Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of March 4, 2014 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibson" or the "Company") for the years ended December 31, 2013 and 2012, which were prepared under International Financial Reporting Standards ("IFRS"). Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

Gibson is a 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 year ended December 31, 2013 were as follows:

- Revenue increased by 41% in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was primarily due to increased overall activity in the Company's segments, including the full year impact of the acquisition of the parent holding company of OMNI Energy Services Corp. ("OMNI") in the fourth quarter of 2012;
- Segment profit increased by 38% to $456.4 million in the year ended December 31, 2013 compared to $329.9 million in the year ended December 31, 2012 with increases in the Company's Terminals and Pipelines, Environmental Services, Propane and NGL Marketing and Distribution, Processing and Wellsite Fluids and Marketing segments;
- Adjusted EBITDA in the year ended December 31, 2013 increased 41% to $427.0 million compared to $302.1 million in the year ended December 31, 2012;
- Capital expenditures were $247.0 million in the year ended December 31, 2013, of which $177.4 million related to growth capital. Growth capital expenditures were primarily related to the construction of tanks and pipeline and connection infrastructure at the Company's facilities, in particular at Hardisty, and the expansion of the Environmental Services segment;
- Total dividends declared in the year ended December 31, 2013 were $133.7 million, or $1.10 per share, compared to $106.1 million, or $1.01 per share, in the year ended December 31, 2012. For the year ended December 31, 2013, distributable cash flow increased by 39% to $253.2 million compared to $182.5 million for the year ended December 31, 2012;
- Net income was $103.8 million in the year ended December 31, 2013 compared to net income of $116.2 million in the year ended December 31, 2012. Despite an increase in overall segment profit, the decrease was largely driven by depreciation and amortization expense, debt extinguishment expense and the unfavorable movement in foreign exchange rates on the translation of the Company's U.S. denominated long-term debt;
- In December 2013, the Company announced its 2014 capital expenditure budget of $410.0 million. Of the total capital expenditure budget, $340.0 million or 83% is directed towards growth investments of which $230.0 million or 68% is earmarked for the Terminals and Pipelines segment. The other significant capital expenditure budget primarily comprise growth capital investments in the Environmental Services segment;
- In September 2013, the Company commissioned two 300,000 barrel crude oil storage tanks on the west side of the Hardisty Terminal;
- In August 2013, the Company announced that it had partnered with US Development Group LLC. ("USDG") to construct a new state-of-the-art crude oil unit train rail loading facility near Hardisty, Alberta, with pipeline connectivity from Gibson's Hardisty Terminal. The crude oil unit train initiative is underpinned by long-term customer commitments. The Company will install required pumping equipment and construct a pipeline for the transfer of crude from its Hardisty Terminal and will be the exclusive provider of crude oil to the USDG crude-by-rail facility. The project is scheduled to begin operations in the first half of 2014;
- In July 2013, the Company announced that it had signed a long-term contract with Statoil Canada Ltd. to build infrastructure on the western side of the Company's Edmonton Terminal. Subject to pipeline connection agreements, the Company will be constructing pipeline and connection infrastructure to multiple major pipelines in the Edmonton area, one 300,000 barrel crude oil storage tank and a rail loading rack. The in-service date for the new facilities is expected to be in the first half of 2015;
- In May 2013, the Company announced that it had received committed support from a large oil sands producer for a 500,000 barrel oil storage tank at the Hardisty Terminal. This was the fourth large storage tank that the Company announced since November 2012 for a combined total of 1.7 million barrels of new storage capacity at the Hardisty Terminal;
- On June 28, 2013, the Company refinanced its existing senior secured Tranche B Term Loan under which it issued and sold U.S.$500 million principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 98.476% (the "U.S.$ Notes") and $250.0 million principal amount of 7.00% Senior Unsecured Notes due July 15, 2020 at an issue price of 98.633% (the "C$ Notes" and together with the U.S.$ Notes, the "Notes"). The net proceeds from the Notes were used to repay the previous senior secured credit facility with a principal amount of U.S.$643.5 million, with the remaining net proceeds of $72.1 million to be used to fund growth initiatives and for general corporate purposes; and

- Concurrently with the closing of the Notes offering, the Company entered into a new $500.0 million senior secured revolving credit facility (the "Revolving Credit Facility") and terminated its previous senior secured credit facility of U.S.$375.0 million.

On March 4, 2014, the Company announced that the board of directors of the Company (the "Board") declared a quarterly dividend of $0.30 per common share for the quarter ending March 31, 2014 on its outstanding common shares representing a 9% increase from the prior quarterly rate and resulting in a new annualized dividend of $1.20 per common share. The common share dividend is payable on April 17, 2014 to shareholders of record at the close of business on March 31, 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 service 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 Fund's twinning of its Cold Lake pipeline should provide for additional volumes into the Hardisty area and will provide increased opportunities for the Company's terminalling services at the Hardisty; and

- The price fluctuations between heavy and light crude oil 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 wastes. This increase in oilfield wastes, 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 growth capital, acquisitions and upgrade and replacement capital (in thousands):

	Year ended December 31,	
	2013	**2012**
Growth capital	$ 177,443	$ 125,662
Acquisitions	-	479,026
Upgrade and replacement capital (1)	69,513	56,536
	$ 246,956	$ 661,224

(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 expenditures for growth capital and upgrade and replacement capital were $247.0 million and $182.2 million in the year ended December 31, 2013 and 2012, respectively. In the year ended December 31, 2013 and 2012, $238.5 million and $176.7 million, respectively, were included as additions to property, plant and equipment and $8.5 million and $5.5 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Year ended December 31,	
	2013	**2012**
Terminals and Pipelines(1)	$ 101,300	$ 40,614
Truck Transportation(2)	19,156	26,255
Environmental Services (3)	46,649	24,312
Propane and NGL Marketing and Distribution (4)	6,807	7,100
Processing and Wellsite Fluids(5)	2,528	27,114
Other	1,003	267
Total	$ 177,443	$ 125,662

(1) Expenditures in the year ended December 31, 2013 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 ongoing addition of rolling stock capable to meet specific demand growth in key market areas in both Canada and the United States.

(3) Expenditures in the year ended December 31, 2013 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 ongoing 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 year ended December 31, 2013 largely relate to the expansion of throughput and storage at the facility in Moose Jaw.

Acquisitions

During the year ended December 31, 2013, the Company did not complete any acquisitions but continues to evaluate opportunities as they arise.

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.

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2013	2012	2011
	(in thousands except per share amounts)		
Revenue	$ 6,940,669	$ 4,913,029	$5,072,031
Net income (loss)	103,816	116,186	(62,605)
Earnings (loss) per share			
Basic	$ 0.86	$ 1.13	$ (0.88)
Diluted	0.84	1.10	(0.88)
Dividends declared per common share	$ 1.10	$ 1.01	$ 0.52

	As at December 31,		
	2013	2012	2011
Total assets	$ 3,049,382	$ 2,796,525	$2,204,375
Total non-current liabilities	1,058,582	947,374	866,897

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.

In the first quarter of 2013, the Company combined its Canadian and United States Environmental Services businesses and as a result, realigned its Canadian Environmental Services business from the Terminals and Pipelines segment to the Environmental Services segment. Accordingly, results of operations for the comparative periods have been reclassified to reflect the realignment.

The following is a discussion of the Company's segmented results of operations for the year ended December 31, 2013 and 2012 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2013	2012
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 132,144	$ 109,407
Truck Transportation	532,490	524,007
Environmental Services	325,059	75,216
Propane and NGL Marketing and Distribution	1,151,206	856,686
Processing and Wellsite Fluids	611,097	551,737
Marketing	5,580,040	3,745,283
Total segment revenue	8,332,036	5,862,336
Revenue—inter-segmental	(1,391,367)	(949,307)
Total revenue—external	6,940,669	4,913,029
Segment profit		
Terminals and Pipelines	95,613	79,229
Truck Transportation	83,674	85,499
Environmental Services	83,094	16,689
Propane and NGL Marketing and Distribution	62,277	49,671
Processing and Wellsite Fluids	48,720	40,068
Marketing	83,004	58,737
Total segment profit	456,382	329,893
General and administrative	34,664	32,747
Depreciation and amortization	184,057	126,611
Stock based compensation	8,271	3,856
Debt extinguishment	38,209	-
Foreign exchange loss (gain)	15,725	(20,397)
Net interest expense	52,987	43,010
Gain on financial instruments relating to interest expense	(18,252)	(4,247)
Income before income tax	140,721	148,313
Income tax provision	36,905	32,127
Net income	$ 103,816	$ 116,186

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:

	Year ended December 31,	
Volumes (barrels in thousands)	**2013**	**2012**
Terminals		
Hardisty Terminal	144,940	133,357
Edmonton Terminal	17,161	22,651
Injection stations	46,582	40,385
Total terminals	208,683	196,393
Pipelines		
Bellshill pipeline	1,751	1,909
Provost pipeline	5,776	6,625
Total pipelines	7,527	8,534
Total terminals and pipelines	216,210	204,927

	Year ended December 31,	
	2013	**2012**
	(in thousands)	
Revenues	$ 132,144	$ 109,407
Operating expenses and other	36,531	30,178
Segment profit	$ 95,613	$ 79,229

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 9% in the year ended December 31, 2013 compared to the year ended December 31, 2012, 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 $18.3 million in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in revenue was mainly due to the increase in volume and additional revenue from customers with dedicated tank usage that are subject to minimum volume charges. In addition, the increased volumes and revenue were also due to commissioning of four new large tanks and other new infrastructure on the Hardisty Terminal in late 2012 and 2013.

Edmonton Terminal volumes decreased by 24% in the year ended December 31, 2013 compared to the year ended December 31, 2012 mainly due to a decrease in diesel shipments through the terminal from a customer that is subject to minimum volume charges and lower volumes from the Company's Marketing segment. Although volumes at Edmonton Terminal decreased, revenues increased by $4.1 million in the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of the impact of minimum volume and fixed fee arrangements.

Injection station volumes increased by 15% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to an increase in activity with a major customer. As a result, revenue increased by $1.0 million in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Volumes for the Company's Bellshill pipeline decreased 8% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue remained relatively stable in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to an increase in tariffs.

Volumes for the Company's Provost pipeline decreased by 13% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to a shut-in of a battery due to operational issues in 2013 and also due to a decrease in receipts from oil production batteries that are connected to the pipeline. As a result, revenue decreased by $0.7 million in the year ended December 31, 2013 compared to the year ended December 31, 2012, offset in part, by an increase in tariffs.

Operating expenses and other. Overall operating expenses and other costs increased by $6.4 million, or 21%, in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was largely related to the increase in costs related to new tanks on the west side of the Hardisty Terminal and increased repairs and maintenance costs as a result of a shut-in of a battery due to operational issues.

Segment profit. Overall, segment profit in the year ended December 31, 2013 increased by $16.4 million, or 21%, compared to the year ended December 31, 2012. The increase was primarily due to the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges, offset in part by increased operating costs.

Truck Transportation

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2013**	**2012**
Barrels hauled	144,340	152,226

	Year ended December 31,	
	2013	**2012**
	(in thousands)	
Revenues	$ 532,490	$ 524,007
Cost of sales	350,228	354,605
	182,262	169,402
Operating expenses and other	98,588	83,903
Segment profit	$ 83,674	$ 85,499

Volumes, revenues and cost of sales. For the year ended December 31, 2013, barrels hauled decreased by 5% compared to the year ended December 31, 2012, due to the negative impact of weather conditions in both Canada and the United States and the impact of new pipelines in certain regions of the United States reducing demand for trucking services, that was partially offset by additional volumes from acquisitions completed in 2012.

Despite the decrease in volumes, revenues increased by 2% in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the impact of an increase in rates for spot hauling activities and an increase in service related charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 1% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the decrease in hauling volumes.

Operating expenses and other. Overall operating expenses and other costs increased by $14.7 million, or 18%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, mainly due to the impact of additional costs of approximately $7.3 million relating to the acquisitions completed in 2012, increase in certain non-recurring customer credits of approximately $1.8 million and increase in payroll related costs in both Canada and the United States.

Segment profit. Segment profit decreased by $1.8 million, or 2%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to the impact of higher operating costs, partially offset by higher margins.

Environmental Services

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

	Year ended December 31, 2013	2012
	(in thousands)	
Revenues		
Environmental services and fluid handling	$ 214,595	$ 60,561
Production services	68,713	11,221
Exploration support services	30,743	1,659
Accommodations	11,008	1,775
Total revenues	325,059	75,216
Cost of sales	183,133	30,450
Operating expenses and other	58,832	28,077
Segment profit	$ 83,094	$ 16,689

Revenues and cost of sales. Revenue increased by $249.8 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the full year impact of the OMNI acquisition that was completed on October 31, 2012. The increase was also due to increased volumes and revenue at the Company's Canadian environmental services facilities, in part due to the impact of adding a new facility during the year.

As a result of the increase in revenue, cost of sales increased by $152.7 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012. Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs.

Operating expenses and other. Operating costs increased by $30.8 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012, largely as a result of the full year impact of the OMNI acquisition. Operating costs largely relate to payroll costs and other administrative costs that specifically relate to the segment.

Segment profit. Segment profit increased by $66.4 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012, largely as a result of the full year impact of the OMNI acquisition and also due to an increase in the profit from the Company's Canadian environmental services facilities.

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	Year ended December 31, 2013	2012
Sales volumes—retail (litres in thousands)		
Residential	22,824	21,493
Oil and gas	207,449	192,876
Commercial and industrial	89,960	72,821
Automotive	21,108	21,579
Other	21,627	19,481
	362,968	328,250
Sales volumes—wholesale (barrels in thousands)		
Propane	4,475	4,171
Other NGLs		
Butane	2,204	2,218
Condensate	2,003	888
U.S. division	4,332	3,144
	8,539	6,250

Revenues	Year ended December 31, 2013 (in thousands)	2012
Retail		
Propane	$ 170,144	$ 138,022
Other	23,855	20,325
Total retail	193,999	158,347
Wholesale		
Propane	235,828	178,616
Other NGLs	721,379	519,723
Total wholesale	957,207	698,339
Total revenues	1,151,206	856,686
Cost of sales		
Retail		
Propane	110,655	79,035
Other	2,539	2,510
Total retail	113,194	81,545
Wholesale	915,285	670,645
Total cost of sales	1,028,479	752,190
Gross Margin		
Retail	80,805	76,802
Wholesale	41,922	27,694
Total gross margin	122,727	104,496
Operating expenses and other	60,450	54,825
Segment profit	$ 62,277	$ 49,671

Volumes, revenues and cost of sales. Retail volumes increased 11% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely due to increased volumes in the oil and gas market as a result of continued strong demand from key customers. Further, the residential and commercial and industrial markets volumes increased as a result of increased construction activities in Alberta and Saskatchewan as well as the positive impact of the acquisitions completed in 2012.

Retail propane revenues increased 23% in the year ended December 31, 2013 as compared to the year ended December 31, 2012, as a result of higher sales volumes and also higher overall propane retail prices, particularly in the latter part of the year. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 17% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely due to the Company's investment in related equipment and the impact of the acquisitions completed in 2012.

Wholesale propane volumes increased by 7% in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in volumes was largely driven by the impact of higher propane demand with certain customers. As a result, revenues increased by 32% in the year ended December 31, 2013 compared to the year ended December 31, 2012 with the additional increase due to an increase in wholesale propane prices.

Wholesale other NGLs volumes increased by 37% in the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily as a result of higher demand from internal and external customers as favorable pricing impacted blending programs. As a result, other NGLs revenues increased by 39% in the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Retail gross margin increased 5% in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the impact of higher retail propane volumes and the increase in other retail income. Wholesale gross margins increased 51% in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the impact of more favorable pricing conditions in the other NGLs marketing business.

Operating expenses and other. Overall operating expenses and other costs increased by $5.6 million or 10%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in payroll related costs in both the retail and wholesale businesses, due in part to the impact of acquisitions completed throughout 2012.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2013 by $12.6 million, or 25%, compared to the year ended December 31, 2012, primarily, as a result of the increase in wholesale margins and volumes.

Processing and Wellsite Fluids

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2013**	**2012**
Roofing flux	2,076	1,853
Road asphalt	186	289
Frac fluid (Gibson Clear)	466	331
Distillate (D822)	835	695
Tops	1,909	2,132
Other	152	68
Total sales volumes	5,624	5,368

	Year ended December 31, 2013	2012
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 234,887	$ 223,045
Frac fluid (Gibson Clear)	59,353	46,327
Distillate (D822)	118,632	95,414
Tops	174,071	176,119
Other	24,154	10,832
Total revenues	611,097	551,737
Cost of sales	540,182	491,056
Operating expenses and other	22,195	20,613
Segment profit	$ 48,720	$ 40,068

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 12% in the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of increased demand in the United States and increased throughput at the processing facility. Sales volumes for road asphalt decreased by 36% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to less Canadian road paving jobs being performed. Road asphalt and roofing flux revenue increased by 5% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to the increase in roofing flux volumes.

Frac fluid volumes increased 41% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to an overall increase in customer demand. Frac fluid revenues increased by 28% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the increase in volume that was offset in part by lower overall selling prices.

Sales volumes for distillate were 20% higher in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to increase in demand from customers in Canada. As a result, distillate revenues were 24% higher in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Tops volumes decreased 10% in the year ended December 31, 2013 as compared to the year ended December 31, 2012 due to the increase in frac fluid and distillate volumes resulting in the Company selling less of the light end volume as tops. Tops revenues decreased by 1% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the decrease in volume offset in part by higher tops pricing.

Other volumes include the sale of the Company's oil based mud (OBM) product and solvents. Other volumes increased by 124% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely driven by increased demand for the Company's OBM product. Other revenue increased by 123% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to the increase in volumes.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 5% due to the increase in crude oil prices.

Overall margins increased by $10.2 million, or 17%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012. Overall margins increased due to higher overall margins from tops and distillate, particularly in the first quarter of 2013, partially offset by lower road asphalt, roofing flux and frac fluid margins.

Operating expenses and other. Operating expenses increased by $1.6 million, or 8%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily due to an increase in repairs and maintenance costs and increased operating costs relating the Company's OBM business.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the year ended December 31, 2013 by $8.7 million, or 22%, as compared to the year ended December 31, 2012, primarily due to higher overall margins for tops and distillate, particularly in the first quarter of 2013, offset in part by higher operating expenses and decreased margins for road asphalt, roofing flux and frac fluid.

Marketing

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

Volumes (barrels in thousands)	Year ended December 31, 2013	2012
Sales Volumes		
Crude and diluent	103,549	81,688

	Year ended December 31, 2013	2012
	(in thousands)	
Revenues	$ 5,580,040	$ 3,745,283
Cost of sales	5,487,361	3,675,635
Operating expenses and other	9,675	10,911
Segment profit	$ 83,004	$ 58,737

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

Calendar Period	2013	2012
January	$ 94.83	$ 100.32
February	95.32	102.26
March	92.96	106.21
April	92.07	103.35
May	94.80	94.72
June	93.80	82.41
July	104.67	87.93
August	106.57	94.16
September	106.24	94.72
October	100.55	89.57
November	93.93	86.66
December	97.89	88.25
Average for the year ended December 31	97.80	94.37

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 27% in the year ended December 31, 2013, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 49% in the year ended December 31, 2013 compared to the year ended December 31, 2012, due to the increase in both volume and commodity prices, including the impact of changes in crude oil differentials during the year.

Cost of sales increased by 49% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely in line with the increase in revenue.

Operating expenses and other. Operating expenses decreased by $1.2 million, or 11%, in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to lower payroll related costs and an increase in foreign exchange gain.

Segment profit. The Marketing segment profit increased by $24.3 million, or 41%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012. In the year ended December 31, 2013, margins were positively impacted by the increase in volumes delivered to the Company's terminals and by crude oil shipped via rail at the Company's various rail loading facilities.

General and administrative, excluding depreciation and amortization

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

G&A expense was $34.6 million in the year ended December 31, 2013 compared to $32.7 million in the year ended December 31, 2012. The increase was largely driven by an increase in payroll related costs and integration costs relating to the OMNI acquisition.

Depreciation and amortization

Depreciation and amortization expense was $184.1 million in the year ended December 31, 2013 compared to $126.6 million in the year ended December 31, 2012. The increase is due to the additional depreciation and amortization related to the increase in the Company's tangible assets due to capital expenditures and the impact of acquisitions, in particular the OMNI acquisition.

Stock based compensation

Stock based compensation expense was $8.3 million in the year ended December 31, 2013 compared to $3.9 million in the year ended December 31, 2012. The increase was primarily due to the additional expense incurred from granting a full annual grant of stock awards in the year ended December 31, 2013. In 2012, only a partial annual allotment was granted as unvested amounts were converted from a previous equity plan.

Debt extinguishment

On June 28, 2013, the Company repaid and terminated its Tranche B Term Loan facility of U.S.$650.0 million and revolving credit facility of U.S.$375.0 million, concurrent with the closing of the Notes and the establishment of the Revolving Credit Facility. Accordingly, the Company recognized non-cash debt extinguishment expenses of $38.2 million comprising unamortized debt issue costs of $22.8 million, unamortized financial instrument liability discount of $10.0 million and unamortized financing costs of $5.4 million during the year ended December 31, 2013.

Foreign exchange loss (gain) not affecting segment profit

In the year ended December 31, 2013, the Company recorded a foreign exchange loss of $15.7 million compared to a foreign exchange gain of $20.4 million in the year ended December 31, 2012.

The gains and losses recorded are primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the year ended December 31, 2013, a loss of $42.5 million was due to the unfavorable movement in exchange rates that was partially offset by a gain of $22.5 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 year ended December 31, 2012, a gain of $14.4 million was due to the favorable movement in exchange rates that was offset in part by an unrealized loss of $0.5 million that related to the Company's U.S. dollar forward contract and call option 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 $53.0 million in the year ended December 31, 2013 compared to $43.0 million in the year ended December 31, 2012. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt and interest rates after the closing of the Notes, letters of credit charges and commitment fees and accretion expense associated with decommissioning and site restoration. The increase was partially offset by the impact of lower amortization of issue costs relating to the Notes and the Revolving Credit Facility.

Financial instruments relating to interest expense

Financial instruments relating to interest expense largely relates to the changes in the value of interest rate swap and an embedded derivative on an interest rate floor within the Company's Tranche B Term Loan that was required to be separated from the carrying value of long-term debt and was accounted for as a separate financial instrument that was measured at fair value at each balance sheet date. As a result of the repayment of the Tranche B Term Loan on June 28, 2013, the interest rate swap was settled and the financial instrument liability discount was derecognized and a gain of $18.3 million was recorded in the year ended December 31, 2013 as compared to $4.2 million in the year ended December 31, 2012.

Income tax expense

Income tax expense for the year ended December 31, 2013 was $36.9 million compared to $32.1 million for the year ended December 31, 2012. The effective tax rate was 26.2% during the year ended December 31, 2013, compared to a rate of 21.7% for the year ended December 31, 2012. The increase in the income tax expense and effective tax rate was primarily due to the impact of non-deductible foreign exchange losses in the year ended December 31, 2013 compared to non-taxable foreign exchange gains in the year ended December 31, 2012. This change was offset in part by the impact of an increase in non-taxable dividends in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Fourth Quarter Results

	Three months ended December 31, 2013	2012
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 35,208	$ 27,595
Truck Transportation	134,102	135,803
Environmental Services	81,386	48,275
Propane and NGL Marketing and Distribution	369,418	244,717
Processing and Wellsite Fluids	156,930	148,155
Marketing	1,424,424	996,452
Total segment revenue	2,201,468	1,600,997
Revenue – inter-segmental	(285,430)	(294,762)
Total revenue – external	1,916,038	1,306,235
Segment profit		
Terminals and Pipelines	25,065	20,329
Truck Transportation	22,165	21,634
Environmental Services	22,564	11,185
Propane and NGL Marketing and Distribution	23,204	20,886
Processing and Wellsite Fluids	13,612	10,132
Marketing	16,733	17,918
Total segment profit	123,343	102,084
General and administrative	9,310	10,693
Depreciation and amortization	52,002	39,171
Stock based compensation	2,258	1,150
Foreign exchange loss (gain)	15,056	(4,978)
Net interest expense	14,662	10,798
Gain on financial instruments relating to interest expense	-	(2,263)
Income before income tax	30,055	47,513
Income tax provision	9,331	10,902
Net income	$ 20,724	$ 36,611

Segment revenue increased by $600.5 million in the three months ended December 31, 2013 compared to the three months ended December 31, 2012. Changes in segment revenue were as follows:

- Terminals and Pipelines segment revenue for the three months ended December 31, 2013 increased by $7.6 million compared to the three months ended December 31, 2012. The increase was largely due to an increase in revenue at the Hardisty Terminal resulting from an increase in revenue from customers with dedicated tank usage that are subject to minimum volumes and fixed fee arrangements;

- Truck Transportation segment revenue decreased by $1.7 million largely due to a decrease in barrels hauled as a result of negative impact of weather conditions in both Canada and the United States and the impact of new pipelines in certain regions of the United States reducing demand for trucking services. However, the impact of lower barrels hauled was partially offset by an increase in rates for spot hauling activities and an increase in service related charges;

- Environmental Services segment revenue increased by $33.1 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the full quarter impact of the acquisition of OMNI in 2013 compared to a partial quarter in 2012. The increase was also due to increased volumes at the Company's Canadian environmental services facilities, in part due to the impact of adding a new facility in the latter part of the fourth quarter of 2012;

- Propane and NGL Marketing and Distribution segment revenue increased by $124.7 million due to higher retail and wholesale sales volumes and also due to the impact of higher propane rack prices;

- Processing and Wellsite Fluids segment revenue increased by $8.8 million due to an increase in demand for roofing flux, frac fluid and distillate, partially offset by lower tops revenues; and

- Marketing segment revenue increased by $428.0 million due mainly to the impact of higher volumes and higher commodity prices.

Segment profit increased by $21.2 million or 20.8% in the three months ended December 31, 2013 compared to the three months ended December 31, 2012. The increase in segment profit was due to:

- Terminals and Pipelines segment profit increased by $4.7 million, largely due to increased volumes through the Company's terminals and the additional profit from customers with dedicated tank usage;
- Truck Transportation segment profit increased by $0.5 million largely as a result of increases in rates for spot hauling activities and an increase in service related activities;
- Environmental Services segment profit increased $11.4 million largely as a result of the full quarter impact of the OMNI acquisition and also an increase in volumes from the Canadian environmental services facilities;
- Propane and NGL Marketing and Distribution segment profit increased by $2.3 million due to increased margins from the wholesale business, largely as a result of more favorable pricing conditions in the fourth quarter of 2013 compared to the prior year period;
- Processing and Wellsite Fluids segment profit increased by $3.5 million, primarily as a result of higher margins on frac fluid and distillate partially offset by lower margins on roofing flux and asphalt and tops; and
- Marketing segment profit decreased by $1.2 million due to the impact of less favorable pricing differentials between crude oil types.

Net income was $20.7 million in the three months ended December 31, 2013 compared to $36.6 million in the three months ended December 31, 2012. Despite the increase in segment profit, net income decreased primarily due the increase in interest expense, depreciation and amortization expenses and foreign exchange losses as a result of the unfavorable movement in exchange rates on the translation of the Company's U.S. dollar denominated 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.

	2013				2012			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Revenues	$1,916,038	$1,841,894	$1,619,726	$1,563,011	$1,306,235	$1,185,647	$1,126,219	$1,294,928
Net income (loss)	20,724	42,599	(5,235)	45,728	36,611	30,017	9,521	40,037
EBITDA(1)	96,806	115,385	33,060	114,733	95,601	83,915	48,565	86,251
Adjusted EBITDA(2)	115,284	103,533	87,176	121,044	96,134	72,109	62,044	71,789
Earnings (loss) per share								
Basic	0.17	0.35	(0.04)	0.38	0.32	0.30	0.10	0.41
Diluted	0.16	0.35	(0.04)	0.37	0.32	0.29	0.09	0.40

(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:

	2013				2012			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Net income (loss)	$ 20,724	$ 42,599	$ (5,235)	$ 45,728	$ 36,611	$ 30,017	$ 9,521	$ 40,037
Depreciation and amortization	52,002	44,460	44,942	42,653	39,171	30,848	28,705	27,887
Interest expense[(1)]	14,749	14,901	(5,286)	10,842	8,917	14,362	8,916	7,213
Income tax expense (recovery)	9,331	13,425	(1,361)	15,510	10,902	8,688	1,423	11,114
EBITDA	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 95,601	$ 83,915	$ 48,565	$ 86,251

(1) Interest expense includes the impact of the 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 year ended December 31, 2013 and 2012:

	Three months ended				Year ended
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2013
	(in thousands)				
EBITDA	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 359,984
Unrealized foreign exchange loss (gain) on long-term debt [(a)]	17,549	(11,350)	22,898	13,354	42,451
Net unrealized gain from financial instruments [(b)]	(1,329)	(2,867)	(9,014)	(8,668)	(21,878)
Share based compensation [(c)]	2,258	2,365	2,023	1,625	8,271
Debt extinguishment [(d)]	-	-	38,209	-	38,209
Adjusted EBITDA	$ 115,284	$ 103,533	$ 87,176	$ 121,044	$ 427,037
Pro forma impact of acquisitions [(f)]					-
Pro Forma Adjusted EBITDA					$ 427,037

	Three months ended				Year ended
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2012
	(in thousands)				
EBITDA	$ 95,601	$ 83,915	$ 48,565	$ 86,251	$ 314,332
Unrealized foreign exchange loss (gain) on long-term debt [(a)]	7,244	(22,953)	12,862	(11,577)	(14,424)
Net unrealized loss (gain) from financial instruments [(b)]	(2,838)	8,636	(472)	(3,737)	1,589
Share based compensation [(c)]	1,150	804	1,050	852	3,856
Acquisition related costs (credits) [(e)]	(5,023)	1,707	39	-	(3,277)
Adjusted EBITDA	$ 96,134	$ 72,109	$ 62,044	$ 71,789	$ 302,076
Pro forma impact of acquisitions [(f)]					68,536
Pro Forma Adjusted EBITDA					$ 370,612

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

(b) Reflects the exclusion of the 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.

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

(d) 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.

(e) 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.

(f) 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 January 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 year ended December 31, 2013 and 2012:

	Year ended December 31,	
	2013	2012
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 331,631	$ 308,899
Investing activities	(232,250)	(636,045)
Financing activities	(66,672)	322,827

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 year ended December 31, 2013 was $331.6 million compared to $308.9 million in the year ended December 31, 2012. The increase was primarily attributable to an increase in overall segment profitability partially offset by an increase in working capital in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Cash used in investing activities

Cash used in investing activities consists primarily of expenditures for growth capital, upgrade and replacement capital and business acquisitions.

Cash used in investing activities was $232.3 million in the year ended December 31, 2013 compared to $636.0 million in the year ended December 31, 2012. The decrease in cash used in investing activities was due largely to not completing any acquisitions in the year ended December 31, 2013 compared to investing $466.4 million related to acquisitions in the year ended December 31, 2012. Offsetting this was an increase in capital expenditures in the year ended December 31, 2013 compared to the year ended December 30, 2012. 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 used in financing activities was $66.7 million compared to cash provided by financing activities of $322.8 million in the year ended December 31, 2012.

The main reason for the change in the year ended December 31, 2013 compared to December 31, 2012 was the completion of a bought deal equity offering for net proceeds of $385.9 million in the year ended December 31, 2012 to partially fund the acquisition of OMNI. No equity offerings were completed in the year ended December 31, 2013.

In addition, in the year ended December 31, 2013, the Company completed the Notes offering on June 28, 2013 for proceeds, net of issue discount of, $764.2 million, which was offset in part by the repayment of the Tranche B Term Loan of $678.1 million. During the year ended December 31, 2013, the Company also paid debt issue and financing costs of $16.2 million, paid net cash dividends of $93.9 million, paid interest of $19.8 million, received net proceeds of $8.7 million on settlement of certain derivative financial instruments relating to interest expense and foreign exchange and received proceeds of $1.2 million on the exercise of stock options.

In the year ended December 31, 2012, the Company replaced and re-priced its previous long-term debt resulting in the Company's existing U.S.$645.0 million Term Loan B being replaced with a U.S.$650.0 million Tranche B Term Loan. In connection with this transaction, the Company paid debt issue and related financing costs of $10.5 million. In addition, during the year ended December 31, 2012, the Company also paid net cash dividends of $60.6 million, paid interest of $37.9 million, received proceeds of $18.6 million on the exercise of stock options and received net proceeds of $31.9 million under the Revolving Credit Facility.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of $97.2 million and $442.6 million available under the Revolving Credit Facility as at December 31, 2013.

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 December 31, 2013, the Company declared a dividend of $0.275 per share for a total dividend of $33.6 million, of which $24.8 million was paid in cash on January 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. 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 $247.0 million in the year ended December 31, 2013. At December 31, 2013, the Company has identified upgrade and replacement capital expenditures and growth capital expenditures excluding acquisitions of $508.5 million, of which $261.5 million has been approved, that the Company expects to undertake 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 the Notes offering and as a result, as of December 31, 2013, 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 to be 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 December 31, 2013, the Company had no amount drawn against the Revolving Credit Facility, had no restricted cash and had issued letters of credit totaling $57.4 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 December 31, 2013, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 0.0 to 1.0, total debt leverage ratio at 1.6 to 1.0, and the interest coverage ratio at 9.1 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 also 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 December 31, 2013, 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.("Co-op"), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), from Hunting PLC ("Hunting") on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits.

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

The following table presents, at December 31, 2013, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt(1)	$ 781,800	$ -	$ -	$ -	$ 781,800
Interest payments on long-term debt(1)	412,194	53,397	106,794	106,794	145,209
Operating lease and other commitments(2)	228,946	45,478	85,283	63,766	34,419
Total contractual obligations	$1,422,940	$ 98,875	$ 192,077	$ 170,560	$ 961,428

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2013 of U.S.$0.9402 to $1.00.

(2) Operating lease and other commitments relate to an office lease for the Company's Calgary head office, rail tank cars, vehicles, field buildings, various equipment leases and terminal services arrangements.

As at December 31, 2013, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $261.5 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's defined benefit plans of $5.9 million and provisions associated with site restoration on the retirement of assets and environmental costs of $91.4 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks" and in the notes to the Company's audited consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by Co-op, pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. The Company and Co-op also had an agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contained customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to the secondary offerings of common shares of $0.2 million in the year ended December 31, 2012. The agreement expired on closing of the secondary offering on March 27, 2012 and accordingly, no expenses have been incurred since that date. As a result of the secondary offering, Co-op and Riverstone no longer hold any common shares of the Company as at March 27, 2012.

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2013 and 2012, the Company's proportionate share of property, plant and equipment was $10.5 million and $9.8 million, respectively. The impact of the Company's share of the other financial position and results of the Plato Partnership is not material to the Company's consolidated financial statements.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2013, there were 122.2 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were an aggregate of 1.0 million restricted share units, performance share units and deferred share units outstanding and 1.9 million stock options outstanding as at December 31, 2013.

At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment of its 2011 Equity Incentive Plan to fix the number of common shares reserved for issuance under the plan to a maximum of 10% of the total number of common shares issued and outstanding at any given time. At December 31, 2013, awards available to grant under the amended 2011 Equity Incentive Plan were approximately 9.2 million.

As at February 28, 2014, 122.7 million common shares, 1.0 million restricted share units, performance share units and deferred share units and 1.9 million stock options were outstanding.

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 that provides eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment of the articles of amalgamation of the Company setting forth terms and conditions pursuant to which the Company may issue common shares as a payment of all or any portion of dividends declared on the common shares for those eligible shareholders who elect to receive stock dividends instead of cash dividends. Presently, the Company has no intention of terminating the DRIP and intends that the stock dividend program ("SDP") and the DRIP will continue to run simultaneously. For the fourth quarter dividend of 2013, holders of approximately 26.2 % 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.

	Year ended December 31	
	2013	2012
	(in thousands)	
Cash flow from operating activities	$ 331,631	$308,899
Adjustments:		
Changes in non-cash working capital	90,043	(6,799)
Upgrade and replacement capital	(69,513)	(56,536)
Cash interest expense	(46,909)	(36,847)
Current income tax	(52,074)	(26,205)
Distributable cash flow	$ 253,178	$182,512
Dividends declared to shareholders	$ 133,682	$106,074

Dividends declared in the twelve months ended December 31, 2013 were $133.7 million, of which $96.4 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 December 31, 2013, 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 December 31, 2013 and 2012. 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 $3.1 million and $3.7 million as of December 31, 2013 and 2012, respectively. A 15% unfavorable change would decrease the Company's net income by $3.0 million and $3.7 million as of December 31, 2013 and 2012, 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 December 31, 2013, the Company had no amounts drawn under the Revolving Credit Facility and accordingly, was not exposed to the interest rate cash flow risk.

Prior to the Notes offering, the Company's long-term debt had an interest rate floor which was considered an embedded derivative as the floor exceeded the LIBOR interest rate at the time of its origination and subsequent modification. As a result, the fair value of the interest rate floor was measured as a separate financial liability at fair value. In addition, the Company had entered into a forward U.S. dollar interest rate swap on the notional amount of U.S.$ 175.0 million to fix the variable interest rate on its Tranche B Term Loan at 5.5% until September 15, 2015. On completion of the Notes offering, the Company derecognized the financial liability discount and settled the interest rate swap and accordingly, as at December 31, 2013 was not exposed to changes in future market interest rates.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by $5.3 million and $2.5 million as at December 31, 2013 and 2012, respectively. A 5% favorable change would increase the Company's net income by $5.1 million and $2.5 million as at December 31, 2013 and 2012, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at December 31, 2013, the Company had outstanding U.S. dollar denominated debt of U.S.$500.0 million. In the year ended December 31, 2011, the Company had entered into U.S. dollar forward contracts on notional amount of U.S.$498.0 million expiring on September 15, 2015 and sold long-dated U.S. dollar call options for notional amount of U.S.$275.0 million to offset the credit cost related to the forward contracts that expire on September 15, 2015. Following the repayment of Tranche B Term Loan on June 28, 2013, U.S. dollar forward contracts for notional amount of U.S.$238.0 million and U.S. dollar call options with notional amount of U.S.$15.0 million were settled. Accordingly, U.S. dollar forward contracts and U.S. dollar call option contracts with notional amount of $260.0 million each remained outstanding as at December 31, 2013.

In addition, during the year ended December 31, 2013, the Company extended the terms and pricing of the remaining U.S. dollar forward and options contracts for a notional amount of U.S.$260.0 million. As a result, as at December 31, 2013, the Company has U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 to U.S.$1.00 for a notional amount of U.S.$260.0 million expiring on September 15, 2017 and as at December 31, 2013, the Company has sold U.S. dollar option contracts for a notional amount of $260.0 million for a strike price of $1.295 to U.S.$1.00, 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 $11.6 million and $5.7 million as at December 31, 2013 and 2012, respectively. A corresponding favorable change would increase the Company's net income by $11.6 million and $5.7 million as at December 31, 2013 and 2012, 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 December 31, 2013, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2013 would increase the Company's annual interest expense by $1.8 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2013 would decrease the Company's annual interest expense by $1.8 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 as follows:

Fair value of assets and liabilities acquired in a business combination. In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production volumes, changes in commodity prices, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. During the measurement period, the allocation of purchase price of the acquired entity may be adjusted when the initial accounting for business combination is recorded based on provisional amounts. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill.

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

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

In the year ended December 31, 2013 and 2012, the Company did not have any impairment charge with respect to property, plant and equipment, goodwill or intangible assets.

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

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

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

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

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. As a result of a change in the risk-free rate and upward revision to the initial costs estimates, the Company recorded an decrease to the provision of $22.6 million during the year ended December 31, 2013, with a corresponding decrease to property, plant and equipment.

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

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

Amended standards adopted by the Company

The Company adopted the following amendments to IFRS that were effective for the first time for the financial year beginning on or after January 1, 2013.

- IAS 1, Presentation of Financial Statements ("IAS 1") was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. The adoption of this amendment did not result in any adjustments to other comprehensive income or comprehensive income.
- IAS 19, Employee Benefits ("IAS 19") was amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, recognized in OCI. Furthermore, entities are required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. As required, the Company adopted these amendments retrospectively. The Company adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service credits and accordingly, on January 1, 2012, December 31, 2012 and December 31, 2013, deficit balance was decreased by approximately $0.6 million and other-long term liabilities were decreased by $0.6 million. The impact on the Company results of operations and earnings per share was not material for the current and comparative year.
- IFRS 7, Financial Instruments: Disclosures ("IFRS 7") has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements. This amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with retrospective application. The adoption of this amendment resulted in additional disclosures that are included in these consolidated financial statements.
- IFRS 10, Consolidated financial statements (''IFRS 10'') builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries.
- IFRS 11, Joint Arrangements ("IFRS 11") addresses joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 11 did not result in any changes in the accounting for joint arrangements.
- IFRS 12, Disclosure of Interests in Other Entities (''IFRS 12'') is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 12 did not result in additional disclosures.
- IFRS 13, Fair Value Measurement ("IFRS 13") provides for a consistent and less complex definition of fair value, established a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. The adoption of IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and accordingly, did not result in any measurement adjustment as at January 1, 2013. However, the adoption of IFRS 13 resulted in a few additional disclosures that are included in the consolidated financial statements.
- The annual improvements process addresses issues in the 2009 - 2011 reporting cycle including changes to IFRS 1, 'First time adoption', IAS 1, IAS 16, 'Property plant and equipment', IAS 32, Financial Instruments: Presentation ("IAS 32"), IAS 34, 'Interim financial reporting'. These improvements are effective for annual periods beginning on or after January 1, 2013,

with retrospective application. The adoption of these amendments did not have any material impact on the Company's consolidated financial statements.

- IAS 36, 'Impairment of assets' ("IAS 36"), was amended regarding the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the Company has decided to early adopt the amendment as of January 1, 2013. The adoption of this amendment did not have any material impact on the Company's consolidated financial statements.

New standards and interpretations issued but not yet adopted

- IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39, "Financial Instruments: Recognition and Measurements'' that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.
- IAS 32, Financial Instruments: Presentation (″IAS 32″) has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of the Company's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2013. The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. These controls are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with IFRS. The Company's CEO and CFO have evaluated the design and operational effectiveness of such controls as at December 31, 2013.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the CEO and the CFO concluded that Gibson's DC&P and ICFR were effective as at December 31, 2013.

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.