the incremental volumes from the new Hardisty Unit Train and Rail facility. Revenue at the Hardisty Terminal increased by \$14.9 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, including the impact of the new tanks at the west side of the Hardisty Terminal that were commissioned in late 2013, and the impact of the commencement of operations at the Hardisty Unit Train and Rail connection in June 2014.

Edmonton Terminal volumes increased by 7% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 mainly due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. Edmonton Terminal revenue increased by \$1.3 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to an increase in volumes not subject to minimum volume charges.

Injection station volumes increased by 7% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to an increase in activity with a major customer. As a result, revenues increased by \$0.2 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Volumes for the Company's Bellshill pipeline decreased 9% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 remained relatively stable as a result of an increase in tariffs.

Volumes for the Company's Provost pipeline decreased by 2% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue increased by \$0.6 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to increase in tariffs.

*Operating expenses and other.* Overall operating expenses and other costs increased by \$5.0 million, or 19%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The increase was largely related to the increase in operating costs due to the expansion of the Hardisty Terminal and costs incurred related to the Hardisty Unit Train and Rail connection that was commissioned in June 2014.

*Segment profit.* Overall, segment profit in the nine months ended September 30, 2014 increased by \$12.0 million, or 17%, compared to the nine months ended September 30, 2013. The increase was primarily due to an overall increase in volumes, the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges, and the commencement of operations for the Hardisty Unit Train and Rail connection offset in part by an increase in operating costs.



**Environmental Services**

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues				
Environmental services and fluid handling .....	\$ 91,787	\$ 58,727	\$ 229,738	\$ 157,541
Production services .....	17,440	18,295	51,388	50,751
Other services .....	21,963	13,075	34,842	35,381
Total revenues .....	131,190	90,097	315,968	243,673
Cost of sales .....	84,223	50,219	189,046	140,178
Operating expenses and other .....	18,445	15,543	54,746	42,965
Segment profit .....	\$ 28,522	\$ 24,335	\$ 72,176	\$ 60,530

**Three months ended September 30, 2014 and 2013.**

*Revenues and cost of sales.* Environmental services and fluid handling operations primarily includes the transportation, disposal and processing of drilling and production waste, such as fluids and cuttings, and emulsion treating facilities. Environmental services and fluid handling revenues increased by 56% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Production services provide critical services to oil and gas companies that ensure uptime and consistent operation of producing wells including the inspection and repair of above-ground well-pumping units. Production services revenue decreased by 5% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. The decrease was primarily due to partial road closures as a result of weather conditions in the Bakken region in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Other services primarily include exploration support services to geophysical companies and accommodations which provide winterized mobile housing units for oilfield personnel at the drill or production site in the Bakken region. Other services revenue increased by 68% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013 primarily due to an increase in the demand for exploration support services as a result of increased seismic activities in the United States.

Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs. Cost of sales increased by 68% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, primarily as a result of increased overall activity and also due to the unfavorable impact of translating costs of sales denominated in U.S. dollars.

*Operating expenses and other.* Operating expenses and other costs increased by \$2.9 million, or 19%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, mainly due an increase in payroll related costs and also due to the unfavorable impact of translating operating costs denominated in U.S. dollars.

*Segment profit.* Segment profit increased by \$4.2 million, or 17%, in the three months ended September 30, 2014 as compared to September 30, 2013, largely as a result of the impact of improved margins in both the United States and Canadian environmental services and fluid handling operations.

**Nine months ended September 30, 2014 and 2013.**

*Revenues and cost of sales.* Environmental services and fluid handling revenues increased by 46% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.





*Segment profit.* Segment profit decreased by \$2.3 million, or 10%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to lower overall margins and the impact of higher operating expenses.

**Nine months ended September 30, 2014 and 2013.**

*Volumes, revenues and cost of sales.* For the nine months ended September 30, 2014, barrels hauled decreased by 9% compared to the nine months ended September 30, 2013. The decrease was mainly due to the impact of adverse weather conditions in both Canada and the United States that limited the Company's ability to haul in certain regions and also a decline in overall volumes hauled of sulphur and petroleum coke particularly in the first quarter of 2014.

Despite the decrease in volumes, revenues increased 4% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. The impact of decreased volumes was offset by increased rates for spot hauling activities due to more long haul opportunities, increased service related charges, and also the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 7% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to the overall increase in service related activity from the Canadian operations.

*Operating expenses and other.* Overall operating expenses and other costs decreased by \$2.6 million, or 3%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, mainly due to lower overall operating costs in Canada and the impact of a gain of \$1.2 million on sale of certain property, plant and equipment.

*Segment profit.* Segment profit decreased by \$1.1 million, or 2%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to the impact of lower margins, offset in part by lower operating costs.

**Propane and NGL Marketing and Distribution**

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Volumes</b>				
<b>Sales volumes—retail (litres in thousands)</b>				
Oil and gas.....	56,536	42,027	156,597	147,458
Commercial and industrial .....	14,851	9,129	68,479	58,214
Automotive.....	6,424	6,251	16,160	16,413
Residential.....	7,204	3,303	21,080	13,873
Other.....	7,549	4,834	20,903	15,546
	<u>92,564</u>	<u>65,544</u>	<u>283,219</u>	<u>251,504</u>
<b>Sales volumes—wholesale (barrels in thousands)</b>				
Propane.....	430	836	2,062	3,114
<b>Other NGLs</b>				
Butane .....	652	500	2,029	1,442
Condensate.....	1,045	580	2,178	1,493
U.S. division.....	639	879	2,322	3,116
	<u>2,336</u>	<u>1,959</u>	<u>6,529</u>	<u>6,051</u>



	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues				
Retail				
Propane .....	\$ 41,775	\$ 29,385	\$ 167,976	\$ 107,913
Other .....	5,907	3,781	19,948	16,130
Total retail .....	47,682	33,166	187,924	124,043
Wholesale				
Propane .....	26,129	40,346	157,329	144,098
Other NGLs .....	229,230	194,033	624,223	513,647
Total wholesale .....	255,359	234,379	781,552	657,745
Total revenues.....	303,041	267,545	969,476	781,788
Cost of sales				
Retail				
Propane .....	26,551	18,792	116,922	65,900
Other .....	833	614	2,269	1,800
Total retail .....	27,384	19,406	119,191	67,700
Wholesale.....	243,550	221,646	744,146	631,306
Total cost of sales .....	270,934	241,052	863,337	699,006
Gross Margin				
Retail.....	20,298	13,760	68,733	56,343
Wholesale .....	11,809	12,733	37,406	26,439
Total gross margin .....	32,107	26,493	106,139	82,782
Operating expenses and other .....	18,924	13,347	51,392	43,709
Segment profit.....	\$ 13,183	\$ 13,146	\$ 54,747	\$ 39,073

**Three months ended September 30, 2014 and 2013**

*Volumes, revenues and cost of sales.* Retail volumes increased 41% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013. The increase was primarily driven by increased volumes in the residential, oil and gas and commercial and industrial markets as a result of the Cal-Gas and Stittco acquisitions.

Retail propane revenues increased 42% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, due to higher sales volumes as a result of the Cal-Gas and Stittco acquisitions. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue also increased by 56% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, largely due the Company's investment in related equipment and the impact of the Cal-Gas and Stittco acquisitions.

Wholesale propane volumes decreased by 49% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to lower demand from certain customers. Revenues decreased by 35% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to the impact of lower wholesale propane volumes that was partially offset by higher wholesale propane prices.

Other NGLs volumes increased by 19% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, primarily as a result of higher demand from internal and external customers. As a result, other NGLs revenues increased by 18% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013.

Retail margins increased 48% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due largely to the impact of higher retail propane volumes as a result of the Cal-Gas and Stittco acquisitions completed on April 1, 2014 and August 1, 2014, respectively. Wholesale margins decreased 7% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to lower volumes offset in part by higher wholesale propane prices.



*Operating expenses and other.* Overall operating expenses and other costs increased by \$5.6 million, or 42%, in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, primarily due to the impact of the Cal-Gas and Stittco acquisitions.

*Segment profit.* The Propane and NGL Marketing and Distribution segment profit was consistent in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, as a result of higher retail propane margins offset by lower wholesale propane margins and higher operating costs.

***Nine months ended September 30, 2014 and 2013.***

*Volumes, revenues and cost of sales.* Retail volumes increased by 13% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, largely due to the increased volumes in the residential, oil and gas and commercial and industrial markets as a result of the Cal-Gas and Stittco acquisitions.

Retail propane revenues increased 56% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013, as a result of higher sales volumes and overall rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 24% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, largely due to the Company's investment in related equipment and the impact of the Cal-Gas and Stittco acquisitions.

Wholesale propane volumes decreased by 34% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The decrease in volumes was largely driven by the impact of lower propane demand with certain customers. Despite decrease in volumes, wholesale propane revenues increased by 9% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to higher propane wholesale prices.

Other NGLs volumes increased by 8% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013, primarily as a result of higher demand from internal and external customers as favorable pricing impacted blending programs. As a result of the increase in volumes and higher commodity prices, other NGLs revenues increased by 22% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013.

Retail margins increased 22% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to the impact of higher retail propane volumes as a result of increased activity in residential operations and the impact of the Cal-Gas and Stittco acquisitions. Wholesale margins increased 41% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to the positive impact of overall higher wholesale propane prices and also due to more favorable pricing conditions in other NGLs marketing business.

*Operating expenses and other.* Overall operating expenses and other costs increased by \$7.7 million, or 18%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, primarily due to the impact of the Cal-Gas and Stittco acquisitions.

*Segment profit.* The Propane and NGL Marketing and Distribution segment profit increased in the nine months ended September 30, 2014 by \$15.7 million, or 40%, compared to the nine months ended September 30, 2013 as a result of the increase in both retail and wholesale margins offset in part by higher operating costs.



## Processing and Wellsite Fluids

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
<b>Volumes (barrels in thousands)</b>				
Roofing flux.....	427	488	1,425	1,552
Road asphalt.....	214	85	280	143
Frac oils (Gibson Clear and light straight run distillate).....	122	248	374	385
Distillate (D822).....	257	229	579	577
Tops.....	523	591	1,606	1,418
Other.....	49	42	136	104
Total sales volumes.....	1,592	1,683	4,400	4,179
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
<b>Revenues</b>				
Road asphalt and roofing flux.....	\$ 72,379	\$ 67,718	\$ 185,761	\$ 176,392
Frac oils (Gibson Clear and light straight run distillate)...	19,588	31,931	54,390	47,680
Distillate (D822).....	35,016	32,924	85,614	81,236
Tops.....	49,165	61,132	156,153	132,666
Other.....	8,338	6,770	23,622	16,193
Total revenues.....	184,486	200,475	505,540	454,167
Cost of sales.....	166,550	182,713	451,600	401,065
Operating expenses and other.....	3,673	5,673	17,072	17,994
Segment profit.....	\$ 14,263	\$ 12,089	\$ 36,868	\$ 35,108

### Three months ended September 30, 2014 and 2013

*Volumes, revenues and cost of sales.* Sales volumes for road asphalt increased by 152% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 mainly due to an increase in demand from customers in the United States as a result of increased paving activities. Sales volumes for roofing flux decreased by 13% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 due to an increase in the amount of asphalt being sold as road asphalt. Road asphalt and roofing flux revenue increased by 7% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 mainly due to the impact of higher road asphalt volumes.

Frac oils volumes decreased 51% in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, largely due to decreased customer demand for light straight run distillate. Frac oils revenues were 39% lower in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 primarily due to a decrease in volumes offset in part by higher selling prices.

Sales volumes for distillate were 12% higher in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 largely due to an increase in sales to customers in the United States as a result of the expansion of operations into the U.S. As a result of the higher volumes, distillate revenues were 6% higher in the three months ended September 30, 2014, compared to the three months ended September 30, 2013 partially offset by lower selling prices.

Tops volumes decreased 12% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013 due to more output being allocated to higher margin products. As a result of a decrease in volumes and selling prices, tops revenues were 20% lower in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Other volumes include the sale of the Company's oil based mud ("OBM") product and solvents. Other volumes increased by 17% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, largely driven by increased demand for the Company's OBM product. Other revenue increased by 23% in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013 largely due to the increase in volumes.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment decreased by 4% due to the decrease in crude oil prices.



Overall margins were consistent in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013 mainly due to increased margins for roofing flux and road asphalt, distillate, and OBM, offset in part by lower margins from frac oils and tops.

*Operating expenses and other.* Operating expenses and other decreased by \$2.0 million, or 35%, in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. Operating expenses remained relatively stable, however other expenses decreased due to an increase in foreign exchange gains on realizing U.S. dollar denominated revenue.

*Segment profit.* The Processing and Wellsite Fluids segment profit increased in the three months ended September 30, 2014 by \$2.2 million, or 18%, as compared to the three months ended September 30, 2013, primarily due to higher margins for roofing flux and road asphalt and distillate as well as lower operating expenses, partially offset by lower margins from frac oils and tops.

***Nine months ended September 30, 2014 and 2013.***

*Volumes, revenues and cost of sales.* Sales volumes for road asphalt increased by 96% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 mainly due to an increase in demand from customers in the United States as a result of increased paving activities. Sales volumes for roofing flux decreased by 8% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 due to an increase in the amount of asphalt being sold as road asphalt. Road asphalt and roofing flux revenue increased by 5% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 mainly due to the impact of higher road asphalt volumes.

Frac oils volumes decreased 3% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 largely due to an overall decrease in customer demand. Despite the decrease in volumes, frac oils revenues increased by 14% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to higher overall selling prices.

Sales volumes for distillate were consistent in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. Distillate revenues increased by 5% in the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013 mainly due to increase in selling prices.

Tops volumes increased 13% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 due to higher overall throughput at the facility. As a result of the increase in volumes and also due to increase in selling prices, tops revenues increased by 18% in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Other volumes include the sale of the Company's oil based mud product and solvents. Other volumes increased by 31% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013, largely driven by increased demand for the Company's OBM product. Other revenue increased by 46% in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013 largely due to the increase in volumes.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment increased by 7% due to the increase in crude oil prices.

Overall margins increased by \$0.8 million, or 2%, in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. The increase was largely due to increased margins for frac oils, distillate and other products, offset in part by lower overall margins for roofing flux, road asphalt and tops.

*Operating expenses and other.* Operating expenses and other decreased by \$0.9 million, or 5%, in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. Operating expenses remained relatively stable, however other expenses decreased due to an increase in foreign exchange gains on realizing U.S. dollar denominated revenue.

*Segment profit.* The Processing and Wellsite Fluids segment profit increased in the nine months ended September 30, 2014 by \$1.8 million, or 5%, as compared to the nine months ended September 30, 2013, primarily due to higher margins for frac oils, distillate and other products and lower operating costs, partially offset by lower overall margins for roofing flux, asphalt, and tops.





## Marketing

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

Volumes (barrels in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Sales Volumes				
Crude and diluent.....	32,869	26,967	89,801	74,179

  

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues.....	\$ 1,998,940	\$ 1,620,535	\$ 5,502,185	\$ 4,155,616
Cost of sales.....	1,984,364	1,599,490	5,443,329	4,083,069
Operating expenses and other.....	2,280	2,200	8,008	6,276
Segment profit.....	\$ 12,296	\$ 18,845	\$ 50,848	\$ 66,271

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

Calendar Period	2014	2013
January.....	\$ 94.86	\$ 94.83
February.....	\$ 100.68	\$ 95.32
March.....	\$ 100.51	\$ 92.96
April.....	\$ 102.03	\$ 92.07
May.....	\$ 101.79	\$ 94.80
June.....	\$ 105.15	\$ 93.80
July.....	\$ 102.39	\$ 104.67
August.....	\$ 96.08	\$ 106.57
September.....	\$ 93.03	\$ 106.24
Average for three months period ended September 30.....	\$ 97.17	\$ 105.83
Average for nine months period ended September 30.....	\$ 99.61	\$ 97.92

### Three months ended September 30, 2014 and 2013

*Volumes, revenues and cost of sales.* Sales volumes for crude and diluent increased by 22% in the three months ended September 30, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. As a result, revenue increased by 23% in the three months ended September 30, 2014 compared to three months ended September 30, 2013. Lower WTI prices were offset by narrower price differentials, making the per barrel price for crude oil the Company aggregates and sells relatively comparable between years.

Cost of sales in the three months ended September 30, 2014 increased 24% compared to the three months ended September 30, 2013 primarily as a result of the increase in revenue.

*Operating expenses and other.* Operating expenses remained relatively unchanged in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

*Segment profit.* The Marketing segment profit decreased by \$6.6 million, or 35%, in the three months ended September 30, 2014 as compared to the three months ended September 30, 2013. In the three months ended September 30, 2014, margins were positively impacted by the increase in volumes, especially deliveries to the Company's terminals, including crude oil shipped via rail at the Company's various rail loading facilities. However, lower margins were earned in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 as a result of fewer margin enhancing opportunities being available in the quarter compared to the prior period.



***Nine months ended September 30, 2014 and 2013.***

*Volumes, revenues and cost of sales.* Sales volumes for crude and diluent increased 21% in the nine months ended September 30, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 32% primarily due to higher volumes and also due to higher crude oil prices.

Cost of sales in the nine months ended September 30, 2014 increased by 33% as compared to the nine months ended September 30, 2013 which was largely in line with the movement in revenue.

*Operating expenses and other.* Operating expenses increased by \$1.8 million, or 28%, in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 primarily due to the impact of higher payroll related costs.

*Segment profit.* The Marketing segment profit decreased by \$15.4 million, or 23%, in the nine months ended September 30, 2014 as compared to the nine months ended September 30, 2013. In the nine months ended September 30, 2014, margins were positively impacted by the increase in volumes, especially deliveries to the Company's terminals, including crude oil shipped via rail at the Company's various rail loading facilities. However, lower margins were earned in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 which led to the overall decrease in segment profitability.

**General and administrative, excluding depreciation and amortization**

General and administrative expense was \$8.9 million and \$26.4 million in the three and nine months ended September 30, 2014, respectively, compared to \$8.9 million and \$25.4 million in the three and nine months ended September 30, 2013, respectively. The increase in the nine months ended September 30, 2014 was largely driven by the continued growth of the Company resulting in an increase in payroll related costs.

**Depreciation and amortization**

Depreciation and amortization expense was \$53.5 million and \$151.6 million in the three and nine months ended September 30, 2014, respectively, compared to \$44.5 million and \$132.1 million in the three and nine months ended September 30, 2013, respectively. The increase was largely due to the additional depreciation and amortization related to the increase in the Company's tangible assets resulted from the completion of capital projects and the completion of the Cal-Gas and Stittco acquisitions.

**Stock based compensation**

Stock based compensation expense was \$3.6 million and \$10.2 million in the three and nine months ended September 30, 2014, respectively, compared to \$2.4 million and \$6.0 million in the three and nine months ended September 30, 2013, respectively. The increase was primarily due to granting of additional annual stock awards in 2014.

**Debt extinguishment**

On June 28, 2013, upon the issuance of the senior unsecured notes and the Revolving Credit Facility, the Company repaid and terminated its previous senior secured credit facility which comprised of the Tranche B Term Loan facility of U.S.\$650.0 million and revolving credit facility of U.S.\$375.0 million. Accordingly, the Company recorded debt extinguishment costs of \$38.2 million in the nine months ended September 30, 2013. No similar debt extinguishment costs were incurred in the three months and nine months ended September 30, 2014.

**Foreign exchange loss (gain) not affecting segment profit**

In the three months ended September 30, 2014, the Company recorded a foreign exchange loss of \$18.2 million compared to gain of \$9.3 million in the three months ended September 30, 2013. In the nine months ended September 30, 2014, the Company recorded a foreign exchange loss of \$16.3 million compared \$0.7 million the nine months ended September 30, 2013.

The gains and losses recorded are 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 September 30, 2014, a loss of \$29.3 million due to the unfavorable movement in exchange rates, was offset by a gain of \$10.3 million related to the change in fair value of the Company's U.S. dollar forward and option contracts that were entered into to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In the nine months ended September 30, 2014, a loss of \$30.4 million, due to the unfavorable movement in exchange rates, was offset by a gain of \$11.4 million related to the change in fair value of the Company's U.S. dollar forward and option contracts that were entered into to mitigate the currency risk associated with its U.S. dollar denominated long-term debt.



### Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was \$18.5 million and \$47.5 million in the three and nine months ended September 30, 2014, respectively, compared to \$14.6 million and \$38.3 million in the three and nine months ended September 30, 2013, respectively. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance.

### Financial instruments relating to interest expense

In the nine months ended September 30, 2013, the Company recorded a gain of \$18.3 million relating to an embedded derivative on an interest rate floor within the Company's Tranche B Term Loan that was required to be separated from the carrying value of long-term debt and was accounted for as a separate financial instrument that was measured at fair value at each balance sheet date. Following the repayment of the Tranche B Term Loan on June 28, 2013, the Company no longer has an embedded derivative relating to the interest rate floor.

### Income tax expense

Income tax expense was \$8.4 million in the three months ended September 30, 2014 compared to \$13.4 million in the three months ended September 30, 2013. Income tax expense was \$27.2 million in the nine months ended September 30, 2014 compared to \$27.6 million in the nine months ended September 30, 2013. The effective tax rate was 49.7% and 25.7% during the three and nine months ended September 30, 2014, respectively, compared to 24.0% and 24.9% in the three and nine months ended September 30, 2013, respectively. The main reason for the increase in the effective rate in the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013 was the impact of non-taxable capital gains and losses related to foreign exchange gains and losses on the long term debt. In the three months ended September 30, 2014, taxable impact of foreign exchange loss was \$2.4 million as compared to foreign exchange gain of \$1.1 million. In the nine months ended September 30, 2014, taxable impact of foreign exchange loss was \$2.4 million as compared to \$1.2 million.

## SUMMARY OF QUARTERLY RESULTS

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

Three months ended (in thousands)	2014			2013				2012
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Revenues .....	2,360,007	\$2,126,365	\$2,110,692	\$1,916,038	\$1,841,894	\$1,619,726	\$1,563,011	\$1,306,235
Net income (loss).....	8,542	23,838	46,155	20,724	42,599	(5,235)	45,728	36,611
EBITDA <sup>(1)</sup> .....	89,272	89,798	125,981	96,806	115,385	33,060	114,733	95,601
Adjusted EBITDA <sup>(2)</sup> .....	114,134	82,684	136,945	115,284	103,533	87,176	121,044	96,134
Earnings (loss) per share								
Basic .....	0.07	0.19	0.38	0.17	0.35	(0.04)	0.38	0.32
Diluted .....	0.07	0.19	0.37	0.16	0.35	(0.04)	0.37	0.32

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

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



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

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

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

Three months ended	2014			2013				2012
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
<b>(in thousands)</b>								
Net income (loss) .....	\$ 8,542	\$ 23,838	\$ 46,155	\$ 20,724	\$ 42,599	\$ (5,235)	\$ 45,728	\$ 36,611
Depreciation and amortization .....	53,510	49,264	48,813	52,002	44,460	44,942	42,653	39,171
Interest expense <sup>(1)</sup> .....	18,774	15,331	13,662	14,749	14,901	(5,286)	10,842	8,917
Income tax expense (recovery) .....	8,446	1,365	17,351	9,331	13,425	(1,361)	15,510	10,902
EBITDA .....	<u>\$ 89,272</u>	<u>\$ 89,798</u>	<u>\$ 125,981</u>	<u>\$ 96,806</u>	<u>\$ 115,385</u>	<u>\$ 33,060</u>	<u>\$ 114,733</u>	<u>\$ 95,601</u>

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

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



acquisitions took place at the beginning of the fiscal year in which such acquisition occurred. Pro Forma Adjusted EBITDA is also used in calculating the Company's covenant compliance under the debt agreements.

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

The following tables reconcile EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last eight quarters and for the twelve months ended September 30, 2014 and 2013:

	Three months ended				Twelve months ended
	September 30,	June 30,	March 31,	December 31,	September 30,
	2014	2014	2014	2013	2014
	(in thousands)				
EBITDA .....	\$ 89,272	\$ 89,798	\$ 125,981	\$ 96,806	\$ 401,857
Unrealized foreign exchange loss (gain) on long-term debt <sup>(1)</sup> .....	29,260	(19,725)	20,850	17,549	47,934
Net unrealized loss(gain) from financial instruments <sup>(2)</sup> .....	(8,361)	9,064	(13,014)	(1,329)	(13,640)
Share based compensation <sup>(3)</sup> .....	3,642	3,380	3,128	2,258	12,408
Acquisition related costs <sup>(5)</sup> .....	321	167	-	-	488
Adjusted EBITDA .....	\$ 114,134	\$ 82,684	\$ 136,945	\$ 115,284	\$ 449,047
Pro forma impact of acquisitions <sup>(6)</sup> .....					11,484
Pro Forma Adjusted EBITDA .....					\$ 460,531

  

	Three months ended				Twelve months ended
	September 30,	June 30,	March 31,	December 31,	September 30,
	2013	2013	2013	2012	2013
	(in thousands)				
EBITDA .....	\$ 115,385	\$ 33,060	\$ 114,733	\$ 95,601	\$ 358,779
Unrealized foreign exchange loss (gain) on long-term debt <sup>(1)</sup> .....	(11,350)	22,898	13,354	7,244	32,146
Net unrealized loss (gain) from financial instruments <sup>(2)</sup> .....	(2,867)	(9,014)	(8,668)	(2,838)	(23,387)
Share based compensation <sup>(3)</sup> .....	2,365	2,023	1,625	1,150	7,163
Debt extinguishment costs <sup>(4)</sup> .....	-	38,209	-	-	38,209
Acquisition related costs <sup>(5)</sup> .....	-	-	-	(5,023)	(5,023)
Adjusted EBITDA .....	\$ 103,533	\$ 87,176	\$ 121,044	\$ 96,134	\$ 407,887
Pro forma impact of acquisitions <sup>(6)</sup> .....					4,071
Pro Forma Adjusted EBITDA .....					\$ 411,958

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

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

(3) Represents the non-cash stock based compensation relating to the Company's 2011 Equity Incentive Plan.

(4) In connection with the repayment of the Company's long-term debt and termination of the previous revolving credit facility, the Company recorded \$38.2 million of non-cash debt extinguishment expenses in the three months ended June 30, 2013.

(5) Represents transaction fees that were expensed in connection with acquisitions made by the Company. In addition, in the three months ended December 31, 2012, the Company realized a gain of \$6.3 million on the settlement of foreign currency



forward contracts which were entered into to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price of OMNI.

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

**LIQUIDITY AND CAPITAL RESOURCES**

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

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

The following table summarizes the Company's sources and uses of funds for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in thousands)			
<b>Statement of Cash Flows</b>				
<b>Cash flows provided by (used in):</b>				
Operating activities .....	\$ 28,783	\$ 78,292	\$ 199,225	\$ 246,779
Investing activities .....	(198,908)	(72,360)	(390,735)	(155,628)
Financing activities .....	(55,861)	(25,015)	217,388	(41,704)

**Cash provided by operating activities**

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

Cash provided by operations in the three months ended September 30, 2014 was \$28.8 million compared to \$78.3 million in the three months ended September 30, 2013. The decrease was primarily attributable to an increase in accounts receivable and payment of income taxes which was partially offset by increases in overall segment profitability and a lower increase in accounts payable.

Cash provided by operations in the nine months ended September 30, 2014 was \$199.2 million compared to \$246.8 million in the nine months ended September 30, 2013. The decrease was primarily attributable to an increase in inventories, as well as accounts receivable and payment of income taxes partially offset by increases in overall segment profitability and a lower increase in accounts payable.

**Cash used in investing activities**

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

Cash used in investing activities was \$198.9 million and \$390.7 million in the three and nine months ended September 30, 2014, respectively, compared to \$72.4 million and \$155.6 million in the three and nine months ended September 30, 2013, respectively. The change in cash used in investing activities was due largely to an increase in capital expenditures and acquisitions in the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013. For a summary of capital expenditures and acquisitions, see "Acquisitions and Capital expenditures" included in this MD&A.



### Cash used in financing activities

Cash used in financing activities was \$55.9 million in the three months ended September 30, 2014 compared to \$25.0 million in the three months ended September 30, 2013. The main reason for the change was primarily due to an increase in interest paid as well as the payment of shareholder dividends.

Cash provided by financing activities was \$217.4 million in the nine months ended September 30, 2014 compared to cash used in financing activities of \$41.7 million in the nine months ended September 30, 2013. The main reason for the change was primarily the completion of the debt offering and amendment for net proceeds of \$352.0 million offset in part by the payment of net cash dividends of \$80.0 million and interest of \$61.1 million. In the nine months ended September 30, 2013, the Company received net proceeds of \$70.5 million on the issuance of the debt offering and repayment of Trance B Term Loan, received proceeds of \$8.7 million on the settlement of certain derivative financial instruments, paid net cash dividends of \$70.2 million, paid interest of \$19.5 million and repaid borrowings under the Revolving Credit Facility of \$32.4 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, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of \$125.3 million and \$460.6 million available under the Revolving Credit Facility as at September 30, 2014.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended September 30, 2014, the Company declared a dividend of \$0.30 per common share for a total dividend of \$37.2 million, of which \$28.0 million was paid in cash on October 17, 2014 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") or stock dividend program ("SDP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to \$290.6 million in the nine months ended September 30, 2014. As previously announced, the Company's planned capital expenditures for 2014 are expected to be approximately \$445.0 million. While the Company anticipates that these planned capital expenditures 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 by which to enter new markets. Any such acquisition or capital expenditure could be material and could have a material effect on the Company's liquidity, cash flows and capital commitments and resources. Any future acquisitions, capital expenditures or other similar transactions may require additional capital and there can be no assurance that such capital will be available to the Company on acceptable terms, or at all.

On June 12, 2014, the Company closed a Senior Unsecured Notes offering consisting of \$300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 and U.S.\$50.0 million aggregate principal amount of 6.75% Senior Unsecured Notes due July 15, 2021. The net proceeds from this offering were used to repay all outstanding indebtedness under its existing Revolving Credit Facility (excluding letters of credit), with the remaining net proceeds to be used to fund planned capital expenditures and for general corporate purposes.

As of September 30, 2014, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.\$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, \$250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and \$300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

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

On August 20, 2014, the Company amended the terms of its \$500.0 million secured revolving credit facility to, among other things, release all security held by its lenders, to extend the maturity date from June 2018 to August 2019 and to revise the



definition of senior debt leverage ratio to consist of total debt excluding subordinated debt. The Revolving Credit Facility of \$500.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes, has an accordion feature whereby the Company can increase the Revolving Credit Facility to \$750.0 million subject to obtaining incremental lender commitments. The Revolving Credit Facility has an extendible term of five years, expiring on August 15, 2019. The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest.

At September 30, 2014, the Company had no amounts drawn under the Revolving Credit Facility, had no restricted cash, and had issued letters of credit totaling \$39.4 million.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants defined in the agreement including a consolidated senior debt leverage ratio of no greater than 3.5 to 1.0, a consolidated total debt leverage ratio of no greater than 4.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. As at September 30, 2014, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 2.2 to 1.0, total debt leverage ratio at 2.2 to 1.0, and the interest coverage ratio at 7.3 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.

The Notes and the Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, breach of covenants, change in control and material inaccuracy of representations and warranties, subject to specified grace periods. As of September 30, 2014, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

### **Contingencies**

The Company is currently undergoing various 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 a part of the acquisition of the Company by the wholly-owned subsidiary of R/C Guitar Cooperatief U.A., a Dutch Co-operative owned by investment funds affiliated with Riverstone Holdings LLC, from Hunting PLC ("Hunting") on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits.

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

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





### Contractual obligations

In the normal course of business, the Company is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable. Refer to the Company's 2013 Annual MD&A, which summarizes contractual obligations as at December 31, 2013.

At September 30, 2014, the only material change to contractual obligations compared to December 31, 2013 related to both the timing and amounts of the long-term debt and related interest payments as a result of the debt offering. The following table provides the revised timing and amounts of the long-term debt and related interest payments:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt <sup>(1)</sup> .....	\$ 1,166,440	\$ -	\$ -	\$ -	\$ 1,166,440
Interest payments on long-term debt <sup>(1)</sup> .....	585,033	75,235	150,470	150,469	208,859
	<u>\$ 1,751,473</u>	<u>\$ 75,235</u>	<u>\$ 150,470</u>	<u>\$ 150,469</u>	<u>\$ 1,375,299</u>

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of September 30, 2014 of U.S.\$0.892 to \$1.00.

### OFF-BALANCE SHEET ARRANGEMENTS

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

### OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2014, there were 124.2 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Plan, there were an aggregate of 1.3 million restricted share units, performance share units and deferred share units outstanding and 2.5 million stock options outstanding as at September 30, 2014.

At September 30, 2014, awards available to grant under the 2011 Equity Incentive Plan were 8.6 million.

As at October 31, 2014, 124.5 million common shares, 1.3 million restricted share units, performance share units and deferred share units and 2.5 million stock options were outstanding.



**TRADING PRICE AND VOLUME**

The Company’s common shares trade 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 common shares on the TSX for the periods indicated.

Calendar Period	Price Range		Volume
	High	Low	
<b>2013</b>			
January .....	\$ 25.12	\$ 23.45	5,069,917
February .....	\$ 26.63	\$ 24.82	6,103,245
March .....	\$ 26.28	\$ 25.05	5,666,164
April .....	\$ 26.41	\$ 24.98	5,539,034
May .....	\$ 26.88	\$ 25.09	6,206,247
June .....	\$ 25.65	\$ 24.11	5,979,828
July .....	\$ 25.27	\$ 23.65	7,851,343
August .....	\$ 23.52	\$ 21.70	9,894,882
September .....	\$ 24.58	\$ 22.24	6,160,279
October .....	\$ 26.15	\$ 24.31	5,676,017
November .....	\$ 26.63	\$ 25.66	4,291,498
December .....	\$ 27.50	\$ 25.79	3,887,122
<b>2014</b>			
January .....	\$ 27.76	\$ 26.84	4,542,184
February .....	\$ 27.22	\$ 26.22	4,267,439
March .....	\$ 28.74	\$ 27.04	5,212,515
April .....	\$ 29.93	\$ 27.33	8,421,728
May .....	\$ 31.85	\$ 29.74	6,126,981
June .....	\$ 34.06	\$ 32.59	5,681,502
July .....	\$ 34.41	\$ 33.08	6,849,844
August .....	\$ 36.45	\$ 33.41	8,097,991
September .....	\$ 37.43	\$ 34.87	13,311,380
October .....	\$ 34.54	\$ 30.06	15,609,264

**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, and the satisfaction of a solvency calculation and the terms of the Company’s debt agreements. In addition, in connection with Company’s dividend policy, after each fiscal year end the Board will formally review the annual dividend amount.

The Board has approved a DRIP and a SDP that provide 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 dividend paid October 17, 2014, holders of approximately 26.4% of the common shares participated in the DRIP and SDP.



**DISTRIBUTABLE CASH FLOW**

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

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

	<b>Twelve months ended September 30, 2014</b>
	<b>(in thousands)</b>
Cash flow from operating activities .....	\$ 284,078
Adjustments:	
Changes in non-cash working capital .....	155,557
Upgrade and replacement capital .....	(60,508)
Cash interest expense .....	(62,868)
Current income tax.....	(51,565)
Distributable cash flow .....	<u>\$ 264,694</u>
Dividends declared to shareholders.....	<u>\$ 144,831</u>

Dividends declared in the twelve months ended September 30, 2014 were \$144.8 million, of which \$108.3 million was paid in cash and the balance was settled with the issuance of common shares under the Company’s DRIP or SDP. In the twelve months ended September 30, 2014, dividends declared represented 55% of the distributable cash flow generated or, distributable cash flow was 1.8 times dividends declared.

**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 from time to time to manage commodity price, interest rates and currency exchange rate exposure and, in certain circumstances, to realize incremental margin during volatile market conditions. The Company’s commodity trading and risk management policies and procedures are designed to establish and manage to an approved level of Value at Risk. The Company has a Risk Management Committee that has direct responsibility and authority for the Company’s risk policies and the Company’s trading controls and procedures and certain aspects of corporate risk management. The Company’s approved strategies are intended to mitigate risks that are inherent in the Company’s core businesses of aggregating and marketing and distribution. To hedge the risks discussed above the Company engages in risk management activities that the Company categorizes by the risks the Company is hedging and by the physical product that is creating the risk. The following discussion addresses each category of risk.

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

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



Although the intent of the Company's risk management strategy 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 Chicago Mercantile Exchange ("CME"). The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at September 30, 2014 and December 31, 2013. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by \$8.2 million and \$4.0 million as of September 30, 2014 and 2013, respectively. A 15% unfavorable change would decrease the Company's net income by \$7.2 million and \$4.0 million as of September 30, 2014 and 2013, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on a pricing grid. As at September 30, 2014, the Company had no amounts outstanding under the Revolving Credit Facility and accordingly was not exposed to interest rate risk.

*Currency exchange risks.* The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by \$5.4 million and \$3.8 million as at September 30, 2014 and 2013. A 5% favorable change would increase the Company's net income by \$5.2 million and \$3.8 million as at September 30, 2014 and 2013. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at September 30, 2014, the Company had outstanding U.S. dollar denominated debt of U.S.\$550.0 million.

As at September 30, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of \$1.0242 for U.S.\$1.00 for a notional amount of U.S.\$250.0 million expiring on September 15, 2017 and the Company also sold U.S. dollar call options at a strike price of \$1.295 for U.S.\$1.00 on a notional amount of U.S.\$250.0 million expiring on September 15, 2017. 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 \$16.8 million and \$10.8 million as at September 30, 2014 and 2013, respectively. A corresponding favorable change would increase the Company's net income by \$16.8 million and \$10.8 million as at September 30, 2014 and 2013, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at September 30, 2014, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2014 would increase the Company's annual interest expense by \$2.1 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2014 would decrease the Company's annual interest expense by \$2.1 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 2013 MD&A dated March 4, 2014 as filed on SEDAR.

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

- 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 Company adopted these amendments on January 1, 2014 which did not result in any material impact on the condensed consolidated financial statements.
- IFRIC 21, Accounting for Levies imposed by governments ("IFRIC 21") was issued which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The Company adopted IFRIC 21 on January 1, 2014 which did not result in any material impact on the condensed consolidated financial statements.
- IFRS 2, Share based payments ("IFRS 2") has been amended to clarify the definition of vesting conditions. The amendment clarifies that the vesting condition is either a service or performance condition and separately defines these two conditions. The Company adopted these amendments on July 1, 2014 which did not result in any impact on the condensed consolidated financial statements.
- IAS 3, Business combinations ("IFRS 3") has been amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in Financial Instruments, Presentation ("IAS 32"). The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. The Company adopted these amendments on July 1, 2014 which did not result in any impact on the condensed consolidated financial statements.

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

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.
- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for periods beginning on or after July 1, 2014. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.
- IAS 19, Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning



on or after July 1, 2014. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.

- IAS 16, Property Plant and Equipment (“IAS 16”), and IAS 38, Intangible Assets (“IAS 38”), has been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 10, Consolidated financial statements (“IFRS 10”), and IAS 28, Investments in associates and joint ventures (“IAS 28”), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 11, Accounting for acquisitions of interests in joint operations (“IFRS 11”), has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 15, Revenue from contracts with customers (“IFRS 15”), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The IASB completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

## 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, capital expenditures or other similar transaction, including the costs thereof;
- the Company's planned hedging activities;
- the Company's projections of commodity purchase and sales activities;
- the Company's projections of currency and interest rate fluctuations;
- the Company's projections of a growing dividend; and
- the Company's dividend policy and continuing availability of the Company's DRIP and SDP.

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;
- the impact of increasing competition on the Company; and
- the impact of future changes in accounting policies on the Company's consolidated financial statements.

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 4, 2014 as filed on SEDAR and available on the Gibson website at [www.gibsons.com](http://www.gibsons.com).

## NON-GAAP FINANCIAL MEASURES

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

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