Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of March 6, 2012 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibson" or the "Company") for the year ended December 31, 2011 and 2010, which were prepared under International Financial Reporting Standards ("IFRS"). In accordance with IFRS 1, the transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with the Company's IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following Canadian generally accepted accounting principles ("GAAP") and has not been re-presented. A discussion of the differences between IFRS and Canadian GAAP applicable to the Company is presented in this MD&A under "Accounting Policies". For a detailed reconciliation of the changes, see note 31 to the audited consolidated financial statements for the year ended December 31, 2011 and 2010. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

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

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

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

Highlights

The key highlights for the year ended December 31, 2011 were as follows:

- On June 15, 2011, the Company completed an initial public offering of its common shares (the "Offering") for gross proceeds of $500.0 million. Concurrent with the Offering, the Company entered into a series of transactions to refinance its existing indebtedness (the "Refinancing"), whereby the Company entered into a new senior secured first lien term loan facility in an aggregate principal amount of U.S.$650.0 million, with a term of seven years (the "Term Loan"), and a revolving credit facility of up to U.S.$275.0 million, with a term of five years (the "Revolving Credit Facility"). The Company used the proceeds from the Offering and the Refinancing to repay its outstanding First Lien Senior Secured Notes issued on May 27, 2009 in an aggregate principal amount of U.S.$560.0 million ("First Lien Notes") and its Unsecured Senior Notes issued on January 19, 2010 in an aggregate principal amount of U.S.$200.0 million ("Senior Notes", and together with the First Lien Notes, the "Notes"), to pay a repayment bonus of $128.1 million relating to the Notes, to acquire the outstanding warrant held by Hunting Energy Holding Limited for $134.6 million and for general corporate purposes;

- Revenue increased by 37% in the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase was primarily due to increased activity across all segments and global commodity price increases;

- Segment profit increased by 50% to $256.7 million in the year ended December 31, 2011 compared to $171.6 million in the year ended December 31, 2010, with increases across all of the Company's segments;

- Adjusted EBITDA in the year ended December 31, 2011 increased 52% to $231.3 million compared to $152.6 million in the year ended December 31, 2010. Pro Forma Adjusted EBITDA for the year ended December 31, 2011 was $237.0 million;

- Net loss was $62.6 million in the year ended December 31, 2011 compared to net income of $2.9 million in the year ended December 31, 2010. The net loss in the year ended December 31, 2011 was primarily due to debt extinguishment costs of $166.1 million that were incurred as part of the Refinancing, offset by the increase in segment profit, lower interest expense, the gain on sale of the Edmonton North Terminal and the gain on the remeasurement of the Company's 39% equity interest in Palko Environmental Ltd. ("Palko") to fair value;

- In the year ended December 31, 2011, the Company declared two series of dividends totalling $0.52 per common share for total dividends of $49.6 million, of which $28.8 million was settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") with the remainder being settled in cash;

- Capital expenditures were $148.0 million in the year ended December 31, 2011, of which $111.4 million related to internal growth projects. The internal growth project expenditures are primarily related to the construction of tankage and pipeline connections at the Company's terminals and the expansion of the Truck Transportation and Canwest fleets;

- During the year ended December 31, 2011, the Company completed and commissioned the Enbridge Line 4 and Cold Lake pipeline connections at the Company's Hardisty Terminal;

- On August 11, 2011, the Company entered into a partnership agreement to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato, Saskatchewan area for an initial contribution by the Company of $4.6 million. On December 8, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Palko not already owned by the Company for consideration of approximately $51.8 million of which approximately $5.8 million was paid as cash consideration with the remainder through the issuance of 2.4 million common shares of the Company. These investments together with the development plans for the Company's Rimbey custom terminal will expand the Company's Canadian custom terminal operations to include emulsion treating, water disposal and oilfield waste management services;

- During the year ended December 31, 2011, the Company entered into a long-term service agreement with a major customer providing the customer with the use of a storage tank at the Company's Hardisty Terminal, beginning September 1, 2011. The agreement provides for a fixed monthly fee plus additional usage fees based on monthly volume throughput. As a result, all four tanks acquired as part of the Company's acquisition of all of the issued and outstanding common shares of Battle River Terminal ULC ("BRT") not already owned by the Company on August 25, 2010, have been leased out to customers on a long term basis with each agreement providing for fixed monthly fees plus additional usage fees based on monthly volume throughput;

- On November 7, 2011, the Company completed a secondary offering of common shares of the Company held by R/C Guitar Coöperatief U.A. ("Co-op"), a Dutch cooperative owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), pursuant to which Co-op sold 16,100,000 common shares (including the exercise in full of the over-allotment option granted to the underwriters under such offering to purchase an additional 2,100,000 common shares) at a price of $18.00 per common share for total gross proceeds to Co-op of $289.8 million; and

- On December 12, 2011, the Company completed a secondary offering of common shares held by Co-op, pursuant to which Co-op sold 15,000,000 common shares at a price of $19.45 per common share for total gross proceeds to Co-op of $291.8 million. As a result, Co-op owns approximately 29% of the common shares of the Company.

Trends affecting the Company's business

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

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

- Increased activity levels are forecasted to continue in the Bakken, Cardium, Viking, Eagle Ford, and Niobrara areas stemming from increased drilling budgets proposed by industry leaders. This may generate increased demand for the services Gibson provides;

- Continued unrest in the Middle East that is underscoring the importance of domestic oil production to the North American market. This should result in an increased focus on development of North American supply and regenerate drilling activity and production levels domestically;

- Technology advancements within the drilling and fracturing process are providing production companies new opportunities to increase production levels from wells that were previously uneconomic and to bring on production from areas that were previously unable to economically produce crude oil, such as tight shale plays;

- Increased production levels and increased crude oil prices have increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing and refining, all of which are activities in which the Company participates;

- Currently, the price of West Texas Intermediate ("WTI") crude oil is trading at a discount to Brent crude. If this trend continues, it could create incremental margin opportunities and increased opportunities for multiple areas of the Company's operations;

- The proposed Keystone XL pipeline project, if approved, would help provide a growing supply of Canadian crude oil to the largest refining markets in the United States. If approved, the pipeline would begin in Hardisty and could provide increased opportunities for the Company's services;

- On September 12, 2011, Enbridge announced a twinning of the southern section of its Athabasca pipeline. The project should provide for additional volumes into the Hardisty area and could provide increased opportunities for the Company's services; and

- In the first nine months of 2010, heavy to light crude oil pricing differentials were at historically low levels. However, since then, differentials have widened from those low levels, but continue to be volatile. The widening of differentials should create incremental margin opportunities in multiple areas of the Company's operations.

Longer-term outlook

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

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company's operating areas;

- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;

- Increased crude oil production on shore in North America, including from the Canadian oil sands; and

- Expansion of the midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the Western Canada Sedimentary Basin ("WCSB").

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

Acquisitions and internal growth projects

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

	Year ended December 31,	
	2011	**2010**
Internal growth projects	$ 111,352	$ 31,642
Upgrade and replacement capital(1)	36,686	32,630
Acquisitions (2)	51,788	236,525
	$ 199,826	$ 300,797

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

(2) The acquisition total for the year ended December 31, 2011 includes the cash and share consideration of $51.8 million for the remaining interests in Palko and excludes the fair value of the Company's 39% equity interest held prior to the acquisition of the remaining interests in Palko, which was determined to be $29.4 million.

Total capital expenditures for internal growth projects and upgrade and replacement capital were $148.0 million and $64.3 million in the year ended December 31, 2011 and 2010, respectively. In the year ended December 31, 2011 and 2010, $143.5 million and $62.5 million, respectively, were included as additions to property, plant and equipment and $4.5 million and $1.8 million, respectively, were included as additions to intangible assets.

Internal growth projects

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

	Year ended December 31, 2011	2010
Terminals and Pipelines[1]	$ 62,105	$ 14,122
Truck Transportation[2]	38,849	5,480
Propane and NGL Marketing and Distribution [3]	4,531	6,537
Processing and Wellsite Fluids[4]	5,766	5,183
Other	101	320
Total	$ 111,352	$ 31,642

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

- *Construction of four 300,000 barrel tanks at the Hardisty Terminal. The Company expects that two of the tanks will be completed by the third quarter of 2012, with the remaining two tanks expected to be completed by the end of 2012;*
- *Construction of a tank at the Hardisty Terminal that was completed in the fourth quarter of 2011. The Company had entered into an agreement whereby, on completion, the tank was leased to a customer on a long-term fixed fee basis, plus additional throughput charges;*
- *Connections at the Hardisty Terminal, including connections to Enbridge Line 4 and the Cold Lake pipeline system, both of which were commissioned in the year ended December 31, 2011;*
- *Modified connections to an existing tank at the Hardisty Terminal which was contracted to a customer to provide terminalling services;*
- *Connections to the Edmonton Terminal, including the Southern Lights pipeline and a capacity expansion that became operational in the fourth quarter of 2011; and*
- *Assets acquired to build a pipeline, treating and disposal facility in connection with the Plato partnership agreement.*

(2) Largely represents the ongoing addition of rolling stock to meet demand growth in key market areas, with $9.7 million spent in Canada and $25.7 million in the United States in the year ended December 31, 2011. Also, includes the purchase of land in Sexsmith, Alberta primarily for the expansion of the Truck Transportation business but such land has also been developed since its purchase for use by other segments.

(3) Mainly represents the ongoing addition of trucks, tanks and generators to meet growing demand in key market areas. Included in the year ended December 31, 2010 is the purchase of land in Calgary, Alberta, for the Company's retail propane business.

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

Acquisitions

During the year ended December 31, 2011, the Company completed the acquisition of all the issued and outstanding common shares of Palko not already owned by the Company for cash and share consideration of $51.8 million, effective December 8, 2011. Prior to the acquisition, the Company acquired a 39% interest in Palko for total consideration of $9.7 million. On December 8, 2011, the fair value of the Company's 39% equity interest held prior to the acquisition was determined to be $29.4 million.

During the year ended December 31, 2010, the Company completed the acquisition of Johnstone Tank Trucking Ltd. ("Johnstone") for aggregate consideration of $21.2 million, effective January 31, 2010; Aarcam Propane & Construction Heat Ltd. ("Aarcam") for aggregate consideration of $3.4 million, effective February 1, 2010; Taylor Companies LLC and substantially all the assets of Taylor Propane Gas Inc. (collectively, "Taylor") for aggregate consideration of $152.9 million, effective May 14, 2010; and all of the issued and outstanding shares of BRT not already owned by the Company for cash consideration of $55.9 million, effective August 25, 2010. In addition, in the year ended December 31, 2010, the Company participated in a private placement with Palko for $3.1 million, thereby allowing the Company to maintain its then 39% equity interest.

Seasonality

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

The Company's Processing and Wellsite Fluids segment is impacted by seasonality because the road asphalt industry in Canada is affected by the impact that weather conditions have on road construction schedules. Refineries produce liquid asphalt year round, but road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. Demand for wellsite fluids is dependent on overall well drilling activity, with drilling activity normally the busiest in the winter months. As a result, the Company's Processing and Wellsite Fluids segment's sales of asphalt peak in the summer and sales of wellsite fluids peak in the winter.

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

SELECTED ANNUAL FINANCIAL MEASURES

	IFRS		Canadian GAAP
	Year ended December 31,		
	2011	2010	2009
	(in thousands except per share amounts)		
Revenue	$ 5,072,031	$ 3,690,452	$ 3,162,806
Net income (loss)	(62,605)	2,942	(62,949)
Loss per share			
Basic	$ (0.88)	$ (0.18)	$ (140.16)
Diluted	(0.88)	(0.18)	(140.16)
Dividends declared per common share	$ 0.52	$ -	$ -

	IFRS		Canadian GAAP
	As at December 31,		
	2011	2010	2009
Total assets	$ 2,204,375	$ 1,981,254	$ 1,673,894
Total non-current financial liabilities	867,545	939,676	782,694

SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the year ended December 31, 2011 and 2010 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31, 2011	Year ended December 31, 2010
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 888,803	$ 903,100
Truck Transportation	458,127	351,568
Propane and NGL Marketing and Distribution	1,028,534	770,448
Processing and Wellsite Fluids	501,191	419,017
Marketing	3,774,135	2,929,163
Total segment revenue	6,650,790	5,373,296
Revenue—inter-segmental	(1,578,759)	(1,682,844)
Total revenue—external	5,072,031	3,690,452
Segment profit		
Terminals and Pipelines	72,081	40,842
Truck Transportation	68,613	53,602
Propane and NGL Marketing and Distribution	40,385	34,848
Processing and Wellsite Fluids	46,905	34,143
Marketing	28,674	8,132
Total segment profit	256,658	171,567
General and administrative	27,695	27,164
Depreciation and amortization	100,517	89,890
Stock based compensation	7,775	4,629
Debt extinguishment costs	166,056	-
Foreign exchange loss (gain)	5,983	(40,055)
Gain on sale of Edmonton North Terminal	(20,370)	-
Gain on remeasurement of interest in equity investment	(16,900)	-
Interest expense, net	68,432	99,344
Financial instruments relating to interest expense	11,475	68
Loss before income tax	(94,005)	(9,473)
Income tax recovery	(31,400)	(12,415)
Net income (loss)	$ (62,605)	$ 2,942

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

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

Terminals and Pipelines

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

Volumes (barrels in thousands)	Year ended December 31, 2011	2010
Terminals		
Hardisty Terminal	89,576	68,635
Edmonton Terminal	16,315	17,539
Injection stations	36,921	21,604
Total terminals	142,812	107,778
Pipelines		
Bellshill pipeline	1,945	1,893
Provost pipeline	6,874	6,998
Total pipelines	8,819	8,891
Total terminals and pipelines	151,631	116,669
Custom treating and terminals	8,474	10,894

	Year ended December 31, 2011	2010
	(in thousands)	
Revenues		
Terminals and pipelines	$ 85,195	$ 60,398
Custom treating and terminals	803,187	842,702
Total revenues	888,803	903,100
Cost of sales	789,424	838,574
Operating expenses and other	27,298	23,684
Segment profit	$ 72,081	$ 40,842

Year ended December 31, 2011 and 2010.

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 31% in the year ended December 31, 2011 compared to the year ended December 31, 2010, as a result of increased volumes from the Athabasca pipeline and from other pipeline sources and also due to increased volumes through the additional tanks that were acquired as part of the Company's acquisition of BRT. Revenue at the Hardisty Terminal increased by $20.4 million in the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase in revenue was due to both the increase in volume and the additional revenue from customers with dedicated tank usage that is primarily related to the BRT acquisition.

Edmonton Terminal volumes decreased by 7% in the year ended December 31, 2011 compared to the year ended December 31, 2010 mainly due to a decrease in diesel shipments through the terminal from a customer that is subject to minimum volume charges. However, as result of minimum volume and fixed fee agreements, revenues at the Edmonton Terminal increased by $0.8 million in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Injection station volumes increased by 71% in the year ended December 31, 2011, compared to the year ended December 31, 2010 due to the full period impact of the Taylor acquisition which occurred on May 14, 2010. As a result, revenue increased by $2.9 million in the year ended December 31, 2011, compared to the year ended December 31, 2010.

Volumes for the Company's Bellshill pipeline increased 3% in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to a slight increase in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.5 million in the year ended December 31, 2011 compared to the year ended December 31, 2010 as a result of the increase in volumes and also an increase in tariffs.

Volumes for the Company's Provost pipeline declined by 2% in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.6 million in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Custom terminal volumes decreased by 22% in the year ended December 31, 2011, compared to the year ended December 31, 2010, as a result of a decrease in the trucked-in volume at the Company's Edmonton Terminal. As a result of the decrease in volumes offset in part by higher commodity prices, revenues decreased by approximately $42.3 million in the year ended December 31, 2011 compared to the year ended December 31, 2010, which also resulted in a corresponding decrease in cost of sales. The Palko acquisition completed on December 8, 2011, contributed additional revenue of $2.8 million in the year ended December 31, 2011.

Operating expenses and other. Overall operating expenses and other costs increased by $3.6 million, or 15%, in the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase was largely related to the additional operating costs as a result of the BRT and Taylor acquisitions. Offsetting this was additional income from equity investments of $4.2 million which related to the Company's equity interest in Palko prior to the Company acquiring 100% of the shares of Palko.

Segment profit. Overall, segment profit in the year ended December 31, 2011 increased by $31.2 million, or 76%, compared to the year ended December 31, 2010. The primary reason for the increase was due to increased volumes through the Company's Hardisty Terminal, largely as a result of the impact of the BRT acquisition and the additional pipeline connectivity constructed in the year. In addition, profit generated from the Company's custom terminal operations increased $7.2 million to $8.2 million for the year ended December 31, 2011 as a result of wider price differentials between crude oil types.

Truck Transportation

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2011**	**2010**
Barrels hauled	146,216	133,235

	Year ended December 31,	
	2011	**2010**
	(in thousands)	
Revenues	$ 458,127	$ 351,568
Cost of sales	316,440	239,155
	141,687	112,413
Operating expenses and other	73,074	58,811
Segment profit	$ 68,613	$ 53,602

Year ended December 31, 2011 and 2010.

Volumes, revenues and cost of sales. For the year ended December 31, 2011, barrels hauled increased by 10% compared to the year ended December 31, 2010, due mainly to the full period impact of the acquisition of Taylor, which occurred on May 14, 2010, and to a lesser extent the full period impact of the acquisition of Johnstone, which occurred on January 31, 2010. However, this was offset by a decrease in hauling volumes due to adverse weather conditions in the first half of the year in both Canada and the United States and also a decrease in petroleum coke hauling that experienced strong demand in the year ended December 31, 2010 as a result of favorable pricing for the commodity during 2010.

Revenues increased by 30% in the year ended December 31, 2011 as compared to the year ended December 31, 2010. The increase was driven by the increase in volumes resulting from the impact of acquisitions but also due to an increase in hauling rates and accessorial charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 32% in the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase was largely driven by the increase in revenue with the additional increase due to a higher cost of sales for Taylor.

Operating expenses and other. Overall operating expenses and other costs increased by $14.3 million, or 24%, in the year ended December 31, 2011 compared to the year ended December 31, 2010, mainly due to the full period impact of additional costs related to the Taylor and Johnstone acquisitions and also due to increased maintenance costs incurred in the year.

Segment profit. Segment profit increased by $15.0 million, or 28%, in the year ended December 31, 2011 compared to the year ended December 31, 2010 largely driven by the impact of the Taylor acquisition and also due to increases in hauling rates and accessorial charges.

Propane and NGL Marketing and Distribution

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

	Year ended December 31,	
Volumes	**2011**	**2010**
Sales volumes—retail (litres in thousands)		
Residential	21,754	20,563
Oil and gas	171,666	137,648
Commercial and industrial	64,920	57,033
Automotive	25,117	25,930
Other	18,639	18,377
	302,096	259,551
Sales volumes—wholesale		
Propane distribution (litres in thousands)	727,779	756,073
NGL Marketing (barrels in thousands)		
Propane	-	41
Butane	2,145	1,825
Condensate	1,125	1,182
Taylor	3,065	1,823
	6,335	4,871

	Year ended December 31, 2011	2010
	(in thousands)	
Revenues		
Retail		
Propane	$ 163,494	$ 126,168
Other	15,294	13,306
Total retail	178,788	139,474
Wholesale		
Propane distribution	303,439	271,378
NGL Marketing	546,307	359,596
Total wholesale	849,746	630,974
Total revenues	1,028,534	770,448
Cost of sales		
Retail		
Propane	117,591	86,446
Other	2,159	1,751
Total retail	119,750	88,197
Wholesale		
Propane distribution	289,395	257,260
NGL Marketing	531,912	351,223
Total wholesale	821,307	608,483
Total cost of sales	941,057	696,680
Gross Margin		
Retail	59,038	51,277
Propane distribution	14,044	14,118
NGL Marketing	14,395	8,373
Total gross margin	87,477	73,768
Operating expenses and other	47,092	38,920
Segment profit	$ 40,385	$ 34,848

Year ended December 31, 2011 and 2010.

Volumes, revenues and cost of sales. Retail volumes increased 16% in the year ended December 31, 2011 compared to the year ended December 31, 2010, largely as a result of increased volumes in the oil and gas and the commercial and industrial markets. The increase in the oil and gas market was as a result of an overall increase in drilling activity in the year ended December 31, 2011 compared to the year ended December 31, 2010. The increase in the commercial and industrial market was due to an increase in construction activity. There was also an increase in the residential market primarily due to colder weather conditions in the first quarter of 2011 in the Company's key markets. However, there was a small decline in the automotive market, where declines have been occurring for several years as propane is not the preferred fuel choice. Overall retail propane revenues increased 30% in the year ended December 31, 2011 as compared to the year ended December 31, 2010, primarily as a result of increased sales volumes but also due to an increase in rack prices.

Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 15% in the year ended December 31, 2011 compared to the year ended December 31, 2010, due to an increase in equipment sales and also equipment rentals, as the Company has increased its generator rental operations.

Wholesale propane distribution volumes decreased by 4% in the year ended December 31, 2011 compared to the year ended December 31, 2010, primarily due to a decrease in volumes in the fourth quarter of 2011 due to warmer weather in that period. Despite the decrease in volumes, revenues increased by 12% in the year ended December 31, 2011 compared to the year ended December 31, 2010 as a result of an increase in rack prices.

NGL marketing volumes increased by 30% in the year ended December 31, 2011 as compared to the year ended December 31, 2010, primarily as a result of the impact of a full period of results from the Taylor acquisition and also due to an increase in butane volumes sold to external customers and product used by the Company's Marketing segment. NGL marketing revenues increased by 52% due to the impact of increased volumes and also an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale distribution propane both increased by 17% in the year ended December 31, 2011 compared to the year ended December 31, 2010. Both retail propane and wholesale propane distribution margin per litre remained relatively stable in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Cost of sales for NGL marketing increased by 51% in the year ended December 31, 2011 as compared to the year ended December 31, 2010, with the increase in line with the increase in revenue.

Operating expenses and other. Overall operating expenses and other costs increased by $8.2 million, or 21%, in the year ended December 31, 2011 compared to the year ended December 31, 2010, primarily due to an increase in payroll related costs in both retail and wholesale and also the additional costs from the Taylor acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2011 by $5.5 million or 16% as compared to the year ended December 31, 2010, primarily as a result of increased volumes and margins in retail propane and NGL marketing and the increase in other retail revenue, offset in part by increased operating costs.

Processing and Wellsite Fluids

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2011**	**2010**
Roofing flux	1,438	1,128
Road asphalt	469	833
Frac fluid	466	507
Tops	1,483	1,471
Distillate	789	533
Other	64	35
Total sales volumes	4,709	4,507

	Year ended December 31,	
	2011	**2010**
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 185,932	$ 170,141
Frac fluid	62,215	59,699
Tops	135,936	111,563
Distillate	108,868	71,643
Other	8,240	5,971
Total revenues	501,191	419,017
Cost of sales	436,051	366,115
Operating expenses and other	18,235	18,759
Segment profit	$ 46,905	$ 34,143

Year ended December 31, 2011 and 2010.

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 27% in the year ended December 31, 2011 compared to the year ended December 31, 2010 as a result of increased demand in the United States following a number of severe weather events. In the year ended December 31, 2011, in the Company introduced a straight run roofing flux into the market, increasing the demand for roofing flux. As a result of the increase in the amount of asphalt sold as roofing flux, road asphalt volumes decreased by 44% in the year ended December 31, 2011 compared to the year ended December 31, 2010. Road asphalt and roofing flux revenue increased by 9% in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to an increase in both roofing flux and road asphalt pricing.

Frac fluid volumes declined 8% in the year ended December 31, 2011 compared to the year ended December 31, 2010 largely due to customers delaying jobs and an increase in market demand for water based frac fluids as opposed to oil based frac fluids. However, frac fluid revenues were 4% higher in the year ended December 31, 2011 compared to the year ended December 31, 2010, which was largely due to higher overall selling prices in the market.

Tops volumes remained relatively stable in the year ended December 31, 2011 as compared to the year ended December 31, 2010. Tops revenues were 22% higher in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to the higher price of the LSB crude stream, which is the basis for pricing tops.

Sales volumes for distillate were 48% higher in the year ended December 31, 2011 compared to the year ended December 31, 2010 due to an increase in overall drilling activity driving demand higher. Distillate revenues were 52% higher in the year ended December 31, 2011, compared to the year ended December 31, 2010 which was largely driven by the increase in volumes.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 14% due to the increase in crude prices. However, this increase was partially offset by wider price differentials, which have a positive impact on product margins.

Overall margins increased by $12.2 million, or 23%, in the year ended December 31, 2011 as compared to the year ended December 31, 2010. The primary reasons for the increase in overall margins were wider differentials for crude oil feedstock, which positively impacted margins. The increase in margins was also due to a change in sales mix, whereby total sales of wellsite fluids, which generally earned the higher margins, increased as a percentage of total sales.

Operating expenses and other. Operating expenses decreased by $0.5 million or 3% in the year ended December 31, 2011 as compared to the year ended December 31, 2010, primarily due to lower maintenance and compliance costs incurred in the year ended December 31, 2011.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the year ended December 31, 2011 by $12.8 million, or 37%, as compared to the year ended December 31, 2010 primarily due to the increased margin from higher sales volumes of distillate and also as a result of increased margins for tops. The selling price for tops increased but crude oil input prices did not increase correspondingly due to wider price differentials for crude oil resulting in increased margins.

Marketing

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

Volumes (barrels in thousands)	Year ended December 31, 2011	Year ended December 31, 2010
Sales Volumes		
Crude and diluent	55,831	47,189
Natural gas (GJ)	21,875	34,869

	Year ended December 31, 2011	Year ended December 31, 2010
	(in thousands)	
Revenues		
Crude and diluent	$ 3,679,990	$ 2,425,475
Natural gas	94,145	168,367
Edmonton North Terminal	-	335,321
Total revenues	3,774,135	2,929,163
Cost of sales	3,735,200	2,909,183
Operating expenses and other	10,261	11,848
Segment profit	$ 28,674	$ 8,132

Year ended December 31, 2011 and 2010.

Volumes, revenues and cost of sales. The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$85.61 to U.S.$110.04 during the year ended December 31, 2011 and from approximately U.S.$74.12 to U.S.$89.23 during the year ended December 31, 2010.

Sales volumes for crude and diluent increased by 18% in the year ended December 31, 2011, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue for crude and diluent increased by 52% due to the increase in volume and also the increase in commodity prices.

Natural gas sales volumes decreased by 37% in the year ended December 31, 2011 as compared to the year ended December 31, 2010, primarily due to the expiration and non-renewal of gas contracts since the Company has been exiting this business since 2009. As a result, natural gas revenues were 44% lower in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

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

Cost of sales in the year ended December 31, 2011 was 28% higher compared to the year ended December 31, 2010. This was mainly attributable to the increase in commodity prices and volumes of crude and diluent, that was offset by the decreases in volumes from natural gas and the Edmonton North Terminal.

Operating expenses and other. Operating expenses decreased by $1.6 million, or 13%, in the year ended December 31, 2011 compared to the year ended December 31, 2010. The decrease in costs was mainly as a result of cost savings from the sale of the Edmonton North Terminal.

Segment profit. The Marketing segment profit increased by $20.5 million, or 153%, in the year ended December 31, 2011 as compared to the year ended December 31, 2010. In the year ended December 31, 2011 margins were positively impacted by rising crude prices and wider pricing differentials between crude oil types, which is generally beneficial for segment profitability, as compared to the year ended December 31, 2010.

General and administrative, excluding depreciation and amortization

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

G&A expense was $27.7 million in the year ended December 31, 2011 compared to $27.2 million in the year ended December 31, 2010. The increase was largely driven by an increase in payroll related costs. Offsetting the increase was lower acquisition transaction costs of $1.0 million in the year ended December 31, 2011 compared to $2.4 million in the year ended December 31, 2010. In addition, in the year ended December 31, 2010, the Company recorded a non-recurring charge of $2.5 million as a result of the Company subleasing excess office space at less than the amount payable on the head lease.

Depreciation and amortization

Depreciation and amortization expense was $100.5 million in the year ended December 31, 2011 compared to $89.9 million in the year ended December 31, 2010. The increase was largely due to the additional depreciation and amortization related to the Company's acquisitions, primarily Taylor and BRT. In addition, in the year ended December 31, 2011 the expense included an impairment charge of $2.3 million relating to a tank at the Moose Jaw facility that, upon inspection, was determined not to be suitable for future use.

Stock based compensation

Stock based compensation expense was $7.8 million in the year ended December 31, 2011 compared to $4.6 million in the year ended December 31, 2010. The increase in expense in the year ended December 31, 2011 was primarily due to the additional expense incurred from the granting of options in June 2011 that vested upon completion of the Offering. The increase was also due to the incremental expense incurred from the vesting of performance awards that did not vest in prior periods but vested in the year ended December 31, 2011.

Foreign exchange loss (gain) not affecting segment profit

In the year ended December 31, 2011, the Company recorded a foreign exchange loss of $6.0 million compared to a foreign exchange gain of $40.1 million in the year ended December 31, 2010. The gains and losses recorded were primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt. In the year ended December 31, 2011, a loss of $10.8 million due to an unfavorable movement in exchange rate was offset by an unrealized gain of $4.8 million that was largely related to the Company entering into U.S. dollar forward contracts to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. The gain recorded in the year ended December 31, 2010 was primarily as a result of the favorable movement in exchange rates relating to the Company's U.S. dollar denominated long-term debt.

Gain on sale of Edmonton North Terminal

On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal to Pembina Midstream Limited Partnership for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million in the year ended December 31, 2011.

Debt extinguishment costs

In the year ended December 31, 2011, the Company recorded debt extinguishment costs of $166.1 million as a result of the Refinancing in June 2011. The amount largely relates to the repurchase bonus of $128.1 million that was incurred in connection with the tender and discharge of the Notes, the write-off of the Company's unamortized deferred debt issue costs as a result of the repayment of the Notes and the unamortized prepaid financing costs on the replacement of the Company's revolving credit facilities totaling $37.3 million. In addition, the expense includes professional fees incurred in the tender and discharge process.

Gain on remeasurement of interest in equity investment

In the year ended December 31, 2011, the Company acquired all of the issued and outstanding shares of Palko not already owned by the Company. The fair value of the Company's equity interest held prior to the acquisition was determined to be $29.4 million compared to the net book value of $12.5 million. In accordance with IFRS 3, "Business Combinations", the Company was required to record a gain of $16.9 million in the year ended December 31, 2011.

Interest expense, net

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $68.4 million in the year ended December 31, 2011 compared to $99.4 million in the year ended December 31, 2010. The decrease is primarily due to the lower interest rate and principal balance on the Company's long-term debt following the Refinancing.

Financial instruments relating to interest expense

In the year ended December 31, 2011, the Company recorded a non-cash expense of $11.5 million, relating to financial instruments with respect to the Company's interest expense. This expense includes a $9.6 million loss related to an embedded derivative on an interest rate floor within the Term Loan that is required to be separated from the carrying value of long-term debt and accounted for as a separate financial instrument that is remeasured to fair value at each balance sheet date. In addition, the non-cash expense for the year ended December 31, 2011 also includes a $1.9 million loss on an interest rate swap that the Company entered into in the current year. In the year ended December 31, 2010, the Company entered into forward foreign exchange contracts to fix the exchange rate of future interest payments that resulted in a non-cash expense of $0.1 million.

Income tax recovery

Income tax recovery in the year ended December 31, 2011 was $31.4 million compared to $12.4 million in the year ended December 31, 2010. The effective tax rate was 33% during the year ended December 31, 2011 compared to a rate of 131% in the year ended December 31, 2010. The main reason for the increase in the income tax recovery in the year ended December 31, 2011 compared to the year ended December 31, 2010 was the increase in net loss before tax. The change in the effective tax rate was due mainly to the relative percentage impact of permanent differences on the effective tax rate being much less in the year ended December 31, 2011 due to a larger loss before income tax compared to the loss before income tax in year ended December 31, 2010. The overall effective recovery rate is higher that the statutory rate in the year ended December 31, 2011 due to impacts of the non taxable portion of the gain on the remeasurement of the interest in Palko and the impact of rate reductions as a result of the partnership deferral and timing of the deduction of debt extinguishment costs.

Fourth Quarter Results

	Three months ended December 31, 2011	2010
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 213,894	$ 214,170
Truck Transportation	124,744	105,209
Propane and NGL Marketing and Distribution	317,088	271,210
Processing and Wellsite Fluids	125,752	102,233
Marketing	1,118,255	693,620
Total segment revenue	1,899,733	1,386,442
Revenue – inter-segmental	(418,949)	(394,352)
Total revenue – external	1,480,784	992,090
Segment profit		
Terminals and Pipelines	22,309	14,409
Truck Transportation	19,655	14,698
Propane and NGL Marketing and Distribution	14,532	12,662
Processing and Wellsite Fluids	9,607	10,185
Marketing	8,552	11,143
Total segment profit	$ 74,655	$ 63,097
Net income	$ 32,623	$ 31,396

Segment revenue increased by $488.7 million in the three months ended December 31, 2011 compared to the three months ended December 31, 2010. Changes in segment revenue were as follows:

- Terminals and Pipelines segment revenue remained relatively stable whereby lower revenue from lower volumes through the Company's custom terminals was offset by an increase in revenue at the Hardisty Terminal resulting from an increase in revenue from customers with dedicated tank usage and also increased revenue from the Taylor acquisition;

- Truck Transportation segment revenue increased by $19.5 million due to increased hauling volumes and rate increases along with an increase in accessorial charges;

- Propane and NGL Marketing and Distribution segment revenue increased by $45.9 million due mainly to increased retail propane and NGL marketing volumes in addition to higher commodity prices;

- Processing and Wellsite Fluids segment revenue increased by $23.5 million due to an increase in demand for distillate as a result of an overall increase in drilling activity and an increase in demand for roofing flux; and

- Marketing segment revenue increased by $424.6 million largely as a result of increased volumes as the segment continues to focus on bringing volumes to the Company's integrated assets.

Segment profit increased by $11.6 million in the three months ended December 31, 2011 compared to the three months ended December 31, 2010. The increase in segment profit was due to:

- Terminal and Pipeline segment profit increased $7.9 million, largely due to increased volumes through the Company's terminals and the additional profit from customers with dedicated tank usage and also due to income from the Company's investment in Palko prior to the acquisition of $3.5 million;

- Truck Transportation segment profit increased by $5.0 million largely as a result of increased activity levels in the United States and also the impact of increases in rates and accessorial charges;

- Propane and NGL Marketing and Distribution segment profit increased by $1.9 million due to increased margins from the retail propane business and also the NGL marketing business in both Canada and the United States;

- Processing and Wellsite Fluids segment profit decreased by $0.6 million, primarily as a result of an increase in overall product cost due to the increase of crude oil input prices; and
- Marketing results decreased by $2.6 million due to a narrowing of pricing differentials between crude oil types in the fourth quarter of 2011 as compared to the fourth quarter of 2010.

Net income was $32.6 million in the three months ended December 31, 2011 compared to $31.4 million in the three months ended December 31, 2010. The increase was driven by the increase in segment profit, the gain of $16.9 million on the remeasurement of the Company equity interest in Palko to fair value on the acquisition date and lower interest expense, offset in part by an increase in depreciation and amortization, an increase in G&A expenses and the impact of the unfavorable movement in exchange rates on the translation of Company's U.S. dollar denominated long-term debt compared to favorable movements in the prior year period.

SUMMARY OF QUARTERLY RESULTS

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

	2011				2010			
	Three months ended							
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
	(in thousands)							
Revenues	$1,480,784	$1,235,321	$1,207,909	$1,148,017	$ 992,048	$ 884,968	$848,865	$ 964,529
Net income (loss)	32,623	(5,121)	(130,238)	40,131	31,396	10,737	(50,172)	10,981
EBITDA(1)	77,263	46,030	(133,012)	96,744	84,497	59,991	(21,194)	56,859
Adjusted EBITDA(2)	67,345	64,852	42,147	56,939	56,688	42,769	14,895	38,218
Earnings (loss) per share								
Basic	0.34	(0.05)	(1.98)	0.58	0.45	0.12	(0.86)	0.12
Diluted	0.33	(0.05)	(1.98)	0.51	0.41	0.12	(0.86)	0.12

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

(2) Adjusted EBITDA is defined as consolidated net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of goodwill and intangible assets, and non-cash inventory or asset writedowns. It also takes into account the impact of foreign exchange movements in the Company's U.S. dollar denominated long-term debt, management fees, debt extinguishment costs and other adjustments that are considered non-recurring in nature.

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

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

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

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

	2011				2010			
	Three months ended							
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
	(in thousands)							
Net income (loss)	$ 32,623	$ (5,121)	$ (130,238)	$ 40,131	$ 31,396	$ 10,737	$ (50,172)	$ 10,981
Depreciation and amortization	25,928	24,605	26,178	23,806	24,882	24,259	22,074	18,675
Interest expense[(1)]	11,646	22,897	21,265	24,705	25,555	25,241	24,904	24,036
Income tax expense (recovery)	7,066	3,649	(50,217)	8,102	2,664	(246)	(18,000)	3,167
EBITDA	$ 77,263	$ 46,030	$ (133,012)	$ 96,744	$ 84,497	$ 59,991	$ (21,194)	$ 56,859

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

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

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

The following tables reconcile EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last eight quarters and for the year ended December 31, 2011 and 2010:

	Three months ended				Year ended
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011
	(in thousands)				
EBITDA	$ 77,263	$ 46,030	$ (133,012)	$ 96,744	$ 87,025
Unrealized foreign exchange loss (gain) on long-term debt[(a)]	(14,198)	48,488	(4,200)	(17,328)	12,762
Net unrealized loss (gain) from financial instruments[(b)]	18,576	(30,637)	8,536	(3,034)	(6,559)
Employee stock option plan[(c)]	1,590	971	4,517	621	7,699
Acquisition related costs [(d)]	1,014	-	-	-	1,014
Management fee[(e)]	-	-	250	306	556
Gain on remeasurement of interest in equity investment [(f)]	(16,900)	-	-	-	(16,900)
Gain on sale of Edmonton North Terminal [(g)]	-	-	-	(20,370)	(20,370)
Debt extinguishment costs [(h)]	-	-	166,056	-	166,056
Adjusted EBITDA	$ 67,345	$ 64,852	$ 42,147	$ 56,939	$ 231,283
Pro forma impact of acquisitions [(j)]					5,739
Pro Forma Adjusted EBITDA					$ 237,022

	Three months ended				Year ended
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2010
	(in thousands)				
EBITDA	$ 84,497	$ 59,991	$ (21,194)	$ 56,859	$ 180,153
Unrealized foreign exchange loss (gain) on long-term debt[(a)]	(26,752)	(23,408)	34,200	(20,800)	(36,760)
Net unrealized loss (gain) from financial instruments[(b)]	(1,787)	1,639	(1,986)	696	(1,438)
Employee stock option plan[(c)]	475	1,744	1,260	1,150	4,629
Acquisition related costs [(d)]	-	-	2,359	42	2,401
Management fee[(e)]	255	260	256	271	1,042
Non-recurring charges [(i)]	-	2,543	-	-	2,543
Adjusted EBITDA	$ 56,688	$ 42,769	$ 14,895	$ 38,218	$ 152,570
Pro forma impact of acquisitions [(j)]					9,789
Pro Forma Adjusted EBITDA					$ 162,359

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

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

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

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

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

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

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

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

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

(j) *Reflects the pro forma effect of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions that took place in the year occurred on January 1 of each year.*

LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company's sources and uses of funds for the year ended December 31, 2011 and 2010:

	Year ended December 31,	
	2011	2010
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 207,317	$ 132,434
Investing activities	(83,880)	(281,200)
Financing activities	(66,853)	128,907

Cash provided by operating activities

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

Cash provided by operations in the year ended December 31, 2011 was $207.3 million compared to $132.4 million in the year ended December 31, 2010. The increase was primarily attributable to an increase in overall profitability in the year ended December 31, 2011 compared to the year ended December 31, 2010. In addition, inventory decreased by $18.0 million in the year ended December 31, 2011, compared to an increase in inventory of $79.1 million in the year ended December 31, 2010. Offsetting the increase is a net inflow from trade receivables and payables of $16.0 million in the year ended December 31, 2011, compared to an inflow of $69.4 million in the year ended December 31, 2010.

Cash used in investing activities

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

Cash used in investing activities was $83.9 million in the year ended December 31, 2011 compared to $281.2 million in the year ended December 31, 2010. The decrease in cash used in investing activities was due to a decrease in cash used for business acquisitions in the year ended December 31, 2011 compared to the year ended December 31, 2010. In the year ended December 31, 2011 the Company completed the acquisition of all the issued and outstanding shares of Palko not already owned by it for total consideration of $51.8 million, of which $5.8 million was paid in cash. In the year ended December 31, 2010, the Company completed the acquisitions of the remaining 75% interest in BRT, Taylor, Johnstone and Aarcam. In addition, in the year ended December 31, 2010, the Company participated in a private placement by Palko for $3.1 million, thereby allowing the Company to maintain its then 39% equity interest. Offset against this was an increase in capital expenditures in the year ended December 31, 2011 compared to the year ended December 31, 2010. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A. In addition, the decrease in cash used in investing activities in the year ended December 31, 2011 was due to an increase in proceeds from the sale of assets of $61.2 million, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011.

Cash (used in) provided by financing activities

Cash used in financing activities was $66.9 million in the year ended December 31, 2011 compared to $128.9 million provided by financing in the year ended December 31, 2010. In the year ended December 31, 2011, the Company received net proceeds from the Offering of $471.4 million and proceeds from the Term Loan, net of debt issue and financing costs, of $612.7 million that was offset by the repayment of the Notes of $746.6 million, the payment of debt extinguishment costs of $128.8 million and the repurchase of a warrant held by Hunting Energy Holding Limited for $134.6 million and the repayment of debt assumed in the Palko acquisition of $17.6 million. In addition, in the year ended December 31, 2011, the Company repaid $43.5 million net on the Company's credit facilities, paid net cash dividends of $9.0 million and received proceeds of $4.1 million on the exercise of stock options. The cash provided by financing in the year ended December 31, 2010 was largely as a result of the issuance of the Senior Notes, net of debt issue and financing costs of $194.3 million. In addition, the Company received net proceeds from the Company's credit facilities of $18.5 million. Interest paid in the year ended December 31, 2011 and 2010 was $74.8 million and $84.3 million, respectively.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, planned capital expenditures, debt service, targeted dividend level and other cash requirements for at least the next twelve months. At December 31, 2011, the Company had unrestricted cash of $64.8 million and $219.1 million available under the Revolving Credit Facility.

The Company's ability to make scheduled payments of principal and interest on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended December 31, 2011, the Company declared a dividend of $0.24 per share for a total dividend of $23.4 million, of which $11.7 million was paid in cash on January 17, 2011 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's DRIP. The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the board of directors of the Company (the "Board") and will be established on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $148.0 million in the year ended December 31, 2011. In addition, the Company completed the acquisition of the remaining shares of Palko that it did not already own in the year ended December 31, 2011 for total consideration of $51.8 million, of which $5.8 million was paid in cash, net of cash received. At December 31, 2011, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $197.4 million that the Company expects to undertake over the next 12 to 24 months. While the Company anticipates that these capital expenditures and acquisitions will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

As of December 31, 2011, the Company had total outstanding long-term debt, excluding debt issuance costs, of U.S.$646.8 million. The Term Loan has a term of seven years expiring on June 15, 2018, and accrues interest at the option of the Company at a rate equal to Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25%. The Term Loan is repayable in equal quarterly installments commencing December 31, 2011 totaling 1% per annum of the original principal of U.S.$650.0 million, with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of annual net excess cash flow subject to certain ratios and the disposition of assets in excess of U.S.$10.0 million in any given year, where such proceeds are not reinvested into capital assets within specified time periods. Additionally, the Company has a Revolving Credit Facility of up to U.S.$275.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, Adjusted LIBOR plus 2.5%, Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating. In addition, the Company must pay a commitment fee of 0.5%, subject to adjustment based on a change in the Company's corporate credit rating, on the unused portion of the Revolving Credit Facility. At December 31, 2011, the Company did not have any amount drawn against this facility, had no restricted cash and had issued letters of credit totaling $60.5 million. The Term Loan and Revolving Credit Facility are secured by substantially all of the Company's property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

The terms of the Company's Term Loan and Revolving Credit Facility requires the Company to maintain a "Senior Secured Leverage Ratio" of no greater than 5.0 to 1.0 and an "Interest Coverage Ratio" of not less than 2.5 to 1.0. These ratios will become more restrictive over the term of the Term Loan as the Senior Secured Leverage Ratio will decrease to 4.5 to 1.0 on June 15, 2013 and to 4.0 to 1.0 on June 15, 2015 and the Interest Coverage Ratio will increase to 2.75 to 1.0 on June 15, 2013 and to 3.0 to 1.0 on June 15, 2015. As of December 31, 2011, the Company was in compliance with the financial ratios with the Senior Secured Leverage Ratio at 2.5 to 1.0 and the Interest Coverage Ratio at 6.0 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, and could result in an acceleration of amounts due and payable under the Term Loan.

The Term Loan and Revolving Credit Facility also contain non-financial covenants that restrict some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Term Loan and Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, subject to specified grace periods, breach of specified covenants, change in control and material inaccuracy of representations and warranties. As of December 31, 2011, the Company was in compliance with all of its covenants under the Term Loan and Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

The following table presents, at December 31, 2011, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt[1]	$ 657,760	$ 6,610	$ 13,220	$ 13,220	$ 624,710
Interest payments on long-term debt[1][2]	241,947	37,997	76,773	73,654	53,523
Operating lease obligations[3]	106,665	19,606	28,056	22,948	36,055
Total contractual obligations	$1,006,372	$ 64,213	$ 118,049	$ 109,822	$ 714,288

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2011 of U.S.$0.9833 to $1.00.

(2) The interest rate used to calculate the Company's future interest payments is the rate as of December 31, 2011 of 5.75% and includes the impact of an interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 6.5% for a three year period beginning in September 2012.

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

As at December 31, 2011, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $197.4 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's pension plans of $7.9 million and provisions associated with site restoration on the retirement of assets and environmental costs of $66.5 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks" and in the notes to the Company's audited consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

On December 12, 2008, the Company entered into a management agreement with Riverstone. Under the management agreement, the Company engaged Riverstone to provide management advisory services in connection with the general business operations of the Company. Total management fees and expenses recognized for the year ended December 31, 2011 and 2010 were $0.6 million and $1.0 million, respectively. The management agreement was terminated in connection with the completion of the Offering.

Concurrently with the completion of the Offering, the Company and Co-op entered into a registration rights agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contains customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to the secondary offerings of common shares of $0.3 million.

With respect to companies that Riverstone has a controlling interest or has significant influence on, in the years ended December 31, 2011 and 2010, the Company recognized revenue of $0.9 million and $0.4 million, respectively, and purchased product and services of $130.1 million and $25.4 million, respectively.

On August 11, 2011, the Company formed a partnership for an initial contribution of $4.6 million to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato area of Saskatchewan. The Company's interest in the partnership is 50%. A member of the Company's Board, Clayton H. Woitas, is also a director of the other party with a 50% interest in the partnership. At December 31, 2011, the Company's proportionate share of property, plant and equipment was $3.2 million.

The related party transactions noted above have been measured at agreed upon market based terms.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2011, there were 97,335,641 common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were 1,452,812 restricted share units, performance share units and deferred stock units outstanding and 3,402,246 stock options outstanding as at December 31, 2011.

Subsequent to December 31, 2011, 612,531 common shares were issued to shareholders enrolled in the DRIP for consideration of $11.6 million and 169,487 stock options were exercised, bringing the total common shares outstanding at February 29, 2012 to 98,117,659.

DIVIDENDS

The Company is currently paying quarterly dividends to holders of common shares. The payment of dividends is not guaranteed, and the amount and timing of any dividends payable by Gibson will be at the discretion of the Board and will be established on the basis of Gibson's earnings, financial requirements for operations and the satisfaction of a solvency calculation.

The Board has approved a DRIP that provides eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the fourth quarter dividend of 2011, holders of approximately 50% of the common shares, including Co-op, participated in the DRIP.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the NYMEX or ICE. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2011 and December 31, 2010. All derivative positions offset physical exposures to the cash market. Price-risk sensitivities were calculated by assuming a 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $5.4 million and $6.0 million as of December 31, 2011 and 2010, respectively. A 15% unfavorable change would decrease the Company's net income by $5.4 million and $6.0 million as of December 31, 2011 and 2010, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Electricity Price Risk. The Company has hedged its exposure to electricity price fluctuations by entering into a financial swap contract to fix the level of anticipated electricity costs that are price sensitive to the Alberta Electric System Operator (AESO) Pool Price. If the actual AESO Pool Price is greater than the bought fixed price per megawatt hour, the Company receives the difference between that price and the bought fixed price per megawatt hour. If the actual AESO Pool Price is less than the bought fixed price per megawatt hour, the Company pays the difference between that price and the bought fixed price per megawatt hour. A 10% favorable change would increase the Company's net income by $0.2 million and $0.2 million as of December 31, 2011 and 2010, respectively. A 10% unfavorable change would decrease the Company's net income by $0.2 million and $0.2 million as of December 31, 2011 and 2010, respectively.

Interest rate risks. Prior to the issuance of the Term Loan on June 15, 2011, the Company was not subject to interest rate risk on the Company's long-term debt as the Notes accrued interest at a fixed rate. The amounts outstanding under the Term Loan accrue interest at a variable rate of either, at the Company's option, Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25% per annum. A 1% increase in interest rates would have increased cash interest expense by $0.3 million for the year ended December 31, 2011. A 1% decrease in interest rates would not have any impact on the Company's cash interest expense for the year ended December 31, 2011, as the change would still have resulted in the Company accruing interest on the Term Loan at the minimum LIBOR floor rate of 1.25%, plus 4.5%.

At the inception of the Term Loan, the interest rate floor was considered an embedded derivative as the floor exceeded the LIBOR interest rate at that time. As a result, the fair value of the interest rate floor was measured as a separate financial liability at fair value. In the year ended December 31, 2011, the Company entered into a forward U.S. dollar interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 6.5% for a three year period beginning in September 2012. A change in interest rates would result in a change in the fair value of the Company's position in the floor and swap. As of December 31, 2011, a 1% increase in interest rates would increase the Company's net income by $8.8 million and a 1% decrease in interest rates would decrease the Company's net income by $13.5 million. The Company had no such positions at December 31, 2010.

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either LIBOR, the lenders prime rate, the Bankers' Acceptance rate or the Above Bank Rate, plus an applicable margin based on a pricing grid. For the year ended December 31, 2011, the impact on net income for a 1% change in interest rates on the outstanding amount under the Company's Revolving Credit Facility would not be material.

Currency exchange risks. The Company's assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and would decrease the Company's net income by $2.5 million and $1.4 million as at December 31, 2011 and 2010, respectively. A 5% favorable change would increase the Company's net income by $2.5 million and $1.4 million as at December 31, 2011 and 2010, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on the principal of the Company's long-term debt and the related interest payments, as they are both denominated in U.S. dollars. As at December 31, 2011, the Company had outstanding U.S. dollar denominated debt of U.S.$646.8 million. Following the completion of the Refinancing, the Company entered into U.S. dollar forward contracts on U.S.$498.0 million of the principal of the Term Loan and also sold long-dated U.S. dollar call options to offset the credit cost related to the forward contracts. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $10.2 million and $32.5 million as at December 31, 2011 and 2010, respectively. A corresponding favorable change would increase the Company's net income by $10.2 million and $32.5 million as at December 31, 2011 and 2010, respectively.

With respect to the related interest payments on the Term Loan, to date the Company has not entered into any foreign currency hedges. Based on the interest rate in effect at December 31, 2011, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2011 would increase the Company's annual interest expense by $1.9 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2011 would decrease the Company's annual interest expense by $1.9 million.

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

ACCOUNTING POLICIES

IFRS

As discussed in note 31 to the Company's audited consolidated financial statements for the year ended December 31, 2011 and 2010, the Company adopted IFRS as adopted by the International Accounting Standards Board (''IASB'') for the first time in its financial statements for the year ended December 31, 2011, which includes comparative financial statements for the year ended December 31, 2010. IFRS 1, ''*First-time Adoption of International Financial Reporting Standards*'', requires that an entity develop accounting policies based on standards and related interpretations effective at the reporting date of its first annual IFRS financial statements, which in the Company's case was December 31, 2011. IFRS 1 also requires that those policies be applied as of the date of transition to IFRS, which in the Company's case is January 1, 2010, and throughout all periods presented in the first IFRS financial statements. The audited consolidated financial statements as of December 31, 2011 and for the year ended December 31, 2011 and 2010 have been prepared in accordance with those IASB standards and International Financial Reporting Interpretations Committee (''IFRIC'') interpretations issued and effective as of December 31, 2011.

The Company's audited consolidated financial statements for the year ended December 31, 2011 provide the following reconciliations from Canadian GAAP to IFRS:

- Balance sheet as at December 31, 2010;
- Balance sheet as at January 1, 2010; and
- Statement of operations for the year ended December 31, 2010.

The following is a summary of the significant impacts on the Company's results for the year ended December 31, 2010.

Impairment testing. Under IFRS, the recoverable amount used in recognizing and measuring an impairment is the greater of the asset's fair value less costs to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition. As a result of the change in approach, on January 1, 2010, the Company recognized an impairment charge of $40.1 million relating to property, plant and equipment and of $9.6 million relating to intangible assets. As a result of this impairment charge, depreciation and amortization expense decreased by $5.8 million for the year ended December 31, 2010.

Asset retirement obligations. On transition to IFRS, the Company elected to remeasure asset retirement obligations in accordance with the provisions of International Accounting Standard 37 ''Provisions, Contingent Liabilities and Contingent Assets''. Under IFRS, the liability is remeasured at each reporting date using the current risk free interest rate as opposed to the credit adjusted rate used under Canadian GAAP. As a result, on January 1, 2010, the Company increased property, plant and equipment by $12.8 million and the asset retirement obligations liability by $19.3 million, with a net impact to deficit of $6.5 million. In addition, as a result of an acquisition in the year ended December 31, 2010, the Company increased its decommissioning and environmental liabilities and its property, plant and equipment by $1.9 million. As a result, the expense relating to the unwinding of the discount increased by $0.8 million for the year ended December 31, 2010 and depreciation of property, plant and equipment increased by $0.3 million for the year ended December 31, 2010.

Capitalized interest. Under Canadian GAAP, capitalization of interest during the construction of a qualifying asset was an acceptable, but not mandatory, accounting policy. The Company chose not to capitalize interest for qualifying assets. Under IFRS, capitalization of interest is required for qualifying assets under construction prior to the time they are ready for use. As a result, on January 1, 2010, the carrying value of property, plant and equipment was increased by $0.3 million. In addition, under IFRS, interest capitalized was $1.3 million during the year ended December 31, 2010. As a result, depreciation of property, plant and equipment increased by $0.1 million for the year ended December 31, 2010.

Employee benefit plans. Under IFRS, the Company elected to recognize actuarial gains and losses arising from the remeasurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, the Company applied the corridor method of accounting whereby gains and losses are recognized only if they exceed specified thresholds. Accordingly, under IFRS, the carrying value of the net liability for employee future benefit obligations increased by $2.8 million to recognize actuarial losses accumulated on the transition date of January 1, 2010. As a result, amortization of the unrecognized loss under Canadian GAAP is no longer required, resulting in a decrease in G&A expense of $0.2 million for the year ended December 31, 2010.

Capitalized software. Under Canadian GAAP, capitalized computer software was included within property, plant and equipment. Under IFRS, capitalized computer software, not integral to plant and equipment, is classified as an intangible asset. On January 1, 2010, the Company reclassified $4.6 million from property, plant and equipment to intangible assets. In the year ended December 31, 2010, the Company incurred approximately $2.0 million of capitalized computer software, which was reclassified from property, plant and equipment to intangible assets. There was no net impact in the statement of income.

Business Combinations. Under Canadian GAAP, the purchase price of an acquisition includes direct costs incurred by the acquirer, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees. Under IFRS, these costs associated with business acquisitions are expensed in the period they are incurred. The Company elected to apply IFRS to all business combinations that occurred on or after January 1, 2010. The impact was additional G&A expense of $2.4 million for the year ended December 31, 2010 with a corresponding decrease in goodwill.

Property, plant and equipment. Under IFRS, the Company is required to identify material components of assets within property, plant and equipment, and depreciate the components based on the estimated service life of the components. Under Canadian

GAAP, the Company had recognized certain components in prepaid expenses and other assets. On January 1, 2010, the Company reclassified $3.1 million from short-term and long-term prepaid expenses and other assets to property, plant and equipment. In the year ended December 31, 2010, the Company reclassified $1.3 million from short-term and long-term prepaid expenses and other assets to property, plant and equipment. As a result of the reclassifications, there was no net impact in the statement of income.

Revenue. Under Canadian GAAP, the Company classified certain realized and unrealized gains (losses) on financial instruments in revenue. Under IFRS, these financial instruments do not meet the revenue recognition criteria. The impact was to reclassify $12.5 million of losses from revenue to cost of sales for the year ended December 31, 2010. There was no net impact in the statement of income.

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

Critical accounting policies and estimates

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

Financial instruments. In situations where the Company is required to mark financial instruments to market, the estimates of gains or losses at a particular period-end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of the underlying transactions. The Company reflects the fair value estimates for financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these financial instruments is based on proprietary models and assumptions of third parties because such instruments are not quoted on an active market. Additionally, estimates of fair value for such financial instruments may vary among different models due to a difference in assumptions applied, such as the estimate of prevailing market prices, volatility, correlations and other factors, and may not be reflective of the price at which they can be settled due to the lack of a liquid market. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. At December 31, 2011, the fair value of financial instruments was a net liability of $25.2 million.

Provisions and accrued liabilities. The Company uses estimates to record liabilities for obligations associated with site restoration on the retirement of assets and environmental costs, taxes, potential legal claims, and other accruals and liabilities.

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility, this will be recognized on construction. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. As a result of a change in the risk-free rate in the year ended December 31, 2011, the Company recorded an adjustment to the provision of $19.8 million, with a corresponding item to property, plant and equipment.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. Estimated future expenditure is based on all known facts at the time and an assessment of the ultimate outcome. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology.

Other provisions and accrued liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or accrued liability would result in a charge or credit to net income in the period in which the change occurs.

Fair value of assets and liabilities acquired in a business combination. In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production decline rates, production interruptions, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. As additional information becomes available, the Company may adjust the Company's original estimates subsequent to the acquisition. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill. In the year ended December 31, 2011, the Company recorded goodwill relating to business combinations of $16.1 million.

Recoverability of asset carrying values. The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of impairment exist. The Company also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment, inventories and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include changes in the Company's business plans, changes in activity levels, and an increase in the discount rate, the intention of "holding" versus "selling" and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognized immediately in the statement of income.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. However, the determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as the outlook for global or regional market supply-and-demand conditions, future commodity prices, the effects of inflation on operating expenses and discount rates.

In the year ended December 31, 2011, the Company did not have any impairment charge with respect to goodwill and intangible asset. With respect to property, plant and equipment, the company recorded an impairment of $2.3 million in the year ended December 31, 2011.

Income tax. Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are also included in income tax expense. Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs.

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Future changes in accounting policies

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

IFRS 9, ''Financial Instruments'' (''IFRS 9'') amends the classification and measurement criteria for financial instruments included within the scope of IAS 39 ''Financial Instruments: Recognition and Measurements'' (''IAS 39''). IFRS 9 will be published in three phases, of which only the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

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

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

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

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

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended and requires companies to group items presented within OCI based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

IAS 19, "Employee Benefits" ("IAS 19") is amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach, and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. The adoption of this amendment will not have a material impact on the Company's consolidated financial statements.

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

IAS 32, "Financial Instruments: Presentation" ("IAS 32") has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of Gibson's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2011. Based on that evaluation, the CEO and the CFO concluded that Gibson's DC&P were effective as at December 31, 2011.

The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. These controls are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with GAAP. The Company's CEO and CFO have evaluated the design and operational effectiveness of such controls as at December 31, 2011. Based on the evaluation of the design and operating effectiveness of the Company's ICFR, the CEO and the CFO concluded that Gibson's ICFR were effective as at December 31, 2011.

FORWARD-LOOKING STATEMENTS

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

- *the addition of assets to the business and the increase in the number of services to be offered by the Company;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production on shore in North America, including from the Canadian oil sands;*
- *the expansion of midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB;*
- *the effect of competition in regions of North America and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions and capital expenditures;*
- *the Company's planned hedging activities;*
- *the Company's projections of commodity purchase and sales activities;*
- *the Company's projections of currency and interest rate fluctuations; and*
- *the Company's dividend policy and continuing availability of the Company's DRIP.*

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

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

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

NON-GAAP FINANCIAL MEASURES

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