Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of August 6, 2014 and should be read in conjunction with the unaudited condensed consolidated financial statements of Gibson Energy Inc. ("Gibson" or the "Company") for the three and six months ended June 30, 2014 and 2013, the audited consolidated financial statements and related notes for the year ended December 31, 2013 and 2012, which were prepared under International Financial Reporting Standards ("IFRS"), and MD&A for the year ended December 31, 2013. The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of June 30, 2014, its results of operations for the three and six months ended June 30, 2014 and 2013, and its cash flows for the three and six months ended June 30, 2014 and 2013. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2014. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

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

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

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

Highlights

The key highlights for the three and six months ended June 30, 2014 were as follows:

- Revenue increased by 31% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 and by 33% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The increase was primarily due to increased overall activity in the Company's segments;
- Overall segment profit increased by 3% to $91.9 million in the three months ended June 30, 2014 compared to $89.0 million in the three months ended June 30, 2013 with increases in each of the Terminal and Pipelines, Truck Transportation, Environmental Services and Propane and NGL Marketing and Distribution segments of over 10% and a 3% increase in Processing and Wellsite fluids segment. Offsetting these increases was a 29% decrease in segment profit for Marketing. Segment profit increased by 10% to $237.7 million in the six months ended June 30, 2014 compared to $216.0 million in the six months ended June 30, 2013;
- Adjusted EBITDA in the three months ended June 30, 2014 decreased 5% to $82.7 million compared to $87.2 million in the three months ended June 30, 2013. Despite the increase in segment profits, the decrease was due to the impact of the unrealized gains and losses relating to the derivative financial instruments. Adjusted EBITDA in the six months ended June 30, 2014 increased 5% to $219.6 million compared to $208.2 million in the six months ended June 30, 2013. Pro Forma Adjusted EBITDA for the twelve months ended June 30, 2014 was $443.2 million;
- Net income was $23.8 million in the three months ended June 30, 2014 compared to net loss of $5.2 million in the three months ended June 30, 2013. Net income was $70.0 million in the six months ended June 30, 2014 compared to $40.5 million in the six months ended June 30, 2013. The increase was largely due to the increase in overall segment profit, debt extinguishment costs in the prior periods and the positive impact of the movement in foreign exchange rates;
- The Company declared a dividend of $0.30 per common share in each of the first two quarters of 2014 for total dividends of $37.1 million in the three months ended June 30, 2014 and $73.9 million in the six months ended June 30, 2014. For the twelve months ended June 30, 2014, distributable cash flow was $251.5 million resulting in a dividend payout ratio of 56%;
- Capital expenditures were $183.4 million in the six months ended June 30, 2014, of which $160.8 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty terminal and the expansion of the Environmental Services business;
- In June 2014, the crude oil unit train rail loading facility near Hardisty, Alberta, was successfully commissioned. The facility, which the Company jointly developed with US Development Group LLC., is underpinned by long-term customer commitments. With pipeline connectivity from the Company's Hardisty Terminal, the facility will provide customers with increased optionality to facilitate crude oil movements across North America.
- On April 1, 2014, the Company completed an acquisition of all of the issued and outstanding common shares of Stittco Energy Limited ("Stittco") for cash consideration of $32.1 million. Stittco is a private company which provides propane equipment, service and delivery to the residential and commercial and mining customers in Northern Manitoba and Northwest Territories;
- On April 30, 2014, the Company announced that it has received committed customer support for two additional 300,000 barrel crude oil storage tanks at the Company's Hardisty Terminal. The two additional tanks contribute to a total of six new tanks being constructed at Hardisty increasing total storage capacity under development to 2.3 million barrels. Upon completion of these tanks, total storage capacity at Hardisty Terminal will increase from 4.3 million barrels to 6.6 million barrels; and
- On June 12, 2014, the Company completed an offering of Senior Unsecured Notes totalling $300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 issued at par and U.S.$50.0 million aggregate principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 108%. The net proceeds were used to repay all outstanding indebtedness under the existing revolving credit facility (excluding letters of credit), with the remaining net proceeds to be used to fund planned capital expenditures and for general corporate purposes.

On August 1, 2014, the Company completed the acquisition of Cal-Gas Inc. ("Cal-Gas") for cash consideration of approximately $100.0 million subject to final purchase price adjustment. Cal-Gas is a retail propane company with operations across Canada. Cal-Gas is one of the largest retailers in western Canada and has operations in British Columbia, Alberta, Saskatchewan, Manitoba and northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors.

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

Trends affecting the Company's business

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

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

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

Longer-term outlook

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

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company's operating areas;
- North American self-sufficiency goals and investment in drilling and production across North America should drive demand for the Company's services;

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

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

Capital expenditures

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

	Six months ended June 30,	
	2014	2013
Growth capital	$ 160,830	$ 66,397
Upgrade and replacement capital[(1)]	22,596	28,851
	$ 183,426	$ 95,248

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

Total capital expenditures for growth and upgrade and replacement capital were $183.4 million and $95.2 million in the six months ended June 30, 2014 and 2013, respectively. In the six months ended June 30, 2014 and 2013, $176.0 million and $91.3 million, respectively, were included as additions to property, plant and equipment and $7.4 million and $3.9 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Six months ended June 30,	
	2014	2013
Terminals and Pipelines[(1)]	$ 99,291	$ 28,576
Truck Transportation[(2)]	13,245	9,835
Environmental Services[(3)]	30,627	22,367
Propane and NGL Marketing and Distribution [(4)]	8,222	3,525
Processing and Wellsite Fluids[(5)]	2,752	1,643
Other [(6)]	6,693	451
Total	$ 160,830	$ 66,397

(1) Expenditures in the six months ended June 30, 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty Terminal and the related infrastructure for the unit rail facility connected to the Hardisty Terminal.

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

(3) Expenditures in the three months ended June 30, 2014 relate to the expansion of existing and construction of new emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.

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

(5) *Expenditures in the three months ended June 30, 2014 largely relate to capacity expansion at the facility in Moose Jaw.*

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

Acquisitions

During the six months ended June 30, 2014, the Company acquired all of the issued and outstanding common shares of Stittco for cash consideration of $32.1 million. The Company completed the acquisition on April 1, 2014. Stittco provides propane equipment, service and delivery to residential and commercial and mining customers in Northern Manitoba and Northwest Territories.

On August 1, 2014, the Company acquired of all of the issued and outstanding common shares of Cal-Gas for cash consideration of approximately $100.0 million subject to final purchase price adjustments. Cal-Gas is one of the largest retailers in Western Canada with operations in British Columbia, Alberta, Saskatchewan, Manitoba and Northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors.

2014 Capital Expenditure Program

The following table is an updated summary of the 2014 Capital Expenditure Program that the Company announced on December 11, 2013:

	Updated Capital Program			Original Capital Program		
	Growth	Upgrade and Replacement	Total	Growth	Upgrade and Replacement	Total
		(in millions)			(in millions)	
Terminals and Pipelines	$ 230	$ 15	$ 245	$ 230	$ 10	$ 240
Environmental Services	85	15	100	70	20	90
Processing and Distribution	25	15	40	20	20	40
Truck Transportation	25	20	45	10	15	25
Other Corporate	10	5	15	10	5	15
Total	$ 375	$ 70	$ 445	$ 340	$ 70	$ 410

For the year ending December 31, 2014, approximately $375.0 million is allocated towards growth capital, an increase of $35.0 million from the previously announced program. The change in growth capital relates to:

- Environmental Services increased by $15.0 million relating to the expansion of current facilities in Canada and the United States;
- Processing and Distribution which includes the Propane and NGL Marketing and Distribution and Processing and Wellsite Fluids segments, increased by $5.0 million, relating to the capacity expansion at the Moose Jaw facility and the addition of propane tanks and trucks to meet demand; and
- Truck Transportation increased by $15.0 million, primarily relating to the purchase of land in the Edmonton area to build a new office and maintenance facility.

With respect to 2015, the Company increased its preliminary estimate of growth capital spend by 50% to $375.0 million with approximately 70% of spend allocated to the Terminals and Pipelines segment.

Seasonality

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

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

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

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

SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the three and six months ended June 30, 2014 and 2013 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Segment revenue				
Terminals and Pipelines	$ 35,130	$ 31,416	$ 72,264	$ 62,051
Truck Transportation	137,120	126,885	274,614	259,437
Environmental Services	93,109	79,431	184,778	153,576
Propane and NGL Marketing and Distribution	263,891	231,251	666,435	514,243
Processing and Wellsite Fluids	145,808	109,269	321,054	253,692
Marketing	1,874,915	1,327,042	3,503,245	2,535,081
Total segment revenue	2,549,973	1,905,294	5,022,390	3,778,080
Revenue—inter-segmental	(423,608)	(285,568)	(785,333)	(595,343)
Total revenue—external	2,126,365	1,619,726	4,237,057	3,182,737
Segment profit				
Terminals and Pipelines	24,691	22,000	51,422	44,742
Truck Transportation	20,033	17,996	39,917	38,675
Environmental Services	21,675	19,260	43,654	36,195
Propane and NGL Marketing and Distribution	7,159	6,462	41,564	25,927
Processing and Wellsite Fluids	5,521	5,361	22,605	23,019
Marketing	12,775	17,937	38,552	47,426
Total segment profit	91,854	89,016	237,714	215,984
General and administrative	9,114	8,463	17,433	16,474
Depreciation and amortization	49,264	44,942	98,077	87,595
Stock based compensation	3,380	2,023	6,508	3,648
Debt extinguishment costs	-	38,209	-	38,209
Foreign exchange loss (gain)	(10,408)	7,290	(1,957)	9,987
Net interest expense	15,301	12,129	28,944	23,681
Gain on financial instruments relating to interest expense	-	(17,444)	-	(18,252)
Income (loss) before income tax	25,203	(6,596)	88,709	54,642
Income tax expense (recovery)	1,365	(1,361)	18,716	14,149
Net income (loss)	$ 23,838	$ (5,235)	$ 69,993	$ 40,493

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

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

Terminals and Pipelines

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2014**	**2013**	**2014**	**2013**
Terminals				
Hardisty Terminal	42,208	32,526	86,063	70,849
Edmonton Terminal	3,924	3,481	8,749	7,857
Injection stations	12,021	10,973	23,906	21,104
Total terminals	58,153	46,980	118,718	99,810
Pipelines				
Bellshill pipeline	398	427	795	874
Provost pipeline	1,395	1,360	2,835	2,963
Total pipelines	1,793	1,787	3,630	3,837
Total terminals and pipelines	59,946	48,767	122,348	103,647

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
		(in thousands)		
Revenues	$ 35,130	$ 31,416	$ 72,264	$ 62,051
Operating expenses and other	10,439	9,416	20,842	17,309
Segment profit	$ 24,691	$ 22,000	$ 51,422	$ 44,742

Three months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 30% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, as a result of increased throughput volumes from customers with dedicated tank usage. Revenue at the Hardisty Terminal increased by $3.1 million in the three months ended June 30, 2014 compared to the three months ended June 30, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, including impact of the new tanks at the west side of the Hardisty Terminal that were commissioned in late 2013.

Edmonton Terminal volumes increased by 13% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 mainly due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. Revenues increased by $0.3 million in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to increases in volumes not subject to minimum volume charges.

Injection station volumes increased by 10% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to an increase in activity with a major customer. Despite the overall increase in volumes, revenue remained relatively unchanged in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to a decrease in the fixed fees earned at certain stations.

Volumes for the Company's Bellshill pipeline decreased by 7% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 remained relatively stable as a result of an increase in tariffs.

Volumes for the Company's Provost pipeline increased by 3% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to an increase in receipts from oil production batteries that produce into the pipeline. As a result, revenue also increased by $0.3 million in the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Operating expenses and other. Overall operating expenses and other costs increased by $1.0 million, or 11%, in the three months ended June 30, 2014 compared to the three months ended June 30, 2013. The increase was largely related to the initial operating

costs incurred related to the Hardisty Unit Train facility that was commissioned in June 2014. Also, there was a small increase in operating costs at the Hardisty Terminal due to the expansion of the facility.

Segment profit. Overall, segment profit in the three months ended June 30, 2014 increased by $2.7 million, or 12%, compared to the three months ended June 30, 2013. The increase was primarily due to the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges, offset in part by increased operating costs.

Six months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 21% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, as a result of increased throughput volumes from customers with dedicated tank usage. Revenue at the Hardisty Terminal increased by $9.4 million in the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, including impact of the new tanks at the west side of the Hardisty Terminal that were commissioned in late 2013.

Edmonton Terminal volumes increased by 11% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 mainly due to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. Edmonton Terminal revenue increased by $0.6 million in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to an increase in volumes not subject to minimum volume charges.

Injection station volumes increased by 13% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to an increase in activity with a major customer. Despite the overall increase in volumes, revenue remained relatively unchanged in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to a decrease in the fixed fees earned at certain stations.

Volumes for the Company's Bellshill pipeline decreased 9% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 remained relatively stable as a result of an increase in tariffs.

Volumes for the Company's Provost pipeline decreased by 4% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to a decrease in receipts from oil production batteries that produce into the pipeline. Despise the decrease in volumes, revenue increased by $0.2 million in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to increase in tariffs.

Operating expenses and other. Overall operating expenses and other costs increased by $3.5 million, or 20%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The increase was largely related to the increase in operating costs due to the expansion of the Hardisty Terminal and costs incurred related to the Hardisty Unit Train facility that was commissioned in June 2014.

Segment profit. Overall, segment profit in the six months ended June 30, 2014 increased by $6.7 million, or 15%, compared to the six months ended June 30, 2013. The increase was primarily due to an overall increase in volumes and the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges, offset in part by increased in operating costs.

Truck Transportation

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

Volumes (barrels in thousands)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Barrels hauled	33,192	33,837	66,793	70,809

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues	$ 137,120	$ 126,885	$ 274,614	$ 259,437
Cost of sales	93,613	83,449	186,585	169,329
	43,507	43,436	88,029	90,108
Operating expenses and other	23,474	25,440	48,112	51,433
Segment profit	$ 20,033	$ 17,996	$ 39,917	$ 38,675

Three months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. For the three months ended June 30, 2014, barrels hauled decreased by 2% compared to the three months ended June 30, 2013, mainly due to a decrease in demand from a major customer in the United States, offset in part by an increase in activity in Canada.

Despite the overall decrease in volumes, revenues increased by 8% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, mainly due to the increase in volumes in Canada and also the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 12% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to the increase in volumes and revenue from the Canadian operations and also due to an unfavorable foreign exchange impact of translating cost of sales denominated in U.S. dollars from the Company's United States operations.

Operating expenses and other. Overall operating expenses and other costs decreased by $2.0 million, or 8%, in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, mainly due to lower overall operating costs in both Canada and the United States and the impact of a gain of $0.7 million on sale of certain property, plant and equipment.

Segment profit. Segment profit increased by $2.0 million, or 11%, in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, primarily due to the impact of lower operating costs.

Six months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. For the six months ended June 30, 2014, barrels hauled decreased by 6% compared to the six months ended June 30, 2013. The decrease was mainly due to the impact of adverse weather conditions in both Canada and the United States that limited the Company's ability to haul in certain regions and also a decline in overall volumes hauled of sulphur and petroleum coke particularly in the first quarter of 2014.

Despite the decrease in volumes, revenues increased 6% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, mainly due to an increase in hauling rates and service related charges and also the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 10% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to the overall increase in revenue from the Canadian operations and the increased use of third-party haulers which have higher costs than the Company's owner-operators and lease operators.

Operating expenses and other. Overall operating expenses and other costs decreased by $3.3 million, or 6%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, mainly due to lower overall operating costs in both Canada and the United States and the impact of a gain of $1.1 million on sale of certain property, plant and equipment.

Segment profit. Segment profit increased by $1.2 million, or 3%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, primarily due to the impact of lower operating costs, offset in part by lower margins.

Environmental Services

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Revenues				
Environmental services and fluid handling	$ 67,589	$ 50,742	$ 137,951	$ 98,814
Production services	17,645	15,416	33,948	32,456
Other services	7,875	13,273	12,879	22,306
Total revenues	93,109	79,431	184,778	153,576
Cost of sales	53,934	45,831	104,823	89,959
Operating expenses and other	17,500	14,340	36,301	27,422
Segment profit	$ 21,675	$ 19,260	$ 43,654	$ 36,195

Three months ended June 30, 2014 and 2013.

Revenues and cost of sales. Environmental services and fluid handling operations primarily includes the transportation, disposal and processing of drilling and production waste, such as fluids and cuttings, and emulsion treating facilities. Environmental services and fluid handling revenues increased by 33% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Production services provide critical services to oil and gas companies that ensure uptime and consistent operation of producing wells including the inspection and repair of above-ground well-pumping units. Production services revenue increased by 14% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. The increase was primarily due to the impact of less severe weather conditions in the United States in the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Other services primarily include exploration support services to geophysical companies and accommodations of winterized mobile housing units for oilfield personnel at the drill or production site in the Bakken region. Other services revenue decreased by 41% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 due to a decrease in the exploration support services provided as a result of a reduction in overall shot-hole exploration activities in the United States.

Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs. Cost of sales increased by 18% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, primarily as a result of increased overall activity and also due to the unfavorable impact of translating costs of sales denominated in U.S. dollars.

Operating expenses and other. Operating expenses and other costs increased by $3.2 million, or 22%, in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, mainly due an increase in payroll related costs and also due to the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit increased by $2.4 million, or 13%, in the three months ended June 30, 2014 as compared to June 30, 2013, largely as a result of the impact of improved margins in both the United States and Canadian environmental services and fluid handling operations and production services, offset in part by lower margins in exploration support services.

Six months ended June 30, 2014 and 2013.

Revenues and cost of sales. Environmental services and fluid handling operations primarily includes the transportation, disposal and processing of drilling and production waste, such as fluids and cuttings, and emulsion treating facilities. Environmental services and fluid handling revenues increased by 40% in the six months ended June 30, 2014 compared to the six months ended

June 30, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Production services provide critical services to oil and gas companies that ensure uptime and consistent operation of producing wells including the inspection and repair of above-ground well-pumping units. Production services revenue increased by 5% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The increase was primarily due to the impact of less severe weather conditions in the United States, particularly in the second quarter of 2014.

Other services primarily include exploration support services to geophysical companies and accommodations of winterized mobile housing units for oilfield personnel at the drill or production site in the Bakken region. Other services revenue decreased by 42% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to a decrease in the exploration support services provided as a result of a reduction in overall shot-hole exploration activities in the United States and also lower accommodations revenue due to the impact of a decrease in rig counts in the Bakken region.

Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs. Cost of sales increased by 17% primarily in the six months ended June 30, 2014 as compared to the six months ended June 30, 2014, as a result of increased activity and also due to the unfavorable impact of translating costs of sales denominated in U.S. dollars.

Operating expenses and other. Operating expenses and other costs increased by $8.9 million, or 32%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, mainly due to the impact of an additional allowance for doubtful debts of $1.1 million for specific customers, increased payroll related costs and also due to the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit increased by $7.5 million, or 21%, in the six months ended June 30, 2014 as compared to June 30, 2013, largely as a result of the impact of improved margins in the United States and Canadian environmental services and fluid handling operations and production services, offset in part by lower margins in exploration support services and accommodation operations.

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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Sales volumes—retail (litres in thousands)				
Oil and gas	36,432	41,991	100,061	105,431
Commercial and industrial	16,797	12,790	53,629	49,085
Automotive	5,775	6,078	9,736	10,162
Residential	5,606	2,817	13,876	10,570
Other	7,350	5,125	13,353	10,712
	71,960	68,801	190,655	185,960
Sales volumes—wholesale (barrels in thousands)				
Propane	404	729	1,632	2,279
Other NGLs				
Butane	649	393	1,377	942
Condensate	814	528	1,133	913
U.S. division	574	1,212	1,683	2,237
	2,037	2,133	4,193	4,092

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	(in thousands)			
Revenues				
Retail				
Propane	$ 37,696	$ 29,302	$ 126,201	$ 78,528
Other	5,820	4,904	14,041	12,349
Total retail	43,516	34,206	140,242	90,877
Wholesale				
Propane	25,424	33,420	131,200	103,752
Other NGLs	194,951	163,625	394,993	319,614
Total wholesale	220,375	197,045	526,193	423,366
Total revenues	263,891	231,251	666,435	514,243
Cost of sales				
Retail				
Propane	25,142	17,997	90,371	47,108
Other	772	488	1,436	1,186
Total Retail	25,914	18,485	91,807	48,294
Wholesale	214,289	191,324	500,596	409,660
Total cost of sales	240,203	209,809	592,403	457,954
Gross Margin				
Retail	17,602	15,721	48,435	42,583
Wholesale	6,086	5,721	25,597	13,706
Total gross margin	23,688	21,442	74,032	56,289
Operating expenses and other	16,529	14,980	32,468	30,362
Segment profit	$ 7,159	$ 6,462	$ 41,564	$ 25,927

Three months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Retail volumes increased 5% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013. The increase was primarily driven by increased volumes in the residential and commercial and industrial markets as a result of the completion of the Stittco acquisition. Offsetting this was the decreased volumes in oil and gas market as a result of lower demand.

Retail propane revenues increased 29% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, as a result of higher sales volumes and also higher overall rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue also increased by 19% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, largely due the Company's investment in related equipment and the impact of the Stittco acquisition.

Wholesale propane volumes decreased by 45% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to lower demand from certain customers. Revenues decreased by 24% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to the impact of lower volumes that was partially offset by higher wholesale propane prices.

Other NGLs volumes decreased by 5% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, primarily as a result of lower demand from internal and external customers as unfavorable pricing impacted blending programs. Despite the decrease in volumes, other NGLs revenues increased by 19% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 primarily due to higher realized commodity prices.

Retail margins increased 12% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due largely to the impact of higher retail propane volumes as a result of the Stittco acquisition completed on April 1, 2014. Wholesale margins increased 6% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to the impact of favorable pricing conditions in the other NGLs marketing business.

Operating expenses and other. Overall operating expenses and other costs increased by $1.5 million, or 10%, in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, primarily due to the impact of the Stittco acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the three months ended June 30, 2014 by $0.7 million, or 11%, compared to the three months ended June 30, 2013, as a result of the increase in both retail and wholesale margins offset in part by higher operating costs.

Six months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Retail volumes increased by 3% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, largely as a result of increased volumes in the residential and commercial and industrial markets as a result of the Stittco acquisition. Offsetting this was the decreased volumes in oil and gas market as a result of lower demand.

Retail propane revenues increased 61% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, as a result of higher sales volumes and also higher overall rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 14% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, largely due to the Company's investment in related equipment and the impact of the Stittco acquisition.

Wholesale propane volumes decreased by 28% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The decrease in volumes was largely driven by the impact of lower propane demand with certain customers. Despite decrease in volumes, wholesale propane revenues increased by 26% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to higher propane wholesale prices.

Other NGLs volumes increased by 2% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, primarily as a result of higher demand from internal and external customers as favorable pricing impacted blending programs, particularly in first quarter of 2014. As a result of the increase in volumes and higher commodity prices, other NGLs revenues increased by 23% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

Retail margins increased 14% in the six months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily due to the impact of higher retail propane volumes as a result of increased activity in residential operations and the impact of the Stittco acquisition completed on April 1, 2014 and also the ability to capture higher margins as high wholesale rack prices

declined within the period. Wholesale margins increased 87% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to the positive impact of overall higher wholesale propane prices and also due to more favorable pricing conditions in other NGLs marketing business.

Operating expenses and other. Overall operating expenses and other costs increased by $2.1 million, or 7%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, primarily due to the impact of the Stittco acquisition.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the six months ended June 30, 2014 by $15.6 million, or 60%, compared to the six months ended June 30, 2013 as a result of the increase in both retail and wholesale margins offset in part by higher operating costs.

Processing and Wellsite Fluids

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2014**	**2013**	**2014**	**2013**
Roofing flux	476	514	998	1,064
Road asphalt	66	58	66	58
Frac oils (Gibson clear and light straight run distillate)	95	17	252	137
Distillate (D822)	137	115	322	348
Tops	427	326	1,083	827
Other	28	20	87	62
Total sales volumes	1,229	1,050	2,808	2,496

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	(in thousands)			
Revenues				
Road asphalt and roofing flux	$ 60,304	$ 59,346	$ 113,382	$ 108,674
Frac oils (Gibson clear and light straight run distillate)	15,573	1,879	34,802	15,749
Distillate (D822)	21,049	15,902	50,598	48,312
Tops	43,948	28,947	106,988	71,534
Other	4,934	3,195	15,284	9,423
Total revenues	145,808	109,269	321,054	253,692
Cost of sales	131,465	96,718	285,050	218,352
Operating expenses and other	8,822	7,190	13,399	12,321
Segment profit	$ 5,521	$ 5,361	$ 22,605	$ 23,019

Three months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for roofing flux decreased by 7% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to lower demand from customers in the United States. Sales volumes for road asphalt increased by 14% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 mainly due to demand for a major paving project. Road asphalt and roofing flux revenue increased by 2% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due mainly to the impact of higher road asphalt volumes and higher asphalt selling prices.

Frac oils volumes increased 459% in the three months ended June 30, 2014 compared to the three months ended June 30, 2013, largely due to increased customer demand for light straight run distillate. Frac oils revenues were 729% higher in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 due to increase in volumes and also, due to the impact of higher selling prices.

Sales volumes for distillate were 19% higher in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 largely due to an increase in sales to customers in Canada as a result of increased drilling activity. As a result of the higher volumes and selling prices, distillate revenues were 32% higher in the three months ended June 30, 2014, compared to the three months ended June 30, 2013.

Tops volumes increased 31% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 due to higher overall throughput at the facility. As a result of an increase in volumes and selling prices, tops revenues were 52% higher in the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Other volumes include the sale of the Company's oil based mud (OBM) product and solvents. Other volumes increased by 40% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, largely driven by increased demand for the Company's OBM product. Other revenue increased by 54% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 largely due to the increase in volumes.

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

Overall margins increased by 14% in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. The increase was largely due to increased margins for frac oils and distillate, offset in part by lower road asphalt and roofing flux margins.

Operating expenses and other. Operating expenses increased by $1.6 million, or 23%, in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, primarily due to the unfavorable impact of the change in foreign exchange rates of $0.6 million as compared to a favorable impact of $0.9 million in the three months ended June 30, 2013.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the three months ended June 30, 2014 by $0.2 million, or 3%, as compared to the three months ended June 30, 2013, primarily due to higher margins for frac oils and distillate offset in part by higher operating expenses and lower margins for road asphalt and roofing flux.

Six months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for roofing flux decreased by 6% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to lower demand from customers in the United States and an increase in the amount of asphalt being sold as road asphalt. Sales volumes for road asphalt increased by 14% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to the demand for a major paving project. Road asphalt and roofing flux revenue increased by 4% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to the increase in sales volume for asphalt and the impact of higher asphalt selling prices.

Frac oils volumes increased 84% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 largely due to an overall increase in customer demand. Frac oils revenues increased by 121% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 due to the increase in volume and higher overall selling prices.

Sales volumes for distillate were 7% lower in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 largely primarily due to the slower turnaround of rail cars. Despite the decrease in volumes, distillate revenues increased by 5% in the six months ended June 30, 2014, compared to the six months ended June 30, 2013 mainly due to increase in selling prices.

Tops volumes increased 31% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to higher overall throughput at the facility. As a result of the increase in volumes and also due to increase in selling prices, tops revenues increased by 50% in the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Other volumes include the sale of the Company's oil based mud ("OBM") product and solvents. Other volumes increased by 40% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, largely driven by increased demand for the Company's OBM product. Other revenue increased by 62% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 largely due to the increase in volumes.

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

Overall margins increased by $0.7 million, or 2%, in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The increase was largely due to increased margins for frac oils offset in part by lower overall margins for roofing flux and asphalt and tops.

Operating expenses and other. Operating expenses increased by $1.1 million, or 9%, in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, primarily due the favorable impact of the change in foreign exchange rates of $1.0 million recorded in the six months ended June 30, 2013.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the six months ended June 30, 2014 by $0.4 million, or 2%, as compared to the six months ended June 30, 2013, primarily due to lower overall margins for roofing flux, asphalt and tops and higher operating costs partially offset by higher margins for frac oils.

Marketing

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

	Three months ended June 30,		Six months ended June 30,	
Volumes (barrels in thousands)	**2014**	**2013**	**2014**	**2013**
Sales Volumes				
Crude and diluent	27,985	23,122	56,932	47,212

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
		(in thousands)		
Revenues	$ 1,874,915	$ 1,327,042	$ 3,503,245	$ 2,535,081
Cost of sales	1,860,371	1,307,339	3,458,965	2,483,579
Operating expenses and other	1,769	1,766	5,728	4,076
Segment profit	$ 12,775	$ 17,937	$ 38,552	$ 47,426

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

Calendar Period	**2014**	**2013**
January	$ 94.86	$ 94.83
February	$ 100.68	$ 95.32
March	$ 100.51	$ 92.96
April	$ 102.03	$ 92.07
May	$ 101.79	$ 94.80
June	$ 105.15	$ 93.80
Average for three months period ended June 30	$ 103.00	$ 93.56
Average for six months period ended June 30	$ 100.84	$ 93.96

Three months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 21% in the three months ended June 30, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 41% in the three months ended June 30, 2014 compared to three months ended June 30, 2013, primarily due to the increase in volumes and higher commodity prices.

Cost of sales in the three months ended June 30, 2014 increased 42% compared to the three months ended June 30, 2013 primarily as a result of the increase in revenue.

Operating expenses and other. Operating expenses remained relatively unchanged in the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Segment profit. The Marketing segment profit decreased by $5.2 million, or 29%, in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. In the three months ended June 30, 2014, margins were positively impacted

by the increase in volumes, especially deliveries to the Company's terminals, including crude oil shipped via rail at the Company's various rail loading facilities. However, lower margins were earned in the three months ended June 30, 2014 compared to the three months ended June 30, 2013 which led to the overall decrease in segment profitability.

Six months ended June 30, 2014 and 2013.

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 21% in the six months ended June 30, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 38% due to the increase in volume and higher commodity prices.

Cost of sales in the six months ended June 30, 2014 increased by 39% in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 which was largely in line with the movement in revenue.

Operating expenses and other. Operating expenses increased by $1.7 million, or 41%, in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to the impact of higher payroll related costs.

Segment profit. The Marketing segment profit decreased by $8.9 million, or 19%, in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. In the six months ended June 30, 2014, margins were positively impacted by the increase in volumes, especially deliveries to the Company's terminals, including crude oil shipped via rail at the Company's various rail loading facilities. However, lower margins were earned in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 which led to the overall decrease in segment profitability.

General and administrative, excluding depreciation and amortization

General and administrative expense was $9.1 million and $17.4 million in the three and six months ended June 30, 2014, respectively, compared to $8.5 million and $16.5 million in the three and six months ended June 30, 2013, respectively. The increase was largely driven by the continued growth of the Company resulting in an increase in payroll related costs.

Depreciation and amortization

Depreciation and amortization expense was $49.3 million and $98.1 million in the three and six months ended June 30, 2014, respectively, compared to $44.9 million and $87.6 million in the three and six months ended June 30, 2013, respectively. The increase was largely due to the additional depreciation and amortization related to the increase in the Company's tangible assets.

Stock based compensation

Stock based compensation expense was $3.4 million and $6.5 million in the three and six months ended June 30, 2014, respectively, compared to $2.0 million and $3.6 million in the three and six months ended June 30, 2013, respectively. The increase was primarily due to the additional expense incurred from the granting of stock awards in the six months ended June 30, 2014.

Debt extinguishment costs

On June 28, 2013, upon the issuance of the Notes and Revolving Credit Facility, the Company repaid and terminated its previous senior secured credit facility which comprised of the Tranche B Term Loan facility of U.S.$650.0 million and revolving credit facility of U.S.$375.0 million. Accordingly, the Company recorded debt extinguishment costs of $38.2 million in both the three and six months ended June 30, 2013. No similar debt extinguishment costs were incurred in the three months and six months ended June 30, 2014.

Foreign exchange loss (gain) not affecting segment profit

In the three months ended June 30, 2014, the Company recorded a foreign exchange gain of $10.4 million compared to loss of $7.3 million in the three months ended June 30, 2013. In the six months ended June 30, 2014, the Company recorded a foreign exchange gain of $2.0 million compared to $9.9 million the six months ended June 30, 2013.

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 months ended June 30, 2014, a gain of $19.7 million due to the favorable movement in exchange rates, was offset by a loss of $9.7 million related to the change in fair value of the Company's U.S. dollar forward and option contracts that were entered into to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In the six months ended June 30, 2014, a loss of $1.1 million, due to the unfavorable

movement in exchange rates, was offset by a gain of $1.1 million related to the change in fair value of the Company's U.S. dollar forward and option contracts that were entered into to mitigate the currency risk associated with its U.S. dollar denominated long-term debt.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $15.3 million and $28.9 million in the three and six months ended June 30, 2014, respectively, compared to $12.1 million and $23.7 million in the three and six months ended June 30, 2013, respectively. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance and higher interest rates.

Financial instruments relating to interest expense

In the three and six months ended June 30, 2013, the Company recorded a gain of $17.4 million and $18.3 million relating to an embedded derivative on an interest rate floor within the Company's Tranche B Term Loan that was required to be separated from the carrying value of long-term debt and was accounted for as a separate financial instrument that was measured at fair value at each balance sheet date. Following the repayment of the Tranche B Term Loan on June 28, 2013, the Company no longer has an embedded derivative relating to the interest rate floor.

Income tax expense (recovery)

Income tax expense was $1.4 million in the three months ended June 30, 2014 compared to income tax recovery of $1.4 million in the three months ended June 30, 2013. Income tax expense was $18.7 million in the six months ended June 30, 2014 compared to $14.1 million in the six months ended June 30, 2013. The effective tax rate was 5.4% and 21.1% during the three and six months ended June 30, 2014, respectively, compared to a rate of 20.60% and 26.0% in the three and six months ended June 30, 2013, respectively. The main reason for the decrease in the effective rate in the three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013 was due to the impact of capital gains and losses related to foreign exchange gains and losses on the long term debt.

SUMMARY OF QUARTERLY RESULTS

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

	2014		2013				2012	
	Three months ended							
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
	(in thousands)							
Revenues	$2,126,365	$2,110,692	$1,916,038	$1,841,894	$1,619,726	$1,563,011	$1,306,235	$1,185,647
Net income (loss)	23,838	46,155	20,724	42,599	(5,235)	45,728	36,611	30,017
EBITDA[(1)]	89,798	125,981	96,806	115,385	33,060	114,733	95,601	83,915
Adjusted EBITDA[(2)]	82,684	136,945	115,284	103,533	87,176	121,044	96,134	72,109
Earnings (loss) per share								
Basic	0.19	0.38	0.17	0.35	(0.04)	0.38	0.32	0.30
Diluted	0.19	0.37	0.16	0.35	(0.04)	0.37	0.32	0.29

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

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

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

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

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

	2014		2013				2012	
			Three months ended					
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
				(in thousands)				
Net income (loss)	$ 23,838	$ 46,155	$ 20,724	$ 42,599	$ (5,235)	$ 45,728	$ 36,611	$ 30,017
Depreciation and amortization	49,264	48,813	52,002	44,460	44,942	42,653	39,171	30,848
Interest expense[(1)]	15,331	13,662	14,749	14,901	(5,286)	10,842	8,917	14,362
Income tax expense (recovery)	1,365	17,351	9,331	13,425	(1,361)	15,510	10,902	8,688
EBITDA	$ 89,798	$ 125,981	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 95,601	$ 83,915

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

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

acquisitions took place at the beginning of the fiscal year in which such acquisition occurred. Pro Forma Adjusted EBITDA is also used in calculating the Company's covenant compliance under the debt agreements.

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

The following tables reconcile EBITDA to Adjusted EBITDA and Pro Forma Adjusted EBITDA for each of the last eight quarters and for the twelve months ended June 30, 2014 and 2013:

	Three months ended				Twelve months ended
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2014
	(in thousands)				
EBITDA	$ 89,798	$ 125,981	$ 96,806	$ 115,385	$ 427,970
Unrealized foreign exchange loss (gain) on long-term debt[1]	(19,725)	20,850	17,549	(11,350)	7,324
Net unrealized loss (gain) from financial instruments[2]	9,064	(13,014)	(1,329)	(2,867)	(8,146)
Share based compensation[3]	3,380	3,128	2,258	2,365	11,131
Acquisition related costs [5]	167	-	-	-	167
Adjusted EBITDA	$ 82,684	$ 136,945	$ 115,284	$ 103,533	$ 438,446
Pro forma impact of acquisitions [6]					4,714
Pro Forma Adjusted EBITDA					$ 443,160

	Three months ended				Twelve months ended
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2013
	(in thousands)				
EBITDA	$ 33,060	$ 114,733	$ 95,601	$ 83,915	$ 327,309
Unrealized foreign exchange loss (gain) on long-term debt[1]	22,898	13,354	7,244	(22,953)	20,543
Net unrealized loss (gain) from financial instruments[2]	(9,014)	(8,668)	(2,838)	8,636	(11,884)
Share based compensation [3]	2,023	1,625	1,150	804	5,602
Acquisition related costs (credit) [5]	-	-	(5,023)	1,707	(3,316)
Debt extinguishment costs [4]	38,209	-	-	-	38,209
Adjusted EBITDA	$ 87,176	$ 121,044	$ 96,134	$ 72,109	$ 376,463
Pro forma impact of acquisitions [6]					23,963
Pro Forma Adjusted EBITDA					$ 400,426

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

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

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

(4) *In connection with the repayment of the Company's long-term debt and termination of the previous revolving credit facility, the Company recorded $38.2 million of non-cash debt extinguishment expenses in the three months ended June 30, 2013.*

(5) Represents transaction fees that were expensed in connection with acquisitions made by the Company. In addition, in the three months ended December 31, 2012, the Company realized a gain of $6.3 million on the settlement of foreign currency forward contracts which were entered into to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price of OMNI.

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company's sources and uses of funds for the three and six months ended June 30, 2014 and 2013:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Statement of Cash Flows				
Cash flows provided by (used in):				
Operating activities	$ 127,522	$ 80,521	$ 170,442	$ 168,487
Investing activities	(75,401)	(44,048)	(191,827)	(83,268)
Financing activities	232,035	47,711	273,249	(16,689)

Cash provided by operating activities

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

Cash provided by operations in the three months ended June 30, 2014 was $127.5 million compared to $80.5 million in the three months ended June 30, 2013. The increase was primarily attributable to an increase overall segment profitability and decrease in accounts receivable partially offset by increase in inventories and payment of income taxes.

Cash provided by operations in the six months ended June 30, 2014 was $170.4 million compared to $168.5 million in the six months ended June 30, 2013. The decrease was primarily attributable to an increase in inventories and payment of income taxes partially offset by increase in overall segment profitability and decrease in accounts receivable.

Cash used in investing activities

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

Cash used in investing activities was $75.4 million and $191.8 million in the three and six months ended June 30, 2014, respectively, compared to $44.0 million and $83.3 million in the three and six months ended June 30, 2013, respectively. The change in cash used in investing activities was due largely to an increase in capital expenditures and acquisitions in the three and

six months ended June 30, 2014 compared to the three and six months ended June 30, 2013. For a summary of capital expenditures and acquisitions, see "Acquisitions and Capital expenditures" included in this MD&A.

Cash provided by (used in) financing activities

Cash provided by financing activities was $232.0 million in the three months ended June 30, 2014 compared to $47.7 million in the three months ended June 30, 2013. The main reason for the change was primarily the completion of the debt offering on June 12, 2014 for net proceeds of $353.8 million offset in part by the payment of net cash dividends of $27.3 million and interest of $1.1 million. In the three months ended June 30, 2013, the Company received net proceeds of $74.1 million on the issuance of the debt offering and repayment of Trance B Term Loan, paid net cash dividends of $24.7 million, paid interest of $10.5 million and received proceeds of $8.7 million on the settlement of certain derivative financial instruments.

Cash provided by financing activities was $273.2 in the six months ended June 30, 2014 compared to cash used in financing activities of $16.7 million in the six months ended June 30, 2013. The main reason for the change was primarily the completion of the debt offering on June 12, 2014 for net proceeds of $353.8 million offset in part by the payment of net cash dividends of $52.1 million and interest of $31.7 million. In the six months ended June 30, 2013, the Company received net proceeds of $74.1 million on the issuance of the debt offering and repayment of Trance B Term Loan, received proceeds of $8.7 million on the settlement of certain derivative financial instruments, paid net cash dividends of $47.0 million, paid interest of $19.3 million and repaid borrowings under the Revolving Credit Facility of $32.4 million.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of $348.1 million and $422.2 million available under the Revolving Credit Facility as at June 30, 2014.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended June 30, 2014, the Company declared a dividend of $0.30 per common share for a total dividend of $37.1 million, of which $28.0 million was paid in cash on July 17, 2014 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") and stock dividend program ("SDP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $183.4 million in the six months ended June 30, 2014. For a summary of planned capital expenditures, see "2014 Capital Expenditure Program" included in this MD&A. While the Company anticipates that these planned capital expenditures will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

On June 12, 2014, the Company closed a Senior Unsecured Notes offering consisting of $300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 and U.S.$50.0 million aggregate principal amount of 6.75% Senior Unsecured Notes due July 15, 2021. The net proceeds from the offering were used to repay all outstanding indebtedness under its existing Revolving Credit Facility (excluding letters of credit), with the remaining net proceeds to be used to fund planned capital expenditures and for general corporate purposes.

As of June 30, 2014, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, $250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and $300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

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

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

At June 30, 2014, the Company has no amounts drawn under the Revolving Credit Facility, had no restricted cash and had issued letters of credit totaling $77.8 million. The Revolving Credit Facility is secured by substantially all of the Company's property, plant and equipment, intangible assets and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants defined in the agreement including senior net debt leverage ratio of no greater than 3.5 to 1.0, a total net debt leverage ratio of no greater than 5.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. As at June 30, 2014, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 0.0 to 1.0, total debt leverage ratio at 1.8 to 1.0, and the interest coverage ratio at 7.7 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The Notes and Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of interest or fees when due, subject to specified grace periods, breach of covenants, change in control and material inaccuracy of representations and warranties. As of June 30, 2014, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

In the normal course of business, the Company is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable. Refer to the Company's 2013 Annual MD&A, which summarizes contractual obligations as at December 31, 2013.

At June 30, 2014, the only material change to contractual obligations compared to December 31, 2013 related to both the timing and amounts of the long-term debt and related interest payments as a result of the debt offering. The following table provides the revised timing and amounts of the long-term debt and related interest payments:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt[(1)]	$ 1,137,180	$ -	$ -	$ -	$ 1,137,180
Interest payments on long-term debt[(1)]	569,310	74,066	148,132	148,132	198,980
	$ 1,706,490	$ 74,066	$ 148,132	$ 148,132	$ 1,336,160

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of June 30, 2014 of U.S.$0.937 to $1.00.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2014, there were 123.5 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Plan, there were an aggregate of 1.3 million restricted share units, performance share units and deferred share units outstanding and 2.7 million stock options outstanding as at June 30, 2014.

At June 30, 2014, awards available to grant under the 2011 Equity Incentive Plan were 8.3 million.

As at August 1, 2014, 123.8 million common shares, 1.4 million restricted share units, performance share units and deferred share units and 2.8 million stock options were outstanding.

TRADING PRICE AND VOLUME

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

Calendar Period	Price Range High	Price Range Low	Volume
2013			
January	$ 25.12	$ 23.45	5,069,917
February	$ 26.63	$ 24.82	6,103,245
March	$ 26.28	$ 25.05	5,666,164
April	$ 26.41	$ 24.98	5,539,034
May	$ 26.88	$ 25.09	6,206,247
June	$ 25.65	$ 24.11	5,979,828
July	$ 25.27	$ 23.65	7,851,343
August	$ 23.52	$ 21.70	9,894,882
September	$ 24.58	$ 22.24	6,160,279
October	$ 26.15	$ 24.31	5,676,017
November	$ 26.63	$ 25.66	4,291,498
December	$ 27.50	$ 25.79	3,887,122
2014			
January	$ 27.76	$ 26.84	4,542,184
February	$ 27.22	$ 26.22	4,267,439
March	$ 28.74	$ 27.04	5,212,515
April	$ 29.93	$ 27.33	8,421,728
May	$ 31.85	$ 29.74	6,126,981
June	$ 34.06	$ 32.59	5,681,502
July	$ 34.41	$ 33.08	6,849,844

DIVIDENDS

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

The Board has approved a DRIP and a SDP that provide eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the second quarter dividend of 2014, holders of approximately 24.6% of the common shares participated in the DRIP and SDP.

DISTRIBUTABLE CASH FLOW

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

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

	Twelve months ended June 30, 2014
	(in thousands)
Cash flow from operating activities	$ 334,697
Adjustments:	
Changes in non-cash working capital	96,233
Upgrade and replacement capital	(63,258)
Cash interest expense	(57,925)
Current income tax	(58,252)
Distributable cash flow	$ 251,495
Dividends declared to shareholders	$ 141,060

Dividends declared in the twelve months ended June 30, 2014 were $141.0 million, of which $103.9 was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the twelve months ended June 30, 2014, dividends declared represented 56% of the distributable cash flow generated or, distributable cash flow was 1.8 times dividends declared.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the CME. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available,

an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at June 30, 2014 and December 31, 2013. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $7.9 million and $3.3 million as of June 30, 2014 and 2013, respectively. A 15% unfavorable change would decrease the Company's net income by $7.8 million and $3.0 million as of June 30, 2014 and 2013, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on a pricing grid. As at June 30, 2014, the Company had no amounts outstanding under the Revolving Credit Facility and accordingly was not exposed to interest rates cash flow risk.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by $4.4 million as at June 30, 2014 and 2013. A 5% favorable change would increase the Company's net income by $4.3 million as at June 30, 2014 and 2013. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at June 30, 2014, the Company had outstanding U.S. dollar denominated debt of U.S.$550.0 million.

As at June 30, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 for U.S.$1.00 for a notional amount of U.S.$250.0 million expiring on September 15, 2017 and the Company also sold U.S. dollar call options at a strike price of $1.295 for U.S.$1.00 on a notional amount of U.S.$250.0 million expiring on September 15, 2017. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $15.9 million and $11.3 million as at June 30, 2014 and 2013, respectively. A corresponding favorable change would increase the Company's net income by $15.9 million and $11.3 million as at June 30, 2014 and 2013, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at June 30, 2014, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of June 30, 2014 would increase the Company's annual interest expense by $2.0 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of June 30, 2014 would decrease the Company's annual interest expense by $2.0 million.

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

ACCOUNTING POLICIES

Critical accounting policies and estimates

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

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

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

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

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 2, 'Share based payments', IFRS 3, Business combinations, IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for periods beginning on or after July 1, 2014. The adoption of these amendments is not expected to have any material impact on the Company's consolidated financial statements.
- IAS 19, Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. The adoption of this amendment is not expected to have any material impact on the Company's consolidated financial statements.
- IAS 16, Property Plant and Equipment ("IAS 16"), and IAS 38, Intangible Assets ("IAS 38"), has been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 11, Accounting for acquisitions of interests in joint operations ("IFRS 11"), has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 15, Revenue from contracts with customers ("IFRS 15"), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The International Accounting Standard Board (the "IASB") completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and

measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

NON-GAAP FINANCIAL MEASURES

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

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