Gibson Energy Inc.

Condensed Consolidated Financial Statements
March 31, 2014 and 2013
(Unaudited)
(in thousands of Canadian dollars)

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 65,779	$ 97,182
Trade and other receivables (note 4)	604,501	592,850
Inventories (note 5)	206,233	156,419
Income taxes receivable	7,898	7,534
Prepaid expenses and other assets	22,223	25,170
Net investment in finance leases (note 8)	799	765
Total current assets	907,433	879,920
Non-current assets		
Property, plant and equipment (note 6)	1,197,505	1,119,856
Long-term prepaid expenses and other assets (note 7)	64,074	19,640
Net investment in finance leases (note 8)	93,017	93,236
Deferred income tax assets	8,214	8,187
Intangible assets (note 9)	197,459	202,395
Goodwill (note 10)	736,339	726,148
Total non-current assets	2,296,608	2,169,462
Total assets	$ 3,204,041	$ 3,049,382
Liabilities		
Current liabilities		
Credit facility (note 12)	$ 95,000	$ -
Trade payables and accrued charges (note 11)	561,145	565,179
Dividends payable	36,914	33,605
Deferred revenue	376	2,847
Income taxes payable	10,679	20,535
Total current liabilities	704,114	622,166
Non-current liabilities		
Long-term debt (note 12)	779,030	757,566
Provisions (note 13)	97,971	91,424
Other long-term liabilities (note 14)	12,621	15,487
Deferred income tax liabilities	193,419	194,105
Total non-current liabilities	1,083,041	1,058,582
Total liabilities	1,787,155	1,680,748
Equity		
Share capital (note 15)	1,599,659	1,585,145
Contributed surplus	15,142	16,130
Accumulated other comprehensive income	59,364	33,879
Deficit	(257,279)	(266,520)
Total equity	1,416,886	1,368,634
Total liabilities and equity	$ 3,204,041	$ 3,049,382

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Operations

(Unaudited)

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue (note 17)	$ 2,110,692	$ 1,563,011
Cost of sales (note 18, 19 and 23)	2,015,457	1,478,275
Gross profit	95,235	84,736
General and administrative expenses (note 18 and 19)	12,626	10,615
Other operating income (note 20)	(4,599)	(1,891)
Income from operating activities	87,208	76,012
Interest expense	13,662	11,650
Gain on financial instruments relating to interest expense (note 23)	-	(808)
Interest income	(19)	(98)
Foreign exchange loss on long-term debt (note 12)	10,059	4,030
Income before income taxes	63,506	61,238
Income tax provision (note 21)	17,351	15,510
Net income	$ 46,155	$ 45,728
Earnings per share (note 15)		
Basic	$ 0.38	$ 0.38
Diluted	$ 0.37	$ 0.37

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Net income	$ 46,155	$ 45,728
Other comprehensive income		
Items that may be reclassified subsequently to consolidated statement of operations		
Exchange differences of translating foreign operations	25,485	12,729
Other comprehensive income, net of tax	25,485	12,729
Comprehensive income	$ 71,640	$ 58,457

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 15)	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance – January 1, 2013	$ 1,543,149	$ 11,297	$ (9,166)	$ (237,798)	$1,307,482
Net income	-	-	-	45,728	45,728
Other comprehensive income, net of tax	-	-	12,729	-	12,729
Comprehensive income	-	-	12,729	45,728	58,457
Employee share options:					
Stock based compensation	-	1,625	-	-	1,625
Proceeds from exercise of stock options	632	-	-	-	632
Reclassification of contributed surplus on exercise of stock option and other stock awards	3,000	(3,000)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	8,882	-	-	-	8,882
Dividends on common shares	-	-	-	(33,251)	(33,251)
Balance – March 31, 2013	$ 1,555,663	$ 9,922	$ 3,563	$ (225,321)	$1,343,827
Balance – January 1, 2014	$ 1,585,145	$ 16,130	$ 33,879	$ (266,520)	$1,368,634
Net income	-	-	-	46,155	46,155
Other comprehensive income, net of tax	-	-	25,485	-	25,485
Comprehensive income	-	-	25,485	46,155	71,640
Employee share options:					
Stock based compensation	-	3,128	-	-	3,128
Proceeds from exercise of stock options	1,577	-	-	-	1,577
Reclassification of contributed surplus on exercise of stock option and other stock awards	4,116	(4,116)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	8,821	-	-	-	8,821
Dividends on common shares	-	-	-	(36,914)	(36,914)
Balance – March 31, 2014	$ 1,599,659	$ 15,142	$ 59,364	$ (257,279)	$1,416,886

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash provided by (used in)		
Operating activities		
Income from operating activities	$ 87,208	$ 76,012
Items not affecting cash		
Depreciation of property, plant and equipment (note 18)	35,244	30,678
Amortization of intangible assets (note 18)	13,569	11,975
Share based compensation	3,128	1,625
Gain on sale of assets	(471)	(128)
Other	(845)	(1,249)
Net (gain) loss on fair value movement of financial instruments (note 23)	(2,223)	656
Changes in items of working capital		
Trade and other receivables	(8,086)	(30,104)
Inventories	(49,142)	8,924
Other current assets	7,087	2,993
Trade payables and accrued charges	(7,275)	(3,029)
Deferred revenue	(2,481)	3,706
Income taxes	(31,682)	(14,093)
Net cash provided by operating activities	44,031	87,966
Investing activities		
Purchase of property, plant and equipment	(82,786)	(38,236)
Purchase of intangible assets	(3,368)	(1,596)
Proceeds from sale of assets	1,170	612
Deposit paid for an acquisition (note 25)	(32,553)	-
Net cash used in investing activities	(117,537)	(39,220)
Financing activities		
Payment of shareholder dividends	(33,605)	(31,232)
Proceeds from Dividend Reinvestment Program	8,821	8,882
Interest paid	(30,556)	(8,741)
Interest received	19	95
Proceeds from exercise of stock options	1,577	632
Proceeds from credit facilities	217,252	24,000
Repayment of credit facilities	(122,141)	(56,385)
Repayment of long-term debt	-	(1,651)
Repayment of finance lease liabilities	(153)	-
Net cash provided by (used in) financing activities	41,214	(64,400)
Effect of exchange rate changes on cash and cash equivalents	889	(186)
Net decrease in cash and cash equivalents	(31,403)	(15,840)
Cash and cash equivalents – beginning of period	97,182	61,026
Cash and cash equivalents – end of period	$ 65,779	$ 45,186

See accompanying notes

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

1 General Information

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

Gibson is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids, water, oilfield waste and refined products. The Company also provides emulsion treating, water disposal, oil field waste management services and propane distribution. The Company is incorporated and domiciled in Canada. The address of the Company’s principal place of business is 1700, 440 2nd Avenue S.W., Calgary, Alberta, Canada.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, as set out in IAS 34, “Interim Financial Reporting”. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on May 6, 2014.

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

3 Significant accounting policies and disclosures

The accounting policies followed in preparation of these condensed consolidated financial statements are consistent with those of the previous financial year except as follows and for the impact of new standards described below.

- Income taxes on income in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual profit or loss

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Further information on the Company’s significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 2013.

The Company adopted the following new and revised standard, along with any consequential amendments, effective January 1, 2014. 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 adoption of these amendments 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 adoption of IFRIC 21 did not result in any material impact on the condensed consolidated financial statements.

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

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 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 2, 'Share based payments', IFRS 3, Business combinations, 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.

4 Trade and other receivables

	March 31, 2014	December 31, 2013
Trade receivables	$ 591,683	$ 583,068
Allowance for doubtful accounts	(4,856)	(4,092)
Trade receivables - net	586,827	578,976
Risk management assets (note 22)	4,244	1,120
Deposits held as collateral	1,145	1,145
Broker accounts receivable	1,097	1,326
GST receivable	2,034	5,967
Other	9,154	4,316
	$ 604,501	$ 592,850

5 Inventories

	March 31, 2014	December 31, 2013
Crude oil	$ 119,624	$ 64,423
Diluent	5,174	3,561
Asphalt	34,268	27,825
Natural gas liquids	24,112	34,749
Wellsite fluids and distillate	9,795	13,003
Spare parts and other	13,260	12,858
	$ 206,233	$ 156,419

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

6 Property, plant and equipment

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2014	$ 113,292	$ 128,360	$ 266,947	$ 400,671	$ 524,655	$ 86,464	$ 1,520,389
Additions	16,460	287	2,198	8,103	3,901	66,529	97,478
Disposals	(22)	-	(4)	(2,259)	(366)	-	(2,651)
Reclassifications	530	25	32	874	4,170	(5,631)	-
Change in decommissioning provision (note 12)	-	828	2,288	-	3,048	-	6,164
Effect of movements in exchange rates	504	-	655	6,944	5,003	169	13,275
At March 31, 2014	$ 130,764	$ 129,500	$ 272,116	$ 414,333	$ 540,411	$147,531	$ 1,634,655
Accumulated depreciation and impairment:							
At January 1, 2014	$ 20,706	$ 43,579	$ 58,377	$ 132,214	$ 145,657	$ -	$ 400,533
Depreciation	1,217	2,178	4,002	12,784	15,063	-	35,244
Disposals	(22)	-	(1)	(1,590)	(342)	-	(1,955)
Effect of movements in exchange rates	26	-	360	2,020	922	-	3,328
At March 31, 2014	$ 21,927	$ 45,757	$ 62,738	$ 145,428	$ 161,300	$ -	$ 437,150
Carrying amounts:							
At January 1, 2014	$ 92,586	$ 84,781	$ 208,570	$ 268,457	$ 378,998	$ 86,464	$ 1,119,856
At March 31, 2014	108,837	83,743	209,378	268,905	379,111	147,535	1,197,505

Additions to property, plant and equipment include capitalization of interest of $1.4 million and $0.3 million for the three months ended March 31, 2014 and 2013, respectively.

At March 31, 2014 and December 31, 2013, the carrying value includes $1.8 million and $2.3 million, respectively, of assets capitalized under finance lease.

7 Long-term prepaid expenses and other assets

	March 31, 2014	December 31, 2013
Deposit paid for an acquisition (note 25)	$ 32,553	$ -
Derivative financial instruments (note 23)	27,421	15,646
Post-retirement benefit assets	1,248	1,058
Long-term prepaid expenses	418	442
Other assets	2,434	2,494
	$ 64,074	$ 19,640

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

8 Net investment in finance leases

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

	March 31, 2014	December 31, 2013
Total minimum lease payments receivable	$ 358,058	$ 363,742
Residual value	35,182	35,182
Unearned income	(299,424)	(304,923)
	93,816	94,001
Less: current portion	799	765
Net investment in finance lease: non-current portion	$ 93,017	$ 93,236

9 Intangible assets

	Brands	Customer Relationships	Long-term Contracts	Non-Compete Agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2014	$ 50,465	$ 235,096	$ 34,653	$ 23,368	$ 2,579	$ 27,911	$ 3,448	$ 377,520
Additions	2	718	-	-	-	2,648	-	3,368
Effect of movements in exchange rates	356	5,301	1,178	257	38	103	134	7,367
At March 31, 2014	$ 50,823	$ 241,115	$ 35,831	$ 23,625	$ 2,617	$ 30,662	$ 3,582	$ 388,255
Accumulated amortization:								
At January 1, 2014	$ 28,142	$ 101,478	$ 14,801	$ 17,468	$ 1,980	$ 9,944	$ 1,312	$ 175,125
Amortization	2,858	7,680	976	702	85	972	296	13,569
Effect of movements in exchange rates	204	1,155	424	245	15	8	51	2,102
At March 31, 2014	$ 31,204	$ 110,313	$ 16,201	$ 18,415	$ 2,080	$ 10,924	$ 1,659	$ 190,796
Carrying amounts:								
At January 1, 2014	$ 22,323	$ 133,618	$ 19,852	$ 5,900	$ 599	$ 17,967	$ 2,136	$ 202,395
At March 31, 2014	19,619	130,802	19,630	5,210	537	19,738	1,923	197,459

10 Goodwill

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

	Three months ended March 31, 2014	Year ended December 31, 2013
Opening balance	$ 726,148	$ 709,358
Effect of movements in exchange rates	10,191	16,790
Closing balance	$ 736,339	$ 726,148

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

11 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	March 31, 2014	December 31, 2013
Trade payables	$ 474,484	$ 451,609
Accrued compensation charges	25,631	36,591
GST payable	1,529	1,980
Risk management liabilities (note 23)	3,366	2,465
Broker accounts payable	910	2,610
Pension liabilities	825	825
Interest payable	11,582	27,894
Due to Hunting PLC (note 16)	9,199	9,199
Other	33,619	32,006
	$ 561,145	$ 565,179

12 Loans and borrowings

Revolving Credit Facility

On June 28, 2013, the Company established a revolving credit facility of $500.0 million (the "Revolving Credit Facility"), the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility has a term of five years, expiring on June 28, 2018.

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 based on the Company's total debt leverage ratio.

The Revolving Credit Facility contains certain covenants including financial covenants, as defined in the agreement, that require the Company to maintain ratios of maximum senior debt leverage ratio of 3.5:1.0, maximum total debt leverage ratio of 5.0:1.0 and minimum interest coverage ratio of 2.5:1.0. As at March 31, 2014, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company had $95.0 million drawn against the Revolving Credit Facility as at March 31, 2014. The Company had issued letters of credit totalling $49.8 million and $57.4 million as at March 31, 2014 and December 31, 2013, respectively.

The Revolving Credit Facility is secured by substantially all of the Company's property, plant and equipment, intangibles and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

Long–term debt

Long–term debt consists of the following:

	March 31, 2014	December 31, 2013
6.75% Notes due July 15, 2021	$ 552,650	$ 531,800
7.00% Notes due July 15, 2020	250,000	250,000
Unamortized issue discount and debt issue costs	(23,620)	(24,234)
	$ 779,030	$ 757,566

On June 28, 2013, the Company issued U.S.$500.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at issue price of 98.476% and $250.0 million 7.00% Senior Unsecured Notes due July 15, 2020 at issue price of 98.633% (collectively, the "Notes"). Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding.

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

The Notes agreement contains certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of equity offering or following certain dates specified in the agreement. 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 agreement 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 agreement.

Foreign exchange loss on long-term debt

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Foreign exchange loss on movement in exchange rates on U.S. dollar long-term debt	$ 20,850	$ 13,354
Gain on change in fair value of U.S. dollar forward contract relating to long-term debt (note 23)	(10,791)	(9,324)
	$ 10,059	$ 4,030

13 Provisions

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

	Three months ended March 31, 2014	Year ended December 31, 2013
Opening balance	$ 91,424	$ 111,197
Payments	(767)	(3,305)
Additions	-	2,032
Change in estimated future cash flows	-	705
Effect of changes in foreign exchange rates	437	732
Change in discount rate	6,164	(23,317)
Unwinding of discount	713	3,380
Closing balance	$ 97,971	$ 91,424

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $228.6 million and $228.9 million at March 31, 2014 and December 31, 2013, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 2.9% and 3.1% at March 31, 2014 and December 31, 2013, respectively. The provision is expected to be settled up to 40 years into the future.

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

14 Other long-term liabilities

	March 31, 2014	December 31, 2013
Pension liabilities	$ 5,927	$ 6,086
Risk management liabilities (note 23)	6,029	5,046
Finance lease liabilities	237	345
Other	428	4,010
	$ 12,621	$ 15,487

15 Share capital

	Number of shares	Share Capital
At January 1, 2014	122,200,192	$ 1,585,145
Exercise of stock options	160,943	1,577
Exercise of other stock awards	354,323	-
Transfer from contributed surplus on issue of equity awards	-	4,116
Issuance of common shares in connection with the dividend reinvestment plans	332,434	8,821
At March 31, 2014	123,047,892	$ 1,599,659

Share based payments

A summary of activity under the 2011 Equity Incentive Plan is as follows:

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of options	Weighted average exercise price (in dollars)		Number of Units	
Balance at January 1, 2014	1,928,985	$ 16.22	727,611	223,160	95,021
Granted	1,031,779	28.27	236,004	391,494	42,961
Exercised	(160,943)	9.80	(350,940)	(3,383)	-
Forfeited	(22,884)	25.94	(3,984)	(6,882)	-
Balance at March 31, 2014	2,776,937	$ 20.96	608,691	604,389	137,982
Vested	1,219,478	$ 12.76	200,571	-	137,982

At March 31, 2014, awards available to grant under the 2011 Equity Incentive Plan were 8,176,792.

Per share amounts

	Three months ended March 31, 2014	Three months ended March 31, 2013
Weighted average common shares outstanding	122,641,232	120,558,673
Dilutive effect of:		
Stock options and other awards	1,640,696	1,660,902
	124,281,928	122,219,575

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

16 Contingent liabilities

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

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. Included in income tax receivable and trade payables and accrued charges as at March 31, 2014 and December 31, 2013 is $9.2 million, whereby Hunting paid the Company and the Company paid the tax assessments relative to certain of these audits. The Company has assumed that the remaining assessment amounts paid in connection with these audits will be refunded to the Company and although the timing is uncertain, will be settled within a year.

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

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

17 Revenue

	Three months ended March 31, 2014	Three months ended March 31, 2013
Products	$ 1,858,168	$ 1,334,020
Services	252,524	228,991
	$ 2,110,692	$ 1,563,011

18 Depreciation and amortization

	Three months ended March 31, 2014	Three months ended March 31, 2013
Depreciation of property, plant and equipment	$ 35,244	$ 30,678
Amortization of intangible assets	13,569	11,975
	$ 48,813	$ 42,653

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cost of sales	$ 47,634	$ 41,674
General and administrative	1,179	979
	$ 48,813	$ 42,653

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

19 Employee salaries and benefits

	Three months ended March 31, 2014	Three months ended March 31, 2013
Employee salaries and benefits	$ 76,298	$ 65,014

Employee salaries and benefits have been expensed as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cost of sales	$ 68,285	$ 58,364
General and administrative	8,013	6,650
	$ 76,298	$ 65,014

Included in employee benefits is share based compensation of $3.1 million and $1.6 million for the three months ended March 31, 2014 and 2013, respectively. The share based compensation expense is included in general and administrative expenses.

20 Other operating income

	Three months ended March 31, 2014	Three months ended March 31, 2013
Gain on sale of property, plant and equipment	$ 471	$ 128
Foreign exchange gain	4,128	1,763
	$ 4,599	$ 1,891

21 Income tax provision

The income tax provision included in the condensed consolidated statement of operations is classified as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Current	$ 20,190	$ 12,132
Deferred	(2,839)	3,378
Income tax provision	$ 17,351	$ 15,510
Effective income tax rate	27.3%	25.3%

22 Related party transactions

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the party with the other 50% interest in the Plato Partnership. At March 31, 2014 and December 31, 2013, the Company's proportionate share of property, plant and equipment was $10.3 million and $10.5 million, respectively. The impact of the Company's share of the other financial position and results of the Partnership is not material to the Company's consolidated financial statements.

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

23 Financial instruments

Non-Derivative financial instruments

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

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

Long-term debt is recorded at amortized cost using the effective interest method of amortization. As at March 31, 2014, the carrying amount of long-term debt was $802.7 million less debt discount and issue costs of $23.6 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $863.9 million. As at December 31, 2013, the carrying amount of long-term debt was $781.8 million less debt discount and issue costs of $24.2 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $805.9 million.

Derivative financial instruments (recurring fair value measurements)

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

	March 31, 2014		December 31, 2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	$ -	$ 1,696	$ -	$ 336
Commodity swaps	3,644	1,667	1,095	1,914
Commodity options	-	-	13	-
Foreign currency options	8	6,029	7	5,046
Foreign currency forward contracts	28,013	3	15,651	215
Total	$ 31,665	$ 9,395	$ 16,766	$ 7,511
Less non-current portion:				
Foreign currency options	-	6,029	-	5,046
Foreign currency forward contracts	27,421	-	15,646	-
	27,421	6,029	15,646	5,046
Current portion	$ 4,244	$ 3,366	$ 1,120	$ 2,465

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

(i) Commodity financial instruments

WTI Futures, options and swaps

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

Natural Gas Liquids ("NGL")

The Company has entered into NGL swap contracts to manage the risk associated with sales, purchases and inventories of NGLs.

(ii) Currency financial instruments

U.S. Dollar Forwards

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

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

As at March 31, 2014 and December 31, 2013, 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 on a notional amount of U.S.$260.0 million expiring on September 15, 2017.

U.S. Dollar Options

As at March 31, 2014 and December 31, 2013, the Company had sold U.S. dollar options at a strike price of $1.295 for U.S.$1.00 on a notional amount of U.S.$260.0 million expiring on September 15, 2017.

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

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

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

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

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 3,644	$ -	$ 3,644	$ -
Foreign currency options	8	-	8	-
Foreign currency forward contracts	28,013	-	28,013	-
Total assets	$ 31,665	$ -	$ 31,665	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 1,667	$ -	$ 1,667	$ -
Commodity futures	1,696	1,696	-	-
Foreign currency options	6,029	-	6,029	-
Foreign currency forward contracts	3	-	3	-
Total liabilities	$ 9,395	$ 1,696	$ 7,699	$ -

The fair value of derivative financial instrument contracts by fair value hierarchy at December 31, 2013 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 1,095	$ -	$ 1,095	$ -
Commodity options	13	-	13	-
Foreign currency options	7	-	7	-
Foreign currency forward contracts	15,651	-	15,651	-
Total assets	$ 16,766	$ -	$ 16,766	$ -

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

Liabilities from financial instrument contracts				
Commodity swaps	$ 1,914	$ -	$ 1,914	$ -
Commodity futures	336	336	-	-
Foreign currency options	5,046	-	5,046	-
Foreign currency forward contracts	215	-	215	-
Total liabilities	$ 7,511	$ 336	$ 7,175	$ -

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

	Three months ended March 31,	
	2014	2013
Cost of sales	$ (2,223)	$ 656
Foreign exchange gain on long-term debt (note 12)	(10,791)	(9,324)
Gain on financial instrument relating to interest expense	-	(808)
	$ (13,014)	$ (9,476)

Financial Risk Management

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

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

a) Foreign Exchange Risk

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

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

Foreign currency exchange rate sensitivity

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

	March 31,	
	2014	2013
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 3,998	$ 2,794
Unfavorable 5% change	(4,059)	(2,794)
U.S. Dollar long-term debt Forwards and the related Options		
Favorable 5% change	$ 10,773	$ 6,182
Unfavorable 5% change	(10,773)	(6,182)

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

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

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

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates.

As a result of the repayment of Tranche B Term Loan on June 28, 2013, the Company settled the interest rates swap and derecognized its interest rate floor financial instrument liability discount, and accordingly, the Company no longer has exposure to changes in market interest rates as at March 31, 2014 relating to these financial instruments.

The following table summarizes the impact to net income and equity to a change in fair value of the Company's risk management position to changes in interest rates leaving all other variables constant:

	March 31,	
	2014	2013
Interest Rate Swap		
Favorable 1% change	$ -	$ 1,524
Unfavorable 1% change	-	(199)
Interest Rate Floor		
Favorable 1% change	$ -	$ 6,536
Unfavorable 1% change	-	(16,331)

The Company's interest rate risk exposure does not exist within any of the operating segments, but exists at the corporate level where the debt obligations are issued.

c) Commodity Price Risk

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

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

	March 31,	
	2014	2013
Crude oil and NGL related prices		
Favorable 15% change	$ 6,323	$ 2,144
Unfavorable 15% change	(6,323)	(2,076)

d) Credit Risk

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

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

At March 31, 2014 and December 31, 2013, approximately 5% and 4%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when it is 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

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

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

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

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Sufficient funds and the Revolving Credit Facility are available to satisfy the Company's requirements over the next 12 months, and are expected to be available to satisfy the Company's long term requirements. The Company has a Revolving Credit Facility of $500.0 million. As at March 31, 2014, $95.0 million was drawn against the Revolving Credit Facility and letters of credit amounting to $49.8 million were issued and outstanding under the Revolving Credit Facility.

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At March 31, 2014 and December 31, 2013, the Company was in compliance with these covenants.

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at March 31, 2014. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding accrued interest and derivative financial instruments	$ 548,403	$ -	$ -	$ 548,403
Revolving Credit Facility	95,000	-	-	95,000
Dividend payable	36,914	-	-	36,914
Long-term debt	-	-	802,650	802,650
Interest payment on long-term debt	54,804	219,216	108,092	382,112
Commodity futures	1,696	-	-	1,696
Commodity swaps	1,667	-	-	1,667
Foreign currency forwards and options	3	6,029	-	6,032
	$ 738,487	$ 225,245	$ 910,742	$ 1,874,474

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

Capital Management

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

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

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

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

	March 31, 2014	December 31, 2013
Total financial liability borrowings	$ 874,030	$ 757,566
Less: cash and cash equivalents	(65,779)	(97,182)
Net debt	808,251	660,384
Total share capital	1,599,659	1,585,145
Total capital	$ 2,407,910	$ 2,245,529

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

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

24 Segmental information

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

Terminals and Pipelines include fee-based storage and terminalling services and tariff-based pipeline services for crude oil, condensate and refined product. The Company owns and operates major storage terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; a terminal at Sexsmith, Alberta; pipelines, which are connected to the Hardisty Terminal; and injection stations, which are located in the United States.

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

Environmental Services includes the provision of environmental and production services such as emulsion treating, water disposal services and oilfield waste management, exploration support services and accommodation facilities to the oil and gas industry.

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

Processing and Wellsite Fluids includes the refining and marketing of a variety of products, including road asphalt, roofing flux, wellsite fluids and tops.

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

These operating segments of the Company have been derived because they are the segments (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. No operating segments were aggregated to arrive at the reportable segments.

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

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

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

Three months ended March 31, 2014	**Terminals & Pipelines**	**Truck Transportation**	**Environmental Services**	**Propane & NGL Marketing & Distribution**	**Processing & Wellsite Fluids**	**Marketing**	**Corporate & other reconciling balances**	**Total**
Statement of operations								
Revenue - external and inter-segmental.........	$ 37,134	$ 137,494	$ 91,669	$ 402,544	$ 175,246	$ 1,628,330	$ -	$ 2,472,417
Revenue - inter-segmental	(15,698)	(16,383)	(10,245)	(40,973)	(63,080)	(215,346)	-	(361,725)
Revenue - external.........	21,436	121,111	81,424	361,571	112,166	1,412,984	-	2,110,692
Segment profit..............	26,731	19,884	21,979	34,405	17,084	25,777	-	145,860
Depreciation of property, plant and equipment.	7,125	9,121	12,884	2,671	2,840	67	536	35,244
Amortization of intangible assets.......	522	3,249	6,209	1,530	1,246	170	643	13,569
General and administrative	-	-	-	-	-	-	8,319	8,319
Stock based compensation...........	-	-	-	-	-	-	3,128	3,128
Corporate foreign exchange gain	-	-	-	-	-	-	(1,608)	(1,608)
Interest expense	-	-	-	-	-	-	13,662	13,662
Interest income	-	-	-	-	-	-	(19)	(19)
Foreign exchange loss on long-term debt..........	-	-	-	-	-	-	10,059	10,059
Income tax provision	-	-	-	-	-	-	17,351	17,351
Net income	$ 19,084	$ 7,514	$ 2,886	$ 30,204	$ 12,998	$ 25,540	$ (52,071)	$ 46,155

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

Three months ended March 31, 2013	Terminals & Pipelines	Truck Transportation	Environmental Services	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external and inter-segmental	$ 30,635	$ 132,552	$ 74,145	$ 282,992	$ 144,423	$ 1,208,039	$ -	$ 1,872,786
Revenue - inter-segmental	(9,874)	(14,304)	(5,738)	(41,593)	(42,635)	(195,631)	-	(309,775)
Revenue - external	20,761	118,248	68,407	241,399	101,788	1,012,408	-	1,563,011
Segment profit	22,742	20,679	16,935	19,465	17,658	29,489	-	126,968
Depreciation of property, plant and equipment	6,650	8,509	9,565	2,542	2,902	65	445	30,678
Amortization of intangible assets	518	3,049	5,546	1,590	568	170	534	11,975
General and administrative	-	-	-	-	-	-	8,011	8,011
Stock based compensation	-	-	-	-	-	-	1,625	1,625
Corporate foreign exchange gain	-	-	-	-	-	-	(1,333)	(1,333)
Interest expense	-	-	-	-	-	-	11,650	11,650
Gain on financial instruments relating to interest expense	-	-	-	-	-	-	(808)	(808)
Interest income	-	-	-	-	-	-	(98)	(98)
Foreign exchange loss on long-term debt	-	-	-	-	-	-	4,030	4,030
Income tax provision	-	-	-	-	-	-	15,510	15,510
Net income	$ 15,574	$ 9,121	$ 1,824	$ 15,333	$ 14,188	$ 29,254	$ (39,566)	$ 45,728

The breakdown of additions to property, plant and equipment and intangible assets by operating segment is as follows:

	March 31,			
	2014		2013	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Terminals and Pipelines	$ 56,927	$ 446	$ 11,578	$ 325
Truck Transportation	15,686	852	10,735	555
Environmental Services	14,284	910	15,138	148
Propane & NGL Marketing & Distribution	4,185	398	2,677	-
Processing & Wellsite Fluids	1,273	-	4,416	4
Corporate & other	5,123	762	520	564
	$ 97,478	$ 3,368	$ 45,064	$ 1,596

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

Geographic Data

Based on the location of the end user, approximately 20% and 22% of revenue was to customers in the United States for the three months ended March 31, 2014 and 2013, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 31% and 32% in the United States at March 31, 2014 and December 31, 2013, respectively.

25 Subsequent Event

During the three months ended March 31, 2014, the Company paid a deposit with respect to the acquisition of all of the issued and outstanding common shares of Stittco Energy Limited ("Stittco"). The deposit paid is included in long-term prepaid expenses and other assets. The Company completed the acquisition on April 1, 2014. Stittco is a private company which provides propane equipment, service and delivery to the residential and commercial and mining customers in Northern Manitoba and Northwest Territories.

The initial accounting for the acquisition on the closing date of April 1, 2014 is not complete and is pending the final assessment of working capital and final valuations of property, plant and equipment and intangible assets on the acquisition date.

On May 6, 2014, the Board declared a quarterly dividend of $0.30 cents per common share for the three months ended June 30, 2014 on its outstanding common shares. The dividend is payable on July 17, 2014 to shareholders of record at the close of business on June 30, 2014.