Gibson Energy Inc.

Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)
(in thousands of Canadian dollars)

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 348,053	$ 97,182
Trade and other receivables (note 5)	560,964	592,850
Inventories (note 6)	218,313	156,419
Income taxes receivable	8,981	7,534
Prepaid expenses and other assets	17,324	25,170
Net investment in finance leases (note 9)	834	765
Total current assets	1,154,469	879,920
Non-current assets		
Property, plant and equipment (note 7)	1,250,946	1,119,856
Long-term prepaid expenses and other assets (note 8)	17,990	19,640
Net investment in finance leases (note 9)	92,798	93,236
Deferred income tax assets	8,190	8,187
Intangible assets (note 10)	189,363	202,395
Goodwill (note 11)	731,962	726,148
Total non-current assets	2,291,249	2,169,462
Total assets	$ 3,445,718	$ 3,049,382
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 12)	586,353	565,179
Dividends payable	37,064	33,605
Deferred revenue	9,047	2,847
Income taxes payable	2,273	20,535
Total current liabilities	634,737	622,166
Non-current liabilities		
Long-term debt (note 13)	1,113,185	757,566
Provisions (note 14)	102,747	91,424
Other long-term liabilities (note 15)	9,172	15,487
Deferred income tax liabilities	191,195	194,105
Total non-current liabilities	1,416,299	1,058,582
Total liabilities	2,051,036	1,680,748
Equity		
Share capital (note 16)	1,611,114	1,585,145
Contributed surplus	17,871	16,130
Accumulated other comprehensive income	36,202	33,879
Deficit	(270,505)	(266,520)
Total equity	1,394,682	1,368,634
Total liabilities and equity	$ 3,445,718	$ 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 June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Revenue (note 18)	$ 2,126,365	$ 1,619,726	$ 4,237,057	$ 3,182,737
Cost of sales (note 19, 20 and 24)	2,082,466	1,575,456	4,097,923	3,053,731
Gross profit	43,899	44,270	139,134	129,006
General and administrative expenses (note 19 and 20)	13,676	11,539	26,302	22,154
Other operating income (note 21)	(242)	(2,603)	(4,841)	(4,494)
Income from operating activities	30,465	35,334	117,673	111,346
Interest expense	15,331	12,158	28,993	23,808
Gain on financial instruments relating to interest expense (note 24)	-	(17,444)	-	(18,252)
Interest income	(30)	(29)	(49)	(127)
Foreign exchange (gain) loss on long-term debt (note 13)	(10,039)	9,036	20	13,066
Debt extinguishment costs (note 13)	-	38,209	-	38,209
Income (loss) before income taxes	25,203	(6,596)	88,709	54,642
Income tax provision (recovery) (note 22)	1,365	(1,361)	18,716	14,149
Net income (loss)	$ 23,838	$ (5,235)	$ 69,993	$ 40,493
Earnings (loss) per share (note 16)				
Basic	$ 0.19	$ (0.04)	$ 0.57	$ 0.34
Diluted	$ 0.19	$ (0.04)	$ 0.56	$ 0.33

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	$ 23,838	$ (5,235)	$ 69,993	$ 40,493
Other comprehensive income				
Items that may be reclassified subsequently to consolidated statement of operations:				
Exchange differences of translating foreign operations	(23,162)	22,256	2,323	34,985
Other comprehensive income, net of tax	(23,162)	22,256	2,323	34,985
Comprehensive income	$ 676	$ 17,021	$ 72,316	$ 75,478

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
Balance – January 1, 2013	$ 1,543,149	$ 11,297	$ (9,166)	$ (237,798)	$ 1,307,482
Net income	-	-	-	40,493	40,493
Other comprehensive income, net of tax	-	-	34,985	-	34,985
Comprehensive income	-	-	34,985	40,493	75,478
Employee share options:					
Stock based compensation	-	3,648	-	-	3,648
Proceeds from exercise of stock options	677	-	-	-	677
Reclassification of contributed surplus on exercise of stock option and other stock awards	3,066	(3,066)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	17,439	-	-	-	17,439
Dividends on common shares	-	-	-	(66,600)	(66,600)
Balance – June 30, 2013	$ 1,564,331	$ 11,879	$ 25,819	$ (263,905)	$ 1,338,124
Balance – January 1, 2014	$ 1,585,145	$ 16,130	$ 33,879	$ (266,520)	$ 1,368,634
Net income	-	-	-	69,993	69,993
Other comprehensive income, net of tax	-	-	2,323	-	2,323
Comprehensive income	-	-	2,323	69,993	72,316
Employee share options:					
Stock based compensation	-	6,508	-	-	6,508
Proceeds from exercise of stock options	2,805	-	-	-	2,805
Reclassification of contributed surplus on exercise of stock option and other stock awards	4,767	(4,767)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	18,397	-	-	-	18,397
Dividends on common shares	-	-	-	(73,978)	(73,978)
Balance – June 30, 2014	$ 1,611,114	$ 17,871	$ 36,202	$ (270,505)	$ 1,394,682

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Cash provided by (used in)				
Operating activities				
Income from operating activities	$ 30,465	$ 35,334	$ 117,673	$ 111,346
Items not affecting cash				
Depreciation of property, plant and equipment (note 19)	35,797	32,598	71,041	63,276
Amortization of intangible assets (note 19)	13,467	12,344	27,036	24,319
Stock based compensation	3,380	2,023	6,508	3,648
Gain on sale of assets	(1,061)	(245)	(1,532)	(373)
Other	(2,883)	(1,574)	(3,728)	(2,823)
Net gain on fair value movement of financial instruments (note 24)	(622)	4,848	(2,845)	5,504
Changes in items of working capital				
Trade and other receivables	58,394	(7,460)	50,308	(37,564)
Inventories	(7,662)	(2,770)	(56,804)	6,154
Other current assets	1,873	(102)	7,849	2,891
Trade payables and accrued charges	4,146	13,913	(3,129)	10,884
Deferred revenue	8,659	1,477	6,178	5,183
Income taxes	(16,431)	(9,865)	(48,113)	(23,958)
Cash provided by operating activities	127,522	80,521	170,442	168,487
Investing activities				
Purchase of property, plant and equipment	(73,383)	(42,513)	(156,169)	(80,749)
Purchase of intangible assets	(4,079)	(2,334)	(7,447)	(3,930)
Acquisition, net of cash acquired	-	-	(31,442)	-
Proceeds from sale of assets	2,061	799	3,231	1,411
Cash used in investing activities	(75,401)	(44,048)	(191,827)	(83,268)
Financing activities				
Payment of shareholder dividends	(36,914)	(33,251)	(70,519)	(64,483)
Proceeds from dividend reinvestment plan and stock dividend programs	9,576	8,558	18,397	17,440
Interest paid	(1,105)	(10,517)	(31,661)	(19,258)
Interest received	29	28	48	123
Proceeds from exercise of stock options	1,228	45	2,805	677
Proceeds from long-term debt	358,595	764,173	358,595	764,173
Payment of debt issue and financing costs	(4,830)	(13,601)	(4,830)	(13,601)
Repayment of long-term debt	-	(676,447)	-	(678,098)
Net proceeds on settlement of derivative financial instruments not affecting operating activities	582	8,723	582	8,723
Proceeds from credit facilities	246,349	100,000	463,601	124,000
Repayment of credit facilities	(341,353)	(100,000)	(463,494)	(156,385)
Repayment of finance lease liabilities	(122)	-	(275)	-
Cash provided by (used in) financing activities	232,035	47,711	273,249	(16,689)
Effect of exchange rate on cash and cash equivalents	(1,882)	1,365	(993)	1,179
Net increase in cash and cash equivalents	282,274	85,549	250,871	69,709
Cash and cash equivalents – beginning of period	65,779	45,186	97,182	61,026
Cash and cash equivalents – end of period	$ 348,053	$ 130,735	$ 348,053	$ 130,735

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 Second 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 August 6, 2014.

The Company's 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 Changes in 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.

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.

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

- 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 amortisation 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 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.

4 Business Combinations

Stittco Energy Limited ("Stittco")

On April 1, 2014, the Company acquired all of the issued and outstanding common shares of Stittco for total cash consideration of $32.1 million including final closing adjustments. Stittco is a provider of propane and related equipment, service and delivery to commercial, industrial and residential customers in northern Manitoba and the Northwest Territories.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Trade and other receivables	$ 12,818
Inventories	4,922
Prepaid and other assets	253
Property, plant and equipment	15,653
Goodwill[1]	4,837
Intangible assets [2]	5,660
Trade payables and accrued charges	(4,068)
Income taxes payable	(1,270)
Other liabilities	(2,007)
Provisions	(734)
Deferred income tax liabilities	(4,009)
Net assets acquired[3]	$ 32,055

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

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(1) The goodwill arising on the acquisition is not deductible for tax purposes.
(2) Consists of customer relationships of $5.4 million, and non-compete agreements of $0.2 million.
(3) At June 30, 2014, $0.6 million is outstanding and the payment is subject to finalization of working capital amounts.

Acquisition-related costs of $0.2 million have been charged to general and administrative expenses in the consolidated statement of operations for the three and six months ended June 30, 2014.

The goodwill arising from the acquisition is attributable to the expected synergies with its existing propane operations within the Propane and NGL Marketing and Distribution segment. The goodwill for this acquisition is allocated to the Propane and NGL marketing and distribution segment.

The fair value of trade receivables is $12.6 million, which approximates its gross contractual amount.

The initial accounting for the acquisitions is provisional pending the final assessment of working capital and the final valuation of property, plant and equipment and intangible assets.

5 Trade and other receivables

	June 30, 2014	December 31, 2013
Trade receivables	$ 545,703	$ 583,068
Allowance for doubtful accounts	(4,317)	(4,092)
Trade receivables - net	541,386	578,976
Risk management assets (note 24)	6,001	1,120
Deposits held as collateral	1,146	1,145
Broker accounts receivable	622	1,326
Indirect taxes receivable	5,765	5,967
Other	6,044	4,316
	$ 560,964	$ 592,850

6 Inventories

	June 30, 2014	December 31, 2013
Crude oil	$ 131,151	$ 77,610
Diluent	6,473	3,561
Asphalt	15,511	14,638
Natural gas liquids	37,837	34,749
Wellsite fluids and distillate	13,400	13,003
Spare parts and other	13,941	12,858
	$ 218,313	$ 156,419

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

7 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	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	20,434	615	3,121	14,617	11,027	126,165	175,979
Disposals	(22)	-	(691)	(4,975)	(559)	-	(6,247)
Acquisitions through business combinations (note 4)	2,060	-	8,135	2,208	3,250	-	15,653
Reclassifications	923	35	1,567	2,731	14,794	(20,050)	-
Change in decommissioning provision (note 14)	-	1,105	3,420	-	6,004	-	10,529
Effect of movements in exchange rates	48	-	269	665	296	20	1,298
At June 30, 2014	$136,735	$ 130,115	$ 282,768	$ 415,917	$ 559,467	$192,599	$ 1,717,601
Accumulated depreciation and impairment:							
At January 1, 2014	$ 20,706	$ 43,579	$ 58,377	$ 132,214	$ 145,657	$ -	$ 400,533
Depreciation	2,466	4,412	8,216	25,744	30,203	-	71,041
Disposals	(22)	-	(175)	(3,895)	(433)	-	(4,525)
Effect of movements in exchange rates	(4)	-	220	(243)	(367)	-	(394)
At June 30, 2014	$ 23,146	$ 47,991	$ 66,638	$ 153,820	$ 175,060	$ -	$ 466,655
Carrying amounts:							
At January 1, 2014	$ 92,586	$ 84,781	$ 208,570	$ 268,457	$ 378,998	$ 86,464	$ 1,119,856
At June 30, 2014	$ 113,589	$ 82,124	$ 216,130	$ 262,097	$ 384,407	$ 192,599	$ 1,250,946

Additions to property, plant and equipment include capitalization of interest of $2.0 million and $0.4 million in the three months ended June 30, 2014 and 2013, respectively. Additions to property, plant and equipment include capitalization of interest of $3.4 million and $0.7 million in the six months ended June 30, 2014 and 2013, respectively.

At June 30, 2014 and December 31, 2013, the carrying value includes $1.3 million and $2.3 million, respectively, of assets capitalized under finance leases.

8 Long-term prepaid expenses and other assets

	June 30, 2014	December 31, 2013
Long-term prepaid expenses	$ 403	$ 442
Risk management assets (note 24)	13,937	15,646
Pension assets	1,214	1,058
Other assets	2,436	2,494
Total	$ 17,990	$ 19,640

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

9 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:

	June 30, 2014	December 31, 2013
Total minimum lease payments receivable	$ 352,373	$ 363,742
Residual value	35,182	35,182
Unearned income	(293,923)	(304,923)
	93,632	94,001
Less: current portion	834	765
Net investment in finance lease: non-current portion	$ 92,798	$ 93,236

10 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	-	698	-	-	-	6,749	-	7,447
Acquisitions through business combinations (note 4)	-	5,440	-	220	-	-	-	5,660
Effect of movements in exchange rates	75	507	113	25	3	(15)	(28)	680
At June 30, 2014	$ 50,540	$ 241,741	$ 34,766	$ 23,613	$ 2,582	$ 34,645	$ 3,420	$ 391,307
Accumulated amortization:								
At January 1, 2014	$ 28,142	$ 101,478	$ 14,801	$ 17,468	$ 1,980	$ 9,944	$ 1,312	$ 175,125
Amortization	5,690	15,267	1,934	1,372	168	2,020	585	27,036
Effect of movements in exchange rates	(41)	(145)	-	4	(3)	(22)	(10)	(217)
At June 30, 2014	$ 33,791	$116,600	$ 16,735	$ 18,844	$ 2,145	$ 11,942	$ 1,887	$ 201,944
Carrying amounts:								
At January 1, 2014	$ 22,323	$ 133,618	$ 19,852	$ 5,900	$ 599	$ 17,967	$ 2,136	$ 202,395
At June 30, 2014	$ 16,749	$ 125,141	$ 18,031	$ 4,769	$ 437	$ 22,703	$ 1,533	$ 189,363

11 Goodwill

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

	Six months ended June 30, 2014	Year ended December 31, 2013
Opening balance	$ 726,148	$ 709,358
Additions through business combinations (note 4)	4,837	-
Effect of movements in exchange rates	977	16,790
Closing balance	$ 731,962	$ 726,148

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

12 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	June 30, 2014	December 31, 2013
Trade payables	$ 491,006	$ 456,955
Accrued compensation charges	25,724	36,591
Indirect taxes payable	2,024	1,980
Risk management liabilities (note 24)	4,502	2,465
Broker accounts payable	1,840	2,610
Pension liabilities	825	825
Interest payable	27,215	27,894
Due to Hunting PLC (note 17)	9,199	9,199
Other	24,018	26,660
	$ 586,353	$ 565,179

13 Loans and borrowings

Revolving Credit Facility

On June 28, 2013, the Company established a revolving credit facility of up to $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 LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins based on the Company's total debt leverage ratio.

The Revolving Credit Facility contains certain covenants including financial covenants requiring 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 June 30, 2014, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company has no amounts drawn against the Revolving Credit Facility as at June 30, 2014, and December 31, 2013. The Company had issued letters of credit totalling $77.8 million and $57.4 million as at June 30, 2014 and December 31, 2013, respectively.

The Revolving Credit Facility is secured by substantially all of the Company's property 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

	June 30, 2014	December 31, 2013
U.S. $550.0 million 6.75% Notes due July 15, 2021 (December 31, 2013: U.S. $500.0 million)	587,180	531,800
$250.0 million 7.00% Notes due July 15, 2021	250,000	250,000
$300.0 million 5.375% Notes due July 15, 2022	$ 300,000	$ -
Unamortized issue discount and debt issue costs	(23,995)	(24,234)
Long-term debt: non-current portion	$ 1,113,185	$ 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%. On June 12, 2014, the Company issued U.S. $50.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at issue price of 108% under its existing indenture and issued $300.0 million 5.375% Senior Unsecured Notes due July 15, 2022 at issue price of par (collectively, the "Notes").

Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding. In connection with the issuance of the Notes in 2014, the Company incurred debt issue costs of $5.4 million and received a debt premium of $4.3 million, resulting in a net reduction of $1.1 million to the carrying amount of the long-term debt. A portion of the proceeds from the Notes issued in 2014 were used to repay all outstanding indebtedness under the Revolving Credit Facility.

The Notes agreements contain certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the respective indebtedness from proceeds of equity offering or on the dates specified in the respective indebtedness. In addition, the Notes holders have the right to require the Company to redeem the Notes at the redemption prices set forth in the respective indebtedness in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the respective indebtedness.

The Notes contain non-financial covenants and customary events of default clauses. As of June 30, 2014, the Company was in compliance with all of its covenants under the Notes.

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Foreign exchange (gain) loss on movement in exchange rates on U.S. dollar long-term debt	$ (19,725)	$ 22,898	$ 1,125	$ 36,252
Loss (gain) on financial instruments relating to long-term debt (note 24)	9,686	(13,862)	(1,105)	(23,186)
Foreign exchange (gain) loss on long-term debt	$ (10,039)	$ 9,036	$ 20	$ 13,066

Debt extinguishment costs

Concurrent with the completion of the issuance of the Notes and the establishment of the Revolving Credit Facility in June 2013, the Company terminated its previous senior secured first lien credit facility which comprised of the Tranche B Term Loan facility of U.S.$650.0 million and a revolving credit facility of up to U.S.$375.0 million. Accordingly, the Company recognised debt extinguishment costs of $38.2 million comprising unamortized debt issue costs of $22.8 million, unamortized financial instrument liability discount of $10.0 million and unamortized financing costs of $5.4 million.

14 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:

	Six months ended June 30, 2014	Year ended December 31, 2013
Opening balance	$ 91,424	$ 111,197
Payments	(1,409)	(3,305)
Assumed in a business combination (note 4)	734	-
Additions	1,785	2,032
Change in estimated future cash flows	316	705
Effect of changes in foreign exchange rates	40	732
Change in discount rate	8,428	(23,317)
Unwinding of discount	1,429	3,380
Closing balance	$ 102,747	$ 91,424

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

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 $235.1 million and $228.9 million at June 30, 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 2.8% and 3.1% at June 30, 2014 and December 31, 2013, respectively. The provision is expected to be settled up to 40 years into the future.

15 Other long-term liabilities

	June 30, 2014	December 31, 2013
Pension liabilities	$ 5,715	$ 6,086
Risk management liabilities (note 24)	2,814	5,046
Finance lease liabilities	125	345
Other	518	4,010
	$ 9,172	$ 15,487

16 Share capital

	Number of shares	Share Capital
At January 1, 2014	122,200,192	$ 1,585,145
Exercise of stock options	278,179	2,805
Exercise of other stock awards	382,206	-
Reclassification of contributed surplus on exercise of stock options and other stock awards	-	4,767
Issuance of common shares in connection with the Dividend Reinvestment Program	685,356	18,397
At June 30, 2014	123,545,933	$ 1,611,114

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 shares	Weighted average exercise price (in dollars)		Number of Shares	
Balance at January 1, 2014	1,928,985	$ 16.22	727,611	223,160	95,022
Granted	1,076,412	$ 28.28	252,375	410,090	46,576
Issued for common shares	(278,179)	$ 10.09	(374,949)	(7,257)	-
Issued for cash	-	-	(267)	(166)	-
Forfeited	(22,884)	$ 25.94	(10,660)	(16,071)	-
Balance at June 30, 2014	2,704,334	$ 21.54	594,110	609,756	141,598
Vested	1,118,345	$ 13.23	165,229	-	141,598

At June 30, 2014, awards available to grant under the 2011 Equity Incentive Plan were approximately 8,304,796.

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

Per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Weighted average common shares outstanding	123,401	121,206	123,023	120,884
Dilutive effect of:				
Stock options and other awards	2,224	-	1,922	1,660
	125,625	121,206	124,945	122,544

17 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. ("Co-op"), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), 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 June 30, 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.

18 Revenue

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Products	$ 1,875,879	$ 1,390,842	$ 3,734,047	$ 2,724,862
Services	250,486	228,884	503,010	457,875
	$ 2,126,365	$ 1,619,726	$ 4,237,057	$ 3,182,737

19 Depreciation and amortization

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Depreciation of property, plant and equipment	$ 35,797	$ 32,598	$ 71,041	$ 63,276
Amortization of intangible assets	13,467	12,344	27,036	24,319
	$ 49,264	$ 44,942	$ 98,077	$ 87,595

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

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Cost of sales	$ 48,082	$ 43,889	$ 95,716	$ 85,563
General and administrative	1,182	1,053	2,361	2,032
	$ 49,264	$ 44,942	$ 98,077	$ 87,595

20 Employee salaries and benefits

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Employee salaries and benefits	$ 73,622	$ 66,495	$ 149,920	$ 131,510

Employee salaries and benefits have been expensed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Cost of sales	$ 65,625	$ 59,394	$ 133,910	$ 117,759
General and administrative	7,997	7,101	16,010	13,751
	$ 73,622	$ 66,495	$ 149,920	$ 131,510

Included in employee benefits is stock based compensation of $3.4 million and $6.5 million for the three and six months ended June 30, 2014, respectively and $2.0 million and $3.6 million for the three and six months ended June 30, 2013, respectively. The stock based compensation expense is included in general and administrative expenses.

21 Other operating income

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Gain on sale of property, plant and equipment	$ (1,061)	$ (246)	$ (1,532)	$ (374)
Foreign exchange loss (gain)	819	(2,357)	(3,309)	(4,120)
	$ (242)	$ (2,603)	$ (4,841)	$ (4,494)

22 Income tax provision (recovery)

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Current	$ 5,652	$ 7,532	$ 25,842	$ 19,664
Deferred	(4,287)	(8,893)	(7,126)	(5,515)
Income tax provision (recovery)	$ 1,365	$ (1,361)	$ 18,716	$ 14,149
Effective income tax rate	5.4 %	20.6%	21.1%	26.0%

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

23 Related party transactions

On August 11, 2011, the Company formed a partnership (the "Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Partnership commenced operations in 2012. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Partnership. At June 30, 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.

24 Financial instruments

Non-Derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade payables and accrued charges, amounts borrowed under the Revolving Credit Facility, 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 Revolving Credit Facility 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 June 30, 2014, the carrying amount of long-term debt was $1,137.2 million less debt discount and issue costs of $23.9 million and fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,210.7 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 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:

	June 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ 255	$ 43	$ -	$ 336
Commodity swaps	3,865	4,370	1,095	1,914
Commodity options	8	89	13	-
Foreign currency forward contracts	15,771	-	15,651	215
Foreign currency options	39	2,814	7	5,046
Total	$ 19,938	$ 7,316	$ 16,766	$ 7,511
Less non-current portion:				
Foreign currency forward contracts	13,937	-	15,646	-
Foreign currency options	-	2,814	-	5,046
	13,937	2,814	15,646	5,046
Current portion	$ 6,001	$ 4,502	$ 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 enters 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")

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

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

(ii) Currency financial instruments

The Company enters into forward and options 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.

U.S. Dollar Forwards

In June 2014, the Company received cash of $0.7 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S. $10.0 million. As at June 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 on a notional amount of $250.0 million, expiring on September 15, 2017.

U.S. Dollar Options

In June 2014, the Company paid cash of $0.2 million to settle U.S dollar options for a notional amount of U.S. $10.0 million. As at June 30, 2014, 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. $250.0 million 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 derivative financial instrument contracts by fair value hierarchy at June 30, 2014 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 3,865	$ -	$ 3,865	$ -
Commodity futures	255	255	-	-
Commodity options	8	-	8	-
Foreign currency option contracts	39	-	39	-
Foreign currency forward contracts	15,771	-	15,771	-
Total assets	$ 19,938	$ 255	$ 19,683	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 4,370	$ -	$ 4,370	$ -
Commodity futures	43	43	-	-
Commodity options	89	-	89	-
Foreign currency options	2,814	-	2,814	-
Total liabilities	$ 7,316	$ 43	$ 7,273	$ -

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

The fair value of derivative financial instrument contracts 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	$ -
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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Cost of sales	$ (622)	$ 4,848	$ (2,845)	$ 5,504
Foreign exchange (gain) loss on long-term debt (note 13)	9,686	(13,862)	(1,105)	(23,186)
Gain on financial instruments relating to interest expense	-	(17,444)	-	(18,252)
	$ 9,064	$ (26,458)	$ (3,950)	$ (35,934)

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:

	June 30,	
	2014	2013
U.S. dollar forwards and options		
Favorable 5% change	$ 4,313	$ 4,318
Unfavorable 5% change	(4,384)	(4,352)

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

U.S. dollar long-term debt forwards and the related options		
Favorable 5% change	$ 15,902	$ 11,295
Unfavorable 5% change	(15,902)	(11,295)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options. 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 the changes in market interest rates as at June 30, 2014 relating to these financial instruments.

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 change in assumptions.

	June 30,	
	2014	2013
Crude oil and NGL related prices		
Favorable 15% change	$ 7,927	$ 3,341
Unfavorable 15% change	(7,789)	(2,981)

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.

As at June 30, 2014 and December 31, 2013, approximately 3% and 4% respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivable 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.

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

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 up to U.S.$500.0 million and at June 30, 2014, no amount was drawn against the Revolving Credit Facility and letters of credit amounting to $77.8 million were issued and outstanding under the Revolving Credit Facility.

The terms of the Notes, Additional 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 June 30, 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 June 30, 2014. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding risk management liabilities and accrued interest	$ 554,636	$ -	$ -	$ 554,636
Dividend payable	37,064	-	-	37,064
Long-term debt	-	-	1,137,180	1,137,180
Interest payment on long-term debt	74,066	296,264	198,980	569,310
Commodity futures	43	-	-	43
Commodity swaps	4,370	-	-	4,370
Commodity options	89	-	-	89
Foreign currency forwards and options	-	2,814	-	2,814
	$ 670,268	$ 299,078	$1,336,160	$ 2,305,506

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 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.

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

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.

	June 30, 2014	December 31, 2013
Total financial liability borrowings (note 13)	$ 1,113,185	$ 757,566
Less: cash and cash equivalents	(348,053)	(97,182)
Net debt	765,132	660,384
Total share capital (note 16)	1,611,114	1,585,145
Total capital	$ 2,376,246	$ 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.

25 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 products. 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; 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 of crude oil and marketing of a variety of products, including road asphalt, roofing flux, frac oils, light and heavy straight run distillates, 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 June 30, 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	$ 35,130	$ 137,120	$ 93,109	$ 263,891	$ 145,808	$1,874,915	$ -	$2,549,973
Revenue - inter-segmental	(14,903)	(11,893)	(9,441)	(41,926)	(43,995)	(301,450)	-	(423,608)
Revenue - external	20,227	125,227	83,668	221,965	101,813	1,573,465	-	2,126,365
Segment profit	24,691	20,033	21,675	7,159	5,521	12,775	-	91,854
Depreciation of property, plant and equipment	7,029	8,992	13,112	3,085	2,973	67	539	35,797
Amortization of intangible assets	521	3,241	6,128	1,519	1,246	169	643	13,467
General and administrative	-	-	-	-	-	-	9,114	9,114
Stock based compensation	-	-	-	-	-	-	3,380	3,380
Corporate foreign exchange gain	-	-	-	-	-	-	(369)	(369)
Interest expense	-	-	-	-	-	-	15,331	15,331
Interest income	-	-	-	-	-	-	(30)	(30)
Foreign exchange gain on long-term debt	-	-	-	-	-	-	(10,039)	(10,039)
Income tax provision	-	-	-	-	-	-	1,365	1,365
Net income	$ 17,141	$ 7,800	$ 2,435	$ 2,555	$ 1,302	$ 12,539	$ (19,934)	$ 23,838

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

Three months ended June 30, 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........	$ 31,416	$ 126,885	$ 79,431	$ 231,251	$ 109,269	$1,327,042	$ -	$1,905,294
Revenue - inter-segmental	(11,539)	(10,425)	(4,029)	(41,485)	(28,995)	(189,095)	-	(285,568)
Revenue - external	19,877	116,460	75,402	189,766	80,274	1,137,947	-	1,619,726
Segment profit	22,000	17,996	19,260	6,462	5,361	17,937	-	89,016
Depreciation of property, plant and equipment	6,224	9,970	10,307	2,560	2,988	66	483	32,598
Amortization of intangible assets	454	3,192	5,649	1,599	711	169	570	12,344
General and administrative	-	-	-	-	-	-	8,463	8,463
Stock based compensation	-	-	-	-	-	-	2,023	2,023
Corporate foreign exchange gain	-	-	-	-	-	-	(1,746)	(1,746)
Interest expense	-	-	-	-	-	-	12,158	12,158
Gain on financial instruments relating to interest expense...	-	-	-	-	-	-	(17,444)	(17,444)
Interest income	-	-	-	-	-	-	(29)	(29)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	9,036	9,036
Debt extinguishment costs	-	-	-	-	-	-	38,209	38,209
Income tax (recovery)...	-	-	-	-	-	-	(1,361)	(1,361)
Net (loss)	$ 15,322	$ 4,834	$ 3,304	$ 2,303	$ 1,662	$ 17,702	$ (50,362)	$ (5,235)

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

Six months ended June 30, 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	$ 72,264	$ 274,614	$ 184,778	$ 666,435	$ 321,054	$ 3,503,245	$ -	$ 5,022,390
Revenue - inter-segmental	(30,601)	(28,276)	(19,686)	(82,899)	(107,075)	(516,796)	-	(785,333)
Revenue - external	41,663	246,338	165,092	583,536	213,979	2,986,449	-	4,237,057
Segment profit	51,422	39,917	43,654	41,564	22,605	38,552	-	237,714
Depreciation of property, plant and equipment	14,154	18,113	25,996	5,756	5,813	134	1,075	71,041
Amortization of intangible assets	1,043	6,490	12,337	3,049	2,492	339	1,286	27,036
General and administrative	-	-	-	-	-	-	17,433	17,433
Stock based compensation	-	-	-	-	-	-	6,508	6,508
Corporate foreign exchange gain	-	-	-	-	-	-	(1,977)	(1,977)
Interest expense	-	-	-	-	-	-	28,993	28,993
Interest income	-	-	-	-	-	-	(49)	(49)
Foreign exchange loss on long-term debt	-	-	-	-	-	-	20	20
Income tax provision	-	-	-	-	-	-	18,716	18,716
Net income	$ 36,225	$ 15,314	$ 5,321	$ 32,759	$ 14,300	$ 38,079	$ (72,005)	$ 69,993

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

Six months ended June 30, 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........	$ 62,051	$ 259,437	$ 153,576	$ 514,243	$ 253,692	$2,535,081	$ -	$3,778,080
Revenue - inter-segmental	(21,413)	(24,729)	(9,767)	(83,078)	(71,630)	(384,726)	-	(595,343)
Revenue - external........	40,638	234,708	143,809	431,165	182,062	2,150,355	-	3,182,737
Segment profit.............	44,742	38,675	36,195	25,927	23,019	47,426	-	215,984
Depreciation of property, plant and equipment	12,874	18,479	19,872	5,102	5,890	131	928	63,276
Amortization of intangible assets......	972	6,241	11,195	3,189	1,279	339	1,104	24,319
General and administrative	-	-	-	-	-	-	16,474	16,474
Stock based compensation..........	-	-	-	-	-	-	3,648	3,648
Corporate foreign exchange gain	-	-	-	-	-	-	(3,079)	(3,079)
Interest expense	-	-	-	-	-	-	23,808	23,808
Gain on financial instruments relating to interest expense...	-	-	-	-	-	-	(18,252)	(18,252)
Interest income	-	-	-	-	-	-	(127)	(127)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	13,066	13,066
Debt extinguishment costs	-	-	-	-	-	-	38,209	38,209
Income tax provision	-	-	-	-	-	-	14,149	14,149
Net income	$ 30,896	$ 13,955	$ 5,128	$ 17,636	$ 15,850	$ 46,956	$ (89,928)	$ 40,493

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

	Six months ended June 30, 2014		**Six months ended June 30, 2013**	
	Property, plant and equipment	**Intangible Assets**	**Property, plant and equipment**	**Intangible Assets**
Terminals and Pipelines	$ 102,388	$ 862	$ 29,358	$ 924
Truck Transportation..	19,478	1,466	24,341	1,193
Environmental Services	33,139	1,011	27,865	546
Propane & NGL Marketing & Distribution	10,049	533	5,362	57
Processing & Wellsite Fluids	5,465	-	3,332	76
Corporate & other	5,460	3,575	1,060	1,134
	$ 175,979	$ 7,447	$ 91,318	$ 3,930

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

Geographic Data

Based on the location of the end user, approximately 16% and 18% of revenue was to customers in the United States for the three and six months ended June 30, 2014, respectively, and approximately 21% and 22% for the three and six months ended June 30, 2013, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 29% and 32% in the United States at both June 30, 2014 and December 31, 2013.

26 Subsequent Events

On August 1, 2014, the Company acquired all of the issued and outstanding shares of Cal-Gas Inc. ("Cal-Gas") for approximately $100.0 million, subject to the final purchase price adjustments. Cal-Gas is a retail propane company with operations across Canada.

The initial accounting for the acquisition is in the preliminary stages and will be based on the acquisition date balance sheet at August 1, 2014 as well as determining fair value of identifiable assets acquired and liabilities assumed on the acquisition date.

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