Gibson Energy Inc.

Condensed Consolidated Financial Statements
September 30, 2012 and 2011
(Unaudited)
(in thousands of Canadian dollars)

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 41,457	$ 64,810
Trade and other receivables (note 5)	405,775	394,980
Inventories (note 6)	166,585	179,959
Income taxes receivable, net	39,074	55,511
Prepaid expenses and other assets	31,167	10,340
Net investment in finance leases	360	314
Total current assets	684,418	705,914
Non-current assets		
Property, plant and equipment (note 7)	871,385	789,091
Long-term prepaid expenses and other assets	21,029	31,369
Net investment in finance leases	25,100	25,371
Deferred income tax assets	5,647	8,968
Intangible assets (note 8)	112,842	129,915
Goodwill (note 9)	515,410	513,747
Total non-current assets	1,551,413	1,498,461
Total assets	$ 2,235,831	$ 2,204,375
Liabilities		
Current liabilities		
Credit facilities (note 10)	$ 15,000	$ -
Trade payables and accrued charges (note 11)	426,371	444,785
Dividends payable	25,164	23,362
Deferred revenue	17,859	8,021
Income taxes payable	2,001	830
Current portion of long-term debt (note 10)	6,394	6,611
Total current liabilities	492,789	483,609
Non-current liabilities		
Long-term debt (note 10)	592,672	620,678
Provisions (note 12)	80,447	66,471
Other long-term liabilities	30,579	38,011
Deferred income tax liabilities	145,097	142,385
Total non-current liabilities	848,795	867,545
Total liabilities	1,341,584	1,351,154
Equity		
Share capital (note 13)	1,132,761	1,082,990
Contributed surplus	13,282	21,240
Accumulated other comprehensive loss	(9,024)	(3,504)
Deficit	(242,772)	(247,505)
Total equity	894,247	853,221
Total liabilities and shareholder's equity	$ 2,235,831	$ 2,204,375

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Operations

(Unaudited)

(tabular amounts in thousands of Canadian dollars, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenue (note 16)	$ 1,185,647	$ 1,235,321	$ 3,606,794	$ 3,591,247
Cost of sales (note 17, 18 and 22)	1,130,493	1,193,089	3,464,097	3,482,553
Gross profit	55,154	42,232	142,697	108,694
General and administrative expenses (note 17 and 18)	10,261	8,394	27,666	27,233
Gain on sale of Edmonton North Terminal (note 7)	-	-	-	(20,370)
Other operating expenses (income) (note 19)	2,628	(2,696)	614	(2,131)
Income from operating activities	42,265	36,534	114,417	103,962
Loss from investment in associates	-	167	12	110
Loss from sale of investment in associates	-	-	34	-
Interest expense	10,487	11,504	32,475	57,542
Loss (gain) on financial instruments relating to interest expense (note 22)	3,875	11,393	(1,984)	11,325
Interest income	(69)	(179)	(263)	(337)
Foreign exchange loss (gain) on long-term debt (note 10)	(10,733)	15,121	(16,657)	2,960
Debt extinguishment costs	-	-	-	166,056
Income (loss) before income taxes	38,705	(1,472)	100,800	(133,694)
Income tax provision (recovery) (note 20)	8,688	3,649	21,225	(38,466)
Net income (loss)	$ 30,017	$ (5,121)	$ 79,575	$ (95,228)
Earnings (loss) per share (note 14)				
Basic	$ 0.30	$ (0.05)	$ 0.80	$ (1.38)
Diluted	$ 0.29	$ (0.05)	$ 0.78	$ (1.38)

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Net income (loss)	$ 30,017	$ (5,121)	$ 79,575	$ (95,228)
Other comprehensive income (loss)				
Cumulative translation adjustment	(5,952)	11,484	(5,520)	6,782
Other comprehensive income (loss)	(5,952)	11,484	(5,520)	6,782
Comprehensive income (loss)	$ 24,065	$ 6,363	$ 74,055	$ (88,446)

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance – January 1, 2011	$ 664,724	$ 13,586	$ (6,767)	$ (126,735)	$ 544,808
Net loss	-	-	-	(95,228)	(95,228)
Issuance of common shares in Offering less issuance costs, net of tax	477,986	-	-	-	477,986
Other comprehensive loss	-	-	6,782	-	6,782
Employee share options:					
Value of services recognized	-	6,109	-	-	6,109
Proceeds from exercise of stock options	861	-	-	-	861
Cash settlement of stock options	-	(45)	-	-	(45)
Dividends on preferred shares	7,531	-	-	(7,531)	-
Dividends on common shares	-	-	-	(26,208)	(26,208)
Cancellation of preferred shares on Reorganization	(134,599)	-	-	-	(134,599)
Balance – September 30, 2011	$ 1,016,503	$ 19,650	$ 15	$ (255,702)	$ 780,466
Balance – January 1, 2012	$ 1,082,990	$ 21,240	$ (3,504)	$ (247,505)	$ 853,221
Net income	-	-	-	79,575	79,575
Other comprehensive loss	-	-	(5,520)	-	(5,520)
Employee share options:					
Value of services recognized	-	2,706	-	-	2,706
Exercise of stock options	12,420	-	-	-	12,420
Reclassification of contributed surplus on exercise of stock option and other stock awards	10,664	(10,664)	-	-	-
Issuance of common shares in connection with the Dividend Reinvestment Plan	26,687	-	-	-	26,687
Dividends on common shares	-	-	-	(74,842)	(74,842)
Balance – September 30, 2012	$ 1,132,761	$ 13,282	$ (9,024)	$ (242,772)	$ 894,247

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash provided by (used in)				
Operating activities				
Income from operating activities	$ 42,265	$ 36,534	$ 114,417	$ 103,962
Items not affecting cash				
Depreciation of property, plant and equipment (note 17)	22,858	16,817	63,575	51,375
Amortization of intangible assets (note 17)	7,990	7,788	23,865	23,214
Stock based compensation	804	1,047	2,706	6,185
Gain on sale of assets	(362)	(238)	(873)	(20,876)
Other	10	(641)	(387)	(55)
Net loss (gain) on fair value movement of financial instruments (note 22)	(3,584)	2,730	(584)	(1,133)
Changes in items of working capital				
Trade and other receivables	(18,510)	(7,356)	(1,967)	(35,194)
Inventories	(42,931)	37,922	13,241	82,992
Other current assets	1,799	1,501	(2,516)	(2,654)
Trade payables and accrued charges	41,084	22,701	(38,427)	6,753
Deferred revenue	11,199	(34,460)	9,838	(42,932)
Income taxes	319	(43)	808	(232)
Net cash provided by operating activities	62,941	84,302	183,696	171,405
Investing activities				
Purchase of property, plant and equipment	(44,370)	(42,560)	(121,027)	(93,129)
Purchase of intangible assets	(1,493)	(893)	(2,447)	(3,837)
Acquisitions, net of cash acquired (note 4)	(6,160)	-	(9,910)	-
Deposit paid for an acquisition (note 24)	(16,000)	-	(16,000)	-
Proceeds from sale of associate	-	-	596	-
Proceeds on sale of assets	651	663	2,896	55,951
Net cash used in investing activities	(67,372)	(42,790)	(145,892)	(41,015)
Financing activities				
Payment of shareholder dividends	(24,945)	-	(73,040)	-
Proceeds from Dividend Reinvestment Plan	6,199	-	26,687	-
Interest paid	(7,941)	(9,524)	(29,008)	(64,086)
Interest received	70	177	259	326
Proceeds from exercise of stock options	4,278	861	12,420	861
Cash settlement of stock options	-	(121)	-	(121)
Repayment of long-term debt	(1,599)	(1,688)	(667,744)	(744,961)
Proceeds from long-term debt, net of debt discount	-	-	664,535	629,343
Payment of debt issue and financing costs	(115)	-	(10,493)	(16,646)
Payment of debt extinguishment costs	-	(285)	-	(128,797)
Repayment of credit facilities	-	-	-	(152,500)
Proceeds from credit facilities	15,000	-	15,000	109,000
Net proceeds (issue costs) from issuance of common shares	-	(1,569)	(300)	471,262
Purchase of warrant	-	-	-	(134,599)
Net cash used in financing activities	(9,053)	(12,149)	(61,684)	(30,918)
Effect of exchange rate on cash and cash equivalents	106	2,842	527	1,989
Net increase (decrease) in cash and cash equivalents	(13,378)	32,205	(23,353)	101,461
Cash and cash equivalents – beginning of period	54,835	76,481	64,810	7,225
Cash and cash equivalents – end of period	$ 41,457	$ 108,686	$ 41,457	$ 108,686

See accompanying notes

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

1 General Information

Gibson Energy Inc. ("Gibson" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on April 21, 2011, with one common share issued to R/C Guitar Cooperatief U.A. ("Co-op"), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"). The Company was formed to become the ultimate parent in the Reorganization, as defined herein. On June 15, 2011, the Company completed an Initial Public Offering (the "Offering"). Concurrent with the Offering, Gibson Energy Inc., Gibson Energy Holding ULC 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. was accounted for using continuity of interest and, as such, Gibson Energy Inc. was considered a continuity of Gibson Energy Holding ULC. The Company's shares trade on the Toronto Stock Exchange under the symbol "GEI".

Gibson is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids and refined products. The Company is also involved in the provision of water disposal services, oilfield waste management services and retail propane distribution. The Company is incorporated and domiciled in Canada. The address of the Company's principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as set out in IAS 34, "Interim Financial Reporting". The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on November 6, 2012.

The Company's consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars. Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

3 Accounting policies and estimates

There have been no changes to the Company's significant accounting policies and estimates in 2012. In addition, there has been no new accounting pronouncements issued in 2012 that the Company expects would have a material impact on the Company's consolidated financial statements. The accounting policies adopted are consistent with those of the previous financial year except as follows:

> Income taxes on income in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual profit or loss.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Further information on the Company's significant accounting policies, future changes in accounting policies and estimates can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 2011.

4 Business combinations

In the nine months ended September 30, 2012, the Company acquired all of the issued and outstanding common shares of the following entities:

Name	Acquisition date	Total consideration
Jalbert Enterprises Ltd ("Jalbert")..	September 1, 2012	$ 2,240
Mobile Propane Services Inc. ("Mobile Propane")..............	July 24, 2012	5,312
Fricken Fracken Water Hauling Ltd. ("Fricken Fracken") ..	May 1, 2012	4,750
		$ 12,302

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

Jalbert and Mobile Propane provide retail propane services to the construction, residential and commercial sectors in Saskatchewan. The goodwill arising from the acquisitions of Jalbert and Mobile Propane is attributable to the expected increase in the Company's share of the growing Southeast Saskatchewan marketplace and expected synergies with its existing propane operations within the Propane and NGL marketing & distribution segment.

Fricken Fracken provides water hauling and transportation services. The goodwill arising from the acquisition of Fricken Fracken is attributable to the expected expansion in the Company's market presence in west central Saskatchewan and expected synergies with the Company's custom treating and terminal operations within Truck Transportation operating segment. The information presented below is aggregated for all of the above mentioned acquisitions completed during the nine months period ended September 30, 2012.

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

Cash [(1)]	$	11,152
Contingent consideration [(2)]		1,150
Total consideration	$	12,302
Current assets, including cash and cash equivalents of $0.4 million	$	1,484
Current liabilities		(556)
Property, plant and equipment		3,983
Intangible assets		5,443
Deferred tax liabilities		(1,575)
Total estimated fair value of identifiable net assets		8,779
Goodwill [(3)]		3,523
Total	$	12,302

(1) At September 30, 2012, $0.9 million is outstanding and the payment is subject to finalization of working capital amounts.

(2) Under the agreements, the Company is required to pay the former owners of the acquired entities certain cash amounts which are dependent on the achievement of the specified gross margins. The maximum undiscounted amount of the contingent consideration under these agreements approximates $1.2 million. The Company has recorded the full amount of the contingent consideration as it expects that the specified gross margin thresholds will be achieved.

(3) The goodwill arising on the acquisitions is not deductible for tax purposes.

Acquisition-related costs of $0.2 million have been charged to general and administrative expenses in the consolidated statement of operations for the three and nine months ended September 30, 2012.

The fair value of trade receivables is $0.9 million which approximates its gross contractual amount.

The fair value of the acquired identifiable intangible assets includes customer relationships of $2.0 million and non-compete agreements of $3.4 million.

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

As a result of the integration of the acquired entities into the operations of the Company, it is impractical to determine the impact on revenue and net income for the three and nine months ended September 30, 2012. However, management estimates that the impact would not have been material.

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

5 Trade and other receivables

	September 30, 2012	December 31, 2011
Trade receivables	$ 383,883	$ 384,936
Allowance for doubtful accounts	(6,190)	(4,724)
Trade receivables - net	377,693	380,212
Risk management assets (note 22)	10,896	2,613
Deposits held as collateral	1,335	1,754
Broker accounts receivable	3,265	1,040
GST receivable	7,600	6,388
Other	4,986	2,973
Total trade and other receivables	$ 405,775	$ 394,980

6 Inventories

	September 30, 2012	December 31, 2011
Crude oil	$ 86,672	$ 96,672
Diluent	3,994	6,807
Asphalt	22,399	36,107
Natural gas liquids	36,767	28,027
Wellsite fluids and distillate	15,092	10,482
Spare parts and other	1,661	1,864
	$ 166,585	$ 179,959

7 Property, plant and equipment

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At December 31, 2011	$ 76,406	$ 100,437	$ 236,173	$ 214,997	$ 292,274	$ 51,624	$ 971,911
Additions	3,075	14,770	12,960	46,358	8,010	47,768	132,941
Additions through business combination	410	-	1,653	1,638	282	-	3,983
Disposals	(17)	-	(412)	(4,515)	(364)	-	(5,308)
Reclassifications	3,603	5,825	1,024	892	30,905	(42,249)	-
Change in decommissioning liabilities	-	1,823	5,202	-	6,297	-	13,322
Effect of movements in exchange rates	(16)	-	(304)	(2,238)	(448)	-	(3,006)
At September 30, 2012	$ 83,461	$ 122,855	$ 256,296	$ 257,132	$ 336,956	$ 57,143	$ 1,113,843
Accumulated depreciation:							
At December 31, 2011	$ 11,540	$ 26,624	$ 29,318	$ 60,916	$ 54,422	$ -	$ 182,820
Depreciation	3,167	5,736	10,046	21,857	22,769	-	63,575
Disposals	(16)	-	(103)	(2,857)	(235)	-	(3,211)
Effect of movements in exchange rates	(5)	-	(54)	(582)	(85)	-	(726)
At September 30, 2012	$ 14,686	$ 32,360	$ 39,207	$ 79,334	$ 76,871	$ -	$ 242,458
Carrying amounts:							
At December 31, 2011	$ 64,866	$ 73,813	$ 206,855	$ 154,081	$ 237,852	$ 51,624	$ 789,091
At September 30, 2012	68,775	90,495	217,089	177,798	260,085	57,143	871,385

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

Additions to property, plant and equipment includes capitalization of interest of $0.4 million and $1.5 million for the three and nine months ended September 30, 2012, respectively, and $0.4 million and $1.0 million for the three and nine months ended September 30, 2011, respectively.

During the nine months ended September 30, 2011, the Company completed the sale of the Edmonton North Terminal for total consideration of $54.3 million, and recorded a gain of $20.4 million. As part of the total consideration received, the Company received pipeline assets valued at $0.9 million that provide access to crude oil streams within the Edmonton area and assumed obligations related to these assets. Transaction costs related to the sale of $1.4 million were expensed and are included as part of the gain on sale of Edmonton North Terminal.

8 Intangible assets

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	Total
Cost:							
At December 31, 2011	$ 41,425	$ 111,093	$ 33,336	$ 17,923	$ 1,600	$ 12,775	$ 218,152
Additions	-	-	-	-	-	2,447	2,447
Additions through business combination	-	2,021	-	3,422	-	-	5,443
Effect of movements in exchange rates	-	101	(940)	(803)	-	(7)	(1,649)
At September 30, 2012	$ 41,425	$ 113,215	$ 32,396	$ 20,542	$ 1,600	$ 15,215	$ 224,393
Accumulated amortization:							
At December 31, 2011	$ 13,544	$ 50,020	$ 7,033	$ 11,407	$ 1,313	$ 4,920	$ 88,237
Amortization	3,023	14,405	2,699	1,832	287	1,619	23,865
Effect of movements in exchange rates	-	(171)	(188)	(187)	-	(5)	(551)
At September 30, 2012	$ 16,567	$ 64,254	$ 9,544	$ 13,052	$ 1,600	$ 6,534	$ 111,551
Carrying amounts:							
At December 31, 2011	$ 27,881	$ 61,073	$ 26,303	$ 6,516	$ 287	$ 7,855	$ 129,915
At September 30, 2012	24,858	48,961	22,852	7,490	-	8,681	112,842

9 Goodwill

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

	Nine months ended September 30, 2012	Year ended December 31, 2011
Opening balance	$ 513,747	$ 496,416
Additions through business combinations	3,523	16,065
Effect of movements in exchange rates	(1,860)	1,266
Closing balance	$ 515,410	$ 513,747

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

10 Loans and borrowings

Credit Facility

On June 15, 2011, the Company established a revolving credit facility (the "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. On May 24, 2012, through an amendment of its existing credit agreement, the Company increased the Revolving Credit Facility by U.S.$100.0 million to up to U.S.$375.0 million. The Revolving Credit Facility expires on June 15, 2016 and borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, LIBOR plus 2.5%; Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating as determined by recognized credit rating agencies. In addition, The Company must pay a commitment fee of 0.5%, subject to adjustment based on a change in the Company's corporate credit rating, on the unused portion of the Revolving Credit Facility. The Company recorded $3.6 million of fees in prepaid expenses and other assets, in connection with the increase in the Revolving Credit Facility.

The Company had $15.0 million drawn against the Revolving Credit Facility as at September 30, 2012 bearing interest of 4.5% per annum and had no amounts drawn at December 31, 2011. The Company had issued letters of credit totalling $37.4 million and $60.5 million as at September 30, 2012 and December 31, 2011, respectively.

The Tranche B Term Loan and Revolving Credit Facility are secured by substantially all of the Company's property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

Long-term debt

	September 30, 2012	December 31, 2011
Term Loan	$ 636,208	$ 657,745
Unamortized debt issue costs	(25,770)	(17,809)
Unamortized financial instrument liability discount	(11,372)	(12,647)
	599,066	627,289
Less: current portion	6,394	6,611
Long-term debt: non-current portion	$ 592,672	$ 620,678

On May 24, 2012, through an amendment of its existing credit agreement, the Company replaced and re-priced its existing U.S.$645.0 million senior secured first lien term loan facility ("Term Loan B") with a U.S.$650.0 million senior secured first lien term loan facility ("Tranche B Term Loan"). The facility was re-priced to reflect a decrease in the interest rate from LIBOR plus 4.5% to LIBOR plus 3.75% and a decrease in the LIBOR interest rate floor from 1.25% to 1.0%.

The Tranche B Term Loan has an original principal amount of U.S.$650.0 million and has a term expiring on June 15, 2018. The Tranche B Term Loan is repayable in equal quarterly installments at the end of each quarter, totalling 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 as defined under the credit agreement, and proceeds from asset dispositions, where such proceeds are not reinvested as capital expenditures within specified time periods. The Tranche B Term Loan accrues interest at the option of the Company at a rate equal to LIBOR plus 3.75% or ABR plus 2.75%, subject to a minimum Adjusted LIBOR interest rate floor of 1.0%.

Pursuant to IAS 39 "Financial instruments: Recognition and measurement", the Company is required to account for the replacement and re-pricing as debt extinguishments if it is determined that the terms changed substantially. One indication of the existence of substantially different terms is whether the cash flows have changed by more than 10%. In calculating the discounted present value of cash flows, the Company determined that the net present value of cash flows changed by less than 10%. In addition, since the terms of the old and new loan were determined not to be substantially different, the replacement and re-pricing transaction was not accounted for as a debt extinguishment. The Company capitalized $10.1 million relating to the replacement and re-pricing that consisted of a prepayment penalty on the repayment of the Term Loan B of $6.5 million, an original issue discount of $3.3 million and other fees of $0.3 million.

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

With respect to the interest rate floor, it is considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the Term Loan B was incurred. As a result, the interest rate floor derivative was required to be separated from the carrying value of long-term debt and accounted for as a separate financial liability initially measured at fair value and marked to market at each reporting date (note 22). As a result of the replacement and re-pricing, the fair value of the financial liability related to the interest rate floor was reduced by $7.1 million to reflect the decrease in the LIBOR interest rate floor from 1.25% to 1.0%.

As a result of the movement in exchange rates, the Company recorded foreign exchange gains and losses as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Foreign exchange (gain) loss on movement in exchanges rates on U.S. dollar long-term debt .	$ (22,953)	$ 48,488	$ (21,668)	$ 26,960
Loss (gain) on change in fair value of U.S. dollar forward contract relating to long-term debt (note 22)	12,220	(33,367)	5,011	(24,000)
	$ (10,733)	$ 15,121	$ (16,657)	$ 2,960

11 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	September 30, 2012	December 31, 2011
Trade payables	$ 295,788	$ 319,023
Accrued compensation charges	25,804	26,121
GST payable	1,157	1,719
Risk management liabilities (note 22)	14,193	6,451
Broker accounts payable	3,265	2,181
Pension liabilities	572	572
Interest payable	390	1,935
Due to Hunting PLC (note 15)	53,568	53,568
Other	31,634	33,215
	$ 426,371	$ 444,785

12 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Nine months ended September 30, 2012	Year ended December 31, 2011
Opening balance	$ 66,471	$ 43,251
Provisions reversed	(702)	(1,988)
Assumed in a business combination	-	3,724
Effect of changes in foreign exchange rates	(22)	13
Additions	2,404	-
Change in discount rate	10,918	19,772
Unwinding of discount	1,378	1,699
Closing balance	$ 80,447	$ 66,471

The Company estimates the total undiscounted future value amount, including an inflation factor of 2%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $173.5 million at September 30, 2012 and $169.4 million at December 31, 2011. In order to determine the current provision related to these

future values, the estimated future values were discounted using a risk-free rate of 2.3% and 2.8% at September 30, 2012 and December 31, 2011, respectively. The provision is expected to be settled up to 40 years into the future.

13 Share capital

	Number	Share Capital
At January 1, 2012	97,335,641	$ 1,082,990
Exercise of stock options	1,437,437	12,420
Exercise of other stock awards	519,542	-
Reclassification of contributed surplus on exercise of stock options and other stock awards	-	10,664
Issuance of common shares in connection with the Dividend Reinvestment Plan	1,363,161	26,687
At September 30, 2012	100,655,781	$ 1,132,761

Share based payments

A summary of activity under the 2011 Equity Incentive Plan is as follows:

	Stock Options		RSUs	PSUs	DSUs
	Number of shares	Weighted average exercise price (in dollars)	Number of Shares		
At December 31, 2011	3,402,246	$ 8.65	1,408,319	1,604	42,889
Granted	56,062	20.68	111,173	87,902	1,585
Exercised	(1,437,437)	8.64	(519,542)	-	-
Forfeited	(33,162)	8.64	(86,841)	(8,747)	-
At September 30, 2012	1,987,709	$ 9.00	913,109	80,759	44,474
Vested	1,789,544	$ 8.65	137,131	792	19,795

At September 30, 2012, awards available to grant under the 2011 Equity Incentive Plan were 2,488,366.

14 Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Weighted average common shares outstanding	100,356	93,528	99,291	74,507
Dilutive effect of:				
Stock options and other awards	2,458	3,061	2,668	1,853
Preferred shares	-	-	-	9,211
	102,814	96,589	101,959	85,571

All share and option amounts have been adjusted to reflect the impact of the Reorganization.

15 Contingent liabilities

The Company is currently undergoing income tax related and excise tax audits. While the final outcome of such audits cannot be predicted with certainty, it is the opinion of management that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations. As part of the acquisition of the Company by Riverstone from Hunting PLC on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits. Included in income tax receivable and trade payables and accrued charges as at September 30, 2012 and December 31, 2011 is $53.6 million, whereby Hunting paid the Company and the Company paid the tax assessments relative to certain of these audits. The Company has assumed that the assessment amounts paid in connection with these audits will be refunded to the Company and although the timing is uncertain, will be settled within a year.

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

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

16 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Products	$ 1,021,449	$ 1,092,428	$ 3,108,496	$ 3,187,864
Services	164,198	142,893	498,298	403,383
	$ 1,185,647	$ 1,235,321	$ 3,606,794	$ 3,591,247

17 Depreciation and amortization

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Depreciation of property, plant and equipment	$ 22,858	$ 16,817	$ 63,575	$ 51,375
Amortization of intangible assets	7,990	7,788	23,865	23,214
	$ 30,848	$ 24,605	$ 87,440	$ 74,589

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

	Three months ended September 30		Nine months ended September 30,	
	2012	2011	2012	2011
Cost of sales	$ 29,882	$ 23,777	$ 84,534	$ 72,207
General and administrative	966	828	2,906	2,382
	$ 30,848	$ 24,605	$ 87,440	$ 74,589

18 Employee salaries and benefits

	Three months ended September 30		Nine months ended September 30,	
	2012	2011	2012	2011
Employee salaries and benefits	$ 34,260	$ 30,923	$ 103,337	$ 90,114

Employee salaries and benefits have been expensed as follows:

	Three months ended September 30		Nine months ended September 30,	
	2012	2011	2012	2011
Cost of sales	$ 30,519	$ 25,603	$ 90,056	$ 72,530
General and administrative	3,741	5,320	13,281	17,584
	$ 34,260	$ 30,923	$ 103,337	$ 90,114

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

Included in employee benefits is stock based compensation of $0.8 million and $2.7 million for the three and nine months ended September 30, 2012 and $1.0 million and $6.2 million for the three and nine months ended September 30, 2011, respectively. The stock based compensation expense is included in general and administrative expenses.

19 Other operating expenses (income)

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Gain on sale of property, plant and equipment	$ (362)	$ (238)	$ (873)	$ (506)
Foreign exchange loss (gain)	2,990	(2,458)	1,487	(1,625)
	$ 2,628	$ (2,696)	$ 614	$ (2,131)

20 Income tax provision (recovery)

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Current	$ 4,932	$ 765	$ 16,850	$ 1,462
Deferred	3,756	2,884	4,375	(39,928)
Income tax provision (recovery)	$ 8,688	$ 3,649	$ 21,225	$ (38,466)
Effective income tax rate	22.4%	(247.9%)	21.1%	28.8%

21 Related party transactions

On December 12, 2008, the Company was acquired by an indirect wholly owned subsidiary of Co-op, a Dutch co-op owned by investment funds affiliated with Riverstone. As a result of the Offering and follow on secondary offerings, Co-op had approximately 29% ownership in the Company at December 31, 2011. On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by Co-op, pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. As a result, Co-op no longer owns any common shares of the Company.

On December 12, 2008, the Company entered into a management agreement with Riverstone, whereby Riverstone provided management advisory services in connection with the general business operations of the Company. The management agreement was terminated in connection with the completion of the Offering and as a result no management fees have been incurred since that date. Total management fees were $0.6 million for the nine months ended September 30, 2011.

Concurrently with the completion of the Offering, the Company and Co-op entered into a registration rights agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contains customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to a secondary offering of common shares of $0.2 million in the nine months ended September 30, 2012.

With respect to companies that Riverstone has a controlling interest or significant interest in, for the period from January 1, 2012 to March 27, 2012, the Company recognized revenue of $0.2 million and purchased product of $46.2 million. For the three and nine months ended September 30, 2011, the Company recognized revenue of $0.2 million and $0.7 million, respectively, and purchased product of $30.6 million and $88.3 million, respectively.

Jointly controlled entities

On August 11, 2011, the Company formed a partnership to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato area of Saskatchewan. The Company's interest in the partnership is 50%. A member of the Company's Board is also a shareholder and director of the other party with a 50% interest in the partnership. At September 30, 2012, the Company's proportionate share of property, plant and equipment was $7.7 million.

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

22 Financial instruments

The Company has financial instruments other than financial contracts consisting of cash and cash equivalents, trade and other receivables, trade payables and accrued charges, Revolving Credit Facility and long-term debt. Cash and cash equivalents and trade and other receivables are recorded at amortized cost which approximates fair value due to the short term nature of the instrument. Trade payables, accrued charges and dividends payable are classified as other liabilities recorded at amortized cost. The fair value of trade payables, accrued charges and dividends payable approximate their carrying values due to the short term nature of these instruments. Long-term debt is recognized as another liability and held at amortized cost using the effective interest method of amortization. The fair value of long-term debt, based on market information at September 30, 2012 and December 31, 2011 was $645.4 million and $657.7 million, respectively.

Fair Values

The following is a summary of the Company's risk management contracts outstanding:

	September 30, 2012		December 31, 2011	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ 2,022	$ -	$ 159	$ 239
Commodity swaps	8,443	9,485	1,944	2,007
Commodity options	431	-	-	-
Electricity swap	-	93	-	11
Foreign currency forward contracts	-	2,173	10,207	-
Foreign currency options, including deferred premium	-	3,174	-	9,666
Interest rate swap	-	3,039	-	1,865
Interest rate floor	-	19,018	-	22,722
Total	$ 10,896	$ 36,982	$ 12,310	$ 36,510
Less non-current portion:				
Foreign currency forward contracts	-	1,807	9,697	-
Foreign currency options	-	3,174	-	9,666
Interest rate swap	-	3,039	-	1,865
Interest rate floor	-	14,769	-	18,528
	-	22,789	9,697	30,059
Current portion	$ 10,896	$ 14,193	$ 2,613	$ 6,451

The fair value of financial instruments are classified as a non-current asset (long-term prepaid expense and other assets) or liability (other long-term liabilities) if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(i) Commodity financial instruments

WTI Futures, options and swaps

The Company has entered into crude oil futures, options and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil and petroleum products.

Natural Gas Liquids ("NGL")

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

Electricity Price Swap

The Company is a party to 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 $80.49/megawatt hour the Company receives the difference between that price and $80.49. If the actual AESO Pool Price is less than $80.49, the Company pays the difference between that price and $80.49. The contract is for 3 megawatts, 24 hours per day, seven days per week, with a remaining term to December 31, 2012.

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

(ii) Currency financial instruments

U.S. Dollar Forwards

The Company has entered into forward contracts to sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its estimated future net cash inflows denominated in U.S. dollars. The Company also entered into U.S. dollar forward contracts that mature on September 15, 2015 on U.S.$498.0 million of the principal of the Company's long-term debt to help mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In addition, as at September 30, 2012, the Company entered into forward contracts on U.S.$50.0 million of the expected purchase price of the acquisition of the parent holding company of OMNI Energy Services ("OMNI") (note 24) in order to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price.

U.S. Dollar Options

In connection with the forward contracts on the principal of the Company's long-term debt and to mitigate the credit cost, the Company sold U.S. dollar call options, expiring September 15, 2015, with a strike price of $1.32 to U.S.$1.00 for which the Company received a cash premium of $4.8 million. At the end of each period, the Company determines the fair value of the call option and recognizes a gain or loss in the period by comparing the fair value of the option with the value of the cash premium received. In the three and nine months ended September 30, 2012, as a result of the movement in the fair value of the options, the Company recognized a gain of $2.2 million and $6.5 million, respectively, on the call options.

Interest Rate Swap

In the year ended December 31, 2011, the Company entered into a U.S. dollar interest rate swap to hedge a portion of the Company's U.S. dollar floating interest rate exposure on the Company's long-term debt. The swap effectively fixes the interest rate on U.S.$175.0 million of the principal at 5.5% for a three year period beginning on September 15, 2012.

Interest Rate Floor

The Tranche B Term Loan carries an interest rate of Adjusted LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR floor of 1.0%. This interest rate floor is considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the debt was incurred. As a result, the interest rate floor derivative is separated from the carrying value of long-term debt and accounted for as a separate financial liability measured at fair value.

The Company's financial instruments consist of financially settled commodity futures, options, swap contracts, foreign currency forward contracts and foreign currency options. The value of the Company's risk management contracts are determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

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

The fair value of financial instrument contracts by fair value hierarchy at September 30, 2012 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 8,443	$ -	$ 8,443	$ -
Commodity futures	2,022	2,022	-	-
Commodity options	431	-	431	-
Total assets	$ 10,896	$ 2,022	$ 8,874	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 9,485	$ -	$ 9,485	$ -
Electricity swap	93	-	93	-
Interest rate swap	3,039	-	3,039	-
Foreign currency options, including deferred premium	3,174	-	3,174	-
Foreign currency forward contracts	2,173	-	2,173	-
Interest rate floor	19,018	-	19,018	-
Total liabilities	$ 36,982	$ -	$ 36,982	$ -

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2011 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 159	$ 159	$ -	$ -
Commodity swaps	1,944	-	1,944	-
Foreign currency forward contracts	10,207	-	10,207	-
Total assets	$ 12,310	$ 159	$ 12,151	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 239	$ 239	$ -	$ -
Commodity swaps	2,007	-	2,007	-
Electricity swap	11	-	11	-
Interest rate swap	1,865	-	1,865	-
Foreign currency options, including deferred premium	9,666	-	9,666	-
Interest rate floor	22,722	-	22,722	-
Total liabilities	$ 36,510	$ 239	$ 36,271	$ -

The Company had no Level 3 financial instruments during the periods ended September 30, 2012 and December 31, 2011.

The impact of the movement in the fair value of financial instruments has been expensed in the consolidated statement of operations as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cost of sales	$ (3,610)	$ 2,730	$ (610)	$ (1,133)
Foreign exchange loss (gain) on long-term debt (note 10)	12,220	(33,367)	5,012	(24,002)
Gain on financial instruments relating to interest expense	3,875	11,393	(1,984)	11,325
General and administrative expenses	26	-	26	-
	$ 12,511	$ (19,244)	$ 2,444	$ (13,810)

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

Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury function is responsible for implementing the policies and providing a centralized service to the Company for identifying, evaluating and monitoring financial risks.

a) Foreign Exchange Risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed using forward foreign exchange contracts, currency options and currency swaps. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

Foreign currency exchange rate sensitivity

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates remain constant, the impact on net income and equity would be as follows:

	September 30,	
	2012	2011
U.S. dollar forwards		
Favorable 5% change	$ 2,537	$ 1,339
Unfavorable 5% change	(2,537)	(1,339)
U.S. dollar long-term debt forwards and the related options		
Favorable 5% change	$ 5,424	$ 11,035
Unfavorable 5% change	(5,424)	(11,035)

The movement is a result of a change in the fair value of U.S. dollar forward contracts, which have not been designated as a hedge. The sensitivity relating to the Company's long-term debt includes the change in the carrying value of the Company's U.S. dollar denominated long-term debt, the U.S. dollar forward contracts on the principal and the related U.S. dollar call options.

The impact of translating the net assets of the Company's U.S operations into Canadian dollars is excluded from this sensitivity analysis.

b) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The following table summarizes the impact to net income and equity to a change in fair value of the Company's risk management position to changes in interest rates leaving all other variables constant as at September 30, 2012 and 2011.

	September 30,	
	2012	2011
Interest rate swap		
Favorable 1% change	$ 1,733	$ 717
Unfavorable 1% change	(235)	(765)

	September 30,	
	2012	2011
Interest rate floor		
Favorable 1% change	$ 7,518	$ 6,403
Unfavorable 1% change	(18,581)	(14,773)

The Company's interest rate risk exposure does not exist within any of the operating segments, but exists at the corporate level where the variable rate debt obligations are issued.

c) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGLs, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. An electricity price swap is used to manage the exposure to electricity prices in Canada and is marked to market each period. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity prices.

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's risk management positions because of fluctuations in commodity prices leaving all other variables constant as at September 30, 2012 and 2011. The Company believes that 15% volatility in crude oil and NGL related prices and 10% volatility in electricity prices are reasonable possible changes in assumptions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	September 30,	
	2012	2011
Crude oil and NGL related prices		
Favorable 15% change	$ 5,089	$ 2,350
Unfavorable 15% change	(4,230)	(2,350)
Electricity prices		
Favorable 10% change	$ 34	$ 172
Unfavorable 10% change	(34)	(172)

d) Credit risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company actively monitors the financial strength of its customers and in select cases has tightened credit terms to minimize the risk of default on trade receivables.

At September 30, 2012 and December 31, 2011, approximately 7% and 8%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when it is 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in the financial statements.

The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company does not usually require collateral in respect of trade and other receivables. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. The provision is based on an individual account-by-account analysis and prior credit history.

The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is minimal. The counterparties are major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies.

The Company's cash equivalents are placed in high-quality commercial paper money market funds and time deposits with major international banks and financial institutions.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may

seek additional financing based on the results of these processes. The budgets are updated with forecasts when required, and as conditions change. Sufficient funds and the Revolving Credit Facility are available to satisfy the Company's requirements over the next 12 months, and are expected to be available to satisfy the Company's long term requirements. The Company has a Revolving Credit Facility of up to U.S.$375.0 million and at September 30, 2012, $15.0 million was drawn against the facility.

The terms of the Tranche B Term Loan and Revolving Credit Facility require the Company to comply with financial covenants, including maintaining a senior secured leverage ratio and an interest coverage ratio. If the Company fails to comply with these covenants the lenders may declare an event of default. At September 30, 2012, the Company was in compliance with its covenants.

Set out below is maturity analyses of certain of the Company’s financial liabilities as recorded on the balance sheet at September 30, 2012. The maturity dates are the contractual maturities of the financial liabilities and the amounts are the contractual undiscounted cash flows.

Financial Liabilities	**On demand or within one year**	**Between one and five years**	**After five years**	**Total**
Credit facilities	$ 15,000	$ -	$ -	$ 15,000
Trade payables and accrued charges	412,178	-	-	412,178
Dividend payable	25,164	-	-	25,164
Long-term debt	6,394	31,970	597,844	636,208
Commodity swaps	9,485	-	-	9,485
Electricity swap	93	-	-	93
Interest rate swap	-	3,039	-	3,039
Foreign currency forwards and options	366	4,981	-	5,347
Interest rate floor	4,249	13,386	1,383	19,018
Total financial liabilities	$ 472,929	$ 53,376	$ 599,227	$ 1,125,532

Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company’s ability to meet its financial obligations and to finance internally generated growth as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, the Revolving Credit Facility and working capital. To maintain or adjust the capital structure, the Company may raise debt and/or adjust its capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company’s commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet), less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the condensed consolidated balance sheet.

	September 30, 2012	**December 31, 2011**
Total borrowings	$ 614,066	$ 627,289
Less: cash and cash equivalents	(41,457)	(64,810)
Net debt	572,609	562,479
Total share capital	1,132,761	1,082,990
Total capital	$ 1,705,370	$ 1,645,469

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the Revolving Credit Facility is sufficient to service this debt and support ongoing operations.

23 Segmental information

The Company has defined its operations into the following operating segments: (i) Terminals and Pipelines, (ii) Truck Transportation, (iii) Propane and NGL Marketing and Distribution, (iv) Processing and Wellsite Fluids, and (v) Marketing.

Terminals and Pipelines includes the tariff-based pipeline services and fee-based storage and terminalling services for crude oil, condensate and refined products, as well as emulsion treating, water disposal services and oilfield waste management. The Company owns and operates major storage terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; pipelines and custom blending terminals, which are strategically located throughout Alberta and Saskatchewan; and injection stations, which are located in the United States. At the beginning of 2012, the Terminal and Pipelines segment entered into a revised service agreement with the Marketing segment whereby Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminals facilities. As a result of the change in the fee arrangement, revenue for the Terminals and Pipelines segment will decline in fiscal 2012 compared to fiscal 2011, but the new arrangement does not impact the comparability of segment profit.

Truck Transportation includes the hauling services for crude oil, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids to customers in Western Canada and the United States.

Propane and NGL Marketing and Distribution includes a retail propane distribution operation and a wholesale business that includes a wholesale propane distribution and an NGL marketing business. The retail operation sells propane to oil and gas, industrial and residential customers, while the wholesale operations sell to larger customers who are not usually end users of the product.

Processing and Wellsite Fluids includes the refining and marketing of a variety of products, including several grades of road asphalt, roofing flux, frac fluid, distillate and tops.

Marketing includes the purchasing, selling, storing, and blending of crude oil and condensate and taking advantage of specific location, quality, or time-based arbitrage opportunities.

These operating segments of the Company have been derived because they are the segments (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. No operating segments were aggregated to arrive at the reportable segments.

Inter-segmental transactions are eliminated upon consolidation. No margins are recognized on inter-segmental transactions.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company’s consolidated financial statements.

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

Three months ended September 30, 2012	Terminals & Pipelines	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations							
Revenue - external	$ 22,446	$ 122,576	$ 110,814	$ 98,446	$ 831,365	$ -	$ 1,185,647
Revenue - inter-segmental	13,847	8,686	36,914	55,768	131,671	-	246,886
Revenue - external and inter-segmental	36,293	131,262	147,728	154,214	963,036	-	1,432,533
Segment profit	21,381	23,553	7,866	17,470	14,454	-	84,724
Depreciation of property, plant and equipment	8,570	8,032	2,319	3,416	64	457	22,858
Amortization of intangible assets	1,284	2,905	1,447	1,675	170	509	7,990
General and administrative	-	-	-	-	-	8,491	8,491
Stock based compensation	-	-	-	-	-	804	804
Corporate foreign exchange gain	-	-	-	-	-	2,316	2,316
Interest expense	-	-	-	-	-	10,487	10,487
Financial instruments relating to interest expense	-	-	-	-	-	3,875	3,875
Interest income	-	-	-	-	-	(69)	(69)
Foreign exchange gain on long-term debt	-	-	-	-	-	(10,733)	(10,733)
Income tax provision	-	-	-	-	-	8,688	8,688
Net income	$ 11,527	$ 12,616	$ 4,100	$ 12,379	$ 14,220	$(24,825)	$ 30,017

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

Three months ended September 30, 2011	Terminals & Pipelines	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations							
Revenue - external	$ 27,819	$ 108,813	$ 206,251	$ 107,200	$ 785,238	$ -	$ 1,235,321
Revenue - inter-segmental	183,848	10,559	32,771	37,530	105,162	-	369,870
Revenue - external and inter-segmental	211,667	119,372	239,022	144,730	890,400	-	1,605,191
Segment profit	15,961	19,545	3,645	22,393	5,795	-	67,339
Depreciation of property, plant and equipment	6,052	6,605	2,064	1,613	43	440	16,817
Amortization of intangible assets	531	3,412	1,577	1,711	169	388	7,788
General and administrative	-	-	-	-	-	6,519	6,519
Stock based compensation	-	-	-	-	-	1,047	1,047
Corporate foreign exchange gain	-	-	-	-	-	(1,199)	(1,199)
Interest expense	-	-	-	-	-	11,504	11,504
Financial instruments relating to interest expense	-	-	-	-	-	11,393	11,393
Interest income	-	-	-	-	-	(179)	(179)
Foreign exchange loss on long-term debt	-	-	-	-	-	15,121	15,121
Debt extinguishment costs	-	-	-	-	-	-	-
Income tax recovery	-	-	-	-	-	3,649	3,649
Net income (loss)	$ 9,378	$ 9,528	$ 4	$ 19,069	$ 5,583	$ (48,683)	$ (5,121)

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

Nine months ended September 30, 2012	**Terminals & Pipelines**	**Truck Transportation**	**Propane & NGL Marketing & Distribution**	**Processing & Wellsite Fluids**	**Marketing**	**Corporate & other reconciling balances**	**Total**
Statement of operations							
Revenue - external	$ 69,050	$ 356,174	$ 507,771	$ 281,448	$2,392,351	$ -	$ 3,606,794
Revenue - inter-segmental	39,703	32,030	104,198	122,134	356,480	-	654,545
Revenue - external and inter-segmental	108,753	388,204	611,969	403,582	2,748,831	-	4,261,339
Segment profit	64,404	63,865	28,785	29,936	40,819	-	227,809
Depreciation of property, plant and equipment	25,086	22,653	6,694	7,587	192	1,363	63,575
Amortization of intangible assets	3,920	8,527	4,269	5,097	509	1,543	23,865
General and administrative	-	-	-	-	-	22,054	22,054
Stock based compensation	-	-	-	-	-	2,706	2,706
Corporate foreign exchange gain	-	-	-	-	-	1,238	1,238
Interest expense	-	-	-	-	-	32,475	32,475
Financial instruments relating to interest expense	-	-	-	-	-	(1,984)	(1,984)
Interest income	-	-	-	-	-	(263)	(263)
Foreign exchange gain on long-term debt	-	-	-	-	-	(16,657)	(16,657)
Income tax provision	-	-	-	-	-	21,225	21,225
Net income	$ 35,398	$ 32,685	$ 17,822	$ 17,252	$ 40,118	$ (63,700)	$ 79,575

The breakdown of total assets and liabilities by segment is as follows:

	September 30, 2012		**December 31, 2011**	
	Total Assets	**Total Liabilities**	**Total Assets**	**Total Liabilities**
Terminals and Pipelines	$ 730,008	$ 40,219	$ 705,974	$ 42,084
Truck Transportation	382,862	40,516	332,738	36,726
Propane and NGL Marketing & Distribution	307,474	61,824	376,126	101,180
Processing and Wellsite Fluids	358,905	49,226	346,406	42,177
Marketing	331,112	223,447	269,041	197,833
Corporate and other reconciling balances	125,470	926,352	174,090	931,154
Total	$ 2,235,831	$ 1,341,584	$ 2,204,375	$ 1,351,154

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

Nine months ended September 30, 2011	**Terminals & Pipelines**	**Truck Transportation**	**Propane & NGL Marketing & Distribution**	**Processing & Wellsite Fluids**	**Marketing**	**Corporate & other reconciling balances**	**Total**
Statement of operations							
Revenue - external	$ 90,364	$ 293,979	$ 615,755	$ 269,643	$ 2,321,506	$ -	$ 3,591,247
Revenue - inter-segmental	584,545	39,404	95,691	105,796	334,374	-	1,159,810
Revenue - external and inter-segmental	674,909	333,383	711,446	375,439	2,655,880	-	4,751,057
Segment profit	49,772	48,958	25,853	37,298	20,122	-	182,003
Depreciation of property, plant and equipment	17,982	18,746	6,083	7,163	127	1,274	51,375
Amortization of intangible assets	1,592	10,176	4,697	5,132	509	1,108	23,214
General and administrative	-	-	-	-	-	18,666	18,666
Stock based compensation	-	-	-	-	-	6,185	6,185
Gain on sale of Edmonton North Terminal	-	-	-	-	-	(20,370)	(20,370)
Corporate foreign exchange gain	-	-	-	-	-	(919)	(919)
Interest expense	-	-	-	-	-	57,542	57,542
Financial instruments relating to interest expense	-	-	-	-	-	11,325	11,325
Interest income	-	-	-	-	-	(337)	(337)
Foreign exchange loss on long-term debt	-	-	-	-	-	2,960	2,960
Debt extinguishment costs	-	-	-	-	-	166,056	166,056
Income tax recovery	-	-	-	-	-	(38,466)	(38,466)
Net income (loss)	$ 30,198	$ 20,036	$ 15,073	$ 25,003	$ 19,486	$ (205,024)	$ (95,228)

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

Geographic Data

Based on the location of the end user, approximately 18% and 21% of revenue was to customers in the United States for the three and nine months ended September 30, 2012, respectively, and approximately 23% and 21% for the three and nine months ended September 30, 2011, respectively.

The Company's non-current assets (excluding investment in finance lease and deferred tax asset) are primarily concentrated in Canada with 12% and 11% in the United States at September 30, 2012 and December 31, 2011, respectively.

24 Subsequent Events

Acquisition of Northern Truck Services 1994 Ltd. and All Fluids & Filtration Services Ltd. (collectively "Northern Trucking")

On October 1, 2012, the Company acquired of all of the issued and outstanding common shares of Northern Trucking for $18.0 million plus working capital. Northern Trucking is a private company which provides fluid hauling, filtration and completion products to drilling and production companies in Northern Alberta and Northeastern British Columbia. In the three months ended September 30, 2012, the Company paid a deposit into escrow of $16.0 million.

The initial accounting for the acquisition on the closing date of October 1, 2012 is not complete and is pending the final assessment of working capital and final valuations of property, plant and equipment and intangible assets on the acquisition date.

Acquisition of OMNI and completion of a common shares offering

On October 31, 2012, the Company acquired of all of the issued and outstanding common stock of OMNI for cash consideration of U.S.$445 million. The purchase price assumes working capital of U.S.$43.5 million, no debt and no cash at closing. OMNI is a privately held provider of environmental and production services to the oil and gas industry and is based in Carencro, Louisiana. OMNI has operations in most major oil and liquids focused areas in the United States with a significant focus on environmental and production-related activities.

October 29, 2012, the Company closed a bought deal offering of subscription receipts which on closing of the acquisition of OMNI were automatically exchanged into common shares of the Company. As a result, the Company issued 18,216,000 common shares at a price of $22.10 per common shares for gross proceeds of approximately $402.6 million. The equity issuance cost is estimated to be approximately $16.5 million. The net proceeds were used to finance a portion of the purchase price of OMNI with the remainder funded from cash and a draw of U.S.$67.0 million under the Revolving Credit Facility. In addition, in order to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price, the Company entered into forward contracts on U.S.$341.5 million of the purchase price at an average rate of $0.981 to U.S.$1.00.

Acquisition-related costs relating to OMNI of $1.5 million have been charged to general and administrative expenses in the consolidated statement of operations for the three and nine months ended September 30, 2012.

The initial accounting for the acquisition is in the preliminary stages and will be based on the acquisition date balance sheet at October 31, 2012 as well as determining fair value of identifiable assets acquired and liabilities assumed on the acquisition date.

Dividend

On November 6, 2012, the Board declared a quarterly dividend of $0.26 cents per common share for the three months ended December 31, 2012 on its outstanding common shares. The dividend is payable on January 17, 2013 to shareholders of record at the close of business on December 31, 2012.