Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of March 5, 2013 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibson" or the "Company") for the year ended December 31, 2012 and 2011, which were prepared under International Financial Reporting Standards ("IFRS" or "GAAP"). Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

Gibson is one of the largest independent midstream energy companies in Canada and an integrated service provider to the oil and gas industry in the United States. Gibson is engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids, 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 the last 59 years. The Company has grown its by diversifying its service offerings to meet customers' needs and has expanded geographically to provide its service offerings to key hydrocarbon producing regions throughout the United States. Most recently, Gibson further expanded it services to include emulsion treating, water disposal and oilfield waste management in both Canada and the United States.

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

Highlights

The key highlights for the year ended December 31, 2012 were as follows:

- Revenue decreased by 3% in the year ended December 31, 2012 compared to the year ended December 31, 2011. Despite an overall increase in activity in the Company's segments, the decrease was primarily due to the lower revenue in our Propane and NGL Marketing and Distribution segment which was largely due to lower propane rack prices;
- Segment profit increased by 29% to $329.9 million in the year ended December 31, 2012 compared to $256.7 million in the year ended December 31, 2011 with increases in all of the Company's segments except for Processing and Wellsite Fluids;
- Adjusted EBITDA in the year ended December 31, 2012 increased 31% to $302.1 million compared to $231.3 million in the year ended December 31, 2011. Pro Forma Adjusted EBITDA for the year ended December 31, 2012 was $370.6 million;
- Net income was $116.2 million in the year ended December 31, 2012 compared to a net loss of $62.6 million in the year ended December 31, 2011. The change was largely due to the increase in overall segment profit, lower interest expense, the impact of the movement in foreign exchange rates and the impact of debt extinguishment costs expensed in the year ended December 31, 2011 offset in part by the gain of $20.4 million on the sale of the Edmonton North Terminal in the year ended December 31, 2011;
- On November 6, 2012, the Board of Directors declared a quarterly dividend rate of $0.26 per common share, representing a 4% increase from the prior quarterly rate and resulting in a new annualized dividend of $1.04 per common share. Total dividends declared were $106.1 million in the year ended December 31, 2012 compared to $49.6 million in the year ended December 31, 2011. For the year ended December 31, 2012, distributable cash flow was $181.4 million resulting in a dividend payout ratio of 58%;
- Capital expenditures, excluding acquisitions, were $182.2 million in the year ended December 31, 2012, of which $125.7 million related to internal growth projects. The internal growth project expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at Hardisty, the expansion of the custom treating and terminals business and the growth of the Truck Transportation and Canwest fleets;
- As of December 31, 2012, the Company had outstanding U.S. dollar denominated debt, excluding debt issuance costs, of U.S.$645.1 million, expiring on June 15, 2018 and a Revolving Credit Facility of up to U.S.$375.0 million, expiring June 15, 2016. At December 31, 2012, the Company was in compliance with all of its covenants, had unrestricted cash of $61.0 million and had $250.9 million available under the Revolving Credit Facility;
- In September 2012, the Company announced that it had received sufficient, long-term, committed customer support to begin construction of two 400,000 barrels oil storage tanks for an aggregate addition of 800,000 barrels of storage that will be located immediately adjacent to the east boundary of Gibson's existing Hardisty Terminal. The two tanks will form the initial anchor for an expansion of the facility, will be well-connected to third party receipt pipelines and facilities and will have connectivity to all current export pipelines from Hardisty. Site preparation started in the fourth quarter of 2012 with commissioning expected to occur in early 2014;
- In December 2012, the Company received additional committed support from a large oil sands producer for a 300,000 barrel oil storage tank at the Hardisty Terminal. The Company plans to immediately begin construction of this tank on its eastern Hardisty lands and expects commissioning in mid-2014;
- In December 2012, the Company announced its 2013 capital expenditures of $304.0 million. Of the total capital expenditures, $235.0 million or 77% is directed towards growth investments of which $137.0 million or 58% is earmarked for the Terminals and Pipelines segment. The other significant capital expenditures primarily comprise growth capital investment in the Truck Transportation and the Environmental Services segments;
- On October 31, 2012, the Company acquired all of the issued and outstanding common shares of the parent company of OMNI Energy Services Corp. ("OMNI") for total cash consideration of $439.7 million. OMNI is a provider of environmental and production services to the oil and gas industry and has operations in most major oil and liquids focused areas in the United States;

- On October 29, 2012, the Company closed a bought deal offering of 18,216,000 subscription receipts at a price of $22.10 per subscription receipt which on closing of the acquisition of OMNI were automatically exchanged into common shares of the Company. As a result, the Company issued 18,216,000 common shares for gross proceeds of approximately $402.6 million that was used to finance a portion of the purchase price of OMNI;
- On October 1, 2012, the Company acquired all of the issued and outstanding common shares of Northern Truck Services 1994 Ltd. and All Fluids & Filtration Services Ltd. (collectively “Northern Trucking”) for total cash consideration of $23.3 million. Northern Trucking provides fluid hauling, filtration and completion products to drilling and production companies in northern Alberta and northeastern British Columbia;
- The Company completed the acquisitions of Mobile Propane Services Inc. (“Mobile Propane”), effective July 24, 2012, for cash consideration of approximately $5.3 million, Jalbert Enterprises Ltd. (“Jalbert”), effective September 1, 2012, for cash consideration of approximately $2.2 million and Gator Services Inc. (“Gator”), effective November 27, 2012, for cash consideration of approximately $3.7 million. These acquisitions expand the Company’s market presence in Saskatchewan, provide synergies with the Company’s current propane business and provide the Company with an expanded client base within the Propane and NGL Marketing and Distribution segment;
- The Company completed the acquisition of Fricken Fracken Water Hauling Ltd. (“Fricken Fracken”), effective May 1, 2012, for approximately $4.8 million, expanding the Company’s market presence in west central Saskatchewan and providing synergies with the Company’s custom treating and terminals business by providing water and transportation services;
- On May 24, 2012, through an amendment of its existing credit agreement, the Company replaced its U.S.$645.0 million senior secured first lien term loan facility (“Term Loan B”) with a U.S.$650.0 million senior secured first lien term loan facility (“Tranche B Term Loan”) and re-priced such loan to reflect a decrease in the interest rate from LIBOR plus 4.5% to LIBOR plus 3.75% and a decrease in the LIBOR Floor from 1.25% to 1.0%. Also, the Company’s U.S.$275.0 million revolving credit facility was expanded by U.S.$100.0 million to U.S.$375.0 million (the “Revolving Credit Facility”); and
- On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by R/C Guitar Coöperatief U.A. (“Co-op”), a Dutch cooperative owned by investment funds affiliated with Riverstone Holdings LLC ("Riverstone"), pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. As a result, Co-op and Riverstone no longer own any common shares of the Company.

On March 5, 2013, the Company announced that the Board declared a quarterly dividend of $0.275 per common share for the quarter ending March 31, 2013 on its outstanding common shares representing a 6% increase from the prior quarterly rate and resulting in a new annualized dividend of $1.10 per common share. The common share dividend is payable on April 17, 2013 to shareholders of record at the close of business on March 29, 2013.

Trends affecting the Company’s business

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

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

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

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

Longer-term outlook

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

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

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

Acquisitions and internal growth projects

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

	Year ended December 31, 2012	2011
Internal growth projects	$ 125,662	$ 111,352
Acquisitions	479,026	51,788
Upgrade and replacement capital [1]	56,536	36,686
	$ 661,224	$ 199,826

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

Total capital expenditures for internal growth projects and upgrade and replacement capital were $182.2 million and $148.0 million in the year ended December 31, 2012 and 2011, respectively. In the year ended December 31, 2012 and 2011, $176.7 million and $143.5 million, respectively, were included as additions to property, plant and equipment and $5.5 million and $4.5 million, respectively, were included as additions to intangible assets.

Internal growth projects

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

	Year ended December 31, 2012	2011
Terminals and Pipelines[1]	$ 61,687	$ 62,105
Truck Transportation[2]	26,255	38,849
Propane and NGL Marketing and Distribution [3]	7,100	4,531
Processing and Wellsite Fluids[4]	27,114	5,766
Environmental Services [5]	3,239	-
Other	267	101
Total	$ 125,662	$ 111,352

(1) Expenditures in the year ended December 31, 2012 relate to a number of key construction and expansion projects including the construction of four 300,000 barrel tanks at the Hardisty Terminal and expenditures in connection with expanding the Company's custom treating and terminals business.

(2) Largely represents the ongoing addition of rolling stock to meet demand growth in key market areas, with $12.2 million spent in Canada and $10.5 million in the United States in the year ended December 31, 2012. The amount in the year ended December 31, 2012 also includes expansion expenditures in Sexsmith, Alberta. In the year ended December 31, 2011, the Company acquired land in Sexsmith, Alberta for expansion opportunities by multiple segments.

(3) Mainly represents the ongoing addition of trucks, tanks and generators to meet growing demand in key market areas. Also, includes expansion expenditures in Sexsmith, Alberta in the year ended December 31, 2012.

(4) Expenditures in the year ended December 31, 2012 relate to the expansion of capacity and the building of a new tank and pipeline connections at the Moose Jaw facility and costs to construct a mud blending facility in Sexsmith, Alberta.

(5) Expenditures in the year ended December 31, 2012 relate to the construction of salt water disposal facilities, the addition of rolling stock and equipment and an office renovation.

Acquisitions

In the year ended December 31, 2012, the Company acquired all of the issued and outstanding common shares of the following entities (in thousands):

Name	Acquisition date	Total consideration
OMNI	October 31, 2012	$ 439,697
Northern Trucking	October 1, 2012	23,282
Mobile Propane	July 24, 2012	5,312
Fricken Fracken	May 1, 2012	4,750
Gator	November 27, 2012	3,745
Jalbert	September 1, 2012	2,240
		$ 479,026

Seasonality

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

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

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

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 month's 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 during the fourth calendar quarter and the first calendar quarter of each year typically are lower than the second and third quarters.

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2012	2011	2010
	(in thousands except per share amounts)		
Revenue	$ 4,913,029	$ 5,072,031	$ 3,690,452
Net income (loss)	116,186	(62,605)	2,942
Earnings (loss) per share			
Basic	$ 1.13	$ (0.88)	$ (0.18)
Diluted	1.10	(0.88)	(0.18)
Dividends declared per common share	$ 1.01	$ 0.52	$ -

	As at December 31,		
	2012	2011	2010
Total assets	$ 2,796,525	$ 2,204,375	$ 1,981,254
Total non-current financial liabilities	948,022	867,545	939,676

SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the year ended December 31, 2012 and 2011.

The following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2012	2011
	(in thousands)	
Segment revenue		
Terminals and Pipelines [(1)]	$ 146,734	$ 888,803
Truck Transportation	524,007	458,127
Propane and NGL Marketing and Distribution	856,686	1,028,534
Processing and Wellsite Fluids	551,737	501,191
Marketing	3,745,283	3,774,135
Environmental Services	37,889	-
Total segment revenue	5,862,336	6,650,790
Revenue—inter-segmental	(949,307)	(1,578,759)
Total revenue—external	4,913,029	5,072,031
Segment profit		
Terminals and Pipelines	87,157	72,081
Truck Transportation	85,499	68,613
Propane and NGL Marketing and Distribution	49,671	40,385
Processing and Wellsite Fluids	40,068	46,905
Marketing	58,737	28,674
Environmental Services	8,761	-
Total segment profit	329,893	256,658
General and administrative	32,747	27,695
Depreciation and amortization	126,611	100,517
Stock based compensation	3,856	7,775
Debt extinguishment costs	-	166,056
Foreign exchange loss (gain)	(20,397)	5,983
Gain on sale of Edmonton North Terminal	-	(20,370)
Gain on remeasurement of interest in equity investment	-	(16,900)
Interest expense, net	43,010	68,432
Loss (gain) on financial instruments relating to interest expense	(4,247)	11,475
Income (loss) before income tax	148,313	(94,005)
Income tax provision (recovery)	32,127	(31,400)
Net income (loss)	$ 116,186	$ (62,605)

(1) As more fully explained below, due to the change in the fee arrangement, revenue for the Terminals and Pipelines segment declined in fiscal 2012 compared to fiscal 2011, however, the new fee arrangement did not impact the comparability of segment profits.

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

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

Terminals and Pipelines

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Terminals		
Hardisty Terminal	133,357	89,576
Edmonton Terminal	22,651	16,315
Injection stations	40,385	36,921
Total terminals	196,393	142,812
Pipelines		
Bellshill pipeline	1,909	1,945
Provost pipeline	6,625	6,874
Total pipelines	8,534	8,819
Total terminals and pipelines	204,927	151,631
Custom treating and terminals	7,776	8,474

	Year ended December 31,	
	2012	**2011**
	(in thousands)	
Revenues	$ 146,734	$ 888,803
Cost of sales	5,813	789,424
	140,921	99,379
Operating expenses and other	53,764	27,298
Segment profit	$ 87,157	$ 72,081

Volumes, revenues and cost of sales. Custom treating and terminals volumes decreased by 8% in the year ended December 31, 2012 compared to the year ended December 31, 2011. The decrease was largely due to a revised agreement with the Marketing segment whereby at the beginning of the current year, Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminal facilities. The revised agreement does not impact the comparability of segment profit from prior periods. Volumes in the year ended December 31, 2011 largely related to product sold to the Marketing segment. The volumes in the year ended December 31, 2012 largely relate to the custom treating and terminals business which started operations in December 2011 upon completion of the acquisition of Palko. Custom treating and terminals revenue decreased by $765.9 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 largely as a result of the change in the arrangement with the Marketing segment and the changes in volume offset in part by the increase in revenue from the custom treating and terminal business. In addition, the change in arrangement also resulted in the decrease in custom treating and terminals cost of sales of $787.7 million.

Hardisty Terminal volumes increased by 49% in the year ended December 31, 2012 compared to the year ended December 31, 2011, as a result of increased throughput volumes from customers with dedicated tank usage and the impact of additional pipeline connections at the terminal including the Enbridge Line 4 and the Cold Lake pipeline connections. Revenue at the Hardisty

Terminal increased by $17.4 million in the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase in revenue was due mainly to the increase in volume and additional revenue from customers with dedicated tank usage that are subject to minimum volume charges.

Edmonton Terminal volumes increased by 39% in the year ended December 31, 2012 compared to the year ended December 31, 2011 mainly due to increased throughput volumes from the Southern Lights connection that was completed in the fourth quarter of 2011 and to an increase in diesel shipments through the terminal from a customer that is subject to minimum volume charges. As a result, revenues at the Edmonton Terminal increased by $3.5 million in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Injection station volumes increased by 9% in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to an increase in activity with a major customer and as a result of an overall increase in activity in the United States. As a result, revenue increased by $2.0 million in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Volumes for the Company's Bellshill pipeline decreased 2% in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. Revenue increased by $0.3 million in the year ended December 31, 2012 compared to the year ended December 31, 2011 as a result of increased tariffs.

Volumes for the Company's Provost pipeline decreased by 4% in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to a slight decrease in receipts from oil production batteries that produce into the pipeline. However, tariff increases led to revenue increasing by $0.6 million in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Operating expenses and other. Overall operating expenses and other costs increased by $26.5 million, or 97%, in the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase was largely related to the additional operating costs from the custom treating and terminals business, largely as a result of the Palko acquisition. The increase was also due to the movement in the fair value of an electricity swap whereby a gain of $11,000 was recorded in the year ended December 31, 2012 compared to a gain of $1.4 million in the year ended December 31, 2011. In addition, in the year ended December 31, 2011 the Company recognized income from equity investments of $4.2 million relating to the Company's equity interest in Palko prior to the Company acquiring 100% of Palko.

Segment profit. Overall, segment profit in the year ended December 31, 2012 increased by $15.1 million, or 21%, compared to the year ended December 31, 2011. The primary reason for the increase was due to increased volumes through both of the Company's major terminals offset in part by lower custom treating and terminals profits. The reduction in custom treating and terminals profits was due to increased profits generated during the year ended December 31, 2011 from widening pricing differentials between crude types compared to the fixed fee earned in the year ended December 31, 2012. Offsetting this decrease in custom treating and terminals was the incremental profit from the Palko acquisition.

Truck Transportation

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

Volumes (barrels in thousands)	Year ended December 31, 2012	2011
Barrels hauled	152,226	146,216

	Year ended December 31, 2012	2011
	(in thousands)	
Revenues	$ 524,007	$ 458,127
Cost of sales	354,605	318,231
	169,402	139,896
Operating expenses and other	83,903	71,283
Segment profit	$ 85,499	$ 68,613

Volumes, revenues and cost of sales. For the year ended December 31, 2012, barrels hauled increased by 4% compared to the year ended December 31, 2011, due mainly to increased activity in crude hauling in the United States with volumes in Canada remaining relatively stable.

Revenues increased by 14% in the year ended December 31, 2012 as compared to the year ended December 31, 2011. The increase was driven by the increase in volumes and also due to an increase in hauling rates and accessorial charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 11% in the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase was driven by the increase in volumes with a lower percentage increase than revenue as a result of strong market demand in certain areas allowing for higher margins and also due to the impact of increased accessorial charges.

Operating expenses and other. Overall operating expenses and other costs increased by $12.6 million, or 18%, in the year ended December 31, 2012 compared to the year ended December 31, 2011, mainly due to increased payroll related costs in both Canada and the United States and also due to the impact of acquisitions during the year.

Segment profit. Segment profit increased by $16.9 million, or 25%, in the year ended December 31, 2012 compared to the year ended December 31, 2011, with the increase driven by the increases in volumes, hauling rates and accessorial charges.

Propane and NGL Marketing and Distribution

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

Volumes	Year ended December 31, 2012	2011
Sales volumes—retail (litres in thousands)		
Residential	21,493	21,754
Oil and gas	192,876	171,666
Commercial and industrial	72,821	64,920
Automotive	21,579	25,117
Other	19,481	18,639
	328,250	302,096
Sales volumes—wholesale (barrels in thousands)		
Propane	4,171	4,577
Other NGLs		
Butane	2,218	2,145
Condensate	888	1,125
U.S. division	3,144	3,065
	6,250	6,335

	Year ended December 31, 2012	2011
	(in thousands)	
Revenues		
Retail		
Propane	$ 138,022	$ 163,494
Other	20,325	15,294
Total retail	158,347	178,788
Wholesale		
Propane	178,616	303,439
Other NGLs	519,723	546,307
Total wholesale	698,339	849,746
Total revenues	856,686	1,028,534
Cost of sales		
Retail		
Propane	79,035	117,591
Other	2,510	2,159
Total retail	81,545	119,750
Wholesale		
Propane	164,872	289,395
Other NGLs	505,773	531,912
Total wholesale	670,645	821,307
Total cost of sales	752,190	941,057
Gross Margin		
Retail	76,802	59,038
Wholesale	27,694	28,439
Total gross margin	104,496	87,477
Operating expenses and other	54,825	47,092
Segment profit	$ 49,671	$ 40,385

Volumes, revenues and cost of sales. Retail volumes increased 9% in the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase was driven by increased volumes in the oil and gas market as a result of continued strong drilling activity with key customers and an increase in commercial and industrial activities due to colder weather conditions, particularly in the fourth quarter of 2012 compared to the prior year. In addition, the increase in these sectors was also due to the positive impact of the acquisitions completed in the year ended December 31, 2012. Offsetting this increase was a decrease in the residential and automotive markets. Lower volumes in the Company's key residential market were primarily due to warmer weather conditions, particularly in the first half of 2012 which was offset in part by colder weather in the fourth quarter of 2012. The decline in the automotive market has been occurring for several years as propane is not the preferred fuel choice.

Retail propane revenues decreased 16% in the year ended December 31, 2012 as compared to the year ended December 31, 2011, as a result of lower rack prices. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other rental revenue increased by 33% in the year ended December 31, 2012 compared to the year ended December 31, 2011, largely due to an increase in equipment sales and also equipment rentals, as the Company has increased its generator rental operations.

Wholesale propane volumes decreased by 9% in the year ended December 31, 2012 compared to the year ended December 31, 2011. The decrease in volumes was largely driven by the impact of the warmer weather reducing propane demand, particularly in the first half of the year, offset by an increase in volumes from propane buy/sell transactions in the year ended December 31, 2012 compared to the year ended December 31, 2011. Revenues decreased by 41% in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to lower volumes, lower wholesale propane rack prices and the impact of higher volumes through buy/sell transactions where revenues associated with these volumes are recorded on a net basis.

Other NGLs volumes decreased by 1% in the year ended December 31, 2012 as compared to the year ended December 31, 2011, primarily as a result of lower volumes of condensate demand from internal and external customers as unfavorable pricing impacted blending programs partially offset by increased volumes of butane and volumes in the United States. As a result, other NGLs revenues decreased by 5% due to the decline in overall volumes.

Cost of sales per litre in retail propane and wholesale propane decreased by 38% and 37%, respectively, in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to lower prices as a result of high propane inventories in the market. Accordingly, retail propane margin per litre benefitted from lower wholesale propane prices and increased 18% in the year ended December 31, 2012 compared to the year ended December 31, 2011. However, the wholesale propane margin per litre was negatively impacted by lower wholesale propane prices and decreased 7% in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Cost of sales for other NGLs decreased by 5% in the year ended December 31, 2012 as compared to the year ended December 31, 2011, due to the impact of decreased volumes and commodity prices.

Operating expenses and other. Overall operating expenses and other costs increased by $7.7 million or 16%, in the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to an increase in payroll related costs in both retail and wholesale.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2012 by $9.3 million, or 23%, compared to the year ended December 31, 2011, primarily as a result of higher margins in retail propane offset in part by lower margins in wholesale propane and other NGLs.

Processing and Wellsite Fluids

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Roofing flux	1,853	1,438
Road asphalt	289	469
Frac fluid	331	466
Tops	2,132	1,483
Distillate	695	789
Other	68	64
Total sales volumes	5,368	4,709

	Year ended December 31,	
	2012	**2011**
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 223,045	$ 185,932
Frac fluid	46,327	62,215
Tops	176,119	135,936
Distillate	95,414	108,868
Other	10,832	8,240
Total revenues	551,737	501,191
Cost of sales	491,056	436,051
Operating expenses and other	20,613	18,235
Segment profit	$ 40,068	$ 46,905

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 29% in the year ended December 31, 2012 compared to the year ended December 31, 2011 as a result of increased demand in the United States and also due to the impact of the Company introducing a straight run roofing flux product into the market in 2011. Sales volumes for road asphalt decreased by 38% in the year ended December 31, 2012 compared to the year ended December 31, 2011. The decrease was due to an increase in the amount of asphalt being sold as roofing flux due to improved roofing flux margins and also due to decreased Canadian road paving jobs being performed. Asphalt revenue increased by 20% in the year ended December 31, 2012 compared to the year ended December 31, 2011 due to an increase in both roofing flux volume and pricing.

Frac fluid volumes decreased 29% in the year ended December 31, 2012 compared to the year ended December 31, 2011 largely due to the impact of lower overall drilling activity in the year ended December 31, 2012. As a result, frac fluid revenues decreased by 26% in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Tops volumes increased 44% in the year ended December 31, 2012 as compared to the year ended December 31, 2011 due a decrease in frac fluid and distillate volumes resulting in the Company selling more of the light end volume as tops. Tops revenues increased by 30% due to increased volumes in the year ended December 31, 2012 compared to the year ended December 31, 2011 offset in part by lower tops pricing due to overall lower crude oil prices.

Sales volumes for distillate were 12% lower in the year ended December 31, 2012 compared to the year ended December 31, 2011 largely due to the impact of lower overall drilling activity in the current year period in part due to an early spring break up. Distillate revenues were 12% lower in the year ended December 31, 2012, compared to the year ended December 31, 2011 which was driven by the decrease in volumes offset in part by higher overall selling prices in the market.

Overall volume for the year ended December 31, 2012 increased 14% compared to the year ended December 31, 2011. In addition to the demand impacts discussed above, the increase was also due to certain process improvements that were implemented during the 2012 maintenance turnaround that increased capacity by up to 10%.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment decreased by 1% due to the decrease in crude prices.

Overall margins decreased by $4.5 million, or 7%, in the year ended December 31, 2012 as compared to the year ended December 31, 2011. Overall margins declined due mainly to lower volumes of distillate and frac fluid. In addition, margins for tops declined due to the impact of relatively strong margins for tops in the first six months of 2011. Offsetting these decreases, asphalt margins were positively impacted by higher product margins for the Company's straight run roofing flux.

Operating expenses and other. Operating expenses increased by $2.4 million, or 13%, in the year ended December 31, 2012 as compared to the year ended December 31, 2011, primarily due to increased payroll related costs and also additional costs incurred in the year for the mud blending facilities in Sexsmith, Alberta.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the year ended December 31, 2012 by $6.8 million, or 15%, as compared to the year ended December 31, 2011, primarily due to lower overall margins for tops, frac fluids and distillate and higher operating expenses, offset in part by increased margins for roofing flux.

Marketing

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2012**	**2011**
Sales Volumes		
Crude and diluent	81,688	55,831

	Year ended December 31,	
	2012	**2011**
	(in thousands)	
Revenues	$ 3,745,283	$ 3,774,135
Cost of sales	3,675,635	3,735,200
Operating expenses and other	10,911	10,261
Segment profit	$ 58,737	$ 28,674

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

Calendar Period	**2012**	**2011**
January	$ 100.32	$ 89.58
February	$ 102.26	$ 89.74
March	$ 106.21	$ 102.98
April	$ 103.35	$ 110.04
May	$ 94.72	$ 101.36
June	$ 82.41	$ 96.29
July	$ 87.93	$ 97.19
August	$ 94.16	$ 86.33
September	$ 94.72	$ 85.61
October	$ 89.57	$ 86.41
November	$ 86.66	$ 97.21
December	$ 88.25	$ 98.57
Average for the year ended December 31	$ 94.37	$ 95.14

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 46% in the year ended December 31, 2012, due to a continued focus on bringing volumes to the Company's integrated assets and the impact of new pipeline connections at the Company's terminals. Revenue decreased by 1% in the year ended December 31, 2012 compared to the year ended December 31, 2011, due to the impact of higher volumes through buy/sell transactions whereby revenues associated with these volumes are recorded on a net basis and also due to lower average crude prices, partially offset by increase in volume.

Cost of sales decreased by 2% in the year ended December 31, 2012 compared to the year ended December 31, 2011 largely as a result of lower revenue and the impact of favorable pricing differential between crude oil types in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Operating expenses and other. Operating expenses increased by $0.7 million, or 6%, in the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to the impact of increased costs from the re-alignment of the custom terminals business from the Terminals and Pipelines segment at the beginning of the current year.

Segment profit. The Marketing segment profit increased by $30.1 million, or 105%, in the year ended December 31, 2012 as compared to the year ended December 31, 2011. In the year ended December 31, 2012, margins were positively impacted by the increase in volumes and favorable pricing differentials between crude oil types, which is generally beneficial for segment profitability, as compared to the year ended December 31, 2011.

Environmental Services

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

	Year ended December 31, 2012 (in thousands)	Year ended December 31, 2011
Revenues		
Environmental services and fluid handling	$ 23,234	$ -
Production services	11,221	-
Exploration support services	1,659	-
Accommodations	1,775	-
Total revenues	37,889	-
Cost of sales	24,637	-
Operating expenses and other	4,491	-
Segment profit	$ 8,761	$ -

Revenues and cost of sales. Environmental Services is a new segment formed in the year ended December 31, 2012, as a result of the acquisition of OMNI on October 31, 2012. As a result, revenue increased by $37.9 million. The Company`s results include two months of OMNI operations in the year ended December 31, 2012. The Environmental Services segment is primarily involved in providing environmental services and fluid handling, production services and other complementary services to oil and gas companies in the United States. Environmental services and fluid handling operations primarily include transportation, disposal and processing of drilling and production waste such as fluids and cuttings. Production services provides critical services to the oil and gas companies that ensure uptime and consistent operation of producing wells including the inspection and repair of above-ground well-pumping units. Other complementary services include exploration support services that provide exploratory drilling services to geophysical companies and accommodations that provide winterized, mobile housing units and services for oilfield personnel at the drill or production site. As a result of the increase in revenue, cost of sales increased by $24.6 million in the year ended December 31, 2012. Cost of sales primarily consists of payroll related costs, stores and spares and supplies.

Operating expenses and other. As a result of the OMNI acquisition on October 31, 2012, operating costs were $4.5 million in the year ended December 31, 2012. Operating costs largely relate to payroll costs and other administrative costs that specifically relate to the segment.

Segment profit. As a result of the OMNI acquisition on October 31, 2012, segment profit was $8.8 million in the year ended December 31, 2012.

General and administrative, excluding depreciation and amortization

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

G&A expense was $32.7 million in the year ended December 31, 2012 compared to $27.7 million in the year ended December 31, 2011. The increase was largely driven by an increase in payroll and acquisition related costs incurred during the year ended December 31, 2012.

Depreciation and amortization

Depreciation and amortization expense was $126.6 million in the year ended December 31, 2012 compared to $100.5 million in the year ended December 31, 2011. The increase is due to the additional depreciation and amortization related to increased asset values as a result of the Company's capital expenditures and acquisitions.

Stock based compensation

Stock based compensation expense was $3.9 million in the year ended December 31, 2012 compared to $7.8 million in the year ended December 31, 2011. The primary reason for the lower expense in the year ended December 31, 2012 was the impact of additional expense incurred from the granting of stock awards in June 2011 which vested upon completion of the Company's initial public offering on June 15, 2011.

Foreign exchange loss (gain) not affecting segment profit

In the year ended December 31, 2012, the Company recorded a foreign exchange gain of $20.4 million compared to a foreign exchange loss of $6.0 million in the year ended December 31, 2011.

The gains and losses recorded are primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the year ended December 31, 2012, a gain of $14.4 million was due to the favorable movement in exchange rates that was offset by an unrealized loss of $0.5 million, related to the Company entering into U.S. dollar forward contracts and call options to mitigate the currency risk associated with its U.S. dollar denominated long-term debt. In addition, in order to minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price of OMNI, the Company entered into forward contracts on U.S.$341.5 million of the purchase price at an average rate of $0.981 to U.S.$1.00. The Company realized a gain of $6.3 million on the settlement of these forward contracts during the year ended December 31, 2012. In the year ended December 31, 2011, a loss of $10.8 million was due to the unfavorable movement in exchange rates that was offset in part by an unrealized gain of $4.8 million that related to the Company's U.S. dollar forward contract and call option to mitigate the currency risk associated with its U.S. dollar denominated long term debt.

Gain on sale of Edmonton North Terminal

On January 7, 2011, the Company completed the disposition of its Edmonton North Terminal for consideration of approximately $54.3 million, realizing a gain on the sale of $20.4 million in the year ended December 31, 2011.

Debt extinguishment costs

In the year ended December 31, 2011, the Company recorded debt extinguishment costs of $166.1 million as a result of the re-financing of the Company's long-term debt on June 15, 2011 (the "Refinancing"). The amount largely relates to the repurchase bonus of $128.1 million that was incurred in connection with the tender and discharge of the debt, the write-off of the Company's unamortized deferred debt issue costs from the repayment of the debt and the unamortized prepaid financing costs on the replacement of the Company's revolving credit facilities totaling $37.3 million. In addition, the expense includes professional fees incurred in the tender and discharge process.

Gain on remeasurement of interest in equity investment

In the year ended December 31, 2011, the Company acquired all of the issued and outstanding shares of Palko not already owned by the Company. The fair value of the Company's equity interest held prior to the acquisition was determined to be $29.4 million compared to the net book value of $12.5 million. In accordance with IFRS 3, "Business Combinations", the Company was required to record a gain of $16.9 million in the year ended December 31, 2011.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $43.0 million in the year ended December 31, 2012 compared to $68.4 million in the year ended December 31, 2011. The decrease is primarily due to the lower interest rate and principal balance on the Company's long-term debt as a result of the Refinancing in 2011 and re-pricing in 2012.

Financial instruments relating to interest expense

In the years ended December 31, 2012 and 2011, the Company recorded a non-cash gain of $4.2 million and loss of $11.5 million, respectively, relating to financial instruments with respect to the Company's interest expense. The amount largely relates to an embedded derivative on an interest rate floor within the Company's long-term debt that is required to be separated from the carrying value of long-term debt and accounted for as a separate financial instrument that is measured at fair value at each balance sheet date.

Income tax

Income tax provision in the year ended December 31, 2012 was $32.1 million compared to a recovery of $31.4 million in the year ended December 31, 2011. The main reason for the change in the income tax charge was the net income before taxes of $148.3 million in the year ended December 31, 2012 compared to loss before taxes of $94.0 million in the year ended December 31, 2011. The effective tax rate was 22% during the year ended December 31, 2012 compared to a rate of 33% in the year ended December 31, 2011. The main reason for the change in the effective rate in the year ended December 31, 2012 compared to the year ended December 31, 2011 was the impact of the tax treatment of foreign exchange losses on the Company's long-term debt. In addition, the effective tax rate decrease in the year ended December 31, 2012 was also impacted by a number of discrete items in the year ended December 31, 2011, including the benefit of capital tax treatments of the Edmonton North Terminal gain, the non-taxable portion of the gain on the remeasurement of the company interest in Palko, the impact of rate reduction as a result of partnership deferral and the impact of the debt extinguishment costs on the income tax recovery.

Fourth Quarter Results

	Three months ended December 31,	
	2012	2011
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 37,981	$ 213,894
Truck Transportation	135,803	124,744
Propane and NGL Marketing and Distribution	244,717	317,088
Processing and Wellsite Fluids	148,155	125,752
Marketing	996,452	1,118,255
Environmental Services	37,889	-
Total segment revenue	1,600,997	1,899,733
Revenue – inter-segmental	(294,762)	(418,949)
Total revenue – external	1,306,235	1,480,784
Segment profit		
Terminals and Pipelines	22,753	22,309
Truck Transportation	21,634	19,655
Propane and NGL Marketing and Distribution	20,886	14,532
Processing and Wellsite Fluids	10,132	9,607
Marketing	17,918	8,552
Environmental Services	8,761	-
Total segment profit	$ 102,084	$ 74,655
Net income	$ 36,611	$ 32,623

Segment revenue decreased by $298.7 million in the three months ended December 31, 2012 compared to the three months ended December 31, 2011. Changes in segment revenue were as follows:

- Terminals and Pipelines segment revenue for the three months ended December 31, 2012 decreased by $175.9 million compared to the three months ended December 31, 2011. The decrease was largely due to the revised agreement with the Marketing segment whereby, Marketing contracted volumes on a fixed fee basis as opposed to purchasing product from the custom terminal facilities. The decrease was partially offset by an increase in revenue at the Hardisty Terminal resulting from an increase in revenue from customers with dedicated tank usage, an increase in revenue at the Edmonton terminal due to increased volumes and also increased revenue from custom treating and terminals business as a result of the impact of the Palko acquisition;

- Truck Transportation segment revenue increased by $11.1 million due to increased rates, accessorial charges and the impact of the acquisitions made during 2012;

- Propane and NGL Marketing and Distribution segment revenue decreased by $72.4 million due to lower wholesale volumes, lower propane rack prices, the impact of higher volumes through buy/sell transactions where revenues associated with these volumes are recorded on a net basis and lower demand from internal and external customers as unfavorable pricing impacted blending programs;

- Processing and Wellsite Fluids segment revenue increased by $22.4 million due to an increase in asphalt and tops revenue partially offset by lower frac fluid and distillate revenues. Increased demand in the United States for roofing flux primarily contributed to higher asphalt revenue whereas lower drilling activity resulted in a decline in frac fluid and distillate revenue;
- Marketing segment revenue decreased by $121.8 million due mainly to lower overall commodity prices; and
- Environmental Services revenue increased by $37.9 million as a result of the impact of the OMNI acquisition on October 31, 2012.

Segment profit increased by $27.4 million in the three months ended December 31, 2012 compared to the three months ended December 31, 2011. The increase in segment profit was due to:

- Terminals and Pipelines segment profit increased by $0.4 million, largely due to increased volumes through the Company's terminals and the additional profit from customers with dedicated tank usage;

- Truck Transportation segment profit increased by $2.0 million largely as a result of increased activity levels in the United States and also the impact of increases in rates and accessorial charges;

- Propane and NGL Marketing and Distribution segment profit increased by $6.4 million due to increased margins from the wholesale and retail propane business including the impact of acquisitions completed in 2012;

- Processing and Wellsite Fluids segment profit increased by $0.5 million, primarily as a result of higher margins on asphalt sales partially offset by lower margins on frac fluid and distillate;

- Marketing segment profit increased by $9.4 million due to an increase in volumes and the impact of favorable pricing differentials between crude oil types, which is generally beneficial for segment profitability; and

- Environmental Services segment profit increased $8.8 million as a result of the impact of the OMNI acquisition on October 31, 2012.

Net income was $36.6 million in the three months ended December 31, 2012 compared to $32.6 million in the three months ended December 31, 2011. The increase was driven by the increase in segment profit, the impact of the favorable movement in exchange rates on the translation of the Company's U.S. dollar denominated long-term debt compared to unfavorable movements in the prior year period and lower interest expense, offset in part by the gain of $16.9 million recorded in the fourth quarter of 2011 on the remeasurement of the Company equity interest in Palko to fair value on the acquisition date and an increase in depreciation and amortization and G&A expenses.

SUMMARY OF QUARTERLY RESULTS

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

	2012				2011			
	Three months ended							
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
	(in thousands)							
Revenues	$1,306,235	$1,185,647	$1,126,219	$1,294,928	$1,480,784	$1,235,321	$1,207,909	$1,148,017
Net income (loss)	36,611	30,017	9,521	40,037	32,623	(5,121)	(130,238)	40,131
EBITDA(1)	95,601	83,915	48,565	86,251	77,263	46,030	(133,012)	96,744
Adjusted EBITDA(2)	96,134	72,109	62,044	71,789	67,345	64,852	42,147	56,939
Earnings (loss) per share								
Basic	0.32	0.30	0.10	0.41	0.34	(0.05)	(1.98)	0.58
Diluted	0.32	0.29	0.09	0.40	0.33	(0.05)	(1.98)	0.51

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

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

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

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

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

	2012				2011			
	Three months ended							
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
	(in thousands)							
Net income (loss)	$ 36,611	$ 30,017	$ 9,521	$ 40,037	$ 32,623	$ (5,121)	$ (130,238)	$ 40,131
Depreciation and amortization	39,171	30,848	28,705	27,887	25,928	24,605	26,178	23,806
Interest expense[1]	8,917	14,362	8,916	7,213	11,646	22,897	21,265	24,705
Income tax expense (recovery)	10,902	8,688	1,423	11,114	7,066	3,649	(50,217)	8,102
EBITDA	$ 95,601	$ 83,915	$ 48,565	$ 86,251	$ 77,263	$ 46,030	$ (133,012)	$ 96,744

(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 takes into account the impact of foreign exchange movements in the Company's U.S. dollar denominated long-term debt, management fees, debt extinguishment costs and other adjustments that are considered non-recurring in nature. Pro Forma Adjusted EBITDA differs from the term Adjusted EBITDA in that it also includes the pro forma effect of acquisitions that took place in each fiscal year as if the acquisitions took place at the beginning of the fiscal year in which such acquisition occurred. Pro Forma Adjusted EBITDA is also used in calculating the Company's covenant compliance under the Term Loan and Revolving Credit Facility.

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

The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the year ended December 31, 2012 and 2011:

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

	Three months ended				Year ended
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2011
	(in thousands)				
EBITDA	$ 77,263	$ 46,030	$ (133,012)	$ 96,744	$ 87,025
Unrealized foreign exchange loss (gain) on long-term debt [a]	(14,198)	48,488	(4,200)	(17,328)	12,762
Net unrealized loss (gain) from financial instruments [b]	18,576	(30,637)	8,536	(3,034)	(6,559)
Share based compensation [c]	1,590	971	4,517	621	7,699
Acquisition related costs [d]	1,014	-	-	-	1,014
Gain on remeasurement of interest in equity investment [e]	(16,900)	-	-	-	(16,900)
Management fee [f]	-	-	250	306	556
Debt extinguishment cost [g]	-	-	166,056	-	166,056
Gain on sale of Edmonton North Terminal [h]	-	-	-	(20,370)	(20,370)
Adjusted EBITDA	$ 67,345	$ 64,852	$ 42,147	$ 56,939	$ 231,283
Pro forma impact of acquisitions [i]					5,739
Pro Forma Adjusted EBITDA					$ 237,022

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

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

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

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

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

(f) *Reflects an adjustment for the management fee payable to Riverstone. The management fee agreement was terminated in connection with the Company's initial public offering.*

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company's sources and uses of funds for the year ended December 31, 2012 and 2011:

	Year ended December 31, 2012	2011
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 308,899	$ 207,317
Investing activities	(636,045)	(83,880)
Financing activities	322,827	(66,853)

Cash provided by operating activities

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

Cash provided by operations in the year ended December 31, 2012 was $308.9 million compared to $207.3 million in the year ended December 31, 2011. The increase was primarily attributable to an increase in overall profitability in the year ended December 31, 2012 compared to the year ended December 31, 2011. In addition, inventory decreased by $36.7 million in the year ended December 31, 2012, compared to a decrease in inventory of $18.0 million in the year ended December 31, 2011. Offsetting these increases is a net outflow from trade receivables and payables of $49.4 million in the year ended December 31, 2012, compared to an inflow of $16.0 million in the year ended December 31, 2011.

Cash used in investing activities

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

The increase in cash used in investing activities was due largely to an increase in capital expenditures and acquisitions in the year ended December 31, 2012 compared to the year ended December 31, 2011. For a summary of capital expenditures and acquisitions, see "Acquisitions and internal growth projects" included in this MD&A. In addition, the increase in the year ended December 31, 2012 compared to the year ended December 31, 2011, was also due to the decrease in proceeds from the sale of assets of $57.1 million in the year ended December 31, 2012 compared to the year ended December 31, 2011, which was largely due to the sale of the Company's Edmonton North Terminal in January 2011.

Cash provided (used in) by financing activities

Cash provided by financing activities was $322.8 million compared to cash used in financing activities of $66.9 million in the year ended December 31, 2011.

In the year ended December 31, 2012, the Company successfully completed bought deal offering for net proceeds of $385.9 million and as a result, issued 18,216,000 common shares of the Company. The proceeds were used to partially fund the acquisition of OMNI. Further, on May 24, 2012, the Company replaced and re-priced its existing long-term debt resulting in the Company's existing U.S.$645.0 million Term Loan B being replaced with a U.S.$650.0 million Tranche B Term Loan. In connection with this transaction, the Company paid debt issue and related financing costs of $10.5 million.

In addition, during the year ended December 31, 2012, the Company paid net cash dividends of $60.6 million, paid interest of $37.9 million, received proceeds of $18.6 million on the exercise of stock options, and received net proceeds of $31.9 million under the Revolving Credit Facility.

In the year ended December 31, 2011, the Company received net proceeds from its initial public offering of $471.2 million and proceeds from the Term Loan B, net of debt issue and financing costs, of $611.9 million that was offset by the repayment of the prior long-term debt of $746.6 million, the payment of debt extinguishment costs of $128.8 million and the repurchase of a warrant held by Hunting Energy Holding Limited for $134.6 million and the repayment of debt assumed in the Palko acquisition of $17.6 million. In addition, in the year ended December 31, 2011, the Company repaid $43.5 million net on the Company's credit facilities, paid net cash dividends of $9.0 million and received proceeds of $4.1 million on the exercise of stock options.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. With respect to potential internal growth projects, the Company may raise additional debt in 2013 to enable the Company to finance these projects. At December 31, 2012, the Company had unrestricted cash of $61.0 million and $250.9 million available under the Revolving Credit Facility.

The Company's ability to make scheduled payments of principal and interest on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended December 31, 2012, the Company declared a dividend of $0.26 per share for a total dividend of $31.2 million, of which $22.3 million was paid in cash on January 17, 2013 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the board of directors of the Company (the "Board") and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $182.2 million in the year ended December 31, 2012. In addition, the Company completed certain acquisitions during the year ended December 31, 2012 for total cash consideration of $479.0 million. At December 31, 2012, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $512.3 million that the Company expects to undertake over the next 12 to 24 months. While the Company anticipates that these capital expenditures and acquisitions will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

In addition to anticipated capital expenditures, the Company may engage in additional strategic acquisitions and capital expenditures as opportunities arise that benefit the Company's existing operations by expanding the Company's reach in existing markets or by providing platforms with which to enter new markets. Any such acquisition or capital expenditure could be material and could have a material effect on the Company's liquidity, cash flows and capital commitments and resources. Any future acquisitions, capital expenditures or other similar transactions 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.

As of December 31 2012, the Company had total outstanding long-term debt, excluding debt issuance costs, of U.S.$645.1 million. The Tranche B Term Loan expires on June 15, 2018, and accrues interest at the option of the Company at a rate equal to LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR interest rate floor of 1.0% or base rate plus 2.75%, subject to a minimum base rate interest rate floor of 2.0%. The Tranche B Term Loan is repayable in equal quarterly installments of U.S.$1.6 million, with the remaining balance to be paid at the end of the term. In addition, certain events may trigger incremental repayments of principal including a percentage of quarterly net excess cash flow subject to certain ratios and the disposition of assets in excess of U.S.$10.0 million in any given year, where such proceeds are not reinvested into capital assets within specified time periods. Additionally, the Company has a Revolving Credit Facility of up to U.S.$375.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, Adjusted LIBOR plus 2.5%, Base Rate plus 1.5%, Bankers Acceptance Rate plus 2.5% or Canadian Prime Rate plus 1.5%, subject to adjustment based on a change in the Company's corporate credit rating. In addition, the Company must pay a commitment fee of 0.5%, on the unused portion of the Revolving Credit Facility which can decrease based on an upgrade to the Company's corporate credit rating as determined by recognized credit rating agencies. At December 31, 2012, the Company had drawn $31.8 million against the Revolving Credit Facility, had no restricted cash and had issued letters of credit totaling $90.4 million. The Tranche B Term Loan and Revolving Credit Facility are secured, on a pari-passu basis, by substantially all of the Company's property and equipment, intangibles, equity interest and current assets, including inventory and trade receivables and are guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

The terms of the Company's Tranche B Term Loan and Revolving Credit Facility require the Company to maintain a "Senior Secured Leverage Ratio" of no greater than 5.0 to 1.0 and an "Interest Coverage Ratio" of not less than 2.5 to 1.0. The Senior Secured Leverage Ratio will become more restrictive over the term of the Tranche B Term Loan as the Senior Secured Leverage Ratio will decrease to 4.5 to 1.0 on June 15, 2013 and to 4.0 to 1.0 on June 15, 2015 for the remainder of the term. As of December 31, 2012, the Company was in compliance with the financial ratios with the Senior Secured Leverage Ratio at 1.7 to 1.0 and the Interest Coverage Ratio at 11.2 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility, and could result in an acceleration of amounts due and payable under the Tranche B Term Loan.

The Tranche B Term Loan and Revolving Credit Facility also contain non-financial covenants that restrict some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Tranche B Term Loan and Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, subject to specified grace periods, breach of specified covenants, change in control and material inaccuracy of representations and warranties. As of December 31, 2012, the Company was in compliance with all of its covenants under the Tranche B Term Loan and Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

The following table presents, at December 31, 2012, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt[(1)]	$ 641,835	$ 6,467	$ 12,934	$ 12,934	$ 609,500
Interest payments on long-term debt[(1)(2)]	165,482	31,624	62,012	58,593	13,253
Operating lease and other commitments[(3)]	135,450	29,385	44,572	32,728	28,765
Total contractual obligations	$ 942,767	$ 67,476	$ 119,518	$ 104,255	$ 651,518

(1) *The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2012 of U.S.$1.0051 to $1.00.*

(2) *The interest rate used to calculate the Company's future interest payments is the rate as of December 31, 2012 of 4.75% and includes the impact of an interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 5.5% for a three year period from September 2012.*

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

As at December 31, 2012, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $512.3 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's defined benefit plans of $9.4 million and provisions associated with site restoration on the retirement of assets and environmental costs of $111.2 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks" and in the notes to the Company's audited consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The Company had a management agreement with Riverstone, whereby Riverstone provided management advisory services in connection with the general business operations of the Company. The management agreement was terminated on June 15, 2011 in connection with the completion of the initial public offering and as a result no management fees have been incurred since that date. Total management fees and expenses of $0.6 million were charged to general and administrative expenses for the year ended December 31, 2011.

As at December 31, 2011, Co-op owned approximately 29% of the Company's issued and outstanding common shares. On March 27, 2012, the Company completed a secondary offering of common shares of the Company held by Co-op, pursuant to which Co-op sold 28,107,782 common shares at a price of $20.70 per common share for total gross proceeds to Co-op of $581.8 million. As a result, Co-op and Riverstone no longer own any common shares of the Company.

Concurrently with the completion of the initial public offering in 2011, the Company and Co-op entered into a registration rights agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contains customary registration, expense reimbursement and indemnity terms. In connection with the agreement, the Company incurred professional fees relating to the secondary offerings of common shares of $0.2 million and $0.3 million in the year ended December 31, 2012 and 2011, respectively. The registration rights agreement expired on closing of the secondary offering on March 27, 2012 and accordingly, no expenses have been incurred since that date.

With respect to companies that Riverstone has a controlling interest or has significant influence on, in the years ended December 31, 2012 and 2011, the Company recognized revenue of $0.2 million and $0.9 million, respectively, and purchased product and services of $46.2 million and $130.1 million, respectively.

On August 11, 2011, the Company formed a partnership (the "Partnership") to jointly construct and own a pipeline and an emulsion treating, water disposal and oilfield waste management facility in the Plato area of Saskatchewan. The Partnership commenced operations in 2012. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with a 50% interest in the partnership. At December 31, 2012 and 2011, the Company's proportionate share of property, plant and equipment was $9.8 million and $3.2 million, respectively.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2012, there were 120.1 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were an aggregate of 1.0 million restricted share units, performance share units and deferred share units outstanding and 1.3 million stock options outstanding as at December 31, 2012.

As at March 1, 2013, 120.6 million common shares, 1.0 million restricted share units, performance share units and deferred share units and 1.3 million stock options were outstanding.

DIVIDENDS

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

The Board has approved a DRIP that provides eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the fourth quarter dividend of 2012, holders of approximately 28.4% of the common shares participated in the DRIP.

DISTRIBUTABLE CASH FLOW

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

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

	Year ended December 31, 2012 (in thousands)
Cash flow from operating activities	$ 308,899
Adjustments:	
Changes in non-cash working capital	(6,799)
Upgrade and replacement capital	(56,536)
Interest paid	(37,928)
Current income tax	(26,205)
Distributable cash flow	$ 181,431
Dividends declared to shareholders	$ 106,074

Dividends declared in the year ended December 31, 2012 were $106.1 million or 58% of the distributable cash flow generated in the year ended December 31, 2012.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is involved in various commodity related marketing activities that are intended to enhance the Company's operations and increase profitability. These activities often create exposure to price risk between the time contracted volumes are purchased and sold and to foreign exchange risk when contracts are in different currencies (Canadian dollar versus U.S. dollar). The Company is also exposed to various market risks, including volatility in (i) crude oil, refined products, natural gas and NGL prices, (ii) interest rates and (iii) currency exchange rates. The Company utilizes various derivative instruments to manage commodity price, 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 gathering and marketing and storage. To hedge the risks discussed above the Company engages in risk management activities that the Company categorizes by the risks the Company is hedging and by the physical product that is creating the risk. The following discussion addresses each category of risk.

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

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

The fair value of futures contracts is based on quoted market prices obtained from the NYMEX or ICE. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2012 and 2011. All derivative positions offset physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $3.7 million and $5.4 million as of December 31, 2012 and 2011, respectively. A 15% unfavorable change would decrease the Company's net income by $3.7 million and $5.4 million as of December 31, 2012 and 2011, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Electricity Price Risk. The Company has historically hedged its exposure to electricity price fluctuations by entering into a financial swap contract to fix the level of anticipated electricity costs that were price sensitive to the Alberta Electric System Operator (AESO) Pool Price. If the actual AESO Pool Price was greater than the bought fixed price per megawatt hour, the Company would receive the difference between that price and the bought fixed price per megawatt hour. If the actual AESO Pool Price was less than the bought fixed price per megawatt hour, the Company was required to pay the difference between that price and the bought fixed price per megawatt hour. The swap contract expired on December 31, 2012 and therefore, any change in price would have no impact on the Company`s net income as at December 31, 2012. A 10% favorable change would increase the Company's net income by $0.2 million as of December 31, 2011. A 10% unfavorable change would decrease the Company's net income by $0.2 million as of December 31, 2011.

Interest rate risks. Prior to the issuance of the Term Loan B on June 15, 2011, the Company was not subject to interest rate risk on the Company's long-term debt as interest accrued at a fixed rate. Since then, the Company's long-term debt accrued interest at a variable rate, subject to an interest rate floor. The amounts outstanding under the current Tranche B Term Loan accrue interest at a variable rate of either, at the Company's option, Adjusted LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR floor of 1.0% per annum or ABR plus 2.75%, subject to a minimum base interest rate floor of 2.0% per annum.

A 1% increase in interest rates would have increased cash interest expense by $2.2 million for the year ended December 31, 2012. A 1% decrease in interest rates would not have any impact on the Company's cash interest expense for the year ended December 31, 2012, as the change would still have resulted in the Company accruing interest at the minimum LIBOR floor rate.

At the inception of the Term Loan B, the interest rate floor was considered an embedded derivative as the floor exceeded the LIBOR interest rate at that time. As a result, the fair value of the interest rate floor was measured as a separate financial liability at fair value. In addition, the Company entered into a forward U.S. dollar interest rate swap which effectively fixes the interest rate on U.S.$175.0 million of the long-term debt at 5.5% until September 15, 2015. A change in interest rates would result in a change in the fair value of the Company's position in the floor and swap. As of December 31, 2012, the impact of a 1% increase in interest rates on the fair value of the floor and swap would increase the Company's net income by $8.8 million and a 1% decrease in interest rates would decrease the Company's net income by $18.1 million.

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either LIBOR, the lenders prime rate, the Bankers' Acceptance rate or the Above Bank Rate, plus an applicable margin based on a pricing grid. As at December 31, 2012, the Company had drawn $31.8 million under the Revolving Credit Facility bearing interest at a rate of 2.7%. A 1% increase in interest rates would have increased cash interest expense by $0.1 million for the year ended December 31, 2012. A 1% decrease in interest rates would have decreased cash interest expense by $45,000 for the year ended December 31, 2012.

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 would decrease the Company's net income by $2.5 million as at December 31, 2012. A 5% favorable change would increase the Company's net income by $2.5 million as at December 31, 2012. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on the principal of the Company's long-term debt and the related interest payments, as they are both denominated in U.S. dollars. As at December 31, 2012, the Company had outstanding U.S. dollar denominated debt of U.S.$645.1 million. The Company has entered into U.S. dollar forward contracts expiring on September 15, 2015, on U.S.$498.0 million of the principal of the Tranche B Term Loan. The Company also sold long-dated U.S. dollar call options to offset the credit cost related to the forward contracts, that expire on September 15, 2015. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $5.7 million and $10.2 million as at December 31, 2012 and 2011, respectively. A corresponding favorable change would increase the Company's net income by $5.7 million and $10.2 million as at December 31, 2012 and 2011, respectively.

With respect to the related interest payments on the Tranche B Term Loan, to date the Company has not entered into any foreign currency hedges. Based on the interest rate in effect at December 31, 2012, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2012 would increase the Company's annual interest expense by $1.5 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2012 would decrease the Company's annual interest expense by $1.5 million.

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

ACCOUNTING POLICIES

Critical accounting policies and estimates

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

Fair value of assets and liabilities acquired in a business combination. In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production volumes, changes in commodity prices, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. During the measurement period, the allocation of purchase price of the acquired entity may be adjusted when the initial accounting for business combination is recorded based on provisional amounts. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill. In the year ended December 31, 2012, the Company recorded goodwill relating to business combinations of $197.7 million.

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

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

In the year ended December 31, 2012, the Company did not have any impairment charge with respect to property, plant and equipment, goodwill or intangible assets. With respect to property, plant and equipment, the Company recorded an impairment of $2.3 million in the year ended December 31, 2011.

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

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

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

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

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. As a result of a change in the risk-free rate and upward revision to the initial costs estimates, the Company recorded an increase to the provision of $29.4 million during the year ended December 31, 2012, with a corresponding increase to property, plant and equipment.

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

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

Future changes in accounting policies

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") has been amended to provide more extensive quantitative disclosures for financial instruments that are offset in the statement of financial position or that are subject to enforceable master netting or similar arrangements. This amendment to IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with retrospective application. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39, "Financial Instruments: Recognition and Measurements'' that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 10, Consolidated financial statements (''IFRS 10'') builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 11, Joint Arrangements ("IFRS 11") addresses joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities (''IFRS 12'') is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 13, Fair Value Measurement ("IFRS 13") provides for a consistent and less complex definition of fair value, established a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1") was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements.

IAS 19, Employee Benefits ("IAS 19") was amended to eliminate the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach and requires an entity to recognize actuarial gains and losses in Other Comprehensive Income ("OCI") immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. Based on the Company's preliminary assessment when applying the amendments to IAS 19 for the first time for the year ending December 31, 2013, the deficit balance on January 1, 2012 will be decreased by approximately $0.6 million with corresponding effect on the retirement benefit obligation primarily relating to the immediate recognition of unamortized past service cost.

IAS 32, Financial Instruments: Presentation ("IAS 32") has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The amendment to IAS 32 is effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company is currently evaluating the impact of adopting this amendment on its consolidated financial statements.

The annual improvements process addresses issues in the 2009 - 2011 reporting cycle including changes to IFRS 1, IAS 1, IAS 16, 'Property plant and equipment', IAS 32, IAS 34, 'Interim financial reporting'. These improvements are effective for annual periods beginning on or after January 1, 2013, with retrospective application. The adoption of these amendments is not expected to have a material impact on the Company's consolidated financial statements.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of the Company's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2012. The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. These controls are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with GAAP. The Company's CEO and CFO have evaluated the design and operational effectiveness of such controls as at December 31, 2012.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, have limited the scope of their design of the Company's DC&P and ICFR to exclude controls, policies and procedures of OMNI. Gibson acquired OMNI and its subsidiaries on October 31, 2012. OMNI's contribution to the Company's audited consolidated financial statements for the year ended December 31, 2012 was approximately $37.9 million of consolidated net revenues and approximately $0.7 million of consolidated income before tax. Additionally, as at December 31, 2012, OMNI's current assets and current liabilities were approximately $62.9 million and $22.1 million, respectively, and its non-current assets and non-current liabilities were approximately $458.8 million and $13.8 million, respectively. The scope limitation is primarily due to the time required for the Company's management to assess OMNI's DC&P and ICFR in a manner consistent with the Company's other operations.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR and subject to the scope limitation, the CEO and the CFO concluded that Gibson's DC&P and ICFR were effective as at December 31, 2012.

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 and the potential of raising additional debt in 2013;*
- *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; and*
- *the Company's dividend policy and continuing availability of the Company's DRIP.*

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

- *future growth in world-wide demand for crude oil and petroleum products;*
- *crude oil prices supporting increased production and services in North America, including the Canadian oil sands;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *operating costs;*
- *future capital expenditures to be made by the Company;*
- *the Company's ability to obtain financing for its capital programs on acceptable terms;*
- *the Company's future debt levels;*
- *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 5, 2013 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 alternatives to net income (loss) and cash flow from operations determined in accordance with IFRS as indications of the Company's performance.