



Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of May 6, 2014 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three months ended March 31, 2014 and 2013, the audited consolidated financial statements and related notes for the year ended December 31, 2013 and 2012, which were prepared under International Financial Reporting Standards ("IFRS"), and MD&A for the year ended December 31, 2013. The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of March 31, 2014, its results of operations for the three months ended March 31, 2014 and 2013, and its cash flows for the three months ended March 31, 2014 and 2013. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2014. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

Gibson is a large independent midstream energy company in Canada and an integrated service provider to the oil and gas industry in the United States. Gibson is engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids ("NGLs"), water, oilfield waste, and refined products. The Company transports energy products by utilizing its integrated network of terminals, pipelines, storage tanks, and trucks located throughout western Canada and through its significant truck transportation and injection station network in the United States. The Company also provides emulsion treating, water disposal and oilfield waste management services in Canada and the United States and is the second largest retail propane distribution company in Canada. The Company's integrated operations allow it to participate across the full midstream energy value chain, from the hydrocarbon producing regions in Canada and the United States, through the Company's strategically located terminals in Hardisty and Edmonton, Alberta and injection stations and small terminals in the United States, to the refineries of North America via major pipelines.

Gibson has provided market access to leading oil and gas industry participants in western Canada for many years and celebrated its 60th anniversary as an organization in 2013. The Company has grown by diversifying its service offerings to meet customers' needs and by expanding geographically to provide its service offerings to key hydrocarbon producing regions throughout the United States.

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



Highlights

The key highlights for the three months ended March 31, 2014 were as follows:

- Revenue increased by 35% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase was primarily due to increased overall activity in the Company's segments;
- Segment profit increased by 15% to \$145.9 million in the three months ended March 31, 2014 compared to \$127.0 million in the three months ended March 31, 2013, with increases in the Company's Terminals and Pipelines, Environmental Services and Propane and NGL Marketing and Distribution segments;
- Adjusted EBITDA in the three months ended March 31, 2014 increased 13% to \$136.9 million compared to \$121.0 million in the three months ended March 31, 2013. Pro Forma adjusted EBITDA for the twelve months ended March 31, 2014 increased 11% to \$442.9 million compared to \$398.6 million in the twelve months ended March 31, 2013;
- Net income was \$46.2 million in the three months ended March 31, 2014 compared to \$45.7 million in the three months ended March 31, 2013. The increase was largely due to the increase in overall segment profit partially offset by the impact of the movement in foreign exchange rates;
- On March 4, 2014, the Board of Directors of the Company (the "Board") declared a quarterly dividend rate of \$0.30 per common share, representing a 9% increase from the prior quarterly rate and resulting in a new annualized dividend of \$1.20 per common share. Total dividends declared were \$36.9 million in the three months ended March 31, 2014 compared to \$33.3 million in the three months ended March 31, 2013. For the twelve months ended March 31, 2014, distributable cash flow was \$257.1 million resulting in a dividend payout ratio of 53%;
- Capital expenditures were \$100.8 million in the three months ended March 31, 2014, of which \$89.0 million related to internal growth projects. Internal growth project expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty terminal and the expansion of the Environmental Services business; and
- During the three months ended March 31, 2014, the Company paid a deposit with respect to the acquisition of all of the issued and outstanding common shares of Stittco Energy Limited ("Stittco"). The acquisition was completed on April 1, 2014. Stittco is a private company which provides propane equipment, service and delivery to the residential and commercial and mining customers in Northern Manitoba and Northwest Territories.

In April 2014, the Company announced that it had entered into a letter of intent to acquire Cal-Gas Inc. ("Cal-Gas"), a retail propane company with operations across Canada. Cal-Gas is one of the largest retailers in western Canada with operations in British Columbia, Alberta, Saskatchewan, Manitoba and northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors.

On April 30, 2014, the Company announced that it has received committed customer support for two additional 300,000 barrel crude oil storage tanks at the Company's Hardisty Terminal. The two additional tanks contribute to a total of six new tanks being constructed at Hardisty increasing total storage capacity under development to 2.3 million barrels.

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

Trends affecting the Company's business

In accordance with the Company's long-range strategic plan, the Company is continuously evaluating organic growth opportunities and potential acquisitions of transportation, retail propane distribution, gathering, terminalling or storage and other complementary midstream businesses, such as emulsion treating, water disposal and oilfield waste management services.

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

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



- The growing supply of Canadian heavy crude oil from the oilsands will result in an increasing demand for diluent in the Western Canada Sedimentary Basin (the "WCSB"). This should result in increased movements of diluent through the Edmonton area pipeline and terminal infrastructure and may generate increased opportunities for Gibson's services;
- Continuing crude pricing, location and quality disconnects combined with a shortage of pipeline takeaway capacity from the WCSB are creating a demand for crude rail movements that could persist for an extended period. If this trend continues, it could create opportunities for the Company to increase its service offering to include more crude rail movements;
- Technology advancements within the drilling and fracturing processes are providing production companies new opportunities to increase production levels from wells that were previously uneconomic and to bring on production from areas that were previously unable to economically produce crude oil, such as tight shale plays. If this trend continues, it could create opportunities for the Company to increase the various services offered by the network of integrated segments;
- The Keystone XL and Energy East pipeline projects, if approved, would help provide a growing supply of Canadian crude oil access to the largest refining markets in the United States and Eastern Canada. If approved, the starting point for both pipelines would be adjacent to the Company's Hardisty Terminal which could provide increased opportunities for the Company's terminalling services;
- Enbridge's twinning of the southern section of its Athabasca pipeline and Inter Pipeline Ltd.'s twinning of its Cold Lake pipeline should provide for additional volumes into the Hardisty area and increased opportunities for the Company's terminalling services at the Hardisty; and
- The price fluctuations between crude oil types should create incremental margin opportunities in multiple areas of the Company's operations. Differentials continue to be volatile and this trend is expected to continue.

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;
- North American self-sufficiency goals and investment in drilling and production across North America should drive demand for the Company's services;
- Increased oil and gas production in North America should also mean a significant increase in produced water and other oilfield waste. This increase in oilfield waste, together with increased regulatory scrutiny, should drive demand for the Company's Environmental Services solutions;
- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;
- Increased crude oil production on-shore in North America, including from the Canadian oil sands and activity levels in the U.S. Gulf Coast; and
- Expansion of the midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle crude oil from the WCSB.

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



Acquisitions and capital expenditures

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

	Three months ended March 31,	
	2014	2013
Growth capital.....	\$ 89,031	\$ 34,205
Upgrade and replacement capital ⁽¹⁾	11,815	12,455
	<u>\$ 100,846</u>	<u>\$ 46,660</u>

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

Total capital expenditures for growth capital and upgrade and replacement capital were \$100.8 million and \$46.7 million in the three months ended March 31, 2014 and 2013, respectively. In the three months ended March 31, 2014 and 2013, \$97.4 million and \$45.1 million, respectively, were included as additions to property, plant and equipment and \$3.4 million and \$1.6 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Three months ended March 31,	
	2014	2013
Terminals and Pipelines ⁽¹⁾	\$ 55,201	\$ 11,280
Truck Transportation ⁽²⁾	11,788	4,062
Environmental Services ⁽³⁾	13,075	13,030
Propane and NGL Marketing and Distribution ⁽⁴⁾	3,177	2,004
Processing and Wellsite Fluids ⁽⁵⁾	576	3,744
Other ⁽⁶⁾	5,214	85
Total.....	<u>\$ 89,031</u>	<u>\$ 34,205</u>

(1) Expenditures in the three months ended March 31, 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty Terminal and the unit rail facility near Hardisty.

(2) Largely represents the purchase of land in Edmonton area to build a new office and maintenance facility.

(3) Expenditures in the three months ended March 31, 2014 relate to the expansion of emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.

(4) Mainly represents the addition of trucks, tanks and generators to meet growing demand in key market areas and the expansion of rail infrastructure at a Company facility.

(5) Expenditures in the three months ended March 31, 2014 largely relate to the upgrades of certain equipment at the facility in Moose Jaw.

(6) Mainly includes the purchase of strategic land in Strathcona County in Alberta's Industrial Heartland.



Acquisitions

During the three months ended March 31, 2014, the Company paid a deposit with respect to the acquisition of all of the issued and outstanding common shares of Stittco. The Company completed the acquisition on April 1, 2014. Stittco is a private company which provides propane equipment, service and delivery to the residential and commercial and mining customers in Northern Manitoba and Northwest Territories.

Seasonality

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

Within the Company's Processing and Wellsite Fluids segment, certain products are impacted by seasonality. Canadian road asphalt activity is affected by the impact of weather conditions on road construction. Refineries produce liquid asphalt year round, but road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling activity, with drilling activity normally the busiest in the winter months. As a result, the Company's Processing and Wellsite Fluids segment's sales of road asphalt peak in the summer and sales of wellsite fluids peak in the winter.

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

Within the Company's Environmental Services segment, certain services and geographical regions are impacted by seasonality including the impact of weather and daylight hours. Due to exposure to weather, activity is generally the lowest in the winter months and shorter daylight hours during the winter months also result in lower overall service activity. The business is also impacted by the timing of capital expenditure cycles of oil and gas companies. As a result, revenue and operating profit for certain services and geographical regions during the fourth calendar quarter and the first calendar quarter of each year typically are lower than the second and third quarters.



SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company’s segmented results of operations for the three months ended March 31, 2014 and 2013 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Segment revenue		
Terminals and Pipelines	\$ 37,134	\$ 30,635
Truck Transportation.....	137,494	132,552
Environmental Services.....	91,669	74,145
Propane and NGL Marketing and Distribution	402,544	282,992
Processing and Wellsite Fluids.....	175,246	144,423
Marketing	1,628,330	1,208,039
Total segment revenue.....	<u>2,472,417</u>	<u>1,872,786</u>
Revenue-inter-segmental.....	(361,725)	(309,775)
Total revenue-external.....	<u>2,110,692</u>	<u>1,563,011</u>
Segment profit		
Terminals and Pipelines	26,731	22,742
Truck Transportation.....	19,884	20,679
Environmental Services.....	21,979	16,935
Propane and NGL Marketing and Distribution	34,405	19,465
Processing and Wellsite Fluids.....	17,084	17,658
Marketing	25,777	29,489
Total segment profit	<u>145,860</u>	<u>126,968</u>
General and administrative.....	8,319	8,011
Depreciation and amortization	48,813	42,653
Stock based compensation.....	3,128	1,625
Foreign exchange loss	8,451	2,697
Net interest expense	13,643	11,552
Gain on financial instruments relating to interest expense	-	(808)
Income before income tax	<u>63,506</u>	<u>61,238</u>
Income tax provision.....	17,351	15,510
Net income	<u>\$ 46,155</u>	<u>\$ 45,728</u>

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

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



Terminals and Pipelines

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

Volumes (barrels in thousands)	Three months ended March 31,	
	2014	2013
Terminals		
Hardisty Terminal	43,855	38,323
Edmonton Terminal	4,825	4,376
Injection stations	11,885	10,131
Total terminals	60,565	52,830
Pipelines		
Bellshill pipeline	397	447
Provost pipeline	1,440	1,603
Total pipelines	1,837	2,050
Total terminals and pipelines	62,402	54,880

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues	\$ 37,134	\$ 30,635
Operating expenses and other	10,403	7,893
Segment profit	\$ 26,731	\$ 22,742

Three months ended March 31, 2014 and 2013.

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 14% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 as a result of increased throughput volumes from customers with dedicated tank usage and increased volumes from the Company's Marketing segment. Revenue at the Hardisty Terminal increased by \$4.8 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, including the impact of the new tanks at the west side of the Hardisty Terminal that were commissioned in late 2013.

Edmonton Terminal volumes increased by 10% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 mainly due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. Revenue increased by \$0.3 million for the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to increases in volumes not subject to minimum volume charges.

Injection station volumes increased by 17% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to increase in activity with a major customer. Despite the overall increase in volumes, revenue remained relatively unchanged in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to a decrease in the fixed fees earned at certain stations.

Volumes for the Company's Bellshill pipeline decreased by 11% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue remaining relatively stable in the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

Volumes for the Company's Provost pipeline declined by 10% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. As a result, revenue decreased by \$0.1 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 with the impact of lower volume offset in part by an increase in tariffs.



Also, the Sexsmith Terminal is managed by the Terminals and Pipelines group and provides opportunities for the Company's Marketing, Truck Transportation, Canwest Propane and Processing and Wellsite Fluids groups. Revenue increased \$1.5 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to the impact of the realignment of the facility to the Terminals and Pipelines segment effective April 1, 2013.

Operating expenses and other. Overall operating expenses and other costs increased by \$2.5 million, or 32%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase was largely related to the operating expenses related to the Sexsmith facility, which was realigned to the Terminals and Pipeline Segment starting from April 1, 2013 and an increase in payroll related costs.

Segment profit. Overall, segment profit in the three months ended March 31, 2014 increased by \$4.0 million, or 18%, compared to the three months ended March 31, 2013. The increase was primarily due to the overall increase in volumes and the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges.

Truck Transportation

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

Volumes (barrels in thousands)	Three months ended March 31,	
	2014	2013
Barrels hauled.....	33,601	36,972

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues	\$ 137,494	\$ 132,552
Cost of sales	92,972	85,880
	44,522	46,672
Operating expenses and other.....	24,638	25,993
Segment profit.....	\$ 19,884	\$ 20,679

Three months ended March 31, 2014 and 2013.

Volumes, revenues and cost of sales. For the three months ended March 31, 2014, barrels hauled decreased by 9% compared to the three months ended March 31, 2013. The decrease was mainly due to the impact of adverse weather conditions in both Canada and the United States that limited the Company's ability to haul in certain regions and also a decline in overall volumes hauled of sulphur and petroleum coke.

Despite the decrease in volumes, revenues increased 4% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, mainly due to an increase in service related charges and favorable impact of translating revenue denominated in U.S. dollars.

Cost of sales is primarily comprised of payments to owner-operators and lease-operators. Cost of sales increased by 8% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to the increased use of third-party haulers which have higher costs than the Company's owner-operators and lease operators and also due to an unfavorable impact of translating cost of sales denominated in U.S. dollars

Operating expenses and other. Overall operating expenses and other costs decreased by \$1.4 million, or 5%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, mainly due to a decrease in repairs and maintenance costs.

Segment profit. Segment profit decreased by \$0.8 million, or 4%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, largely as a result of lower overall margins in both Canada and the United States.



Environmental Services

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

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues		
Environmental services and fluid handling	\$ 70,362	\$ 48,072
Production services.....	16,303	17,040
Other services	5,004	9,033
Total revenues	91,669	74,145
Cost of sales	50,889	44,128
Operating expenses and other.....	18,801	13,082
Segment profit.....	<u>\$ 21,979</u>	<u>\$ 16,935</u>

Revenues and cost of sales. Environmental services and fluid handling operations primarily include transportation, disposal and processing of drilling and production waste, such as fluids and cuttings, and emulsion treating facilities. Environmental services and fluid handling revenues increased by 46% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars.

Production services provide critical services to oil and gas companies that ensure uptime and consistent operation of producing wells including the inspection and repair of above-ground well-pumping units. Production services revenue decreased by 4% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. The decrease was primarily due to the impact of adverse weather conditions in the United States which caused delays in providing the services to the customers.

Other services primarily include exploration support services to geophysical companies and accommodations of winterized mobile housing units for oilfield personnel at the drill or production site in the Bakken region. Other services revenue decreased by 44% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 due to a lower exploration support services provided due to a reduction in overall exploration activities in the Company’s key market in the United States and also lower accommodations revenue due to the impact of a decrease in rig counts in the Bakken region.

Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs. Cost of sales increased by 15% primarily as a result of increased activity and also due to the unfavorable impact of translating costs of sales denominated in U.S. dollars.

Operating expenses and other. Operating expenses and other costs increased by \$5.7 million, or 44%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, mainly due to the impact of an additional allowance for doubtful debts of \$1.1 million and increased payroll related costs.

Segment profit. Segment profit increased by \$5.0 million, or 30%, in the three months ended March 31, 2014 as compared to March 31, 2013, largely as a result of the impact of improved margins in the United States and Canadian environmental services and fluid handling operations, offset in part by lower margins in production services, exploration support services and accommodation operations. The overall increase in segment profit was achieved despite challenging weather conditions in many key market areas during the three months ended March 31, 2014.



Propane and NGL Marketing and Distribution

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

Volumes	Three months ended March 31,	
	2014	2013
Sales volumes—retail (litres in thousands)		
Residential	8,270	7,753
Oil and gas	63,629	63,440
Commercial and industrial	36,832	36,295
Automotive	3,961	4,084
Other	6,003	5,587
	<u>118,695</u>	<u>117,159</u>
Sales volumes—wholesale (barrels in thousands)		
Propane	1,228	1,550
Other NGLs		
Butane	728	544
Condensate	319	390
U.S. operations	1,109	1,025
	<u>2,156</u>	<u>1,959</u>
	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues		
Retail		
Propane	\$ 88,505	\$ 49,226
Other	8,221	7,445
Total retail	<u>96,726</u>	<u>56,671</u>
Wholesale		
Propane	105,776	70,332
Other NGLs	200,042	155,989
Total wholesale	<u>305,818</u>	<u>226,321</u>
Total revenues	<u>402,544</u>	<u>282,992</u>
Cost of sales		
Retail		
Propane	65,229	29,111
Other	664	698
Total retail	<u>65,893</u>	<u>29,809</u>
Wholesale	286,307	218,336
Total cost of sales	<u>352,200</u>	<u>248,145</u>
Gross Margin		
Retail	30,833	26,862
Wholesale	19,511	7,985
Total gross margin	<u>50,344</u>	<u>34,847</u>
Operating expenses and other	15,939	15,382
Segment profit	<u>\$ 34,405</u>	<u>\$ 19,465</u>



Three months ended March 31, 2014 and 2013.

Volumes, revenues and cost of sales. Retail volumes increased 1% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The increase was driven by increased volumes in the residential and commercial and industrial markets as a result of colder weather conditions and increased commercial construction activities in Alberta and Saskatchewan.

Retail propane revenues increased 80% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, primarily due to a significant increase in rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 10% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, largely due the Company's continued investment in related rental equipment.

Wholesale propane volumes decreased by 21% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to lower demand from certain customers. However, despite the lower volumes, wholesale propane revenues increased by 50% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to the impact of significantly higher propane rack prices.

Other NGLs volumes increased by 10% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, primarily as a result of higher demand from internal and external customers as favorable pricing impacted blending programs. As a result of the increase in volumes and overall commodity prices, other NGLs revenues increased by 28% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013.

Retail margin increased 15% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to the impact of higher retail propane volumes and also the ability to capture higher margins as high wholesale rack prices declined within the quarter. Wholesale margins increased 144% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to the positive impact of overall higher wholesale propane prices and also due to more favorable pricing conditions in other NGLs marketing business.

Operating expenses and other. Overall operating expenses and other costs increased by \$1.0 million, or 4%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, primarily due to an increase in payroll related costs in both retail and wholesale.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the three months ended March 31, 2014 by \$14.9 million, or 77%, compared to the three months ended March 31, 2013, as a result of the increase in both retail and wholesale margins.



Processing and Wellsite Fluids

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

Volumes (barrels in thousands)	Three months ended March 31,	
	2014	2013
Roofing flux	522	550
Frac fluid (Gibson Clear)	157	120
Distillate (D822).....	185	233
Tops.....	656	501
Other.....	59	42
Total sales volumes	1,579	1,446

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues		
Roofing flux	\$ 53,078	\$ 49,328
Frac fluid (Gibson Clear)	19,229	13,870
Distillate (D822).....	29,549	32,410
Tops.....	63,040	42,587
Other.....	10,350	6,228
Total revenues	175,246	144,423
Cost of sales	153,585	121,634
Operating expenses and other.....	4,577	5,131
Segment profit.....	\$ 17,084	\$ 17,658

Three months ended March 31, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for roofing flux decreased by 5% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily due to the slower turnaround of rail cars after unloading roofing flux. There were no sales of road asphalt in either the three months ended March 31, 2014 or 2013, as the Canadian paving season does not start until later in the year. Despite the decrease in volumes, roofing flux revenue increased by 8% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to the impact of higher selling prices.

Frac fluid volumes increased 31% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 largely due to an overall increase in customer demand. Frac fluid revenues increased by 39% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to the increase in volume and higher overall selling prices.

Sales volumes for distillate decreased 21% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. The decrease was largely due to a decrease in throughput at the Moose Jaw facility. As a result, distillate revenues decreased 9% in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 offset in part by higher overall selling prices.

Tops volumes increased 31% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 due to the decrease in distillate volumes resulting in the Company selling more of the light end volume as tops. Tops revenues increased by 48% due to increased volumes and sale prices in the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 16% due to the impact of higher crude oil prices.

Overall margins decreased by 5% in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. The decrease was largely due to lower margins for roofing flux, distillate and tops as a result of negative impact of higher crude oil prices. Offsetting this was higher overall margins for frac fluid due to higher volumes and selling prices.



Operating expenses and other. Operating expenses decreased by \$1.0 million, or 11%, in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013, primarily due to the favorable impact of the change in foreign exchange rates.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the three months ended March 31, 2014 by \$1.0 million, or 3%, as compared to the three months ended March 31, 2013, primarily due to lower margins for roofing flux, distillate and tops offset in part by lower operating expenses and higher margins for frac fluids.

Marketing

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

Volumes (barrels in thousands)	Three months ended March 31,	
	2014	2013
Sales Volumes		
Crude and diluent	28,947	24,090

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Revenues	\$ 1,628,330	\$ 1,208,039
Cost of sales	1,598,594	1,176,240
Operating expenses and other.....	3,959	2,310
Segment profit	\$ 25,777	\$ 29,489

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

Calendar Period	2014	2013
January	\$ 94.86	\$ 94.83
February	\$ 100.68	\$ 95.32
March	\$ 100.51	\$ 92.96
Average for the three months ended March 31	\$ 98.68	\$ 94.37

Three months ended March 31, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 20% in the three months ended March 31, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 35% in the three months ended March 31, 2014 compared to three months ended March 31, 2013, primarily due to the increase in volumes and higher commodity prices.

Cost of sales in the three months ended March 31, 2014 increased 36% compared to the three months ended March 31, 2013 as a result of the increase in revenue.

Operating expenses and other. Operating expenses increased by \$1.6 million, or 71%, in the three months ended March 31, 2014, compared to the three months ended March 31, 2013 primarily due to an increase in payroll related costs.

Segment profit. The Marketing segment profit decreased by \$3.7 million, or 13%, in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013. In the three months ended March 31, 2014, margins were positively impacted by the increase in volumes, especially deliveries to the Company's terminals. However, less favorable pricing differentials between crude oil types and higher operating costs in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 led to the overall decrease in segment profitability.

General and administrative, excluding depreciation and amortization

General and administrative expense ("G&A") was \$8.3 million in the three months ended March 31, 2014 compared to \$8.0 million in the three months ended March 31, 2013. The increase was largely driven by the continued growth of the Company resulting in an increase in payroll related costs.



Depreciation and amortization

Depreciation and amortization expense was \$48.8 million in the three months ended March 31, 2014 compared to \$42.7 million in the three months ended March 31, 2013. The increase was largely due to the additional depreciation and amortization related to the increase in the Company's tangible assets.

Stock based compensation

Stock based compensation expense was \$3.1 million in the three months ended March 31, 2014 compared to \$1.6 million in the three months ended March 31, 2013. The increase was primarily due to the additional expense incurred from the granting of stock awards in the three months ended March 31, 2014.

Foreign exchange loss not affecting segment profit

In the three months ended March 31, 2014, the Company recorded a foreign exchange loss of \$8.5 million compared to \$2.7 million in the three months ended March 31, 2013.

The gains and losses recorded were primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the three months ended March 31, 2014, a loss of \$20.9 million due to the unfavorable movement in exchange rates was offset by an unrealized gain of \$10.8 million related to the change in mark-to-market value of U.S. dollar forward contracts and call options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt. In the three months ended March 31, 2013, a loss of \$13.4 million due to the unfavorable movement in exchange rates was offset by an unrealized gain of \$9.3 million related to the Company entering into U.S. dollar forward contracts and options to mitigate the currency risk associated with its U.S. dollar denominated long-term debt.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was \$13.6 million in the three months ended March 31, 2014 compared to \$11.6 million in the three months ended March 31, 2013. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance and interest rates.

Income tax expense

Income tax expense in the three months ended March 31, 2014 was \$17.4 million compared to \$15.5 million in the three months ended March 31, 2013. The effective tax rate was 27.3% during the three months ended March 31, 2014 compared to a rate of 25.3% in the three months ended March 31, 2013. The main reason for the increase in the income tax expense in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 was the increase in net income before tax and the increase in the effective tax rate. The effective tax rate increased due to the impact of non-deductible foreign exchange losses on the Company's long-term debt.



SUMMARY OF QUARTERLY RESULTS

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

	Three months ended							
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
	(in thousands)							
Revenues.....	\$2,110,692	\$1,916,038	\$1,841,894	\$1,619,726	\$1,563,011	\$1,306,235	\$1,185,647	\$1,126,219
Net income (loss).....	46,155	20,724	42,599	(5,235)	45,728	36,611	30,017	9,521
EBITDA ⁽¹⁾	125,981	96,806	115,385	33,060	114,733	95,601	83,915	48,565
Adjusted EBITDA ⁽²⁾	136,945	115,284	103,533	87,176	121,044	96,134	72,109	62,044
Earnings (loss) per share								
Basic.....	0.38	0.17	0.35	(0.04)	0.38	0.32	0.30	0.10
Diluted.....	0.37	0.16	0.35	(0.04)	0.37	0.32	0.29	0.09

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

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

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

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



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

	Three months ended						December 31, 2012	September 30, 2012	June 30, 2012
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	(in thousands)			
Net income (loss).....	\$ 46,155	\$ 20,724	\$ 42,599	\$ (5,235)	\$ 45,728	\$ 36,611	\$ 30,017	\$ 9,521	
Depreciation and amortization.....	48,813	52,002	44,460	44,942	42,653	39,171	30,848	28,705	
Interest expense ⁽¹⁾	13,662	14,749	14,901	(5,286)	10,842	8,917	14,362	8,916	
Income tax provision (recovery)	17,351	9,331	13,425	(1,361)	15,510	10,902	8,688	1,423	
EBITDA	<u>\$ 125,981</u>	<u>\$ 96,806</u>	<u>\$ 115,385</u>	<u>\$ 33,060</u>	<u>\$ 114,733</u>	<u>\$ 95,601</u>	<u>\$ 83,915</u>	<u>\$ 48,565</u>	

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

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

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



The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the twelve months ended March 31, 2014 and 2013:

	Three months ended				Twelve months ended
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2014
	(in thousands)				
EBITDA	\$ 125,981	\$ 96,806	\$ 115,385	\$ 33,060	\$ 371,232
Unrealized foreign exchange loss (gain) on long-term debt ⁽¹⁾	20,850	17,549	(11,350)	22,898	49,947
Net unrealized gain from financial instruments ⁽²⁾	(13,014)	(1,329)	(2,867)	(9,014)	(26,224)
Share based compensation ⁽³⁾	3,128	2,258	2,365	2,023	9,774
Debt extinguishment ⁽⁴⁾	-	-	-	38,209	38,209
Adjusted EBITDA	\$ 136,945	\$ 115,284	\$ 103,533	\$ 87,176	\$ 442,938
Pro forma impact of acquisitions ⁽⁶⁾					-
Pro Forma Adjusted EBITDA					\$ 442,938

	Three months ended				Twelve months ended
	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2013
	(in thousands)				
EBITDA	\$ 114,733	\$ 95,601	\$ 83,915	\$ 48,565	\$ 342,814
Unrealized foreign exchange loss (gain) on long-term debt ⁽¹⁾ ...	13,354	7,244	(22,953)	12,862	10,507
Net unrealized loss (gain) from financial instruments ⁽²⁾	(8,668)	(2,838)	8,636	(472)	(3,342)
Share based compensation ⁽³⁾	1,625	1,150	804	1,050	4,629
Acquisition related costs (credits) ⁽⁵⁾	-	(5,023)	1,707	39	(3,277)
Adjusted EBITDA	\$ 121,044	\$ 96,134	\$ 72,109	\$ 62,044	\$ 351,331
Pro forma impact of acquisitions ⁽⁶⁾					47,247
Pro Forma Adjusted EBITDA					\$ 398,578

- (1) Non-cash adjustment representing the unrealized foreign exchange loss (gain) on long-term debt, as a result of the movement in exchange rates in the periods.
- (2) Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.
- (3) Represents the non-cash stock based compensation relating to the Company's 2011 Equity Incentive Plan.
- (4) In connection with the repayment of the Company's long-term debt and termination of the previous revolving credit facility, the Company recorded \$38.2 million of non-cash debt extinguishment expenses in the three months ended June 30, 2013.
- (5) Represents transaction fees that were expensed in connection with acquisitions made by the Company. In addition, in the three months ended December 31, 2012, the Company realized a gain of \$6.3 million on the settlement of foreign currency forward contracts which were entered into to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price of OMNI.
- (6) Reflects the pro forma impact of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions that took place in the twelve months occurred on April 1 of each twelve month period.



LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company’s sources and uses of funds for the three months ended March 31, 2014 and 2013:

	Three months ended March 31,	
	2014	2013
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	\$ 44,031	\$ 87,966
Investing activities.....	(117,537)	(39,220)
Financing activities	41,214	(64,400)

Cash provided by operating activities

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

Cash provided by operations in the three months ended March 31, 2014 was \$44.0 million compared to \$88.0 million in the three months ended March 31, 2013. The decrease was primarily attributable to an increase in inventories and payment of income taxes offset in part by an increase in overall segment profitability.

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 \$117.5 million in the three months ended March 31, 2013 compared to \$39.2 million in the three months ended March 31, 2014. The change in cash used in investing activities was due largely to increase in capital expenditures and the deposit paid for the Stitcco acquisition in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. For a summary of capital expenditures and acquisitions, see “Acquisitions and Capital expenditures” included in this MD&A.

Cash provided by (used in) financing activities

Cash provided by financing activities was \$41.2 million in the three months ended March 31, 2014 compared to cash used of \$64.4 million in the three months ended March 31, 2013.

The change was largely due to the increase in net proceeds from borrowings under the Revolving Credit Facility, offset in part by an increase in dividends and interest paid in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013.



Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. With respect to potential growth capital expenditures and acquisitions, the Company may raise additional debt to enable the Company to finance these projects. The Company had unrestricted cash of \$65.8 million and \$355.2 million available under the Revolving Credit Facility as at March 31, 2014.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended March 31, 2014, the Company declared a dividend of \$0.30 per common share for a total dividend of \$36.9 million, of which \$27.3 million was paid in cash on April 17, 2014 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") and stock dividend program ("SDP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to \$100.8 million in the three months ended March 31, 2014. At March 31, 2014, the Company has identified upgrade and replacement capital and internal growth projects, excluding acquisitions, of \$631.8 million that the Company may undertake over the next 12 to 24 months. However, of this estimated capital spend, approximately \$344.1 million relates to capital expenditures still under development and subject to internal and/or Board approval. The remaining \$287.7 million is expected to be spent over the next 12 to 24 months. While the Company anticipates that these capital expenditures will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

On June 28, 2013, the Company completed a debt offering (the "Notes" offering) and as a result, as of March 31, 2014, the Company had total outstanding long-term debt, excluding debt discount and issuance costs, of U.S.\$500.0 million bearing fixed interest of 6.75% per annum due July 15, 2021 and \$250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020. Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding. The proceeds from the Notes were used to repay the outstanding Tranche B Term Loan principal amount of U.S.\$643.5 million with the remaining proceeds used primarily to fund growth initiatives and for general corporate purposes.

As a result of the Notes offering, the Company extended the maturity profile of its long-term debt from 2018 to the years 2020 and 2021, moved from a floating rate secured debt to a fixed rate unsecured debt structure and increased the Company's flexibility to make dividend payments, permitted investments and incur additional debt in support of future growth capital requirements.

The Notes agreement contains certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of equity offerings or on the dates specified in the agreement. In addition, the Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreement.

On June 28, 2013, the Company established a Revolving Credit Facility of \$500.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility has an accordion feature whereby the Company can increase the Revolving Credit Facility to \$750.0 million subject to obtaining incremental lender commitments. The Revolving Credit Facility has a term of five years, expiring on June 28, 2018. The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage



ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest.

As a result of establishing the Revolving Credit Facility and terminating the previous senior secured credit facility, the Company increased its availability under the facility, extended the maturity from 2016 to 2018, improved overall pricing, fronting fees and standby fees and increased the Company flexibility relating to certain non-financial covenants and relaxed certain financial covenants.

At March 31, 2014, the Company had \$95.0 million outstanding under the Revolving Credit Facility, had no restricted cash and had issued letters of credit totaling \$49.8 million. The Revolving Credit Facility is secured by substantially all of the Company's property, plant and equipment, intangible assets and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants defined in the agreement including senior debt leverage ratio of no greater than 3.5 to 1.0, a total debt leverage ratio of no greater than 5.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. As at March 31, 2014, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 0.22 to 1.0, total debt leverage ratio at 1.9 to 1.0, and the interest coverage ratio at 8.6 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The Notes and Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of interest or fees when due, subject to specified grace periods, breach of covenants, change in control and material inaccuracy of representations and warranties. As of March 31, 2014, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

The Company is currently undergoing various income tax related and excise tax audits. While the final outcome of such audits cannot be predicted with certainty, the Company believes that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations. As a part of the acquisition of the Company by the wholly-owned subsidiary of R/C Guitar Cooperatief U.A., a Dutch Co-operative owned by investment funds affiliated with Riverstone Holdings LLC, from Hunting PLC ("Hunting") on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits.

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

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



Contractual obligations

In the normal course of business, the Company is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable. Refer to the Company’s 2013 Annual MD&A, which summarizes contractual obligations as at December 31, 2013. At March 31, 2014, the Company did not have any additional material contractual obligations.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at March 31, 2014, there were 123.1 million common shares and no preferred shares issued and outstanding. In addition, under the Company’s 2011 Equity Incentive Award Plan, there were an aggregate of 1.4 million restricted share units, performance share units and deferred share units outstanding and 2.8 million stock options outstanding as at March 31, 2014.

At March 31, 2014, awards available to grant under the 2011 Equity Incentive Plan were 8.2 million.

As at May 2, 2014, 123.4 million common shares, 1.4 million restricted share units, performance share units and deferred share units and 2.8 million stock options were outstanding.

TRADING PRICE AND VOLUME

The Company’s common shares trade on the TSX under the ticker symbol GEI. The following table sets forth the high and low sales prices per common share at the close of market, as well as total monthly trading volumes for the shares on the TSX for the periods indicated.

Calendar Period	Price Range		Volume
	High	Low	
2013			
January	\$ 25.12	\$ 23.45	5,069,917
February	26.63	24.82	6,103,245
March	26.28	25.05	5,666,164
April	26.41	24.98	5,539,034
May	26.88	25.09	6,206,247
June	25.65	24.11	5,979,828
July	25.27	23.65	7,851,343
August	23.52	21.70	9,894,882
September	24.58	22.24	6,160,279
October	26.15	24.31	5,676,017
November	26.63	25.66	4,291,498
December	27.50	25.79	3,887,122
2014			
January	27.76	26.84	4,542,184
February	27.22	26.22	4,267,439
March	28.74	27.04	5,212,515
April	\$ 29.93	\$ 27.33	8,421,728



DIVIDENDS

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

The Board has approved a DRIP and a SDP that provide eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the first quarter dividend of 2014, holders of approximately 25.9% of the common shares participated in the DRIP and SDP.

DISTRIBUTABLE CASH FLOW

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

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

	Twelve months ended March 31, 2014
	(in thousands)
Cash flow from operating activities	\$ 287,696
Adjustments:	
Changes in non-cash working capital	150,019
Upgrade and replacement capital	(68,873)
Cash interest expense.....	(51,585)
Current income tax	(60,132)
Distributable cash flow	<u>\$ 257,125</u>
Dividends declared to shareholders	<u>\$ 137,345</u>

Dividends declared in the twelve months ended March 31, 2014 were \$137.3 million, of which \$99.0 million was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the twelve months ended March 31, 2014, dividends declared represented 53% of the distributable cash flow generated or, distributable cash flow was 1.9 times dividends declared.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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



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

Although the Company seeks to maintain a position that is substantially balanced within the Company's various commodity purchase and sales activities, the Company may experience net unbalanced positions 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 strategy is to hedge the Company's margin, the Company has not designated nor attempted to qualify for hedge accounting. Thus, changes in the fair values of all of the Company's derivatives are recognized in earnings, and result in greater potential for earnings volatility.

The fair value of futures contracts is based on quoted market prices obtained from the CME. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at March 31, 2014 and December 31, 2013. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by \$6.3 million and \$2.1 million as of March 31, 2014 and 2013, respectively. A 15% unfavorable change would decrease the Company's net income by \$6.3 million and \$2.1 million as of March 31, 2014 and 2013, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on a pricing grid. As at March 31, 2014, the Company had drawn \$58.0 million using Canadian Bankers Acceptance and \$37.0 million using Canadian Prime Rate as permitted under the Revolving Credit Facility. As the interest rates are fixed for the term of Canadian Bankers Acceptance, the Company was not exposed to the cash flow variability as a result of changes in market interest rates. For the borrowings using Canadian Prime Rate, 1% increase or decrease in market interest rate would decrease or increase the Company's net income by \$0.1 million in the three months ended March 31, 2014.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward and option currency contracts and would decrease the Company's net income by \$4.0 million and \$2.8 million as at March 31, 2014 and 2013, respectively. A 5% favorable change would increase the Company's net income by \$4.0 million and \$2.8 million as at March 31, 2014 and 2013, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to manage foreign exchange exposure.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at March 31, 2014, the Company had outstanding U.S. dollar denominated debt of U.S.\$500.0 million.



As at March 31, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of \$1.0242 for U.S.\$1.00 for a notional amount of U.S.\$260.0 million expiring on September 15, 2017 and the Company also sold U.S. dollar call options at a strike price of \$1.295 for U.S.\$1.00 on a notional amount of U.S.\$260.0 million expiring on September 15, 2017. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by \$10.8 million and \$6.2 million as at March 31, 2014 and 2013, respectively. A corresponding favorable change would increase the Company's net income by \$10.8 million and \$6.2 million as at March 31, 2014 and 2013, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at March 31, 2014, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of March 31, 2014 would increase the Company's annual interest expense by \$1.9 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of March 31, 2014 would decrease the Company's annual interest expense by \$1.9 million.

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

ACCOUNTING POLICIES

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are discussed in the Company's Annual 2013 MD&A dated March 4, 2014 as filed on SEDAR.

The Company adopted the following new and revised standard, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with applicable transitional provisions.

- IAS 32, Financial Instruments, Presentation ("IAS 32") has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The adoption of IAS 32 did not result in any material impact on the condensed consolidated financial statements.
- IFRIC 21, Accounting for Levies imposed by governments ("IFRIC 21") was issued which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The adoption of this amendment did not result in any material impact on the Company's condensed consolidated financial statements.

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

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 2, 'Share based payments', IFRS 3, Business combinations, IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have any material impact on the Company's consolidated financial statements.
- IAS 19, Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods



beginning on or after July 1, 2014. The adoption of this amendment is not expected to have any material impact on the Company's consolidated financial statements.

FORWARD-LOOKING STATEMENTS

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

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

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

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



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

NON-GAAP FINANCIAL MEASURES

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

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