Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of November 6, 2012 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 nine months ended September 30, 2012 and 2011, the audited consolidated financial statements and related notes for the year ended December 31, 2011 and 2010, which were prepared under International Financial Reporting Standards ("IFRS"), and MD&A for the year ended December 31, 2011. 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 September 30, 2012, its results of operations for the three and nine months ended September 30, 2012 and 2011, and its cash flows for the three and nine months ended September 30, 2012 and 2011. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2012. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

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

Gibson has provided market access to leading oil and gas industry participants in western Canada for the last 59 years. The Company has grown its business by diversifying its service offerings to meet customers' needs and has expanded geographically to provide its service offerings to key hydrocarbon producing regions throughout the United States positioning 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 ability 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 utilizing the Company's integrated asset base to capture inter segment synergies and to expand the Company's network of assets, as well as increasing the Company's margins by providing additional value added services along the midstream energy chain.

Highlights

The key highlights for the three and nine months ended September 30, 2012 were as follows:

- Revenue decreased by 4% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. Despite the overall increase in activity in the Company's segments, the decrease was primarily due to the lower revenue in our Propane and NGL Marketing and Distribution segment. Revenue increased slightly in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 which was driven by increased activity in all of the Company's segments;
- Segment profit increased by 26% to $84.7 million in the three months ended September 30, 2012 compared to $67.3 million in the three months ended September 30, 2011 and 25% to $227.8 million in the nine months ended September 30, 2012 compared to $182.0 million in the nine months ended September 30, 2011 with increases in all of the Company's segments except for Processing and Wellsite fluids;
- Adjusted EBITDA in the three months ended September 30, 2012 increased 11% to $72.1 million compared to $64.9 million in the three months ended September 30, 2011. Adjusted EBITDA in the nine months ended September 30, 2012 increased 26% to $205.9 million compared to $163.9 million in the nine months ended September 30, 2011. Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2012 was $274.4 million;
- Net income was $30.0 million and $79.6 million in the three and nine months ended September 30, 2012, respectively compared to a net loss of $5.1 million and $95.2 million in the three and nine months ended September 30, 2011, respectively. The change was due to the increase in overall segment profit, lower interest expense and the impact of the movement in foreign exchange rates. In addition, the increase in the nine months period was due to debt extinguishment costs expensed in the nine months ended September 30, 2011;
- The Company declared a dividend of $0.25 per common share in each of the three months period ended March 31, 2012, June 30, 2012 and September 30, 2012 for total dividends declared of $25.2 million in the three months ended September 30, 2012 and $74.8 million in the nine months ended September 30, 2012. For the twelve months ended September 30, 2012, distributable cash flow was $154.9 million resulting in a dividend payout ratio of 63%;
- Capital expenditures, excluding acquisitions, were $135.4 million in the nine months ended September 30, 2012, of which $92.3 million related to internal growth projects. The internal growth project expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at Hardisty, the expansion of the custom treating and terminals business and the growth of the Truck Transportation and Canwest fleets;
- In September 2012, the Company announced that it had received sufficient, long-term, committed customer support to begin construction of two 400,000 bbl oil storage tanks for an aggregate addition of 800,000 bbls of storage that will be located immediately adjacent to the East boundary of Gibson's existing Hardisty Terminal. The two tanks will form the initial anchor for an expansion of the facility, will be well-connected to third party receipt pipelines and facilities and will have connectivity to all current export pipelines from Hardisty. Site preparation is schedule to start in the fourth quarter of 2012 with commissioning expected to occur in early 2014.
- The Company completed the acquisition of Jalbert Enterprises Ltd. ("Jalbert"), effective September 1, 2012, for cash consideration of approximately $2.2 million. The Company also completed the acquisition of Mobile Propane Services Inc. ("Mobile Propane"), effective July 24, 2012, for cash consideration of approximately $5.3 million. These acquisitions expand the Company's market presence in Saskatchewan, provide synergies with the Company's current propane business and provide the Company with an expanded client base within the Propane and NGL Marketing and Distribution segment;
- The Company completed the acquisition of Fricken Fracken Water Hauling Ltd. ("Fricken Fracken"), effective May 1, 2012, for approximately $4.8 million, expanding the Company's market presence in west central Saskatchewan and providing synergies with the Company's custom treating and terminals business by providing water and transportation services;
- On May 24, 2012, through an amendment of its existing credit agreement, the Company replaced its 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") and re-priced such loan to reflect a decrease in the interest rate from LIBOR plus 4.5% to LIBOR plus 3.75% and a decrease in the LIBOR Floor from 1.25% to 1.0%. Also, the Company's U.S.$275.0 million revolving credit facility was expanded by U.S.$100.0 million to U.S.$375.0 million (the "Revolving Credit Facility");

- As of September 30, 2012, the Company had outstanding U.S. dollar denominated debt, excluding debt issuance costs, of U.S.$646.8 million, expiring on June 15, 2018 and a Revolving Credit Facility of up to U.S.$375.0 million, expiring June 15, 2016. At September 30, 2012, the Company was in compliance with all of its covenants, had unrestricted cash of $41.5 million and had $316.5 million available under the Revolving Credit Facility; and
- On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by R/C Guitar Coöperatief U.A. ("Co-op"), a Dutch cooperative owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), pursuant to which Co-op sold 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 and Riverstone no longer own any common shares of the Company.

On October 1, 2012, the Company acquired all of the issued and outstanding common shares of Northern Truck Services 1994 Ltd. and All Fluids & Filtration Services Ltd. (collectively "Northern Trucking") for $18.0 million plus working capital at the time of closing. 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.

On October 31, 2012, the Company acquired of all of the issued and outstanding common shares of the parent holding company of OMNI Energy Services ("OMNI") for cash consideration of U.S.$445.0 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.

On 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.

On November 6, 2012, the Board of Directors declared a quarterly dividend rate to $0.26 per common share, representing a 4% increase from the prior quarterly rate and resulting in a new annualized dividend of $1.04. The dividend is payable on January 17, 2013 to shareholders of record at the close of business on December 31, 2012.

Trends affecting the Company's business

In accordance with the Company's long-range strategic plan, the Company is continuously evaluating organic growth opportunities and potential acquisitions of transportation, retail propane distribution, gathering, terminalling or storage and other complementary midstream businesses, such as emulsion treating, water disposal and oilfield waste management services. As a part of the Company's strategic plan, the Company acquired OMNI which expands on the Company's Palko Environmental Ltd. ("Palko") acquisition and enables increased capabilities to provide environmental and production services to oil and gas industry in U.S.

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

- Despite recent weakness, robust activity levels are forecasted to continue in the oil producing areas in North America stemming from drilling budgets proposed by industry leaders. This may generate increased demand for the services Gibson provides;
- Increased production levels and relatively strong crude oil prices have increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities in which the Company participates;
- 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;

- Currently, the price of West Texas Intermediate ("WTI") crude oil is trading at a discount to Brent crude. If this trend continues, it could create incremental margin opportunities and increased opportunities for multiple areas of the Company's operations;
- The proposed Keystone XL pipeline project, if approved, would help provide a growing supply of Canadian crude oil to the largest refining markets in the United States. If approved, the pipeline would locate its initiating pump station adjacent to the Company's Hardisty Terminal that could provide increased opportunities for the Company's services;
- Enbridge's twinning of the southern section of its Athabasca pipeline should provide for additional volumes into the Hardisty area and could provide increased opportunities for the Company's services;
- The widening of heavy to light crude oil pricing differentials should create incremental margin opportunities in multiple areas of the Company's operations. However, differentials continue to be volatile;
- The growing supply of Canadian heavy crude oil from the oilsands will result in an increasing demand for diluent in Western Canada Sedimentary Basin (the "WCSB"). This should result in increased movements of diluent through the Edmonton area pipeline and terminal infrastructure and may generate increased opportunities for Gibson services; and
- Continuing crude pricing, location and quality disconnects combined with a shortage of pipeline takeaway capacity from the WCSB are creating a demand for crude rail movements that could persist for an extended period. If this trend continues, it could create opportunities for the Company to increase its service offering to include more crude rail movements.

Longer-term outlook

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

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company's operating areas;
- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;
- Increased crude oil production on-shore in North America, including from the Canadian oil sands and a return to more normal activity levels in the U.S. Gulf Coast; and
- Expansion of the midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB.

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

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):

	Nine months ended September 30,	
	2012	**2011**
Internal growth projects	$ 92,258	$ 77,334
Acquisitions	12,302	-
Upgrade and replacement capital(1)	43,130	28,984
	$ 147,690	$ 106,318

(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 $135.4 million and $106.3 million in the nine months ended September 30, 2012 and 2011, respectively. In the nine months ended September 30, 2012 and 2011, $132.9 million and $102.5 million, respectively, were included as additions to property, plant and equipment and $2.5 million and $3.8 million, respectively, were included as additions to intangible assets.

Internal growth projects

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

	Nine months ended September 30,	
	2012	**2011**
Terminals and Pipelines[(1)]	$ 42,009	$ 47,493
Truck Transportation[(2)]	22,090	26,141
Propane and NGL Marketing and Distribution [(3)]	4,363	2,311
Processing and Wellsite Fluids[(4)]	23,531	1,322
Other	265	67
Total	$ 92,258	$ 77,334

(1) Expenditures in the nine months ended September 30, 2012 relate to a number of key construction and expansion projects including the construction of four 300,000 barrel tanks at the Hardisty Terminal and expenditures in connection with expanding the Company's custom treating and terminals business.

(2) Largely represents the ongoing addition of rolling stock to meet demand growth in key market areas, with $9.7 million spent in Canada and $9.8 million in the United States in the nine months ended September 30, 2012. The amount in the nine months ended September 30, 2012 also includes expansion expenditures in Sexsmith, Alberta. In the year ended December 31, 2011, the Company acquired land in Sexsmith, Alberta for expansion opportunities by multiple segments.

(3) Mainly represents the ongoing addition of trucks, tanks and generators to meet growing demand in key market areas. Also, includes expansion expenditures in Sexsmith, Alberta in the nine months ended September 30, 2012.

(4) Expenditures in the nine months ended September 30, 2012 relate to the expansion of capacity and the building of a new tank and pipeline connections at the Moose Jaw facility and costs to construct a mud blending facility in Sexsmith, Alberta.

Acquisitions

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	September 1, 2012	$ 2,240
Mobile Propane	July 24, 2012	5,312
Fricken Fracken	May 1, 2012	4,750
		$ 12,302

Seasonality

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

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

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

SEGMENTED RESULTS OF OPERATIONS

The Company's senior management evaluates segment performance based on a variety of measures depending on the particular segment being evaluated, including profit, volumes, operating expenses, profit per barrel and upgrade and replacement capital requirements. The Company defines segment profit as revenues less cost of sales and operating expenses. Revenues presented by segment in the table below include inter-segment revenue, as this is considered more indicative of the level of each segment's activity. Profit by segments excludes depreciation, amortization, accretion, impairment charges, stock based compensation and corporate expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items such as depreciation, amortization and stock based compensation, as one of the Company's important measures of segment performance. The Company has also excluded the gain on the sale of the Company's Edmonton North Terminal from segment profit since it is considered to be a non-recurring gain. The Edmonton North 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 nine months ended September 30, 2012 and 2011 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Segment revenue				
Terminals and Pipelines (1)	$ 36,293	$ 211,667	$ 108,753	$ 674,909
Truck Transportation	131,262	119,372	388,204	333,383
Propane and NGL Marketing and Distribution	147,728	239,022	611,969	711,446
Processing and Wellsite Fluids	154,214	144,730	403,582	375,439
Marketing	963,036	890,400	2,748,831	2,655,880
Total segment revenue	1,432,533	1,605,191	4,261,339	4,751,057
Revenue—inter-segmental	(246,886)	(369,870)	(654,545)	(1,159,810)
Total revenue—external	1,185,647	1,235,321	3,606,794	3,591,247
Segment profit				
Terminals and Pipelines	21,381	15,961	64,404	49,772
Truck Transportation	23,553	19,545	63,865	48,958
Propane and NGL Marketing and Distribution	7,866	3,645	28,785	25,853
Processing and Wellsite Fluids	17,470	22,393	29,936	37,298
Marketing	14,454	5,795	40,819	20,122
Total segment profit	84,724	67,339	227,809	182,003
General and administrative	8,491	6,519	22,054	18,666
Depreciation and amortization	30,848	24,605	87,440	74,589
Stock based compensation	804	1,047	2,706	6,185
Debt extinguishment costs	-	-	-	166,056
Foreign exchange loss (gain)	(8,417)	13,922	(15,419)	2,041
Gain on sale of Edmonton North Terminal	-	-	-	(20,370)
Net interest expense	10,418	11,325	32,212	57,205
Financial instruments relating to interest expense	3,875	11,393	(1,984)	11,325
Income (loss) before income tax	38,705	(1,472)	100,800	(133,694)
Income tax expense (recovery)	8,688	3,649	21,225	(38,466)
Net income (loss)	$ 30,017	$ (5,121)	$ 79,575	$ (95,228)

(1) 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 will not impact the comparability of segment profit.

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

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

Terminals and Pipelines

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

	Three months ended September 30,		Nine months ended September 30,	
Volumes (barrels in thousands)	**2012**	**2011**	**2012**	**2011**
Terminals				
Hardisty Terminal	33,573	21,947	96,364	62,930
Edmonton Terminal	5,855	4,668	17,936	11,825
Injection stations	10,333	10,155	31,312	26,321
Total terminals	49,761	36,770	145,612	101,076
Pipelines				
Bellshill pipeline	466	491	1,431	1,443
Provost pipeline	1,542	1,680	4,877	5,074
Total pipelines	2,008	2,171	6,308	6,517
Total terminals and pipelines	51,769	38,941	151,920	107,593
Custom treating and terminals	2,125	2,141	5,330	6,661

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
		(in thousands)		
Revenues	$ 36,293	$ 211,667	$ 108,753	$ 674,909
Cost of sales	1,246	186,612	4,332	602,462
	35,047	25,055	104,421	72,447
Operating expenses and other	13,666	9,094	40,017	22,675
Segment profit	$ 21,381	$ 15,961	$ 64,404	$ 49,772

Three months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Custom treating and terminals volumes decreased slightly in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The decrease was largely due to a revised agreement with the Marketing segment whereby at the beginning of the current year, Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminal facilities. The revised agreement does not impact the comparability of segment profit from prior periods. Volumes in the three months ended September 30, 2011 largely related to product sold to the Marketing segment. The volumes in the three months ended September 30, 2012 largely relate to the custom treating and terminals business which did not exist in the three months ended September 30, 2011, as they largely relate to the acquisition of Palko completed on December 8, 2011. As a result of the change in the arrangement with the Marketing segment and the changes in volume, custom treating and terminals revenue decreased by $181.8 million in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, which also resulted in the decrease in custom treating and terminals cost of sales of $185.9 million.

Hardisty Terminal volumes increased by 53% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, as a result of increased throughput volumes from customers with dedicated tank usage and the impact of additional pipeline connections at the terminal including the Enbridge Line 4 and the Cold Lake pipeline connections. Revenue at the Hardisty Terminal increased by $5.0 million in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The increase in revenue was due mainly to the increase in volume but was also due to the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges.

Edmonton Terminal volumes increased by 25% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 mainly due to increased throughput volumes from the Southern Lights connection that was completed in the fourth quarter of 2011. As a result, revenues at the Edmonton Terminal increased by $0.7 million in the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Injection station volumes increased by 2% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to an increase in activity with a major customer. As a result, revenue increased by $0.6 million in the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Volumes for the Company's Bellshill pipeline decreased 5% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.1 million in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 as a result of an increase in tariffs offset in part by the decrease in volumes.

Volumes for the Company's Provost pipeline decreased by 8% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. Revenue remained relatively stable in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 as the impact of lower volumes was offset by an increase in tariffs.

Operating expenses and other. Overall operating expenses and other costs increased by $4.6 million, or 50%, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The increase was largely related to the additional operating costs from the custom treating and terminals business, largely as a result of the Palko acquisition.

Segment profit. Overall, segment profit in the three months ended September 30, 2012 increased by $5.4 million, or 34%, compared to the three months ended September 30, 2011. The primary reason for the increase was due to increased volumes through both of the Company's major terminals.

Nine months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Custom treating and terminals volumes decreased by 20% in the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011. The decrease was largely due to a revised agreement with the Marketing segment whereby at the beginning of the current year, Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminal facilities. The revised agreement does not impact the comparability of segment profit from prior periods. Volumes in the nine months ended September 30, 2011 largely related to product sold to the Marketing segment. The volumes in the nine months ended September 30, 2012 largely relate to the custom treating and terminals business which did not exist in the nine months ended September 30, 2011, as they largely relate to the acquisition of Palko completed on December 8, 2011. As a result of the change in the arrangement with the Marketing segment and the changes in volume, custom treating and terminals revenue decreased by $587.3 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, which also resulted in the decrease in custom treating and terminals cost of sales of $598.1 million.

Hardisty Terminal volumes increased by 53% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, as a result of increased throughput volumes from customers with dedicated tank usage and the impact of additional pipeline connections at the terminal including the Enbridge Line 4 and the Cold Lake pipeline connections. Revenue at the Hardisty Terminal increased by $16.1 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increase in revenue was due mainly to the increase in volume but was also due to the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges.

Edmonton Terminal volumes increased by 52% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 mainly due to increased throughput volumes from the Southern Lights connection that was completed in the

fourth quarter of 2011 and also due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. As a result, revenues at the Edmonton Terminal increased by $2.5 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Injection station volumes increased by 19% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to an increase in activity with a major customer and as a result of an overall increase in activity in the United States. As a result, revenue increased by $1.9 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Volumes for the Company's Bellshill pipeline decreased 1% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.3 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 as a result an increase in tariffs.

Volumes for the Company's Provost pipeline decreased by 4% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.4 million in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Operating expenses and other. Overall operating expenses and other costs increased by $17.3 million, or 76%, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increase was largely related to the additional operating costs from the custom treating and terminals business, largely as a result of the Palko acquisition. The increase was also due to the movement in the fair value of the electricity swap whereby a loss of $0.1 million was recorded in the nine months ended September 30, 2012 compared to a gain of $1.2 million in the nine months ended September 30, 2011.

Segment profit. Overall, segment profit in the nine months ended September 30, 2012 increased by $14.6 million, or 29%, compared to the nine months ended September 30, 2011. The primary reason for the increase was due to increased volumes through both of the Company's major terminals offset in part by lower custom treating and terminals profits. The reduction in custom treating and terminals profits was due to increased profits generated in the prior year period from widening pricing differentials between crude types compared to the fixed fee earned in the current year period. Offsetting this decrease in custom treating and terminals was the incremental profit from the Palko acquisition.

Truck Transportation

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

	Three months ended September 30,		Nine months ended September 30,	
Volumes (barrels in thousands)	**2012**	**2011**	**2012**	**2011**
Barrels hauled	38,469	37,908	114,084	107,959

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
		(in thousands)		
Revenues	$ 131,262	$ 119,372	$ 388,204	$ 333,383
Cost of sales	88,049	81,423	264,487	232,492
	43,213	37,949	123,717	100,891
Operating expenses and other	19,660	18,404	59,852	51,933
Segment profit	$ 23,553	$ 19,545	$ 63,865	$ 48,958

Three months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. For the three months ended September 30, 2012, barrels hauled increased by 2% compared to the three months ended September 30, 2011, due mainly to slightly increased activity in crude hauling in the United States with volumes in Canada remaining relatively stable.

Revenues increased by 10% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. The increase was driven by the increase in volumes and also due to an increase in hauling rates and accessorial charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 8% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The increase was driven by the increase in volumes with a lower percentage increase than revenue as a result of strong market demand in certain area's allowing for higher margins and also due to the impact of increased accessorial charges.

Operating expenses and other. Overall operating expenses and other costs increased by $1.3 million, or 7%, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, mainly due to increased payroll related costs in both Canada and the United States.

Segment profit. Segment profit increased by $4.0 million, or 21%, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, with the increase driven by the increase in volumes, hauling rates and accessorial charges.

Nine months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. For the nine months ended September 30, 2012, barrels hauled increased by 6% compared to the nine months ended September 30, 2011, due mainly to increased activity in crude hauling in both Canada and the United States and increased capacity as a result of the Company investment in rolling stock to meet demand.

Revenues increased by 16% in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. The increase was driven by the increase in volumes and also due to an increase in hauling rates and accessorial charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 14% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increase was driven by the increase in volumes with a lower percentage increase than revenue as a result of strong market demand in certain areas allowing for higher margins and also due to the impact of increased accessorial charges.

Operating expenses and other. Overall operating expenses and other costs increased by $7.9 million, or 15%, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, mainly due to increased payroll related costs in both Canada and the United States.

Segment profit. Segment profit increased by $14.9 million, or 30%, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, with such increase largely driven by the increase in volumes and also due to increases in hauling rates and accessorial charges.

Propane and NGL Marketing and Distribution

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

Volumes	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Sales volumes—retail (litres in thousands)				
Residential	3,267	3,389	12,870	14,259
Oil and gas	38,706	36,445	131,620	121,514
Commercial and industrial	9,260	7,928	43,054	45,920
Automotive	6,344	7,751	16,763	19,800
Other	4,512	4,184	13,834	13,649
	62,089	59,697	218,141	215,142
Sales volumes—wholesale (barrels in thousands)				
Propane	646	878	2,829	3172
Other NGLs				
Butane	460	540	1,408	1,438
Condensate	192	322	581	937
U.S. division	675	709	2,596	2,163
	1,327	1,571	4,585	4,538

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(in thousands)			
Revenues				
Retail				
Propane	$ 22,204	$ 31,263	$ 93,803	$ 113,786
Other	3,861	2,691	12,968	10,285
Total retail	26,065	33,954	106,771	124,071
Wholesale				
Propane	22,896	57,459	123,618	205,942
Other NGLs	98,767	147,609	381,580	381,433
Total wholesale	121,663	205,068	505,198	587,375
Total revenues	147,728	239,022	611,969	711,446
Cost of sales				
Retail				
Propane	11,676	22,782	54,479	81,720
Other	615	594	1,793	1,587
Total retail	12,291	23,376	56,272	83,307
Wholesale				
Propane	19,993	54,711	116,524	195,495
Other NGLs	95,066	146,670	372,808	373,072
Total wholesale	115,059	201,381	489,332	568,567
Total cost of sales	127,350	224,757	545,604	651,874
Gross Margin				
Retail	13,774	10,578	50,499	40,764
Wholesale	6,604	3,687	15,866	18,808
Total gross margin	20,378	14,265	66,365	59,572
Operating expenses and other	12,512	10,620	37,580	33,719
Segment profit	$ 7,866	$ 3,645	$ 28,785	$ 25,853

Three months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Retail volumes increased 4% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, 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 due to continued strong drilling activity in the three months ended September 30, 2012. The increase in the commercial and industrial markets was primarily due to increased construction activity. Offsetting these was a decline in the residential and automotive markets. The decrease in the residential market was due to warmer weather conditions in the Company's key markets. The declines in the automotive market have been occurring for several years as propane is not the preferred fuel choice.

Retail propane revenues decreased 29% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, as a result of lower rack prices offset in part by higher sales volumes. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 43% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, largely due to an increase in equipment sales and also equipment rentals, as the Company has increased its generator rental operations.

Wholesale propane volumes decreased by 26% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The decrease in volumes was largely driven by the impact of the warmer weather reducing propane demand in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. This decrease in volumes was offset in part by an increase in propane buy/sell transactions in the three months ended September 30, 2012.

Wholesale propane revenues decreased by 60% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to lower volumes, lower wholesale propane rack prices and the impact of higher volumes through buy/sell transactions where revenues associated with these volumes are recorded on a net basis.

Wholesale other NGLs volumes decreased by 16% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, primarily as a result of decreased butane and condensate volumes due to lower demand from internal and external customers as unfavorable pricing impacted blending programs. As a result, other NGLs revenues decreased by 33% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, with the impact of decreased volumes and lower commodity prices.

Cost of sales per litre in retail propane and wholesale propane decreased by 51% and 50%, respectively, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to prices declining from lower overall demand that has resulted in high propane inventories in the market. As a result, retail and wholesale propane margin per litre have benefitted and both increased 19% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Cost of sales for other NGLs decreased by 35% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, due to the impact of decreased volumes and commodity prices.

Operating expenses and other. Overall operating expenses and other costs increased by $1.9 million or 18%, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, primarily due to an increase in payroll related costs in both retail and wholesale.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the three months ended September 30, 2012 by $4.2 million, or 116%, compared to the three months ended September 30, 2011, primarily as a result of the increase in both retail and wholesale margins.

Nine months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Retail volumes increased 1% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 The increase was driven by an increase in volumes in the oil and gas market as a result of continued strong drilling activity in the nine months ended September 30, 2012. Offsetting this increase was a decrease in other markets such as the commercial and industrial and residential markets which showed lower volumes primarily due to warmer weather conditions, particularly in the first half of 2012, in the Company's key markets. There was also a decline in the automotive market where declines have been occurring for several years as propane is not the preferred fuel choice.

Retail propane revenues decreased 18% in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, as a result of lower rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 26% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, largely due to an increase in equipment sales and also equipment rentals, as the Company has increased its generator rental operations.

Wholesale propane volumes decreased by 11% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The decrease in volumes was largely driven by the impact of the warmer weather reducing propane demand offset by an increase in volumes from propane buy/sell transactions in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. Revenues decreased by 40% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to lower volumes, lower wholesale propane rack prices and the impact of higher volumes through buy/sell transactions where revenues associated with these volumes are recorded on a net basis.

Other NGLs volumes increased by one percent in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily as a result of increased volumes in the United States offset in part by lower volumes of condensate and butane demand from internal and external customers as unfavorable pricing impacted blending programs. Other NGLs revenues were relatively unchanged as increased revenue in the United States was offset by decline in condensate and butane revenue.

Cost of sales per litre in retail propane and wholesale propane decreased by 34% and 33%, respectively, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to prices declining due to lower overall demand that has resulted in high propane inventories in the market. As a result, retail propane margin per litre benefitted from lower wholesale propane prices and increased 21% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. However, the wholesale propane margin per litre was negatively impacted by lower wholesale propane prices and decreased 38% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Cost of sales for other NGLs was relatively stable in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011.

Operating expenses and other. Overall operating expenses and other costs increased by $3.9 million or 11%, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, primarily due to an increase in payroll related costs in both retail and wholesale.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the nine months ended September 30, 2012 by $2.9 million, or 11%, compared to the nine months ended September 30, 2011, primarily as a result of higher margins in retail propane offset in part by lower margins in wholesale propane and other NGLs.

Processing and Wellsite Fluids

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

Volumes (barrels in thousands)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Roofing flux	479	312	1,407	1,091
Road asphalt	141	243	246	404
Frac fluid	66	132	269	343
Tops	693	428	1,474	1,151
Distillate	170	206	438	560
Other	18	14	45	50
Total sales volumes	1,567	1,335	3,879	3,599

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(in thousands)			
Revenues				
Road asphalt and roofing flux	$ 64,266	$ 58,407	$ 173,232	$ 144,250
Frac fluid	8,750	18,956	38,050	45,593
Tops	55,708	37,272	121,814	104,486
Distillate	22,739	28,167	63,353	74,992
Other	2,751	1,928	7,133	6,118
Total revenues	154,214	144,730	403,582	375,439
Cost of sales	131,830	119,466	357,621	324,945
Operating expenses and other	4,914	2,871	16,025	13,196
Segment profit	$ 17,470	$ 22,393	$ 29,936	$ 37,298

Three months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 54% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 as a result of increased demand in the United States and also due to the impact of the Company introducing a straight run roofing flux product into the market in 2011. Sales volumes for road asphalt decreased by 42% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The decrease was due to an increase in the amount of asphalt being sold as roofing flux due to improved roofing flux margins and also due to decreased Canadian road paving jobs. Asphalt revenue increased by 10% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due mainly to the increase in roofing flux volume offset in part by lower road asphalt volumes.

Frac fluid volumes decreased 50% in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 largely due to the lower overall drilling activity in the current period. Frac fluid revenues were 54% lower in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, due to the decrease in volume.

Tops volumes increased 62% in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011 due to a decrease in frac fluid and distillate volumes resulting in the Company selling more of the light end volume as tops. Tops revenues were 49% higher in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, primarily due to the increase in volumes offset in part by lower tops pricing.

Sales volumes for distillate were 17% lower in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 largely due to lower overall drilling activity in the current year period. As a result of the lower volumes, distillate revenues were 19% lower in the three months ended September 30, 2012, compared to the three months ended September 30, 2011.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment decreased by 6% due to the decrease in crude prices, particularly in the second quarter and the early part of the third quarter.

Overall margins decreased by $2.9 million, or 11%, in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. Overall margins declined due to lower sales volumes of distillate and frac fluid. Offsetting these decreases, asphalt margins were positively impacted by higher product margins for the Company's straight run roofing flux.

Operating expenses and other. Operating expenses increased by $2.0 million, or 71%, in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011, primarily due to an unfavorable movement in foreign exchange rates that resulted in the foreign exchange loss of $0.3 million in the three months ended September 30, 2012 compared to a $1.2 million gain in the three months ended September 30, 2011.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the three months ended September 30, 2012 by $4.9 million, or 22%, as compared to the three months ended September 30, 2011, primarily due to lower overall decline in margins for frac fluids and distillate and increased operating expenses, offset in part by increased margins for asphalt.

Nine months ended September 30, 2012 and 2011.

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 29% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 as a result of increased demand in the United States and also due to the impact of the Company introducing a straight run roofing flux product into the market in 2011. Sales volumes for road asphalt decreased by 39% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The decrease was due to an increase in the amount of asphalt being sold as roofing flux due to improved roofing flux margins and also due to decreased Canadian road paving jobs. Asphalt revenue increased by 20% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 due to an increase in both roofing flux volume and pricing.

Frac fluid volumes decreased 22% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 largely due to the impact of lower overall drilling activity in the current period. As a result, frac fluid revenues decreased by 17% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Tops volumes increased 28% in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011 due a decrease in frac fluid and distillate volumes resulting in the Company selling more of the light end volume as tops. Tops revenues increased by 17% due to increased volumes in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 offset in part by lower tops pricing.

Sales volumes for distillate were 22% lower in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 largely due to the impact of lower overall drilling activity in the current year period in part due to an early spring break up. Distillate revenues were 16% lower in the nine months ended September 30, 2012, compared to the nine months ended September 30, 2011 which was driven by the decrease in volumes offset in part by higher overall selling prices in the market.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 2% due to the increase in crude prices, particularly in the first quarter of the current year period.

Overall margins decreased by $4.5 million, or 9%, in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. Overall margins declined due mainly to lower volumes of distillate and frac fluid. In addition, margins for tops declined due to wider differentials. Offsetting these decreases, asphalt margins were positively impacted by higher product margins for the Company's straight run roofing flux.

Operating expenses and other. Operating expenses increased by $2.8 million, or 21%, in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily due to increased payroll related costs and an unfavorable movement in foreign exchange rates that resulted in the foreign exchange loss of $0.1 million in the nine months ended September 30, 2012 compared to a $1.0 million gain in the nine months ended September 30, 2011.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the nine months ended September 30, 2012 by $7.4 million, or 20%, as compared to the nine months ended September 30, 2011, primarily due to lower overall margins for tops, frac fluids and distillate and higher operating expenses, offset in part by increased margins for roofing flux asphalt.

Marketing

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

Volumes (barrels in thousands)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Sales Volumes				
Crude and diluent	22,479	13,739	59,938	39,089

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(in thousands)			
Revenues	$ 963,036	$ 890,400	$ 2,748,831	$ 2,655,880
Cost of sales	945,888	882,711	2,700,401	2,628,928
Operating expenses and other	2,694	1,894	7,611	6,830
Segment profit	$ 14,454	$ 5,795	$ 40,819	$ 20,122

The following tables set forth the monthly average NYMEX benchmark price of crude oil:

Calendar Period	2012	2011
January	$ 100.32	$ 89.58
February	$ 102.26	$ 89.74
March	$ 106.21	$ 102.98
April	$ 103.35	$ 110.04
May	$ 94.72	$ 101.36
June	$ 82.41	$ 96.29
July	$ 87.93	$ 97.19
August	$ 94.16	$ 86.33
September	$ 94.72	$ 85.61
Average for the nine months ended September 30	$ 96.23	$ 95.46

Three months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 64% in the three months ended September 30, 2012, due to a continued focus on bringing volumes to the Company's integrated assets and the impact of new pipeline connections at the Company's terminals. Revenue increased by 8% in the three months ended September 30, 2012 compared to three months ended September 30, 2011, due to the increase in volume and commodity prices offset in part by the impact of higher volumes through buy/sell transactions whereby revenues associated with these volumes are recorded on a net basis.

Cost of sales in the three months ended September 30, 2012 was 7% higher compared to the three months ended September 30, 2011 largely in line with the increase in revenue.

Operating expenses and other. Operating expenses increased by $0.8 million, or 42%, in the three months ended September 30, 2012 compared to the three months ended September 30, 2011 primarily due to the impact of increased costs from the re-alignment of the custom terminals business from the Terminals and Pipelines segment at the beginning of the current year.

Segment profit. The Marketing segment profit increased by $8.7 million, or 149%, in the three months ended September 30, 2012 as compared to the three months ended September 30, 2011. In the three months ended September 30, 2012 margins were positively impacted by the increase in volumes and favorable pricing differentials between crude oil types, which is generally beneficial for segment profitability, as compared to the three months ended September 30, 2011.

Nine months ended September 30, 2012 and 2011

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 53% in the nine months ended September 30, 2012, due to a continued focus on bringing volumes to the Company's integrated assets and the impact of new pipeline connections at the Company's terminals. Revenue increased by 3% in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, due to the increase in volume and commodity prices offset in part by the impact of higher volumes through buy/sell transactions whereby revenues associated with these volumes are recorded on a net basis.

Cost of sales increased by 3% in the nine months ended September 30, 2012 compared to nine months ended September 30, 2011 in line with the increase in revenue.

Operating expenses and other. Operating expenses increased by $0.8 million, or 11%, in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 primarily due to the impact of increased costs from the re-alignment of the custom terminals business from the Terminals and Pipelines segment at the beginning of the current year offset in part by a decrease in customer bad debt expense.

Segment profit. The Marketing segment profit increased by $20.7 million, or 103%, in the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011. In the nine months ended September 30, 2012, margins were positively impacted by the increase in volumes and favorable pricing differentials between crude oil types, which is generally beneficial for segment profitability, as compared to the nine months ended September 30, 2011.

General and administrative, excluding depreciation and amortization

General and administrative expense ("G&A") was $8.5 million and $22.1 million in the three and nine months ended September 30, 2012, respectively, compared to $6.5 million and $18.7 million in the three and nine months ended September 30, 2011, respectively. The increase was largely driven by an increase in payroll related costs and also acquisition related costs incurred during the current year periods.

Depreciation and amortization

Depreciation and amortization expense was $30.8 million and $87.4 million in the three and nine months ended September 30, 2012, respectively, compared to $24.6 million and $74.6 million in the three and nine months ended September 30, 2011, respectively. The increase is due to the additional depreciation and amortization related to increased asset values as a result of the Company's capital expenditures and acquisitions.

Stock based compensation

Stock based compensation expense was $0.8 million and $2.7 million in the three and nine months ended September 30, 2012, respectively, compared to $1.0 million and $6.2 million in the three and nine months ended September 30, 2011, respectively. The decrease in expense in the three months ended September 30, 2012 was primarily due to the impact of employees retiring in the current year period. The primary reason for the lower expense in the nine months ended September 30, 2012 was additional expense incurred from the granting of stock awards in June 2011 which vested upon completion of the Company's initial public offering on June 15, 2011.

Debt extinguishment costs

In the nine months ended September 30, 2011, the Company recorded debt extinguishment costs of $166.1 million as a result of the refinancing of the Company's long-term debt on June 15, 2011 (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 debt, the write-off of the Company's unamortized deferred debt issue costs from the repayment of the debt 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.

Foreign exchange loss (gain) not affecting segment profit

In the three months ended September 30, 2012, the Company recorded a foreign exchange gain of $8.4 million compared to a loss of $13.9 million in the three months ended September 30, 2011. In the nine months ended September 30, 2012, the Company recorded a foreign exchange gain of $15.4 million compared to a loss of $2.0 million the nine months ended September 30, 2011. The gains and losses recorded are primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the three and nine months ended September 30, 2012, a

gain of $23.0 million and $21.7 million, respectively, was due to the favorable movement in exchange rates that was offset by an unrealized loss of $12.3 million and $5.0 million, respectively, related to the Company entering into U.S. dollar forward contracts and call options to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In the three and nine months ended September 30, 2011, a loss of $48.5 million and $27.0 million, respectively, was due to the unfavorable movement in exchange rates that was offset in part by an unrealized gain of $33.4 million and $24.0 million, respectively, that related to the Company's U.S. dollar forward contract and call option to mitigate the currency risk associated with its U.S. dollar denominated long term debt.

Gain on sale of Edmonton North Terminal

On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal for consideration of $54.3 million, realizing a gain on the sale of $20.4 million in the three and nine months ended September 30, 2011.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $10.4 million and $32.2 million in the three and nine months ended September 30, 2012, respectively, compared to $11.3 million and $57.2 million in the three and nine months ended September 30, 2011, respectively. The decrease in the nine months ended September 30, 2012, is primarily due to the lower interest rate and principal balance on the Company's long-term debt as a result of the Refinancing.

Financial instruments relating to interest expense

In the three and nine months ended September 30, 2012, the Company recorded a non-cash loss of $3.9 million and gain of $2.0 million, respectively, relating to financial instruments with respect to the Company's interest expense. The amount largely relates to an embedded derivative on an interest rate floor within the Company's loan facility that is required to be separated from the carrying value of long-term debt and accounted for as a separate financial instrument that is measured at fair value at each balance sheet date. In the three and nine months ended September 30, 2011, the non-cash expense of $11.4 million and $11.3 million, respectively, relates to a forward contract entered into to mitigate currency exposure on U.S. dollar interest payments.

Income tax expense

Income tax expense in the three and nine months ended September 30, 2012 was $8.7 million and $21.2 million, respectively, compared to $3.6 million and recovery of $38.5 million in the three and nine months ended September 30, 2011, respectively. The effective tax rate was 22.4% and 21.1% during the three and nine months ended September 30, 2012, respectively, compared to a rate of negative 247.9% and a recovery rate of 28.8% in the three and nine months ended September 30, 2011, respectively. The increase in the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011 is due to the increase in net income. The main reason for the change in the effective rate in the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011 was the impact of the tax treatment of foreign exchange losses on the Company's long-term debt. In addition, the effective tax rate decrease in the nine months ended September 30, 2012 was also impacted by the benefit of capital tax treatments of the Edmonton North Terminal gain on the income tax recovery in the nine months ended September 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:

($ in thousands)	2012			2011				2010
Three months ended	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Revenues	$1,185,647	$1,126,219	$1,294,928	$1,480,784	$1,235,321	$1,207,909	$1,148,017	$ 992,090
Net income (loss)	30,017	9,521	40,037	32,623	(5,121)	(130,238)	40,131	31,396
EBITDA(1)	83,915	48,565	86,251	77,263	46,030	(133,012)	96,744	84,497
Adjusted EBITDA(2)	72,109	62,044	71,789	67,345	64,852	42,147	56,939	56,688
Earnings (loss) per share								
Basic	0.30	0.10	0.41	0.34	(0.05)	(1.98)	0.58	0.45
Diluted	0.29	0.09	0.40	0.33	(0.05)	(1.98)	0.51	0.41

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

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

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

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

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

	2012			2011				2010
Three months ended	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**
(in thousands)								
Net income (loss)	$ 30,017	$ 9,521	$ 40,037	$ 32,623	$ (5,121)	$ (130,238)	$ 40,131	$ 31,396
Depreciation and amortization	30,848	28,705	27,887	25,928	24,605	26,178	23,806	24,882
Interest expense[(1)]	14,362	8,916	7,213	11,646	22,897	21,265	24,705	25,555
Income tax expense (recovery)	8,688	1,423	11,114	7,066	3,649	(50,217)	8,102	2,664
EBITDA	$ 83,915	$ 48,565	$ 86,251	$ 77,263	$ 46,030	$ (133,012)	$ 96,744	$ 84,497

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

Adjusted EBITDA and Pro Forma Adjusted EBITDA are presented in the table below because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense and foreign exchange differences on the Company's long-term debt), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property, plant and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA and Pro Forma Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented herein are not recognized measures under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA differs from the term EBITDA as it is commonly used. Adjusted EBITDA is defined as consolidated net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of goodwill and intangible assets, and non-cash inventory or asset write downs. 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 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 Tranche B Term Loan and Revolving Credit Facility.

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

The following tables reconcile EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last eight quarters and for the twelve months ended September 30, 2012 and 2011:

	Three months ended				Twelve months ended
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2012
	(in thousands)				
EBITDA	$ 83,915	$ 48,565	$ 86,251	$ 77,263	$ 295,994
Unrealized foreign exchange loss (gain) on long-term debt[(a)]	(22,953)	12,862	(11,577)	(14,198)	(35,866)
Net unrealized loss (gain) from financial instruments[(b)]	8,636	(472)	(3,737)	18,576	23,003
Employee stock option plan[(c)]	804	1,050	852	1,590	4,296
Acquisition related costs [(d)]	1,707	39	-	1,014	2,760
Gain on remeasurement of interest in equity investment [(e)]	-	-	-	(16,900)	(16,900)
Adjusted EBITDA	$ 72,109	$ 62,044	$ 71,789	$ 67,345	$ 273,287
Pro forma impact of acquisitions [(i)]					1,155
Pro Forma Adjusted EBITDA					$ 274,442

	Three months ended				Twelve months ended
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2011
	(in thousands)				
EBITDA	$ 46,030	$ (133,012)	$ 96,744	$ 84,497	$ 94,259
Unrealized foreign exchange loss (gain) on long-term debt[(a)]	48,488	(4,200)	(17,328)	(26,752)	208
Net unrealized loss (gain) from financial instruments[(b)]	(30,637)	8,536	(3,034)	(1,787)	(26,922)
Employee stock option plan[(c)]	971	4,517	621	475	6,584
Management fee[(f)]	-	250	306	255	811
Debt extinguishment cost [(g)]	-	166,056	-	-	166,056
Gain on sale of Edmonton North Terminal [(h)]	-	-	(20,370)	-	(20,370)
Adjusted EBITDA	$ 64,852	$ 42,147	$ 56,939	$ 56,688	$ 220,626
Pro forma impact of acquisitions [(i)]					-
Pro Forma Adjusted EBITDA					$ 220,626

(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 accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.*

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

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

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

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

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

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

(i) Reflects the pro forma effect of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions that took place in the twelve months occurred on October 1 of each twelve month period.

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 nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Statement of Cash Flows				
Cash flows provided by (used in):				
Operating activities	$ 62,941	$ 84,302	$ 183,696	$ 171,405
Investing activities	(67,372)	(42,790)	(145,892)	(41,015)
Financing activities	(9,053)	(12,149)	(61,684)	(30,918)

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 G&A expenses. Historically, the Marketing and the Processing and Wellsite Fluids segments have been the most variable with respect to generating cash flows due to the impact of crude oil price levels and the volatility that price changes and crude oil grade basis changes have on the cash flows and working capital requirements of these segments.

Cash provided by operations in the three and nine months ended September 30, 2012 was $62.9 million and $183.7 million, respectively, compared to $84.3 million and $171.4 million in the three and nine months ended September 30, 2011, respectively.

The decrease in the three months ended September 30, 2012 compared to the three months ended September 30, 2011, was primarily attributable to an increase in inventory of $42.9 million in the three months ended September 30, 2012 compared to a decrease of $37.9 million in the three months ended September 30, 2011. This was partially offset by the increase in overall segment profitability and by the net inflow from trade receivables and payables of $22.6 million in the three months ended September 30, 2012 compared to $15.3 million in the three months ended September 30, 2011.

The increase in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011 was primarily due to the overall increase in segment profitability. In the nine months ended September 30, 2012, inventory decreased by $13.2 million and there was a net outflow of $40.4 million from trade receivables and payables. In the nine months ended September 30, 2011, inventory decreased by $83.0 million and there was a net outflow of $28.4 million from trade receivables and payables.

Cash used in investing activities

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

Cash used in investing activities was $67.4 million and $145.9 million in the three and nine months ended September 30, 2012, respectively, compared to $42.8 million and $41.0 million in the three and nine months ended September 30, 2011, respectively.

The increase in cash used in investing activities was due largely to an increase in capital expenditures and acquisitions in the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A. In addition, the increase in the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011, was also due to the decrease in proceeds from the sale of assets of $53.0 million in the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011.

Cash used in financing activities

Cash used in financing activities was $9.1 million and $61.7 million, in the three and nine months ended September 30, 2012, respectively, compared to $12.1 million and $30.9 million in the three and nine months ended September 30, 2011, respectively.

In the three months ended September 30, 2012, the Company paid net cash dividends of $18.7 million, paid interest of $7.9 million and received proceeds of $4.3 million on the exercise of stock options. In the nine months ended September 30, 2012, the Company paid net cash dividends of $46.3 million, paid interest of $29.0 million and received proceeds of $12.4 million on the exercise of stock options. In addition, in the nine months ended September 30, 2012, the Company replaced and re-priced its existing long-term debt resulting in the Company's existing U.S.$645.0 million Term Loan B being replaced with a U.S.$650.0 million Tranche B Term Loan. In connection with this transaction, the Company paid debt issue and related financing costs of $10.5 million.

In the nine months ended September 30, 2011, the significant financing activities related to the net proceeds from the Offering of $471.3 million and the proceeds from the Term Loan B, net of debt issue and financing costs, of $612.7 million, offset by the repayment of the Notes of $745.0 million, debt extinguishment costs of $128.8 million and the repurchase of a warrant held by Hunting Energy Holding Limited of $134.6 million. In addition, interest paid in the three and nine months ended September 30, 2011 was $9.5 million and $64.1 million, respectively.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. With respect to potential internal growth projects, the Company may raise additional debt in 2013 to enable the Company to finance these projects. At September 30, 2012, the Company had unrestricted cash of $41.5 million and $316.5 million available under the Revolving Credit Facility.

The Company's ability to make scheduled payments of principal and interest on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended September 30, 2012, the Company declared a dividend of $0.25 per share for a total dividend of $25.1 million, of which $18.9 million was paid in cash on October 17, 2012 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the board of directors of the Company (the "Board") and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures, including acquisitions, amounted to $147.7 million in the nine months ended September 30, 2012. At September 30, 2012, the Company has identified and approved upgrade and replacement capital and internal growth projects, including acquisitions, of $155.2 million that the Company expects to undertake over the next 12 to 24 months. In October 2012, the Company approved the acquisition of OMNI for U.S$445.0 million, which was completed on October 31, 2012. While the Company anticipates that these capital expenditures and acquisitions will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

As of September 30, 2012, the Company had total outstanding long-term debt, excluding debt issuance costs, of

U.S.$646.8 million. The Tranche B Term Loan expires on June 15, 2018, and accrues interest at the option of the Company at a rate equal to Adjusted LIBOR plus 3.75% or ABR plus 2.75%, subject to a minimum Adjusted LIBOR floor of 1.0%. The Tranche B Term Loan is repayable in equal quarterly installments of $1.6 million, with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of annual net excess cash flow subject to certain ratios and the disposition of assets in excess of U.S.$10.0 million in any given year, where such proceeds are not reinvested into capital assets within specified time periods. Additionally, the Company has a Revolving Credit Facility of up to U.S.$375.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, Adjusted LIBOR plus 2.5%, Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating. In addition, the Company must pay a commitment fee of 0.5%, which can decrease based on an upgrade to the Company's corporate credit rating as determined by recognized credit rating agencies, on the unused portion of the Revolving Credit Facility. At September 30, 2012, the Company had drawn $15.0 million against this facility, had no restricted cash and had issued letters of credit totaling $37.4 million. 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.

The terms of the Company's Tranche B Term Loan and Revolving Credit Facility require the Company to maintain a "Senior Secured Leverage Ratio" of no greater than 5.0 to 1.0 and an "Interest Coverage Ratio" of not less than 2.5 to 1.0. The Senior Secured Leverage Ratio will become more restrictive over the term of the Tranche B 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. As of September 30, 2012, the Company was in compliance with the financial ratios with the Senior Secured Leverage Ratio at 2.2 to 1.0 and the Interest Coverage Ratio at 8.3 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, and could result in an acceleration of amounts due and payable under the Tranche B Term Loan.

The Tranche B Term Loan and Revolving Credit Facility also contain non-financial covenants that restrict some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Tranche B 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 September 30, 2012, the Company was in compliance with all of its covenants under the Tranche B Term Loan and Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

The following table presents, at September 30, 2012, the Company's obligations and commitments to make future payments under contracts and 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)	$ 636,208	$ 1,599	$ 12,788	$ 12,788	$ 609,033
Interest payments on long-term debt(1)(2)	171,485	7,864	62,232	59,470	41,919
Operating lease obligations(3)	121,073	5,847	39,819	33,650	41,757
Total contractual obligations	$ 928,766	$ 15,310	$ 114,839	$ 105,908	$ 692,709

(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 September 30, 2012 of U.S.$1.0166 to $1.000.*

(2) *The interest rate used to calculate the Company's future interest payments is the rate as of September 30, 2012 of 4.75% and includes the impact of an interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 5.5% until September 2015.*

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that are not disclosed in its financial statements and 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 September 30, 2012, there were 100.7 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were an aggregate of 1.0 million restricted share units, performance share units and deferred share units outstanding and 1.9 million stock options outstanding as at September 30, 2012.

As at November 2, 2012, 119.4 million common shares, 1.0 million restricted share awards and 1.9 million stock options were outstanding.

TRADING PRICE AND VOLUME

After the completion of the Offering, on June 15, 2011, the common shares commenced trading on the TSX under the ticker symbol GEI. The following table sets forth the high and low sales prices per common share at the close of market, as well as total monthly trading volumes for the shares on the TSX for the periods indicated.

	Price Range		
Calendar Period	**High**	**Low**	**Volume**
2011			
June (from June 15)	$ 16.05	$ 15.95	1,662,254
July	$ 17.65	$ 16.10	2,107,532
August	$ 17.58	$ 15.55	2,320,371
September	$ 18.90	$ 17.29	4,144,199
October	$ 18.96	$ 17.84	6,796,042
November	$ 20.35	$ 18.43	6,682,582
December	$ 19.33	$ 18.95	5,538,720
2012			
January	$ 19.79	$ 19.25	5,167,329
February	$ 21.33	$ 19.70	6,007,057
March	$ 21.30	$ 20.46	15,794,577
April	$ 22.64	$ 20.79	6,986,425
May	$ 22.40	$ 20.89	4,777,305
June	$ 21.26	$ 20.36	5,231,716
July	$ 21.53	$ 20.14	3,489,150
August	$ 22.45	$ 20.90	3,362,637
September	$ 23.11	$ 21.24	5,822,885
October	$ 23.43	$ 22.63	6,192,086
November (to November 2)	$ 23.02	$ 23.00	571,449

DIVIDENDS

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

The Board has approved a DRIP that provides eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the third quarter dividend of 2012, holders of approximately 43.2% of the common shares participated in the DRIP.

DISTRIBUTABLE CASH FLOW

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

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

	Twelve months ended September 30, 2012
	(in thousands)
Cash flow from operating activities	$ 219,608
Adjustments:	
Changes in non-cash working capital	42,666
Upgrade and replacement capital	(50,833)
Interest paid	(39,496)
Current income tax	(17,087)
Distributable cash flow	$ 154,858
Dividends declared to shareholders	$ 98,204

Dividends declared in the twelve months ended September 30, 2012 were $98.2 million or 63% of the distributable cash flow generated in the twelve months ended September 30, 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the 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 September 30, 2012 and 2011. All derivative positions offset physical exposures to the cash market. Price-

risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $5.1 million and $2.4 million as of September 30, 2012 and 2011, respectively. A 15% unfavorable change would decrease the Company's net income by $4.2 million and $2.4 million as of September 30, 2012 and 2011, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Electricity Price Risk. The Company has hedged its exposure to electricity price fluctuations by entering into a financial swap contract to fix the level of anticipated electricity costs that are price sensitive to the Alberta Electric System Operator (AESO) Pool Price. If the actual AESO Pool Price is greater than the bought fixed price per megawatt hour, the Company receives the difference between that price and the bought fixed price per megawatt hour. If the actual AESO Pool Price is less than the bought fixed price per megawatt hour, the Company pays the difference between that price and the bought fixed price per megawatt hour. A 10% favorable change would increase the Company's net income by $34,000 and $0.2 million as of September 30, 2012 and 2011, respectively. A 10% unfavorable change would decrease the Company's net income by $34,000 and $0.2 million as of September 30, 2012 and 2011, respectively.

Interest rate risks. Prior to the issuance of the Term Loan B 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 Tranche B Term Loan accrue interest at a variable rate of either, at the Company's option, Adjusted LIBOR plus 3.75% or ABR plus 2.75%, subject to a minimum Adjusted LIBOR floor of 1.0% per annum.

A 1% increase in interest rates would have increased cash interest expense by $0.8 million and $1.6 million for the three and nine months ended September 30, 2012, respectively. A 1% decrease in interest rates would not have any impact on the Company's cash interest expense for the three and nine months ended September 30, 2012, as the change would still have resulted in the Company accruing interest at the minimum LIBOR floor rate.

At the inception of the Term Loan B, the interest rate floor was considered an embedded derivative as the floor exceeded the LIBOR interest rate at that time. As a result, the fair value of the interest rate floor was measured as a separate financial liability at fair value. In addition, 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 5.5% until September 15, 2015. A change in interest rates would result in a change in the fair value of the Company's position in the floor and swap. As of September 30, 2012, a 1% increase in interest rates would increase the Company's net income by $9.3 million and a 1% decrease in interest rates would decrease the Company's net income by $18.8 million.

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either LIBOR, the lenders prime rate, the Bankers' Acceptance rate or the Above Bank Rate, plus an applicable margin based on a pricing grid. As at September 30, 2012, the Company had drawn $15.0 million under the Revolving Credit Facility bearing interest rate of 4.5%. A 1% change in interest rates would not have a material impact on cash interest expense for the three and nine months ended September 30, 2012, respectively.

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 $2.6 million and $1.3 million as at September 30, 2012 and 2011, respectively. A 5% favorable change would increase the Company's net income by $2.6 million and $1.3 million as at September 30, 2012 and 2011, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on the principal of the Company's long-term debt and the related interest payments, as they are both denominated in U.S. dollars. As at September 30, 2012, the Company had outstanding U.S. dollar denominated debt

of U.S.$646.8 million. The Company has entered into U.S. dollar forward contracts on U.S.$498.0 million of the principal of the Tranche B Term Loan that matures on September 15, 2015, and also sold long-dated U.S. dollar call options to offset the credit cost related to the forward contracts, that expire on September 15, 2015. 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 $5.4 million and $11.0 million as at September 30, 2012 and 2011, respectively. A corresponding favorable change would increase the Company's net income by $5.4 million and $11.0 million as at September 30, 2012 and 2011, respectively.

With respect to the related interest payments on the Tranche B Term Loan, to date the Company has not entered into any foreign currency hedges. Based on the interest rate in effect at September 30, 2012, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2012 would increase the Company's annual interest expense by $1.5 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2012 would decrease the Company's annual interest expense by $1.5 million.

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

ACCOUNTING POLICIES

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are discussed in the Company's annual 2011 MD&A dated March 6, 2012 as filed on SEDAR.

Future changes in accounting policies

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. Further information on the impact of future changes in accounting policies can be found in the notes to the Consolidated Financial Statements and annual MD&A for the year ended December 31, 2011.

FORWARD-LOOKING STATEMENTS

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

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

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

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

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 6, 2012 as filed on SEDAR and available on the Gibson website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

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

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