Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of August 10, 2011 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three and six months ended June 30, 2011 and 2010, which were prepared under International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34 ("IAS 34") and IFRS 1, and the audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009, the period from December 13, 2008 to December 31, 2008, and the period from January 1, 2008 to December 12, 2008, which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In accordance with IFRS 1, the transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with the Company's IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following Canadian GAAP and has not been re-presented. A discussion of the differences between IFRS and Canadian GAAP applicable to the Company is presented in this MD&A under "Accounting Policies". For a detailed reconciliation of the changes, see note 23 to the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2011 and 2010.

The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of June 30, 2011, its results of operations for the three and six months ended June 30, 2011 and 2010, and its cash flows for the three and six months ended June 30, 2011 and 2010. The unaudited condensed consolidated financial statements do not include all disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes and the annual disclosures and accounting policies included in the unaudited condensed consolidated financial statements for the three months ended March 31, 2011 . The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2011. 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 the 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 one of the largest independent midstream energy companies in Canada and a major participant in the crude oil transportation business in the United States and is engaged in the movement, storage, blending, processing, marketing, and distribution of crude oil, condensate, natural gas liquids ("NGL"), and refined products. The Company transports hydrocarbons by utilizing its integrated network of terminals, pipelines, storage tanks, and truck fleet located throughout western Canada and the United States. The Company is also involved in the processing, blending and marketing of hydrocarbons and is the second largest retail propane distribution company in Canada. The Company's integrated operations allow it to participate across the full midstream energy value chain, from the hydrocarbon producing regions in Canada and the United States, through the Company's strategically located terminals in Hardisty and Edmonton, Alberta and injection stations in the United States, to the refineries of North America via major pipelines.

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

The Company's five integrated segments can be broken down as follows: (1) Terminals and Pipelines, (2) Truck Transportation, (3) Propane and NGL Marketing and Distribution, (4) Processing and Wellsite Fluids and (5) Marketing. The Company believes its competitive advantage is driven by its geographic presence in some of the most hydrocarbon-rich basins in the world, its footholds in strategic market hubs, its positioning that enables it to capture value throughout the energy value chain, its diversified, integrated, synergistic service offerings, its proven track record of sourcing and successfully executing internal growth projects, its proven track record of sourcing, executing and successfully integrating business acquisitions, its leading health, safety, security and environmental record, its experienced management with a

proven history of operations and strong industry reputation and its conservative risk management policies. The Company is continuously focused on improving its operations across all segments by lowering costs, utilizing the Company's integrated asset base to capture inter segment synergies and expanding the Company's network of assets, as well as increasing the Company's margins by providing additional value added services along the midstream energy chain.

Highlights

The key highlights for the three and six months ended June 30, 2011 were as follows:

- Revenue increased 42% and 30% in the three and six months ended June 30, 2011, respectively, compared to the three and six months ended June 30, 2010. The increase was primarily due to increased activity and global commodity price increases;

- Segment profit increased by 124% to $48.2 million in the three months ended June 30, 2011 compared to $21.5 million in the three months ended June 30, 2010 and by 78% to $114.7 million in the six months ended June 30, 2011 compared to $64.4 million in the six months ended June 30, 2010, with increases across all of the Company's segments;

- Adjusted EBITDA in the three months ended June 30, 2011 increased 183% to $42.1 million compared to $14.9 million in the three months ended June 30, 2010. Adjusted EBITDA in the six months ended June 30, 2011 increased 87% to $99.1 million compared to $53.1 million in the six months ended June 30, 2010. Pro-Forma Adjusted EBITDA for the twelve months ended June 30, 2011 was $199.0 million;

- Capital expenditures were $59.0 million in the six months ended June 30, 2011, of which $37.4 million related to internal growth projects. Included in internal growth project expenditures are the expansion of the Truck Transportation and Canwest fleets and the construction of tankage and pipeline connections at the Company's terminals;

- During the three months ended June 30, 2011 the Company entered into a long-term service agreement with a major customer providing the customer with use of a storage tank at the Company's Hardisty Terminal. The agreement provides for a fixed monthly fee plus additional usage fees based on monthly volume throughput;

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

- As part of the Offering and Refinancing, Gibson Energy Holding ULC, Gibson Energy Inc. and 1441682 Alberta Ltd. amalgamated into one entity, with the surviving entity being Gibson Energy Inc. (the "Reorganization"). The Reorganization was a common control transaction whereby Gibson Energy Inc. is accounted for using continuity of interest and, as such, Gibson Energy Inc. is considered a continuity of Gibson Energy Holding ULC;

- On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal to Pembina Midstream Limited Partnership for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million. The terminal was a remotely operated facility located in Edmonton, Alberta, with a capacity of 310,000 barrels. As part of the consideration received, the Company secured important pipeline assets and connections that will provide access to crude oil streams within the Edmonton area, thereby allowing the Company to expand and grow its Edmonton South Terminal; and

- Net loss was $130.2 million and $90.1 million in the three and six months ended June 30, 2011, respectively, compared to a net loss of $50.2 million and $39.1 million in the three months ended June 30, 2010, respectively. The increase in net loss was primarily due to debt extinguishment costs of $166.1 million that were incurred as part of the Refinancing offset by the increase in segment profit and the gain on sale of the Edmonton North Terminal.

Subsequent to quarter end, the Company completed and commissioned the Line 4 and Cold Lake pipeline connections at the Company's Hardisty Terminal. In addition, the Company entered into another long-term service agreement with a major customer providing the customer with use of a storage tank at its Hardisty Terminal, beginning September 1, 2011. The agreement provides for a fixed monthly fee plus additional usage fees based on monthly volume throughput. As a result, all four tanks acquired as part of the Company's acquisition of the remaining 75% interest in Battle River Terminal ULC ("BRT") on August 25, 2010 have been leased out to customers on a long term basis with each agreement providing for fixed monthly fees plus additional usage fees based on monthly volume throughput.

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. In 2010, the Company completed the acquisition of Taylor, an independent for-hire crude oil transportation, logistics and crude oil and NGL marketing business in the United States, and the acquisition of the remaining interests of BRT, which was comprised of storage tanks connected to the Company's Hardisty terminal. Some of the key industry trends that are currently affecting Gibson's business and prospects are:

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

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

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

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

- In the first nine months of 2010, heavy to light crude oil pricing differentials were at historically low levels. However, in the last quarter of 2010 and the first six months of 2011 there has been a widening of these differentials more in line with longer term averages. This creates incremental margin opportunities in multiple areas of the Company's operations.

Longer-term outlook

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

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

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

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

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

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

Acquisitions and internal growth projects

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

	Six months ended June 30,	
	2011	**2010**
Internal growth projects	$ 37,418	$ 14,106
Acquisitions	-	178,546
Upgrade and replacement capital[(1)]	21,617	8,398
	$ 59,035	$ 201,050

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

Total capital expenditures for internal growth projects and upgrade and replacement capital were $59.0 million and $22.5 million in the six months ended June 30, 2011 and 2010, respectively. In the six months ended June 30, 2011 and 2010, $56.1 million and $21.2 million, respectively, were included as additions to property, plant and equipment and $2.9 million and $1.3 million, respectively, were included as additions to intangible assets.

Internal growth projects

In the six months ended June 30, 2011, the Company's internal growth projects included: the expansion of its truck transportation fleet; the continued expansion of its Canwest Propane truck fleet and tankage; and the construction of new tankage and pipeline connections at both its Hardisty Terminal and Edmonton South Terminal.

The following table summarizes the Company's key projects undertaken in the six months ended June 30, 2011 and 2010 (in thousands):

	Six months ended June 30,	
	2011	**2010**
Canwest fleet and tank expansion(1)	$ 1,609	$ 1,706
Truck Transportation fleet expansion(2)	12,158	2,604
Hardisty storage tank construction(3)	3,345	-
Hardisty West Terminal project(4)	2,298	29
Hardisty Line 4 (MM150) connection(5)	4,617	-
Hardisty Cold Lake pipeline connection(6)	6,233	-
Hardisty storage tank connections(7)	508	-
Southern Lights connection at Edmonton South Terminal(8)	2,552	108
Pipeline assets received as part of the sale of the Edmonton North Terminal(9)	900	-
Moose Jaw refinery capacity expansion(10)	112	2,889
Edmonton South Terminal storage tank construction(11)	-	1,409
Purchase of land(12)	-	1,604
Rail loading rack at Edmonton(13)	-	1,886
Other growth projects(14)	3,086	1,871
Total	$ 37,418	$ 14,106

(1) *Represents the ongoing addition of trucks, tank capacity and generators to meet growing demand in key market areas.*

(2) *Represents the ongoing addition of rolling stock to meet demand growth in key market areas, including the United States.*

(3) *Represents capital spent to build a tank at the Hardisty Terminal. The Company has entered into an agreement whereby, on completion, the tank will be leased to a customer on a long-term minimum fee basis.*

(4) *Represents capital spent to date to build and operate four 300,000 barrel tanks at the Hardisty Terminal ("Hardisty West Terminal"). The total cost of construction is estimated to be approximately $88.0 million, with the Company's share being 50% of the total.*

(5) *Represents capital spent to build a connection from Enbridge Line 4 at the Hardisty Terminal. The total cost of the construction is estimated to be $9.5 million.*

(6) *Represents capital spent to build a connection to the Cold Lake pipeline system at the Hardisty Terminal. The total cost of the construction is estimated to be $6.6 million.*

(7) *Capital spent on connections to an existing tank at the Hardisty Terminal which the Company has contracted with a customer to provide terminalling services on the in-service date.*

(8) *Represents capital spent to connect the Edmonton South Terminal to the Southern Lights pipeline. The total cost of the construction is estimated to be $6.6 million.*

(9) *Represents pipeline assets received as part of the sale of the Edmonton North Terminal that will provide access to crude oil streams within the Edmonton area, thereby allowing the Company to expand and grow it's Edmonton South Terminal.*

(10) *Represents expenditures incurred in the expansion of capacity and the building of a new tank at the Moose Jaw Refinery.*

(11) *Represents capital spent to build a tank at the Edmonton South Terminal which went into service in 2010. Total spend on the tank was $3.1 million.*

(12) *Represents the purchase of land in Calgary, Alberta, for the Company's retail propane business.*

(13) *Represents capital spent to expand the rail loading facilities at the Edmonton South Terminal.*

(14) *Represents a number of smaller projects similar in nature to, but smaller in scope than, those discussed above.*

Acquisitions

In the six months ended June 30, 2011, the Company did not complete any acquisitions. In the six months ended June 30, 2010, the Company completed the acquisition of Johnstone Tank Trucking Ltd. ("Johnstone") for aggregate consideration of $21.2 million, effective January 31, 2010; Aarcam Propane & Construction Heat Ltd. ("Aarcam") for aggregate consideration of $3.4 million, effective February 1, 2010; and Taylor Companies LLC and substantially all the assets of Taylor Propane Gas Inc. (collectively, "Taylor") for aggregate consideration of $150.9 million, effective May14, 2010 . The acquired businesses impacted the Company's results of operations commencing on the effective date of each acquisition. In addition, in the six months ended June 30, 2010, the Company participated in a private placement with Palko Environmental Ltd. ("Palko") for $3.1 million, thereby allowing the Company to maintain its 39% equity interest.

Seasonality

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

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table sets forth the Company's consolidated statements of operations for the three and six months ended June 30, 2011 and 2010:

	Three months ended		Six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	(in thousands)			
Revenue	$ 1,207,909	$ 848,865	$ 2,355,926	$ 1,813,394
Cost of sales	1,185,265	849,180	2,289,464	1,787,432
Gross profit (loss)	22,644	(315)	66,462	25,962
General and administrative	11,465	10,492	18,839	18,562
Gain on sale of Edmonton North Terminal	-	-	(20,370)	-
Other operating expenses (income)	(611)	(1,731)	565	(1,196)
Income (loss) from operating activities	11,790	(9,076)	67,428	8,596
Loss (income) from investment in associates	(143)	54	(57)	558
Interest expense	21,265	24,904	45,970	48,940
Interest income	(100)	(62)	(158)	(278)
Foreign exchange loss (gain) on long-term debt	5,167	34,200	(12,161)	13,400
Debt extinguishment costs	166,056	-	166,056	-
Loss before income taxes	(180,455)	(68,172)	(132,222)	(54,024)
Income tax recovery	(50,217)	(18,000)	(42,115)	(14,833)
Net loss	$ (130,238)	$ (50,172)	$ (90,107)	$ (39,191)
Loss per share				
Basic	$ (1.98)	$ (0.86)	$ (1.51)	$ (0.74)
Diluted	(1.98)	(0.86)	(1.51)	(0.74)

SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the three and six months ended June 30, 2011 and 2010 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Segment revenue				
Terminals and Pipelines	$ 240,417	$ 230,207	$ 463,242	$ 512,374
Truck Transportation	106,393	80,509	214,011	146,521
Propane and NGL Marketing and Distribution	206,632	141,721	472,424	315,837
Processing and Wellsite Fluids	111,350	86,200	230,709	206,721
Marketing	949,700	707,989	1,765,480	1,578,713
Total segment revenue	1,614,492	1,246,626	3,145,866	2,760,166
Revenue—inter-segmental	(406,583)	(397,761)	(789,940)	(946,772)
Total revenue—external	1,207,909	848,865	2,355,926	1,813,394
Segment profit (loss)				
Terminals and Pipelines	17,075	7,461	33,811	15,843
Truck Transportation	13,177	11,382	29,413	21,004
Propane and NGL Marketing and Distribution	4,660	4,092	22,208	17,267
Processing and Wellsite Fluids	3,777	573	14,905	9,716
Marketing	9,501	(2,046)	14,327	588
Total segment profit	48,190	21,462	114,664	64,418
General and administrative	6,165	8,586	12,147	14,823
Depreciation and amortization	26,178	22,073	49,984	40,748
Stock based compensation	4,517	1,260	5,138	2,410
Debt extinguishment costs	166,056	-	166,056	-
Foreign exchange loss (gain)	4,564	32,873	(11,881)	11,799
Gain on sale of Edmonton North Terminal	-	-	(20,370)	-
Interest expense, net	21,165	24,842	45,812	48,662
Loss before income tax	(180,455)	(68,172)	(132,222)	(54,024)
Income tax recovery	(50,217)	(18,000)	(42,115)	(14,833)
Net loss	$ (130,238)	$ (50,172)	$ (90,107)	$ (39,191)

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

The Company's segment analysis involves an element of judgment relating to the allocations between segments. Inter-segment sales and cost of sales and operating expenses are eliminated on consolidation. Transactions between segments

and within segments are valued at prevailing market rates. The Company believes that the estimates with respect to these allocations and rates are reasonable.

Terminals and Pipelines

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

Volumes (barrels in thousands)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Hardisty Terminal	19,712	16,087	40,983	30,657
Edmonton South Terminal	3,377	5,032	7,157	8,791
Total terminals	23,089	21,119	48,140	39,448
Custom terminals	2,191	2,837	4,520	6,129
Injection stations	7,985	4,211	16,166	4,211
Bellshill pipeline	501	480	952	964
Provost pipeline	1,648	1,656	3,394	3,374
Total pipelines	2,149	2,136	4,346	4,338

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(in thousands)			
Revenues	$ 240,417	$ 230,207	$ 463,242	$ 512,374
Cost of sales	216,277	217,805	415,850	485,351
Operating expenses and other	7,065	4,941	13,581	11,180
Segment profit	$ 17,075	$ 7,461	$ 33,811	$ 15,843

Three months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased 23% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, as a result of increased volumes through the additional tanks that were acquired as part of the Company's acquisition of BRT. Revenue at the Hardisty Terminal increased by $4.8 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 due to the impact of additional revenue from customers with dedicated tank usage that is largely related to the BRT acquisition.

Edmonton South Terminal volumes decreased by 33% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 due to a decrease in diesel shipments through the terminal. However, as result of minimum volume and fixed fee agreements, revenue at the Edmonton South Terminal increased by $0.3 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Custom terminal volumes decreased 23% in the three months ended June 30, 2011, compared to the three months ended June 30, 2010, as a result of a decrease in the trucked-in volume at the Company's Edmonton South Terminal. Despite the decrease in volumes, revenues increased by approximately $3.8 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as a result of higher commodity prices. However, despite the increase in revenue, cost of sales decreased due to more favorable crude oil grade differentials.

Injection station volumes increased by 90% in the three months ended June 30, 2011, compared to the three months ended June 30, 2010 due to the full quarter impact of the Taylor acquisition which occurred on May 14, 2010. As a result, revenue increased by $0.9 million in the three months ended June 30, 2011, compared to the three months ended June 30, 2010.

Volumes for the Company's Bellshill pipeline were 4% higher in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, due to an increase in receipts from oil production batteries that produce into the pipeline.

Revenue increased by $0.2 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as a result of the increase in volumes and also an increase in tariffs.

Volumes for the Company's Provost pipeline remained relatively stable in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. However, tariff increases led to revenue increasing by $0.2 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Operating expenses and other. Overall operating expenses and other costs increased by $2.1 million, or 43% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. The increase was largely related to the additional operating costs as a result of the BRT and Taylor acquisitions.

Segment profit. Overall, segment profit in the three months ended June 30, 2011 increased by $9.6 million, or 129%, compared to the three months ended June 30, 2010. The primary reason for the increase was due to increased activity through the Company's Hardisty Terminal, largely as a result of the BRT acquisition, and increased profits being generated from the Company's custom terminal operations as a result of widening pricing differentials between crude oil types.

Six months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased 34% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, as a result of increased volumes from the Athabasca pipeline and from other pipeline sources and also due to increased volumes through the additional tanks that were acquired as part of the Company's acquisition of BRT. Revenue at the Hardisty Terminal increased by $10.3 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The increase in revenue was due to both the increase in volume and the impact of additional revenue from customers with dedicated tank usage that is largely related to the BRT acquisition.

Edmonton South Terminal volumes decreased by 19% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 due to a decrease in diesel shipments through the terminal. However, as result of minimum volume and fixed fee agreements, revenues at the Edmonton South Terminal increased by $0.4 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

Custom terminal volumes decreased 26% in the six months ended June 30, 2011, compared to the six months ended June 30, 2010, as a result of a decrease in the trucked-in volume at the Company's Edmonton South Terminal. As a result of the decrease in volumes, revenues decreased by approximately $62.5 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, which also resulted in a decrease in cost of sales.

Injection station volumes increased by 284% in the six months ended June 30, 2011, compared to the six months ended June 30, 2010 due to the full period impact of the Taylor acquisition which occurred on May 14, 2010. As a result, revenue increased by $1.9 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010.

Volumes for the Company's Bellshill pipeline were 1% lower in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, due to a decrease in receipts from oil production batteries that produce into the pipeline. However, revenue increased by $0.3 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 as a result of an increase in tariffs which more than offset the decrease in volumes. Volumes for the Company's Provost pipeline remained relatively stable in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. However, tariff increases led to revenue increasing by $0.4 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

Operating expenses and other. Overall operating expenses and other costs increased by $2.4 million, or 21% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The increase was largely related to the additional operating costs as a result of the BRT and Taylor acquisitions.

Segment profit. Overall, segment profit in the six months ended June 30, 2011 increased by $18.0 million, or 113%, compared to the six months ended June 30, 2010. The primary reason for the increase was due to increased activity through the Company's Hardisty Terminal, largely as a result of the BRT acquisition, and increased profits being generated from the Company's custom terminal operations as a result of widening pricing differentials between crude oil types.

Truck Transportation

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2011**	**2010**	**2011**	**2010**
Barrels hauled	34,332	32,253	70,051	58,155

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
		(in thousands)		
Revenues	$ 106,393	$ 80,509	$ 214,011	$ 146,521
Cost of sales	75,644	53,967	151,069	97,831
	30,749	26,542	62,942	48,690
Operating expenses and other	17,572	15,160	33,529	27,686
Segment profit	$ 13,177	$ 11,382	$ 29,413	$ 21,004

Three months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

For the three months ended June 30, 2011, barrels hauled increased by 6% compared to the three months ended June 30, 2010, due mainly to a full quarter impact of the acquisition of Taylor, which occurred on May 14, 2010. However, this was offset by a decrease in hauling volumes due to adverse weather conditions in both Canada and the United States that limited the Company's ability to haul in certain regions.

Revenues increased by 32% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. The increase was driven by the increase in volumes but was also due to an increase in fuel surcharge revenue and rate increases.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales in the three months ended June 30, 2011 increased 40%, as compared to the three months ended June 30, 2010. The increase was largely driven by the increase in revenue with the additional increase due to a higher cost of sales for Taylor trucking.

Operating expenses and other. Overall operating expenses and other costs increased by $2.4 million, or 16%, in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, mainly due to the impact of additional costs related to the Taylor acquisition and also due to increased maintenance costs.

Segment profit. Segment profit increased by $1.8 million or 16% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as a result of the increase in revenues, mainly driven by the impact of the Taylor acquisition and increases in fuel surcharges and rates.

Six months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

For the six months ended June 30, 2011, barrels hauled increased by 20% compared to the six months ended June 30, 2010, due mainly to the full period impact of the acquisition of Taylor, which occurred on May 14, 2010 and to a lesser extent the

full period impact of the acquisition of Johnstone, which occurred on January 31, 2010. However, this was offset by a decrease in hauling volumes due to adverse weather conditions in both Canada and the United States and also a decrease in petroleum coke hauling that experienced strong demand in the six months ended June 30, 2010 due to an overall increase in demand in the industry for the product.

Revenues increased by 46% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The increase was driven by the increase in volumes but also due to an increase in fuel surcharge revenue and rate increases.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales in the six months ended June 30, 2011 increased 54%, as compared to the six months ended June 30, 2010. The increase was largely driven by the increase in revenue with the additional increase due to a higher cost of sales for Taylor trucking.

Operating expenses and other. Overall operating expenses and other costs increased by $5.8 million, or 21%, in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, mainly due to the impact of additional costs related to the Taylor and Johnstone acquisitions and also due to increased maintenance costs.

Segment profit. Segment profit increased by $8.4 million or 40% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 as a result of the increase in revenues, mainly driven by the impact of the Taylor acquisition and increases in fuel surcharges and rates but offset by a decrease in other hauling volumes.

Propane and NGL Marketing and Distribution

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

	Three months ended June 30,		Six months ended June 30,	
Volumes	**2011**	**2010**	**2011**	**2010**
Sales volumes—retail (litres in thousands)				
Residential	2,630	2,529	10,870	8,837
Oil and gas	33,676	26,084	85,069	66,688
Commercial and industrial	9,541	7,926	37,992	27,704
Automotive	7,291	7,459	12,049	12,607
Other	4,084	4,012	9,465	8,725
	57,222	48,010	155,445	124,561
Sales volumes—wholesale				
Propane distribution (litres in thousands)	123,079	108,341	364,835	315,402
NGL Marketing (barrels in thousands)				
Propane	-	-	-	41
Butane	333	375	898	628
Condensate	365	287	615	584
Taylor	787	664	1,373	664
	1,485	1,326	2,886	1,917

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
		(in thousands)		
Revenues				
Retail				
Propane	$ 29,396	$ 20,815	$ 82,523	$ 62,745
Other	615	548	1,261	1,107
Total retail	30,011	21,363	83,784	63,852
Wholesale				
Propane distribution	49,358	34,462	148,483	117,694
NGL Marketing	124,931	83,570	233,824	128,774
Total wholesale	174,289	118,032	382,307	246,468
Other	2,332	2,326	6,333	5,517
Total revenues	206,632	141,721	472,424	315,837
Cost of sales				
Retail				
Propane	21,247	13,837	58,938	43,637
Other	485	363	993	793
Total retail	21,732	14,200	59,931	44,430
Wholesale				
Propane distribution	46,866	32,902	140,784	109,675
NGL Marketing	122,538	81,811	226,402	125,055
Total wholesale	169,404	114,713	367,186	234,730
Total cost of sales	191,136	128,913	427,117	279,160
	15,496	12,808	45,307	36,677
Operating expenses and other	10,836	8,716	23,099	19,410
Segment profit	$ 4,660	$ 4,092	$ 22,208	$ 17,267

Three months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Retail volumes increased 19% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, largely as a result of increased volumes in the oil and gas and the commercial and industrial markets. The increase in the oil and gas market was as a result of an overall increase in drilling activity in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. The increase in the commercial and industrial market was due to an increase in construction activity. There was also an increase in the residential market due to colder weather conditions in the Company's key markets. However, there was a small decline in the automotive market, where declines have been occurring for several years as propane is not the preferred fuel choice. Overall retail propane revenues increased 41% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, as a result of increased sales volumes and increased rack prices.

Wholesale propane distribution volumes increased by 14% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, due to an increase in volumes from long-term propane customers as they continue to grow their businesses. Revenues increased by 43% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as a result of the increase in volumes and also an increase in rack prices.

NGL marketing volumes increased 12% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, primarily as a result of the impact of the Taylor acquisition. The increase was also due to an increase in condensate volumes sold to external customers offset by a decrease in butane volumes sold to external customers and used by

the Company's Marketing segment. NGL marketing revenues increased 49% due to the impact of increased volumes and also an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale distribution propane increased 29% and 25% respectively in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. Retail propane margin per litre remained relatively stable, decreasing by 2%. Wholesale propane distribution margin per litre was 13% higher in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 due to more favorable pricing conditions.

Cost of sales for NGL marketing increased 50% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, largely due to increased commodity prices and the impact of the Taylor acquisition.

Operating expenses and other. Overall operating expenses and other costs increased by $2.1 million, or 24%, in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, primarily due an increase in payroll related costs and also the additional costs from the Taylor acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the three months ended June 30, 2011 by $0.6 million or 14% as compared to the three months ended June 30, 2010, primarily as a result of increased volumes in retail propane and higher volumes and margins in wholesale propane distribution.

Six months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Retail volumes increased 25% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, largely as a result of increased volumes in the oil and gas and the commercial and industrial markets. The increase in the oil and gas market was as a result of an overall increase in drilling activity in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The increase in the commercial and industrial market was due to an increase in construction activity. There was also an increase in the residential market due to colder weather conditions in the Company's key markets. However, there was a decline in the automotive market, where declines have been occurring for several years as propane is not the preferred fuel choice. Overall retail propane revenues increased 32% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, primarily as a result of increased sales volumes but also due to an increase in rack prices.

Wholesale propane distribution volumes increased by 16% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, due to an increase in volumes from long-term propane customers as they continue to grow their businesses. Revenues increased by 26% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 as a result of the increase in volumes and also an increase in rack prices.

NGL marketing volumes increased 51% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, primarily as a result of the impact of the Taylor acquisition and also due to an increase in butane and condensate volumes sold to external customers and product used by the Company's Marketing segment. NGL marketing revenues increased 82% due to the impact of increased volumes and also an increase in commodity prices.

Cost of sales per litre in retail propane and wholesale distribution propane increased 8% and 11% respectively in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Retail propane margin per litre remained relatively stable, decreasing by 1%. Wholesale propane distribution margin per litre was 20% lower in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. This decrease was largely due an unfavorable impact of a weaker U.S. dollar relative to the Canadian dollar.

Cost of sales for NGL marketing increased 81% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, largely due to increased commodity prices and the impact of the Taylor acquisition.

Operating expenses and other. Overall operating expenses and other costs increased by $3.7 million, or 19%, in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, primarily due an increase in payroll related costs and also the additional costs from the Taylor acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the six months ended June 30, 2011 by $4.9 million or 29% as compared to the six months ended June 30, 2010, primarily as a result of increased volumes and margins in retail propane and NGL marketing.

Processing and Wellsite Fluids

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2011**	**2010**	**2011**	**2010**
Roofing flux	383	331	779	726
Road asphalt	161	138	161	246
Frac fluid	48	47	211	242
Tops	317	364	723	717
Distillate	130	79	354	266
Other	15	8	36	16
Total sales volumes	1,054	967	2,264	2,213

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
	(in thousands)			
Revenues				
Road asphalt and roofing flux	$ 52,756	$ 43,222	$ 85,843	$ 83,627
Frac fluid	6,774	4,988	26,637	28,539
Tops	31,643	26,956	67,214	54,817
Distillate	18,219	9,974	46,825	37,639
Other	1,958	1,060	4,190	2,099
Total revenues	111,350	86,200	230,709	206,721
Cost of sales	101,017	78,603	205,479	186,390
Operating expenses and other	6,556	7,024	10,325	10,615
Segment profit	$ 3,777	$ 573	$ 14,905	$ 9,716

Three months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Sales volumes for roofing flux increased 16% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 as a result of increased demand in the United States following a number of severe weather events. In the three months ended June 30, 2011, there was also an increase in demand for the Company's straight run roofing flux. In the three months ended June 30, 2011, road asphalt volumes increased 17% compared to the three months ended June 30, 2010 due to a longer delay to the start of the Canadian paving season in the prior year due to wet weather. Road asphalt and roofing flux revenue increased by 22% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 due mainly to the increase in volumes and also increases in roofing flux prices.

Frac fluid volumes increased 2% in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. However, Frac fluid revenues were 36% higher in the three months ended June 30, 2011 compared to the three months ended June 30, 2010, which was largely due to a change in product mix whereby in the three months ended June 30, 2010 there was higher volumes of customer recycled frac volumes, which have lower selling prices.

Tops volumes were 13% lower in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. The decrease in volume is a result of an increase in sales volumes of the Company's frac fluid and distillate. When frac fluid and distillate volumes increase, the Company sells less of the light end volumes as tops. However, tops revenues were 17% higher over the same period, reflecting the higher price of crude oil which is the basis for pricing tops.

Sales volumes for distillate were 65% higher in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 due to an increase in drilling activity. Distillate revenues were 83% higher in the period largely as a result of the higher volumes and higher pricing.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased 18% due to an increase in crude prices, which was partially offset by wider price differentials, which had a positive impact on product margins.

Overall margins increased by $2.7 million, or 36%, in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. The primary reasons for the increase in overall margins were wider differentials for crude oil, which positively impacted tops margins, and increased margins for distillate due to increased volumes.

Operating expenses and other. Operating expenses decreased by $0.5 million or 7% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, primarily due to lower maintenance costs.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the three months ended June 30, 2011 by $3.2 million or 559% as compared to the three months ended June 30, 2010 primarily as a result of increased margins for tops. The selling price for tops increased but crude oil input prices did not increase correspondingly due to wider price differentials for crude oil resulting in increased margins. The increase was also due to the increase in sales volumes of roofing flux and distillate.

Six months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

Sales volumes for roofing flux increased 7% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 as a result of increased demand in the United States following a number of severe weather events. In the six months ended June 30, 2011, there was also an increase in demand for the Company's straight run roofing flux. In the six months ended June 30, 2011, road asphalt volumes decreased 35% compared to the six months ended June 30, 2010 due mainly to customers purchasing in advance of the paving season to secure volumes and winter fill pricing, particularly in the first quarter of 2010. Road asphalt and roofing flux revenue increased by 3% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 due to an increase in pricing offset by a decrease in volumes.

Frac fluid revenues were 7% lower in the six months ended June 30, 2011 compared to the six months ended June 30, 2010, which was largely due to a decrease in volumes. Frac fluid volumes decreased 13% in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. Despite strong overall demand for frac fluids, the decrease was primarily due to an increase in market demand for water based frac fluids as opposed to oil based frac fluids.

Tops volumes remained relatively stable in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. However, tops revenues were 23% higher over the same period, reflecting the higher price of crude oil which is the basis for pricing tops.

Sales volumes for distillate were 33% higher in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 due to an increase in drilling activity. Distillate revenues were 24% higher in the period as a result of higher volumes, which was offset by lower pricing particularly in the first quarter, as a result of increased competition.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased 8% due to the increase in crude prices that was partially offset by wider price differentials, which had a positive impact on product margins.

Overall margins increased by $4.9 million, or 24%, in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. The primary reasons for the increase in overall margins were wider differentials for crude oil, which positively impacted tops margins and increased margins for distillate due to increased volumes.

Operating expenses and other. Operating expenses decreased by $0.3 million or 3% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, primarily due to lower operational costs.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the six months ended June 30, 2011 by $5.2 million or 53% as compared to the six months ended June 30, 2010 primarily as a result of increased margins for tops. The selling price for tops increased but crude oil input prices did not increase correspondingly due to wider price differentials for crude oil resulting in increased margins. The increase was also due to the increase in sales volumes of roofing flux and distillate offset by lower volumes of road asphalt.

Marketing

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2011**	**2010**	**2011**	**2010**
Sales Volumes				
Crude and diluent	12,410	11,184	25,350	22,808
Natural gas (GJ)	4,818	8,207	10,328	18,669

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
		(in thousands)		
Revenues				
Crude and diluent	$ 926,690	$ 595,571	$ 1,717,081	$1,295,068
Natural gas	23,010	38,498	48,399	95,805
Edmonton North Terminal	-	73,920	-	187,840
Total revenues	949,700	707,989	1,765,480	1,578,713
Cost of sales	938,444	707,807	1,746,217	1,572,311
Operating expenses and other	1,755	2,228	4,936	5,814
Segment profit	$ 9,501	$ (2,046)	$ 14,327	$ 588

Three months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$96.29 to U.S.$110.04 during the three months ended June 30, 2011 and from approximately U.S.$74.12 to U.S.$84.58 during the three months ended June 30, 2010.

Sales volumes for crude and diluent increased by 11% in the three months ended June 30, 2011, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue for crude and diluent increased by 56% due to the increase in volume and also the increase in commodity prices.

Natural gas sales volumes decreased 41% in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, primarily due to the expiration and non-renewal of gas contracts since June 30, 2009. As a result, natural gas revenues were 40% lower in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010.

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

Cost of sales in the three months ended June 30, 2011 was 33% higher compared to the three months ended June 30, 2010. This was mainly attributable to the increase in commodity prices and crude and diluent volumes, offset by decreases in volumes from natural gas and the Edmonton North Terminal.

Operating expenses and other. Operating expenses decreased by $0.5 million in the three months ended June 30, 2011 compared to the three months ended June 30, 2010. The decrease in costs was mainly as a result of cost saving from the sale of the Edmonton North Terminal.

Segment profit. The Marketing segment results increased by approximately $11.5 million in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. In the three months ended June 30, 2011 margins were positively impacted by rising prices and widening pricing differentials between crude oil types, which is generally beneficial for segment profitability. In the three months ended June 30, 2010, margins were negatively impacted by falling prices and a narrow price differential environment.

Six months ended June 30, 2011 and 2010.

Volumes, revenues and cost of sales.

The monthly average NYMEX benchmark price of crude oil ranged from approximately U.S.$89.58 to U.S.$110.04 during the six months ended June 30, 2011 and from approximately U.S.$74.12 to U.S.$84.58 during the six months ended June 30, 2010.

Sales volumes for crude and diluent increased by 11% in the six months ended June 30, 2011, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue for crude and diluent increased by 33% due to the increase in volume and also the increase in commodity prices.

Natural gas sales volumes decreased 45% in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010, primarily due to the expiration and non-renewal of gas contracts since June 30, 2009. As a result, natural gas revenues were 49% lower in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010.

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

Cost of sales in the six months ended June 30, 2011 was 11% higher compared to the six months ended June 30, 2010. This was mainly attributable to the increase in commodity prices and crude and diluent volumes, offset by the decreases in volumes from natural gas and the Edmonton North Terminal.

Operating expenses and other. Operating expenses decreased by $0.9 million in the six months ended June 30, 2011 compared to the six months ended June 30, 2010. The decrease in costs was mainly as a result of cost saving from the sale of the Edmonton North Terminal.

Segment profit. The Marketing segment profit increased by approximately $13.7 million in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. In the six months ended June 30, 2011 margins were positively impacted by rising prices and widening pricing differentials between crude oil types, which is generally beneficial for segment profitability. In the six months ended June 30, 2010, margins were negatively impacted by falling prices and a narrow price differential environment.

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 and communications that are incurred at a corporate level and are not related to a specific segment of operations.

G&A expense was $6.2 million and $12.1 million in the three and six months ended June 30, 2011, respectively compared to $8.6 million and $14.8 million in the three and six months ended June 30, 2010, respectively. The decrease in G&A expenses was largely related to the expensing of acquisition transaction costs of $2.4 million in the three and six months ended June 30, 2010.

Depreciation and amortization

Depreciation and amortization expense was $26.2 million and $50.0 million in the three and six months ended June 30, 2011, respectively, compared to $22.1 million and $40.7 million in the three and six months ended June 30, 2010, respectively. The increase was largely due to the additional depreciation and amortization related to the Company's acquisitions, primarily Taylor and BRT. In addition, in the three and six months ended June 30, 2011 the expense includes an impairment charge of $2.3 million relating to a tank at the refinery in Moose Jaw that, upon inspection, was determined not to be suitable for future use.

Stock based compensation

Stock based compensation expense was $4.5 million and $5.1 million in the three and six months ended June 30, 2011, respectively, compared to $1.3 million and $2.4 million in the three and six months ended June 30, 2010, respectively. The increase in expense was largely due to the additional expense incurred from the granting of options in June 2011 that vested upon completion of the Offering. The increase was also due to the incremental expense incurred from the vesting of performance awards that did not vest in prior periods but vested in the three months ended June 30, 2011.

Foreign exchange loss (gain) not affecting segment profit

In the three months ended June 30, 2011, the Company recorded a foreign exchange loss of $4.6 million and in the six months ended June 30, 2011 a gain of $11.9 million compared to a foreign exchange loss of $32.9 million and $11.8 million in the three and six months ended June 30, 2010, respectively. 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. In the three months ended June 30, 2011, the loss was due an unrealized loss of $9.4 million that was largely related to the Company entering into U.S. dollar forward contracts on its long-term debt, which was offset by favorable movement in exchange rates. In the six months ended June 30, 2011, the gain was due to the favorable movement in exchange rates exceeding the unrealized loss of $9.4 million related to the Company entering into the U.S. dollar forward contracts. The loss recorded in the three and six months ended June 30, 2010 was primarily as a result of the unfavorable movement in exchange rates relating to the Company's U.S. dollar denominated long-term debt.

Gain on sale of Edmonton North Terminal

On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal to Pembina Midstream Limited Partnership for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million in the six months ended June 30, 2011.

Debt extinguishment costs

In the three months ended June 30, 2011, the Company recorded debt extinguishment costs of $166.1 million as a result of the Refinancing. The amount largely relates to the repurchase bonus of $128.1 million that was incurred in connection with the tender and discharge of the Notes, the write-off of the Company's unamortized deferred debt issue costs from the repayment of the Notes and the unamortized prepaid financing costs on the replacement of the Company's revolving credit facilities totaling $37.3 million. In addition, the expense includes professional fees incurred in the tender and discharge process.

Interest expense, net

Net interest expense was $21.2 million and $45.8 million in the three and six months ended June 30, 2011, respectively, compared to $24.8 million and $48.7 million in the three and six months ended June 30, 2010, respectively. The decrease is primarily due to the impact of a stronger Canadian dollar compared to the U.S. dollar in the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 and also due to both the lower interest rate and principle balance on the Company's long-term debt following the Refinancing.

Income tax recovery

Income tax recovery during the three and six months ended June 30, 2011 was $50.2 million and $42.1 million, respectively, compared to $18.0 million and $14.8 million in the three and six months ended June 30, 2010. The effective tax rate was 27.8% and 31.9% during the three and six months ended June 30, 2011, respectively, compared to 26.4% and 27.4% during the three and six months ended June 30, 2010. The main reason for the increase in the income tax recovery was due to the increase in loss before tax in the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. The effective tax rate increased due mainly to the benefits of non-taxable dividends in the three and six months ended June 30, 2011 and the impact of the non-taxable portion of the Edmonton North Terminal gain in the six months ended June 30, 2011.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Company's quarterly results for each of the last eight quarters. The quarterly results after January 1, 2010 have been prepared in accordance with IFRS. The quarterly results prior to January 1, 2010 have been prepared in accordance with Canadian GAAP.

	IFRS						Canadian GAAP	
	2011		2010				2009	
	Three months ended							
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
	(in thousands)							
Revenues	$1,207,909	$1,148,017	$ 992,048	$ 885,010	$ 848,865	$964,529	$ 988,702	$ 875,164
Net income (loss)	(130,238)	40,131	31,396	10,737	(50,172)	10,981	(97,181)	26,714
EBITDA[(1)]	(133,012)	96,744	84,497	59,991	(21,194)	56,859	(69,423)	72,065
Earnings (loss) per share								
Basic	(1.98)	0.58	0.45	0.12	(0.86)	0.12	(1.62)	0.38
Diluted	(1.98)	0.51	0.41	0.12	(0.86)	0.12	(1.62)	0.36

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

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 you should not consider this item in isolation, or as a substitute for an analysis of the Company's results as reported under IFRS or Canadian GAAP. Some of these limitations are:

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

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

- Other companies in the industry may calculate EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results for the periods subsequent to January 1, 2010 and Canadian GAAP results for the period prior to January 1, 2010 and using EBITDA only supplementally. The following table reconciles consolidated net income (loss) to EBITDA:

	IFRS						Canadian GAAP	
	2011		2010				2009	
	Three months ended							
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
	(in thousands)							
Net income (loss)....	$ (130,238)	$ 40,131	$ 31,396	$ 10,737	$ (50,172)	$ 10,981	$ (97,181)	$ 26,714
Depreciation and amortization........	26,178	23,806	24,882	24,259	22,074	18,675	20,360	21,505
Interest expense	21,265	24,705	25,555	25,241	24,904	24,036	19,383	19,388
Income tax expense (recovery)	(50,217)	8,102	2,664	(246)	(18,000)	3,167	(11,985)	4,458
EBITDA	$ (133,012)	$ 96,744	$ 84,497	$ 59,991	$ (21,194)	$ 56,859	$ (69,423)	$ 72,065

Adjusted EBITDA and Pro Forma Adjusted EBITDA are presented because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense and foreign exchange differences on the Company's long-term debt), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property, plant and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA and Pro Forma Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented herein are not recognized measures under IFRS or Canadian GAAP 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, accretion, 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 writedowns. It also takes into account the impact of foreign exchange movements in the Company's U.S. dollar denominated long-term debt, management fees, debt extinguishment costs and other adjustments that are considered non-recurring in nature. Pro Forma Adjusted EBITDA differs from the term Adjusted EBITDA in that it also includes the pro forma effect of acquisitions that took place in each fiscal year as if the acquisitions took place at the beginning of the fiscal year in which such acquisition occurred. Pro Forma Adjusted EBITDA is also used in calculating the Company's covenant compliance under the Term Loan and Revolving Credit Facility.

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

The following table reconciles EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last four quarters and for the twelve months ended June 30, 2011:

	IFRS				
	Three months ended				Twelve months ended
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2011
	(in thousands)				
EBITDA	$ (133,012)	$ 96,744	$ 84,497	$ 59,991	$ 108,220
Unrealized foreign exchange gain on long-term debt[(a)]	(4,200)	(17,328)	(26,752)	(23,408)	(71,688)
Net unrealized loss (gain) from financial instruments[(b)]	8,536	(3,034)	(1,787)	1,639	5,354
Employee stock option plan[(c)]	4,517	621	475	1,744	7,357
Management fee[(d)]	250	306	255	260	1,071
Gain on sale of Edmonton North Terminal [(e)]	-	(20,370)	-	-	(20,370)
Debt extinguishment costs [(f)]	166,056	-	-	-	166,056
Non-recurring charges[(g)]	-	-	-	2,543	2,543
Adjusted EBITDA	$ 42,147	$ 56,939	$ 56,688	$ 42,769	$ 198,543
Pro forma impact of acquisitions [(h)]					414
Pro Forma Adjusted EBITDA					$ 198,957

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

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

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

(d) Reflects an adjustment for the management fee payable to Riverstone Holdings LLC ("Riverstone"). The management fee agreement was terminated in connection with the Offering.

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

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

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

(h) Reflects the pro forma effect of the Company's acquisitions of Taylor and BRT on the Company's Pro Forma Adjusted EBITDA as if the acquisitions took place on July 1, 2010. The adjustment is based on the acquiree's unaudited historical financial performance prior to their acquisition.

LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company's sources and uses of funds for the three and six months ended June 30, 2011 and 2010:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Statement of Cash Flows				
Cash flows provided by (used in):				
Operating activities	$ 23,532	$ 20,271	$ 87,103	$ 43,652
Investing activities	(34,331)	(164,966)	1,775	(195,347)
Financing activities	35,557	(6,165)	(18,769)	161,423

Cash provided by operating activities

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

Cash provided by operations in the three and six months ended June 30, 2011 was $23.5 million and $87.1 million, respectively, compared to $20.3 million and $43.7 million in the three and six months ended June 30, 2010, respectively. The increase was primarily attributable to an increase in overall profitability in the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. In addition, inventory decreased by $5.8 million and $45.1 million in the three and six months ended June 30, 2011, respectively, compared to a decrease in inventory of $3.6 million in the three months ended June 30, 2010 and an increase in inventory of $5.7 million in the six months ended June 30, 2010. Offset against this was a net outflow from trade receivables and payables of $4.4 million and $43.8 million in the three and six months ended June 30, 2011, respectively, compared to a inflow of $9.5 million and $24.2 million in the three and six months ended June 30, 2010, respectively.

Cash provided by (used in) investing activities

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

Cash used in investing activities in the three months ended June 30, 2011 was $34.3 million and cash provided by investing activities was $1.8 million in the six months ended June 30, 2011, compared to cash used in investing activities of $165.0 million and $195.3 million in the three and six months ended June 30, 2010, respectively. The decrease in cash used in investing activities was due to a decrease in business acquisitions in the three and six months ended June 30, 2011

compared to the three and six months ended June 30, 2010. The Company did not complete any business acquisitions in the three and six months ended June 30, 2011 compared to cash outflow for the acquisitions of Taylor, Johnstone and Aarcam in the six months ended June 30, 2010. In addition, in the three and six months ended June 30, 2010 the Company participated in a private placement with Palko for $3.1 million, thereby allowing the Company to maintain its 39% equity interest. Offset against this was an increase in capital expenditures in the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A. In addition, the decrease in cash used in investing activities in the six months ended June 30, 2011 was due an increase in proceeds from the sale of assets of $55.3 million, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011.

Cash (used in) provided by financing activities

Cash provided by financing activities in the three months ended June 30, 2011 was $35.6 million and used in financing was $18.8 million in the six months ended June 30, 2011, compared to $6.2 million used in financing in the three months ended June 30, 2010 and $161.4 million provided by financing in the three months ended June 30, 2010. The cash provided by financing activities in the three and six months ended June 30, 2011 was largely related to the net proceeds from the Offering of $472.8 million and the proceeds from the Term Loan, net of debt issue and financing costs, of $612.7 million, offset by the repayment of the Notes of $743.3 million and debt extinguishment costs of $128.5 million. In addition, interest paid in the three and six months ended June 30, 2011 was $43.7 million and $54.6 million, respectively. The cash used in financing activities in the three months ended June 30, 2010 related to interest paid of $35.0 million on the Company's outstanding debt, offset by net proceeds from the Company's credit facilities of $28.7 million. The cash provided by financing in the six months ended June 30, 2010 was largely as a result of the issuance of the Senior Notes in an aggregate principal amount of U.S.$200.0 million less debt issuance costs of $6.5 million and a debt discount of $5.7 million. In addition, offset against this was interest paid of $36.9 million on the Company's outstanding indebtedness.

As of June 30, 2011, the Company had total outstanding long-term debt, excluding debt issuance costs, of U.S.$650.0 million. The Term Loan has a term of seven years expiring on June 15, 2018, and accrues interest at the option of the Company at a rate equal to Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25%. The Term Loan is repayable in equal quarterly installments commencing September 30, 2011 totaling 1% per annum of the original principal with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of annual net excess cash flow subject to certain ratios and the disposition of assets in excess of $10.0 million in any given year, where such proceeds are not reinvested into capital assets within specified time periods. Additionally, the Company has a Revolving Credit Facility of up to U.S.$275.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. At June 30, 2011, the Company did not have any amount drawn against this facility and the Company had issued letters of credit totaling $41.4 million. At June 30, 2011, the Company had restricted cash of $4.3 million. The Term Loan and Revolving Credit Facility are secured by substantially all of the Company's property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by all of the Company's existing material wholly owned subsidiaries.

The terms of the Company's Term Loan and Revolving Credit Facility requires the Company to maintain a "Senior Secured Leverage Ratio" of greater than 5.0 to 1.0 and an "Interest Coverage Ratio" of not less than 2.5 to 1.0. These ratios will become more restrictive over the term of the Term Loan as the Senior Secured Leverage Ratio will decrease to 4.5 to 1.0 on June 15, 2013 and to 4.0 to 1.0 on June 15, 2015 and the Interest Coverage Ratio will increase to 2.75 to 1.0 on June 15, 2013 and to 3.0 to 1.0 on June 15, 2015. As of June 30, 2011, the Company was in compliance with the financial ratios. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, and could result in an acceleration of amounts due and payable under the Term Loan.

The Term Loan and Revolving Credit Facility also contain non-financial covenants that restrict some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, create liens, make investments and engage in specified transactions with affiliates. The Term Loan and Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when

due, subject to specified grace periods, breach of specified covenants, change in control and material inaccuracy of representations and warranties. As of June 30, 2011, the Company was in compliance with all of the Company's covenants.

Liquidity sources, requirements and contractual cash requirement and commitments

The Company believes that the Company's cash on hand, together with cash from operations and borrowings under the Company's Revolving Credit Facility, will be adequate to meet the Company's working capital needs, planned capital expenditures, debt service, targeted dividend level and other cash requirements for at least the next twelve months. At June 30, 2011, the Company had unrestricted cash of $72.2 million and $223.8 million available under the Revolving Credit Facility.

The Company's ability to make scheduled payments of principal and interest on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. Capital expenditures amounted to $59.0 million in the six months ended June 30, 2011. However, the Company did not make any acquisitions in the six months ended June 30, 2011. The Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $166.3 million that the Company expects to undertake over the next 12 to 24 months. While the Company anticipates that these capital expenditures and acquisitions will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

The agreements governing the Term Loan and Revolving Credit Facility limit the Company's ability to incur additional indebtedness or to make certain acquisitions unless the Company meets the Senior Secured Leverage Ratio and the Interest Coverage Ratio, which are based on the Company's Pro Forma Adjusted EBITDA during the most recently ended four-quarter period. Because the Company's Pro Forma Adjusted EBITDA may fluctuate materially from period to period, the Company cannot assure you that the Company will always meet these ratios. As at June 30, 2011, the Company did meet these ratios.

Contingencies

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

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

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

Contractual obligations

The following table presents, at June 30, 2011, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	Total	Remainder of the year	1-3 years	3-5 years	More than 5 years
Long-term debt[(1)]	$ 626,795	$ 3,134	$ 12,536	$ 12,536	$ 598,589
Interest payments on long-term debt[(1)(2)]	243,775	17,998	71,092	69,650	85,035
Operating lease obligations	108,623	9,221	30,335	22,527	46,540
Total contractual obligations	$ 979,193	$ 30,353	$ 113,963	$ 104,713	$ 730,164

(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 June 30, 2011 of U.S.$1.037 to $1.00.*

(2) *The interest rate used to calculate the Company's future interest payments is the rate as of June 30, 2011 of 5.75%.*

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2011, there were 93.5 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were approximately 1.4 million restricted stock units and approximately 3.9 million stock options outstanding as at June 30, 2011.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk. The Company hedges its exposure to price fluctuations with respect to crude oil, refined products, natural gas and NGLs, and expected purchases and sales of these commodities (relating primarily to crude oil, roofing flux, propane sales and purchases of natural gasoline). The derivative instruments utilized consist primarily of futures and option contracts traded on the NYMEX, ICE and over-the-counter transactions, including swap and option contracts entered into with financial institutions and other energy companies. The Company's policy is to purchase only commodity products for

which the Company physically transacts, and to structure the Company's hedging activities so that price fluctuations for those products do not materially affect the segment profit the Company receives.

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

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

The fair value of futures contracts is based on quoted market prices obtained from the NYMEX or ICE. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at June 30, 2011 and December 31, 2010. All derivative positions offset physical exposures to the cash market. Price-risk sensitivities were calculated by assuming a 15% volatility in crude oil 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 crude oil 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 $2.8 million as of June 30, 2011 and by $2.2 million as of June 30, 2010. A 15% unfavorable change would decrease the Company's net income by $2.8 million as of June 30, 2011 and by $2.2 million as of June 30, 2010. However, these changes may be offset by the use of one or more risk management strategies.

Electricity Price Risk. The Company has hedged its exposure to electricity price fluctuations by entering into a financial swap contract to fix the level of anticipated electricity costs that are price sensitive to the Alberta Electric System Operator (AESO) Pool Price. If the actual AESO Pool Price is greater than the bought fixed price per megawatt hour, the Company receives the difference between that price and the bought fixed price per megawatt hour. If the actual AESO Pool Price is less than the bought fixed price per megawatt hour, the Company pays the difference between that price and the bought fixed price per megawatt hour. A 10% favorable change would increase the Company's net income by $0.2 million as of June 30, 2011 and by $0.3 million as of June 30, 2010. A 10% unfavorable change would decrease the Company's net income by $0.2 million as of June 30, 2011 and by $0.3 million as of June 30, 2010.

Interest rate risks. Prior to the issuance of the Term Loans on June 15, 2011, the Company was not subject to interest rate risk on the Company's long-term debt as the Notes accrued interest at a fixed rate. The amounts outstanding under the Term Loan accrue interest at a variable rate of either, at the Company's option, Adjusted LIBOR plus 4.5% or ABR plus 3.5%, subject to a minimum Adjusted LIBOR floor of 1.25% per annum. A 100 basis point increase or decrease in interest rates would not have any impact on the Company's net income for the three and six months ended June 30, 2011, as the change would still have resulted in the Company accruing interest on the Term Loan at the minimum LIBOR floor rate of 1.25%, plus 4.5%. Subsequent to quarter end, the Company entered into a forward U.S. dollar interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 6.5% for a three year period beginning in September 2012.

Under the Company's Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either LIBOR, the lenders prime rate, the Bankers' Acceptance rate or the Above Bank Rate, plus an applicable margin based on a pricing grid. For the three and six months ended June 30, 2011, the impact on net income for a 100 basis point change in interest rates on the outstanding amount under the Company's Revolving Credit Facility was not material.

Currency exchange risks. The Company's assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered

into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and would decrease the Company's net income by $2.8 million as at June 30, 2011 and by $1.2 million as at June 30, 2010. A 5% favorable change would increase the Company's net income by $2.8 million as at June 30, 2011 and by $1.2 million as at June 30, 2010. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on the principal of the Company's long-term debt and the related interest payments, as they are both denominated in U.S. dollars. As at June 30, 2011, the Company had outstanding U.S. dollar denominated debt of U.S.$650.0 million. Following the completion of the Refinancing, the Company entered into U.S. dollar forward contracts on $498.0 million of the principal of the Term Loan and also sold long-dated U.S. dollar call options to offset the credit cost related to the forward contracts. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $9.0 million as at June 30, 2011 and by $34.7 million as at June 30, 2010. A corresponding favorable change would increase the Company's net income by $9.0 million as at June 30, 2011 and by $34.7 million as at June 30, 2010.

With respect to the related interest payments on the Company's Term Loans, to date the Company has not entered into any foreign currency hedges. Based on the interest rate in effect at June 30, 2011, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of June 30, 2011 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 June 30, 2011 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, do not use them for speculative trading purposes.

ACCOUNTING POLICIES

IFRS

As discussed in note 2 to the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2011 and 2010, the Company will adopt IFRS as adopted by the International Accounting Standards Board (''**IASB**'') for the first time in its financial statements for the year ended December 31, 2011, which will include comparative financial statements for the year ended December 31, 2010. IFRS 1, ''*First-time Adoption of International Financial Reporting Standards*'', requires that an entity develop accounting policies based on standards and related interpretations effective at the reporting date of its first annual IFRS financial statements, which in the Company's case will be December 31, 2011. IFRS 1 also requires that those policies be applied as of the date of transition to IFRS, which in the Company's case is January 1, 2010, and throughout all periods presented in the first IFRS financial statements. The unaudited condensed consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2011 and 2010, have been prepared in accordance with those IASB standards and International Financial Reporting Interpretations Committee (''**IFRIC**'') interpretations issued and effective as of August 10, 2011, the date the Board approved the unaudited interim condensed consolidated financial statements for issuance. The IASB standards and IFRIC interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these unaudited interim condensed consolidated financial statements. As a result, the accounting policies used to prepare this financial information are subject to change up to the reporting date of the Company's first IFRS annual financial statements. In this regard, before the first annual financial statements prepared under IFRS are complete, and such financial statements are audited, the IFRS financial information included in this MD&A is subject to change.

The Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2011 provide the following reconciliations from Canadian GAAP to IFRS:

- Balance sheet as at June 30, 2010; and
- Statement of income for the three and six months ended June 30, 2010.

The following is a summary of the significant impacts on the Company's results for the three and six months ended June 30, 2010.

Impairment testing. Under IFRS, the recoverable amount used in recognizing and measuring an impairment is the greater of the asset's fair value less costs to sell and its value in use. Under Canadian GAAP, the recoverable amount used to determine whether recognition of an impairment loss is required is the undiscounted future cash flows expected from its use and eventual disposition. As a result of the change in approach, on January 1, 2010, the Company recognized an impairment charge of $40.1 million relating to property, plant and equipment and of $9.6 million relating to intangible assets. As a result of this impairment charge, depreciation and amortization expense decreased by $1.5 million and $2.9 million for the three and six months ended June 30, 2010, respectively.

Asset retirement obligations. On transition to IFRS, the Company elected to remeasure asset retirement obligations in accordance with the provisions of International Accounting Standard 37 ''Provisions, Contingent Liabilities and Contingent Assets''. Under IFRS, the liability is remeasured at each reporting date using the current risk free interest rate as opposed to the credit adjusted rate used under Canadian GAAP. As a result, on January 1, 2010, the Company increased property, plant and equipment by $12.8 million and the asset retirement obligations liability by $19.3 million, with a net impact to deficit of $6.5 million. As a result, the expense relating to the unwinding of the discount increased by $0.2 million and $0.4 million for the three and six months ended June 30, 2010, respectively, and depreciation of property, plant and equipment increased by $0.1 million and $0.2 million for the three and six months ended June 30, 2010, respectively.

Capitalized Interest. Under Canadian GAAP, capitalization of interest during the construction of a qualifying asset was an acceptable, but not mandatory, accounting policy. The Company chose not to capitalize interest for qualifying assets. Under IFRS, capitalization of interest is required for qualifying assets under construction prior to the time they are ready for use. As a result, on January 1, 2010, the carrying value of property, plant and equipment was increased by $0.3 million. In addition, under IFRS, interest capitalized was $0.3 million and $0.5 million during the three and six months ended June 30, 2010, respectively. As a result, depreciation of property, plant and equipment increased by $11,000 and $21,000 for the three and six months ended June 30, 2010, respectively.

Employee benefit plans. Under IFRS, the Company elected to recognize actuarial gains and losses arising from the re-measurement of employee future benefit obligations in other comprehensive income as they arise. Under Canadian GAAP, the Company applied the corridor method of accounting whereby gains and losses are recognized only if they exceed specified thresholds. Accordingly, under IFRS, the carrying value of the net liability for employee future benefit obligations increased by $2.8 million to recognize actuarial losses accumulated on the transition date of January 1, 2010. As a result, amortization of the unrecognized loss under Canadian GAAP is no longer required, resulting in a decrease in general and administrative expense of $42,000 and $0.1 million for the three and six months ended June 30, 2010, respectively.

Capitalized software. Under Canadian GAAP, capitalized computer software was included within property, plant and equipment. Under IFRS, capitalized computer software, not integral to plant and equipment, is classified as an intangible asset. On January 1, 2010, the Company reclassified $4.6 million from property, plant and equipment to intangible assets. In the three and six months ended June 30, 2010, the Company incurred approximately $0.7 million and $1.4 million, respectively, of capitalized computer software, which was reclassified from property, plant and equipment to intangible assets. There was no net impact in the statement of income.

Business Combinations. Under Canadian GAAP, the purchase price of an acquisition includes direct costs incurred by the acquirer, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees. Under IFRS, these costs associated with business acquisitions are expensed in the period they are incurred. The Company elected to apply IFRS to all business combinations that occurred on or after January 1, 2010. The impact was additional general and administrative expense of $2.4 million and $2.4 million for the three and six months ended June 30, 2010, respectively, with a corresponding decrease in goodwill.

Property, plant and equipment. Under IFRS, the Company is required to identify material components of assets within property, plant and equipment, and depreciate the components based on the estimated service life of the components. Under Canadian GAAP, the Company had recognized certain components in prepaid expenses and other assets. On January 1, 2010, the Company reclassified $3.1 million from short-term and long-term prepaid expenses and other assets to property, plant and equipment. In the three and six months ended June 30, 2010, the Company reclassified $0.2 million and $0.5 million, respectively, from short-term and long-term prepaid expenses and other assets to property, plant and equipment. As a result of the reclassifications, there was no net impact in the statement of income.

Revenue. Under Canadian GAAP, the Company classified certain realized and unrealized gains (losses) on financial instruments in revenue. Under IFRS, these financial instruments do not meet the revenue recognition criteria. The impact was to reclassify $0.8 million and $1.1 million of losses from revenue to cost of sales for the three and six months ended June 30, 2010, respectively. There was no net impact in the statement of income.

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

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are discussed in the Supplemented PREP Prospectus filed with SEDAR on June 7, 2011.

Future changes in accounting policies

Our IFRS financial statements for the year ending December 31, 2011 must use the standards that are in effect on December 31, 2011, and therefore the Company's financial statements under IFRS for the three and six month period ended June 30, 2011 are subject to change. Changes to the accounting policies used may result in material changes to the Company's reported financial position, results of operations and cash flows.

IFRS 9 ''Financial Instruments'' (''IFRS 9'') amends the classification and measurement criteria for financial instruments included within the scope of IAS 39 ''Financial Instruments: Recognition and Measurements'' (''IAS 39''). IFRS 9 will be published in three phases, of which only the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments, and the third phase will address hedge accounting. For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with different transitional arrangements depending on the date of initial application. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

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

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

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

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

IAS 19, "Employee Benefits" ("IAS 19") is amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach, and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended and requires companies to group items presented within OCI based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

FORWARD LOOKING STATEMENTS

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

- *the addition of assets to the business and the increase in the number of services to be offered by the Company;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production 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 (as defined herein);*
- *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 Company's conversion to IFRS and the potential impact on the Company's business;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions and capital expenditures;*
- *the Company's planned hedging activities;*
- *the Company's projections of commodity purchase and sales activities;*
- *the Company's projections of currency and interest rate fluctuations; and*
- *the Company's dividend policy.*

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

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

NON-GAAP FINANCIAL MEASURES

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