ANNUAL REPORT 2013

INTEGRATED MIDSTREAM SOLUTIONS

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IBC Corporate Information

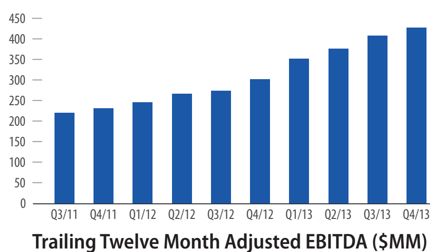
ANNUAL GENERAL MEETING INFORMATION

Wednesday, May 7, 2014 at 9:00 a.m. (Mountain Standard Time)
Sun Life Plaza Conference Centre
140 - 4 Ave SW (+15 Level), Calgary, Alberta

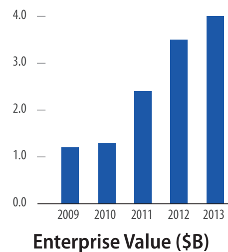
President & CEO's Message

Dear fellow shareholders,

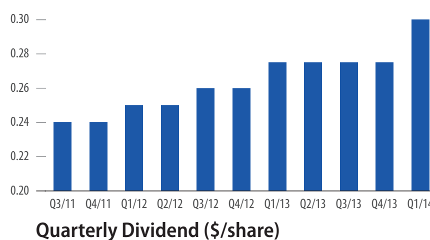
I am extremely pleased with the performance of our business as we approach the completion of our third year as a public company. Gibson's earnings and dividends have consistently increased each year while we provide our shareholders with a stable, growing, oil and liquids-leveraged cash flow stream.



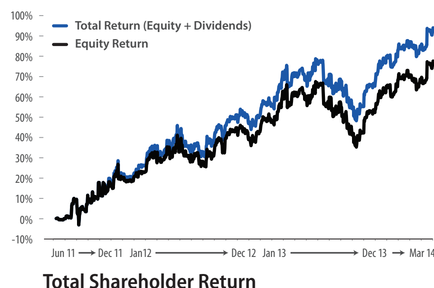
Trailing Twelve Month Adjusted EBITDA ($MM)



Enterprise Value ($B)



Quarterly Dividend ($/share)



Total Shareholder Return

Pursuing our Long-Term Strategy

Gibson continued to execute on its long-term strategic plan in 2013. In simple terms, our strategy is to provide mid-stream solutions that capitalize on growth trends in North American oil and liquids production. A key element of this strategy includes leveraging and expanding our integrated asset base to capture synergies along the hydrocarbon value chain. Additionally, we seek to partner with high quality customers to provide stable, long-term revenue streams. Finally, we strive to maintain financial discipline and sound risk management policies while we pursue our growth objectives. The advancement of these strategic goals contributed to strong operational and financial results in 2013.

Delivering Strong Financial and Operational Results

Highlights:

» Achieved record annual adjusted EBITDA of $427 million, a 41% increase over 2012.

» Achieved growth capital expenditures in 2013 of $177 million, a 41% increase over the prior year.

» Increased Hardisty Terminal storage capacity in 2013 by 16% to 4.3 million barrels.

» Increased 2013 Marketing volumes by 27% and Propane & NGL volumes by 22% over 2012.

» Completed the integration of Omni Energy Services, which we acquired in October 2012.

» Increased distributable cash flow by 39% to $253 million in 2013, compared to $183 million in 2012.

» Declared total dividends of $134 million, or $1.10 per share in 2013, compared to $106 million, or $1.01 per share in 2012.

» Increased our quarterly dividend by 9% to $0.30 per share in conjunction with the release of our fourth quarter 2013 results, the fourth increase since our initial public offering in June 2011.

Expanding our Midstream Solutions Platform

In 2013, we made several advances in our multi-year strategy to capitalize on the projected growth profile of oil and liquids production across North America.

In May, we announced committed support from a large oil sands producer for a 500,000 barrel oil storage tank. This was the fourth large storage tank that we have announced since November 2012 for a combined total of 1.7 million barrels of new storage capacity under construction at our Hardisty Terminal.

In July, we announced a long-term contract with Statoil Canada Ltd. to build infrastructure on the western side of our Edmonton Terminal. Subject to pipeline connection agreements, the project involves constructing pipeline and connection infrastructure to multiple major pipelines in the Edmonton area, a 300,000 barrel crude oil storage tank and a rail loading rack. This project serves as an important anchor for the eventual merchant terminal build-out at our Edmonton Terminal.

In August, we announced a project, in conjunction with US Development Group LLC (USDG), to develop a new state-of-the-art crude oil unit train rail loading facility near Hardisty, Alberta, with pipeline connectivity from our Hardisty Terminal. The crude oil unit train initiative is underpinned by long-term customer commitments. We will install the required pumping equipment and construct a pipeline for the transfer of crude from our Hardisty Terminal and will be the exclusive provider of crude oil to the USDG crude-by-rail facility. The project is scheduled to begin operations in the second quarter of 2014.

In September, we commissioned two 300,000 barrel crude oil storage tanks on the west side of our Hardisty Terminal. In the last three years, we have increased our total crude oil storage capacity at Hardisty by 54%.

Maintaining Financial Discipline

In support of our growth initiatives, we retain a strong balance sheet and strive to maintain financial flexibility.

In June, we refinanced our existing senior secured credit facilities by issuing U.S. $500 million of 8 year, 6.75% senior unsecured notes and $250 million of 7 year, 7.00% senior unsecured notes. Additionally, we entered into a new $500 million senior secured revolving credit facility. The net proceeds from this refinancing were used to repay the previous senior secured credit facility, providing a surplus of $72.1 million to be used to fund growth initiatives and for general corporate purposes. This refinancing served to extend the average duration of our long-term debt, while increasing covenant flexibility and providing the security of a fixed interest rate.

Our balance sheet remains healthy with a debt to proforma adjusted EBITDA ratio of 1.6 times and a debt to capitalization ratio of 33% at year end 2013. Furthermore, we maintain a conservative dividend policy with a payout ratio at the lower end of our long-term target of between 50% to 60% of distributable cash flow. We believe our recent 9% dividend increase, announced on March 4, 2014, provides an attractive cash yield to our shareholders, while retaining sufficient funds to pursue our growth initiatives.

Providing Integrated Midstream Solutions to Our Customers

We continue to offer our customers superior integrated solutions. We have long-standing relationships with large energy companies and industrial users across North America. Our portfolio of business segments offers significant multi-service opportunities to the same customer across our integrated business. In late 2013, Gibson was awarded the "Supplier of the Year" award from Canada's Oilweek Magazine. The criteria for this award were based on financial performance, management stability, industry leadership, safety and growth. I am especially proud of this award as it reflects the capability of our employees and the quality of the customer relationships which we have fostered over six decades of operations.

Building an Industry Leading Team

We are proud to be named one of the 2014 Top 50 "Best Employers" in Canada. 282 Canadian employers and almost 280,000 employees participated in the survey. The 1,207 dedicated personnel we have in Canada comprised the employee base for Gibson's results.

We made the list for the first time in 2013. The positive opinions our employees have about us, their commitment to our workplace and their motivation to go "above and beyond" to contribute to business success allowed us to stand out among Canada's finest companies.

In addition to the 1,207 employees in Canada we also employ 1,275 in the U.S. that contribute to a dedicated and professional North American team of almost 2,500 people.

Early in January we completed a reorganization of our senior executive team. This reorganization included the promotion of Doug Wilkins to Chief Commercial Officer, Rick Wise to Chief Operating Officer, and Brian Recatto to President, U.S. Operations. Additionally, a new Board member, Mary Ellen Peters, was appointed in February 2014. Ms. Peters has over 30 years of experience in the midstream and downstream sector with Marathon Petroleum Company LP. Her addition to our Board of Directors will add valuable experience and insight. These changes will ensure that our organizational structure is appropriate for the company we are today. They also allow us to better serve our customers and position us to identify and execute on opportunities to continue to successfully grow our North American midstream company.

Investing in Our Communities

Community investment is a fundamental part of our corporate culture. In 2013, we invested approximately $800,000 in the communities in which we operate. This funding helped support nearly 100 charities across Canada and the United States. We continue to fund a wide variety of community initiatives and would like to highlight the following:

We are looking forward to building a conservation partnership with Ducks Unlimited Canada. They are the predominant wetland restoration agent in North America and have played a leadership role in the development and implementation of compensatory wetland restoration projects.

The Calgary Police Foundation is an independent charitable organization that partners with the Calgary Police Service and funds community initiatives to reduce youth victimization and criminal activity by focusing on education, prevention and early intervention. We are proud to support their community initiatives.

The Stewpot offers a safe haven for homeless and at-risk individuals of Dallas, Texas, providing resources for basic survival needs as well as opportunities to start a new life. Our employees enjoy serving in their communities by donating their time and enthusiasm for great people and causes.

Hardisty East expansion under construction

Moving Ahead

We have accomplished a tremendous amount since our initial public offering in June 2011. As always, we continue to focus on executing on our ambitious agenda for growth. As the growth in the North American energy industry continues to develop, we continue working hard to capitalize on the infrastructure projects in front of us. We have many exciting opportunities which we are confident we will capture.

I would like to extend my sincere thanks to the entire Gibson team for their dedication and tireless commitment to making our company a great success and to our Board of Directors for providing strong oversight and governance. In 2014, we expect to continue our track record of growth, as we look to invest a record $340 million on growth initiatives. Furthermore, we expect significant growth spending in 2015 with over $250 million of growth projects. Finally, we will remain focused on providing excellent service levels and innovative solutions to our customers while maintaining the highest standards of performance with respect to health, safety, security and our stewardship of the environment.

A. Stewart Hanlon

President & Chief Executive Officer

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of March 4, 2014 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 years ended December 31, 2013 and 2012, which were prepared under International Financial Reporting Standards ("IFRS"). 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 a large independent midstream energy company 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 ("NGLs"), water, oilfield waste, and refined products. The Company transports energy products by utilizing its integrated network of terminals, pipelines, storage tanks, and trucks located throughout western Canada and through its significant truck transportation and injection station network in the United States. The Company also provides emulsion treating, water disposal and oilfield waste management services in Canada and the United States and is the second largest retail propane distribution company in Canada. The Company's integrated operations allow it to participate across the full midstream energy value chain, from the hydrocarbon producing regions in Canada and the United States, through the Company's strategically located terminals in Hardisty and Edmonton, Alberta and injection stations and small terminals in the United States, to the refineries of North America via major pipelines.

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

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

Highlights

The key highlights for the year ended December 31, 2013 were as follows:

- Revenue increased by 41% in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was primarily due to increased overall activity in the Company's segments, including the full year impact of the acquisition of the parent holding company of OMNI Energy Services Corp. ("OMNI") in the fourth quarter of 2012;
- Segment profit increased by 38% to $456.4 million in the year ended December 31, 2013 compared to $329.9 million in the year ended December 31, 2012 with increases in the Company's Terminals and Pipelines, Environmental Services, Propane and NGL Marketing and Distribution, Processing and Wellsite Fluids and Marketing segments;
- Adjusted EBITDA in the year ended December 31, 2013 increased 41% to $427.0 million compared to $302.1 million in the year ended December 31, 2012;
- Capital expenditures were $247.0 million in the year ended December 31, 2013, of which $177.4 million related to growth capital. Growth capital expenditures were primarily related to the construction of tanks and pipeline and connection infrastructure at the Company's facilities, in particular at Hardisty, and the expansion of the Environmental Services segment;
- Total dividends declared in the year ended December 31, 2013 were $133.7 million, or $1.10 per share, compared to $106.1 million, or $1.01 per share, in the year ended December 31, 2012. For the year ended December 31, 2013, distributable cash flow increased by 39% to $253.2 million compared to $182.5 million for the year ended December 31, 2012;
- Net income was $103.8 million in the year ended December 31, 2013 compared to net income of $116.2 million in the year ended December 31, 2012. Despite an increase in overall segment profit, the decrease was largely driven by depreciation and amortization expense, debt extinguishment expense and the unfavorable movement in foreign exchange rates on the translation of the Company's U.S. denominated long-term debt;
- In December 2013, the Company announced its 2014 capital expenditure budget of $410.0 million. Of the total capital expenditure budget, $340.0 million or 83% is directed towards growth investments of which $230.0 million or 68% is earmarked for the Terminals and Pipelines segment. The other significant capital expenditure budget primarily comprise growth capital investments in the Environmental Services segment;
- In September 2013, the Company commissioned two 300,000 barrel crude oil storage tanks on the west side of the Hardisty Terminal;
- In August 2013, the Company announced that it had partnered with US Development Group LLC. ("USDG") to construct a new state-of-the-art crude oil unit train rail loading facility near Hardisty, Alberta, with pipeline connectivity from Gibson's Hardisty Terminal. The crude oil unit train initiative is underpinned by long-term customer commitments. The Company will install required pumping equipment and construct a pipeline for the transfer of crude from its Hardisty Terminal and will be the exclusive provider of crude oil to the USDG crude-by-rail facility. The project is scheduled to begin operations in the first half of 2014;
- In July 2013, the Company announced that it had signed a long-term contract with Statoil Canada Ltd. to build infrastructure on the western side of the Company's Edmonton Terminal. Subject to pipeline connection agreements, the Company will be constructing pipeline and connection infrastructure to multiple major pipelines in the Edmonton area, one 300,000 barrel crude oil storage tank and a rail loading rack. The in-service date for the new facilities is expected to be in the first half of 2015;
- In May 2013, the Company announced that it had received committed support from a large oil sands producer for a 500,000 barrel oil storage tank at the Hardisty Terminal. This was the fourth large storage tank that the Company announced since November 2012 for a combined total of 1.7 million barrels of new storage capacity at the Hardisty Terminal;
- On June 28, 2013, the Company refinanced its existing senior secured Tranche B Term Loan under which it issued and sold U.S.$500 million principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 98.476% (the "U.S.$ Notes") and $250.0 million principal amount of 7.00% Senior Unsecured Notes due July 15, 2020 at an issue price of 98.633% (the "C$ Notes" and together with the U.S.$ Notes, the "Notes"). The net proceeds from the Notes were used to repay the previous senior secured credit facility with a principal amount of U.S.$643.5 million, with the remaining net proceeds of $72.1 million to be used to fund growth initiatives and for general corporate purposes; and

- Concurrently with the closing of the Notes offering, the Company entered into a new $500.0 million senior secured revolving credit facility (the "Revolving Credit Facility") and terminated its previous senior secured credit facility of U.S.$375.0 million.

On March 4, 2014, the Company announced that the board of directors of the Company (the "Board") declared a quarterly dividend of $0.30 per common share for the quarter ending March 31, 2014 on its outstanding common shares representing a 9% increase from the prior quarterly rate and resulting in a new annualized dividend of $1.20 per common share. The common share dividend is payable on April 17, 2014 to shareholders of record at the close of business on March 31, 2014.

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.

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

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

Longer-term outlook

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

- New technology for drilling and well completion methodology being deployed towards conventional and unconventional production within the Company's operating areas;
- North American self-sufficiency goals and investment in drilling and production across North America should drive demand for the Company's services;
- Increased oil and gas production in North America should also mean a significant increase in produced water and other oilfield wastes. This increase in oilfield wastes, together with increased regulatory scrutiny, should drive demand for the Company's Environmental Services solutions;
- Uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents;

- Increased crude oil production on-shore in North America, including from the Canadian oil sands and activity levels in the U.S. Gulf Coast; and
- Expansion of the midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle crude oil from the WCSB.

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

Acquisitions and capital expenditures

The following table summarizes growth capital, acquisitions and upgrade and replacement capital (in thousands):

	Year ended December 31,	
	2013	**2012**
Growth capital	$ 177,443	$ 125,662
Acquisitions	-	479,026
Upgrade and replacement capital (1)	69,513	56,536
	$ 246,956	$ 661,224

(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 expenditures for growth capital and upgrade and replacement capital were $247.0 million and $182.2 million in the year ended December 31, 2013 and 2012, respectively. In the year ended December 31, 2013 and 2012, $238.5 million and $176.7 million, respectively, were included as additions to property, plant and equipment and $8.5 million and $5.5 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Year ended December 31,	
	2013	**2012**
Terminals and Pipelines(1)	$ 101,300	$ 40,614
Truck Transportation(2)	19,156	26,255
Environmental Services (3)	46,649	24,312
Propane and NGL Marketing and Distribution (4)	6,807	7,100
Processing and Wellsite Fluids(5)	2,528	27,114
Other	1,003	267
Total	$ 177,443	$ 125,662

(1) Expenditures in the year ended December 31, 2013 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty Terminal and the unit rail facility near Hardisty.

(2) Largely represents the ongoing addition of rolling stock capable to meet specific demand growth in key market areas in both Canada and the United States.

(3) Expenditures in the year ended December 31, 2013 relate to the expansion of emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.

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

(5) Expenditures in the year ended December 31, 2013 largely relate to the expansion of throughput and storage at the facility in Moose Jaw.

Acquisitions

During the year ended December 31, 2013, the Company did not complete any acquisitions but continues to evaluate opportunities as they arise.

Seasonality

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

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

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

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

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2013	2012	2011
	(in thousands except per share amounts)		
Revenue	$ 6,940,669	$ 4,913,029	$5,072,031
Net income (loss)	103,816	116,186	(62,605)
Earnings (loss) per share			
Basic	$ 0.86	$ 1.13	$ (0.88)
Diluted	0.84	1.10	(0.88)
Dividends declared per common share	$ 1.10	$ 1.01	$ 0.52

	As at December 31,		
	2013	2012	2011
Total assets	$ 3,049,382	$ 2,796,525	$2,204,375
Total non-current liabilities	1,058,582	947,374	866,897

SEGMENTED RESULTS OF OPERATIONS

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

In the first quarter of 2013, the Company combined its Canadian and United States Environmental Services businesses and as a result, realigned its Canadian Environmental Services business from the Terminals and Pipelines segment to the Environmental Services segment. Accordingly, results of operations for the comparative periods have been reclassified to reflect the realignment.

The following is a discussion of the Company's segmented results of operations for the year ended December 31, 2013 and 2012 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2013	2012
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 132,144	$ 109,407
Truck Transportation	532,490	524,007
Environmental Services	325,059	75,216
Propane and NGL Marketing and Distribution	1,151,206	856,686
Processing and Wellsite Fluids	611,097	551,737
Marketing	5,580,040	3,745,283
Total segment revenue	8,332,036	5,862,336
Revenue—inter-segmental	(1,391,367)	(949,307)
Total revenue—external	6,940,669	4,913,029
Segment profit		
Terminals and Pipelines	95,613	79,229
Truck Transportation	83,674	85,499
Environmental Services	83,094	16,689
Propane and NGL Marketing and Distribution	62,277	49,671
Processing and Wellsite Fluids	48,720	40,068
Marketing	83,004	58,737
Total segment profit	456,382	329,893
General and administrative	34,664	32,747
Depreciation and amortization	184,057	126,611
Stock based compensation	8,271	3,856
Debt extinguishment	38,209	-
Foreign exchange loss (gain)	15,725	(20,397)
Net interest expense	52,987	43,010
Gain on financial instruments relating to interest expense	(18,252)	(4,247)
Income before income tax	140,721	148,313
Income tax provision	36,905	32,127
Net income	$ 103,816	$ 116,186

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

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

Terminals and Pipelines

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

Volumes (barrels in thousands)	Year ended December 31, 2013	Year ended December 31, 2012
Terminals		
Hardisty Terminal	144,940	133,357
Edmonton Terminal	17,161	22,651
Injection stations	46,582	40,385
Total terminals	208,683	196,393
Pipelines		
Bellshill pipeline	1,751	1,909
Provost pipeline	5,776	6,625
Total pipelines	7,527	8,534
Total terminals and pipelines	216,210	204,927

	Year ended December 31, 2013	Year ended December 31, 2012
	(in thousands)	
Revenues	$ 132,144	$ 109,407
Operating expenses and other	36,531	30,178
Segment profit	$ 95,613	$ 79,229

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 9% in the year ended December 31, 2013 compared to the year ended December 31, 2012, as a result of increased throughput volumes from customers with dedicated tank usage and increased volumes from the Company's Marketing segment. Revenue at the Hardisty Terminal increased by $18.3 million in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in revenue was mainly due to the increase in volume and additional revenue from customers with dedicated tank usage that are subject to minimum volume charges. In addition, the increased volumes and revenue were also due to commissioning of four new large tanks and other new infrastructure on the Hardisty Terminal in late 2012 and 2013.

Edmonton Terminal volumes decreased by 24% in the year ended December 31, 2013 compared to the year ended December 31, 2012 mainly due to a decrease in diesel shipments through the terminal from a customer that is subject to minimum volume charges and lower volumes from the Company's Marketing segment. Although volumes at Edmonton Terminal decreased, revenues increased by $4.1 million in the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of the impact of minimum volume and fixed fee arrangements.

Injection station volumes increased by 15% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to an increase in activity with a major customer. As a result, revenue increased by $1.0 million in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Volumes for the Company's Bellshill pipeline decreased 8% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to a decrease in receipts from oil production batteries that produce into the pipeline. Despite the decrease in volumes, revenue remained relatively stable in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to an increase in tariffs.

Volumes for the Company's Provost pipeline decreased by 13% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to a shut-in of a battery due to operational issues in 2013 and also due to a decrease in receipts from oil production batteries that are connected to the pipeline. As a result, revenue decreased by $0.7 million in the year ended December 31, 2013 compared to the year ended December 31, 2012, offset in part, by an increase in tariffs.

Operating expenses and other. Overall operating expenses and other costs increased by $6.4 million, or 21%, in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was largely related to the increase in costs related to new tanks on the west side of the Hardisty Terminal and increased repairs and maintenance costs as a result of a shut-in of a battery due to operational issues.

Segment profit. Overall, segment profit in the year ended December 31, 2013 increased by $16.4 million, or 21%, compared to the year ended December 31, 2012. The increase was primarily due to the impact of an additional customer with dedicated tank usage that is subject to minimum volume charges, offset in part by increased operating costs.

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, 2013**	**2012**
Barrels hauled	144,340	152,226

	Year ended December 31,	
	2013	**2012**
	(in thousands)	
Revenues	$ 532,490	$ 524,007
Cost of sales	350,228	354,605
	182,262	169,402
Operating expenses and other	98,588	83,903
Segment profit	$ 83,674	$ 85,499

Volumes, revenues and cost of sales. For the year ended December 31, 2013, barrels hauled decreased by 5% compared to the year ended December 31, 2012, due to the negative impact of weather conditions in both Canada and the United States and the impact of new pipelines in certain regions of the United States reducing demand for trucking services, that was partially offset by additional volumes from acquisitions completed in 2012.

Despite the decrease in volumes, revenues increased by 2% in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the impact of an increase in rates for spot hauling activities and an increase in service related charges.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 1% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the decrease in hauling volumes.

Operating expenses and other. Overall operating expenses and other costs increased by $14.7 million, or 18%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, mainly due to the impact of additional costs of approximately $7.3 million relating to the acquisitions completed in 2012, increase in certain non-recurring customer credits of approximately $1.8 million and increase in payroll related costs in both Canada and the United States.

Segment profit. Segment profit decreased by $1.8 million, or 2%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to the impact of higher operating costs, partially offset by higher margins.

Environmental Services

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

	Year ended December 31,	
	2013	2012
	(in thousands)	
Revenues		
Environmental services and fluid handling	$ 214,595	$ 60,561
Production services	68,713	11,221
Exploration support services	30,743	1,659
Accommodations	11,008	1,775
Total revenues	325,059	75,216
Cost of sales	183,133	30,450
Operating expenses and other	58,832	28,077
Segment profit	$ 83,094	$ 16,689

Revenues and cost of sales. Revenue increased by $249.8 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the full year impact of the OMNI acquisition that was completed on October 31, 2012. The increase was also due to increased volumes and revenue at the Company's Canadian environmental services facilities, in part due to the impact of adding a new facility during the year.

As a result of the increase in revenue, cost of sales increased by $152.7 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012. Cost of sales primarily consists of payroll related costs, equipment repairs and maintenance, spare parts and fuel related costs.

Operating expenses and other. Operating costs increased by $30.8 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012, largely as a result of the full year impact of the OMNI acquisition. Operating costs largely relate to payroll costs and other administrative costs that specifically relate to the segment.

Segment profit. Segment profit increased by $66.4 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012, largely as a result of the full year impact of the OMNI acquisition and also due to an increase in the profit from the Company's Canadian environmental services facilities.

Propane and NGL Marketing and Distribution

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

	Year ended December 31,	
Volumes	**2013**	**2012**
Sales volumes—retail (litres in thousands)		
Residential	22,824	21,493
Oil and gas	207,449	192,876
Commercial and industrial	89,960	72,821
Automotive	21,108	21,579
Other	21,627	19,481
	362,968	328,250
Sales volumes—wholesale (barrels in thousands)		
Propane	4,475	4,171
Other NGLs		
Butane	2,204	2,218
Condensate	2,003	888
U.S. division	4,332	3,144
	8,539	6,250

	Year ended December 31,	
	2013	**2012**
Revenues	**(in thousands)**	
Retail		
Propane	$ 170,144	$ 138,022
Other	23,855	20,325
Total retail	193,999	158,347
Wholesale		
Propane	235,828	178,616
Other NGLs	721,379	519,723
Total wholesale	957,207	698,339
Total revenues	1,151,206	856,686
Cost of sales		
Retail		
Propane	110,655	79,035
Other	2,539	2,510
Total retail	113,194	81,545
Wholesale	915,285	670,645
Total cost of sales	1,028,479	752,190
Gross Margin		
Retail	80,805	76,802
Wholesale	41,922	27,694
Total gross margin	122,727	104,496
Operating expenses and other	60,450	54,825
Segment profit	$ 62,277	$ 49,671

Volumes, revenues and cost of sales. Retail volumes increased 11% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely due to increased volumes in the oil and gas market as a result of continued strong demand from key customers. Further, the residential and commercial and industrial markets volumes increased as a result of increased construction activities in Alberta and Saskatchewan as well as the positive impact of the acquisitions completed in 2012.

Retail propane revenues increased 23% in the year ended December 31, 2013 as compared to the year ended December 31, 2012, as a result of higher sales volumes and also higher overall propane retail prices, particularly in the latter part of the year. Other retail revenue relates to equipment sales, service labour and rental and delivery charges. Other retail revenue increased by 17% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely due to the Company's investment in related equipment and the impact of the acquisitions completed in 2012.

Wholesale propane volumes increased by 7% in the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in volumes was largely driven by the impact of higher propane demand with certain customers. As a result, revenues increased by 32% in the year ended December 31, 2013 compared to the year ended December 31, 2012 with the additional increase due to an increase in wholesale propane prices.

Wholesale other NGLs volumes increased by 37% in the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily as a result of higher demand from internal and external customers as favorable pricing impacted blending programs. As a result, other NGLs revenues increased by 39% in the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Retail gross margin increased 5% in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the impact of higher retail propane volumes and the increase in other retail income. Wholesale gross margins increased 51% in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the impact of more favorable pricing conditions in the other NGLs marketing business.

Operating expenses and other. Overall operating expenses and other costs increased by $5.6 million or 10%, in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in payroll related costs in both the retail and wholesale businesses, due in part to the impact of acquisitions completed throughout 2012.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2013 by $12.6 million, or 25%, compared to the year ended December 31, 2012, primarily, as a result of the increase in wholesale margins and volumes.

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)	**2013**	**2012**
Roofing flux	2,076	1,853
Road asphalt	186	289
Frac fluid (Gibson Clear)	466	331
Distillate (D822)	835	695
Tops	1,909	2,132
Other	152	68
Total sales volumes	5,624	5,368

	Year ended December 31,	
	2013	2012
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 234,887	$ 223,045
Frac fluid (Gibson Clear)	59,353	46,327
Distillate (D822)	118,632	95,414
Tops	174,071	176,119
Other	24,154	10,832
Total revenues	611,097	551,737
Cost of sales	540,182	491,056
Operating expenses and other	22,195	20,613
Segment profit	$ 48,720	$ 40,068

Volumes, revenues and cost of sales. Sales volumes for roofing flux increased by 12% in the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of increased demand in the United States and increased throughput at the processing facility. Sales volumes for road asphalt decreased by 36% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to less Canadian road paving jobs being performed. Road asphalt and roofing flux revenue increased by 5% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to the increase in roofing flux volumes.

Frac fluid volumes increased 41% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to an overall increase in customer demand. Frac fluid revenues increased by 28% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the increase in volume that was offset in part by lower overall selling prices.

Sales volumes for distillate were 20% higher in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to increase in demand from customers in Canada. As a result, distillate revenues were 24% higher in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Tops volumes decreased 10% in the year ended December 31, 2013 as compared to the year ended December 31, 2012 due to the increase in frac fluid and distillate volumes resulting in the Company selling less of the light end volume as tops. Tops revenues decreased by 1% in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the decrease in volume offset in part by higher tops pricing.

Other volumes include the sale of the Company's oil based mud (OBM) product and solvents. Other volumes increased by 124% in the year ended December 31, 2013 compared to the year ended December 31, 2012, largely driven by increased demand for the Company's OBM product. Other revenue increased by 123% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely due to the increase in volumes.

The overall cost per barrel for the basket of products sold by the Processing and Wellsite Fluids segment increased by 5% due to the increase in crude oil prices.

Overall margins increased by $10.2 million, or 17%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012. Overall margins increased due to higher overall margins from tops and distillate, particularly in the first quarter of 2013, partially offset by lower road asphalt, roofing flux and frac fluid margins.

Operating expenses and other. Operating expenses increased by $1.6 million, or 8%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily due to an increase in repairs and maintenance costs and increased operating costs relating the Company's OBM business.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the year ended December 31, 2013 by $8.7 million, or 22%, as compared to the year ended December 31, 2012, primarily due to higher overall margins for tops and distillate, particularly in the first quarter of 2013, offset in part by higher operating expenses and decreased margins for road asphalt, roofing flux and frac fluid.

Marketing

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

Volumes (barrels in thousands)	Year ended December 31, 2013	2012
Sales Volumes		
Crude and diluent	103,549	81,688

	Year ended December 31, 2013	2012
	(in thousands)	
Revenues	$ 5,580,040	$ 3,745,283
Cost of sales	5,487,361	3,675,635
Operating expenses and other	9,675	10,911
Segment profit	$ 83,004	$ 58,737

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

Calendar Period	2013	2012
January	$ 94.83	$ 100.32
February	95.32	102.26
March	92.96	106.21
April	92.07	103.35
May	94.80	94.72
June	93.80	82.41
July	104.67	87.93
August	106.57	94.16
September	106.24	94.72
October	100.55	89.57
November	93.93	86.66
December	97.89	88.25
Average for the year ended December 31	97.80	94.37

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 27% in the year ended December 31, 2013, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 49% in the year ended December 31, 2013 compared to the year ended December 31, 2012, due to the increase in both volume and commodity prices, including the impact of changes in crude oil differentials during the year.

Cost of sales increased by 49% in the year ended December 31, 2013 compared to the year ended December 31, 2012 largely in line with the increase in revenue.

Operating expenses and other. Operating expenses decreased by $1.2 million, or 11%, in the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to lower payroll related costs and an increase in foreign exchange gain.

Segment profit. The Marketing segment profit increased by $24.3 million, or 41%, in the year ended December 31, 2013 as compared to the year ended December 31, 2012. In the year ended December 31, 2013, margins were positively impacted by the increase in volumes delivered to the Company's terminals and by crude oil shipped via rail at the Company's various rail loading facilities.

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 $34.6 million in the year ended December 31, 2013 compared to $32.7 million in the year ended December 31, 2012. The increase was largely driven by an increase in payroll related costs and integration costs relating to the OMNI acquisition.

Depreciation and amortization

Depreciation and amortization expense was $184.1 million in the year ended December 31, 2013 compared to $126.6 million in the year ended December 31, 2012. The increase is due to the additional depreciation and amortization related to the increase in the Company's tangible assets due to capital expenditures and the impact of acquisitions, in particular the OMNI acquisition.

Stock based compensation

Stock based compensation expense was $8.3 million in the year ended December 31, 2013 compared to $3.9 million in the year ended December 31, 2012. The increase was primarily due to the additional expense incurred from granting a full annual grant of stock awards in the year ended December 31, 2013. In 2012, only a partial annual allotment was granted as unvested amounts were converted from a previous equity plan.

Debt extinguishment

On June 28, 2013, the Company repaid and terminated its Tranche B Term Loan facility of U.S.$650.0 million and revolving credit facility of U.S.$375.0 million, concurrent with the closing of the Notes and the establishment of the Revolving Credit Facility. Accordingly, the Company recognized non-cash debt extinguishment expenses of $38.2 million comprising unamortized debt issue costs of $22.8 million, unamortized financial instrument liability discount of $10.0 million and unamortized financing costs of $5.4 million during the year ended December 31, 2013.

Foreign exchange loss (gain) not affecting segment profit

In the year ended December 31, 2013, the Company recorded a foreign exchange loss of $15.7 million compared to a foreign exchange gain of $20.4 million in the year ended December 31, 2012.

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, 2013, a loss of $42.5 million was due to the unfavorable movement in exchange rates that was partially offset by a gain of $22.5 million, related to the change in mark-to-market value of U.S. dollar forward contracts and call options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt. 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 in part by an unrealized loss of $0.5 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.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $53.0 million in the year ended December 31, 2013 compared to $43.0 million in the year ended December 31, 2012. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt and interest rates after the closing of the Notes, letters of credit charges and commitment fees and accretion expense associated with decommissioning and site restoration. The increase was partially offset by the impact of lower amortization of issue costs relating to the Notes and the Revolving Credit Facility.

Financial instruments relating to interest expense

Financial instruments relating to interest expense largely relates to the changes in the value of interest rate swap and an embedded derivative on an interest rate floor within the Company's Tranche B Term Loan that was required to be separated from the carrying value of long-term debt and was accounted for as a separate financial instrument that was measured at fair value at each balance sheet date. As a result of the repayment of the Tranche B Term Loan on June 28, 2013, the interest rate swap was settled and the financial instrument liability discount was derecognized and a gain of $18.3 million was recorded in the year ended December 31, 2013 as compared to $4.2 million in the year ended December 31, 2012.

Income tax expense

Income tax expense for the year ended December 31, 2013 was $36.9 million compared to $32.1 million for the year ended December 31, 2012. The effective tax rate was 26.2% during the year ended December 31, 2013, compared to a rate of 21.7% for the year ended December 31, 2012. The increase in the income tax expense and effective tax rate was primarily due to the impact of non-deductible foreign exchange losses in the year ended December 31, 2013 compared to non-taxable foreign exchange gains in the year ended December 31, 2012. This change was offset in part by the impact of an increase in non-taxable dividends in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Fourth Quarter Results

	Three months ended December 31,	
	2013	2012
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 35,208	$ 27,595
Truck Transportation	134,102	135,803
Environmental Services	81,386	48,275
Propane and NGL Marketing and Distribution	369,418	244,717
Processing and Wellsite Fluids	156,930	148,155
Marketing	1,424,424	996,452
Total segment revenue	2,201,468	1,600,997
Revenue – inter-segmental	(285,430)	(294,762)
Total revenue – external	1,916,038	1,306,235
Segment profit		
Terminals and Pipelines	25,065	20,329
Truck Transportation	22,165	21,634
Environmental Services	22,564	11,185
Propane and NGL Marketing and Distribution	23,204	20,886
Processing and Wellsite Fluids	13,612	10,132
Marketing	16,733	17,918
Total segment profit	123,343	102,084
General and administrative	9,310	10,693
Depreciation and amortization	52,002	39,171
Stock based compensation	2,258	1,150
Foreign exchange loss (gain)	15,056	(4,978)
Net interest expense	14,662	10,798
Gain on financial instruments relating to interest expense	-	(2,263)
Income before income tax	30,055	47,513
Income tax provision	9,331	10,902
Net income	$ 20,724	$ 36,611

Segment revenue increased by $600.5 million in the three months ended December 31, 2013 compared to the three months ended December 31, 2012. Changes in segment revenue were as follows:

- Terminals and Pipelines segment revenue for the three months ended December 31, 2013 increased by $7.6 million compared to the three months ended December 31, 2012. The increase was largely due to an increase in revenue at the Hardisty Terminal resulting from an increase in revenue from customers with dedicated tank usage that are subject to minimum volumes and fixed fee arrangements;
- Truck Transportation segment revenue decreased by $1.7 million largely due to a decrease in barrels hauled as a result of negative impact of weather conditions in both Canada and the United States and the impact of new pipelines in certain regions of the United States reducing demand for trucking services. However, the impact of lower barrels hauled was partially offset by an increase in rates for spot hauling activities and an increase in service related charges;
- Environmental Services segment revenue increased by $33.1 million in the year ended December 31, 2013 as compared to the year ended December 31, 2012 mainly due to the full quarter impact of the acquisition of OMNI in 2013 compared to a partial quarter in 2012. The increase was also due to increased volumes at the Company's Canadian environmental services facilities, in part due to the impact of adding a new facility in the latter part of the fourth quarter of 2012;
- Propane and NGL Marketing and Distribution segment revenue increased by $124.7 million due to higher retail and wholesale sales volumes and also due to the impact of higher propane rack prices;
- Processing and Wellsite Fluids segment revenue increased by $8.8 million due to an increase in demand for roofing flux, frac fluid and distillate, partially offset by lower tops revenues; and

- Marketing segment revenue increased by $428.0 million due mainly to the impact of higher volumes and higher commodity prices.

Segment profit increased by $21.2 million or 20.8% in the three months ended December 31, 2013 compared to the three months ended December 31, 2012. The increase in segment profit was due to:

- Terminals and Pipelines segment profit increased by $4.7 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 $0.5 million largely as a result of increases in rates for spot hauling activities and an increase in service related activities;
- Environmental Services segment profit increased $11.4 million largely as a result of the full quarter impact of the OMNI acquisition and also an increase in volumes from the Canadian environmental services facilities;
- Propane and NGL Marketing and Distribution segment profit increased by $2.3 million due to increased margins from the wholesale business, largely as a result of more favorable pricing conditions in the fourth quarter of 2013 compared to the prior year period;
- Processing and Wellsite Fluids segment profit increased by $3.5 million, primarily as a result of higher margins on frac fluid and distillate partially offset by lower margins on roofing flux and asphalt and tops; and
- Marketing segment profit decreased by $1.2 million due to the impact of less favorable pricing differentials between crude oil types.

Net income was $20.7 million in the three months ended December 31, 2013 compared to $36.6 million in the three months ended December 31, 2012. Despite the increase in segment profit, net income decreased primarily due the increase in interest expense, depreciation and amortization expenses and foreign exchange losses as a result of the unfavorable movement in exchange rates on the translation of the Company's U.S. dollar denominated long-term debt.

SUMMARY OF QUARTERLY RESULTS

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

	2013				2012			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Revenues	$1,916,038	$1,841,894	$1,619,726	$1,563,011	$1,306,235	$1,185,647	$1,126,219	$1,294,928
Net income (loss)	20,724	42,599	(5,235)	45,728	36,611	30,017	9,521	40,037
EBITDA[(1)]	96,806	115,385	33,060	114,733	95,601	83,915	48,565	86,251
Adjusted EBITDA[(2)]	115,284	103,533	87,176	121,044	96,134	72,109	62,044	71,789
Earnings (loss) per share								
Basic	0.17	0.35	(0.04)	0.38	0.32	0.30	0.10	0.41
Diluted	0.16	0.35	(0.04)	0.37	0.32	0.29	0.09	0.40

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

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

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

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

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

	2013				2012			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Net income (loss)	$ 20,724	$ 42,599	$ (5,235)	$ 45,728	$ 36,611	$ 30,017	$ 9,521	$ 40,037
Depreciation and amortization	52,002	44,460	44,942	42,653	39,171	30,848	28,705	27,887
Interest expense(1)	14,749	14,901	(5,286)	10,842	8,917	14,362	8,916	7,213
Income tax expense (recovery)	9,331	13,425	(1,361)	15,510	10,902	8,688	1,423	11,114
EBITDA	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 95,601	$ 83,915	$ 48,565	$ 86,251

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

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

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

The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the year ended December 31, 2013 and 2012:

	Three months ended				Year ended
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2013
	(in thousands)				
EBITDA	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 359,984
Unrealized foreign exchange loss (gain) on long-term debt [(a)]	17,549	(11,350)	22,898	13,354	42,451
Net unrealized gain from financial instruments [(b)]	(1,329)	(2,867)	(9,014)	(8,668)	(21,878)
Share based compensation [(c)]	2,258	2,365	2,023	1,625	8,271
Debt extinguishment [(d)]	-	-	38,209	-	38,209
Adjusted EBITDA	$ 115,284	$ 103,533	$ 87,176	$ 121,044	$ 427,037
Pro forma impact of acquisitions [(f)]					-
Pro Forma Adjusted EBITDA					$ 427,037

	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 (credits) [(e)]	(5,023)	1,707	39	-	(3,277)
Adjusted EBITDA	$ 96,134	$ 72,109	$ 62,044	$ 71,789	$ 302,076
Pro forma impact of acquisitions [(f)]					68,536
Pro Forma Adjusted EBITDA					$ 370,612

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

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

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

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

(f) *Reflects the pro forma impact of acquisitions on the Company's Pro Forma Adjusted EBITDA as if the acquisitions that took place in the twelve months occurred on 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, 2013 and 2012:

	Year ended December 31,	
	2013	2012
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 331,631	$ 308,899
Investing activities	(232,250)	(636,045)
Financing activities	(66,672)	322,827

Cash provided by operating activities

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

Cash provided by operations in the year ended December 31, 2013 was $331.6 million compared to $308.9 million in the year ended December 31, 2012. The increase was primarily attributable to an increase in overall segment profitability partially offset by an increase in working capital in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Cash used in investing activities

Cash used in investing activities consists primarily of expenditures for growth capital, upgrade and replacement capital and business acquisitions.

Cash used in investing activities was $232.3 million in the year ended December 31, 2013 compared to $636.0 million in the year ended December 31, 2012. The decrease in cash used in investing activities was due largely to not completing any acquisitions in the year ended December 31, 2013 compared to investing $466.4 million related to acquisitions in the year ended December 31, 2012. Offsetting this was an increase in capital expenditures in the year ended December 31, 2013 compared to the year ended December 30, 2012. For a summary of capital expenditures and acquisitions, see "Acquisitions and Capital expenditures" included in this MD&A.

Cash provided by (used in) financing activities

Cash used in financing activities was $66.7 million compared to cash provided by financing activities of $322.8 million in the year ended December 31, 2012.

The main reason for the change in the year ended December 31, 2013 compared to December 31, 2012 was the completion of a bought deal equity offering for net proceeds of $385.9 million in the year ended December 31, 2012 to partially fund the acquisition of OMNI. No equity offerings were completed in the year ended December 31, 2013.

In addition, in the year ended December 31, 2013, the Company completed the Notes offering on June 28, 2013 for proceeds, net of issue discount of, $764.2 million, which was offset in part by the repayment of the Tranche B Term Loan of $678.1 million. During the year ended December 31, 2013, the Company also paid debt issue and financing costs of $16.2 million, paid net cash dividends of $93.9 million, paid interest of $19.8 million, received net proceeds of $8.7 million on settlement of certain derivative financial instruments relating to interest expense and foreign exchange and received proceeds of $1.2 million on the exercise of stock options.

In the year ended December 31, 2012, the Company replaced and re-priced its previous 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 also 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.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of $97.2 million and $442.6 million available under the Revolving Credit Facility as at December 31, 2013.

The Company’s ability to make interest payments on the Company’s indebtedness, to pay targeted dividends and to fund the Company’s other liquidity requirements will depend on the Company’s ability to generate cash in the future. In the three months ended December 31, 2013, the Company declared a dividend of $0.275 per share for a total dividend of $33.6 million, of which $24.8 million was paid in cash on January 17, 2014 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company’s dividend reinvestment plan (“DRIP”) and stock dividend program. The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $247.0 million in the year ended December 31, 2013. At December 31, 2013, the Company has identified upgrade and replacement capital expenditures and growth capital expenditures excluding acquisitions of $508.5 million, of which $261.5 million has been approved, that the Company expects to undertake over the next 12 to 24 months. While the Company anticipates that these capital expenditures will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company’s control.

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

On June 28, 2013, the Company completed the Notes offering and as a result, as of December 31, 2013, the Company had total outstanding long-term debt, excluding debt discount and issuance costs, of U.S.$500.0 million bearing fixed interest of 6.75% per annum due July 15, 2021 and $250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020. Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding. The proceeds from the Notes were used to repay the outstanding Tranche B Term Loan principal amount of U.S.$643.5 million with the remaining proceeds to be used primarily to fund growth initiatives and for general corporate purposes.

As a result of the Notes offering, the Company extended the maturity profile of its long-term debt from 2018 to the years 2020 and 2021, moved from a floating rate secured debt to a fixed rate unsecured debt structure and increased the Company’s flexibility to make dividend payments, permitted investments and incur additional debt in support of future growth capital requirements.

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

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

As a result of establishing the Revolving Credit Facility and terminating the previous senior secured credit facility, the Company increased its availability under the facility, extended the maturity from 2016 to 2018, improved overall pricing, fronting fees and standby fees and increased the Company flexibility relating to certain non-financial covenants and relaxed certain financial covenants.

At December 31, 2013, the Company had no amount drawn against the Revolving Credit Facility, had no restricted cash and had issued letters of credit totaling $57.4 million. The Revolving Credit Facility is secured by substantially all of the Company's property, plant and equipment, intangible assets and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company's existing wholly owned subsidiaries.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants defined in the agreement including senior debt leverage ratio of no greater than 3.5 to 1.0, a total debt leverage ratio of no greater than 5.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. As at December 31, 2013, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 0.0 to 1.0, total debt leverage ratio at 1.6 to 1.0, and the interest coverage ratio at 9.1 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The Notes and Revolving Credit Facility also contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of interest or fees when due, subject to specified grace periods, breach of covenants, change in control and material inaccuracy of representations and warranties. As of December 31, 2013, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

The following table presents, at December 31, 2013, 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)]	$ 781,800	$ -	$ -	$ -	$ 781,800
Interest payments on long-term debt[(1)]	412,194	53,397	106,794	106,794	145,209
Operating lease and other commitments[(2)]	228,946	45,478	85,283	63,766	34,419
Total contractual obligations	$1,422,940	$ 98,875	$ 192,077	$ 170,560	$ 961,428

(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, 2013 of U.S.$0.9402 to $1.00.*

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

As at December 31, 2013, the Company has identified and approved upgrade and replacement capital and internal growth projects, excluding acquisitions, of $261.5 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 $5.9 million and provisions associated with site restoration on the retirement of assets and environmental costs of $91.4 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 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

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. The Company and Co-op also had an agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement also contained 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 in the year ended December 31, 2012. The agreement expired on closing of the secondary offering on March 27, 2012 and accordingly, no expenses have been incurred since that date. As a result of the secondary offering, Co-op and Riverstone no longer hold any common shares of the Company as at March 27, 2012.

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2013 and 2012, the Company's proportionate share of property, plant and equipment was $10.5 million and $9.8 million, respectively. The impact of the Company's share of the other financial position and results of the Plato Partnership is not material to the Company's consolidated financial statements.

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, 2013, there were 122.2 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's 2011 Equity Incentive Award Plan, there were an aggregate of 1.0 million restricted share units, performance share units and deferred share units outstanding and 1.9 million stock options outstanding as at December 31, 2013.

At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment of its 2011 Equity Incentive Plan to fix the number of common shares reserved for issuance under the plan to a maximum of 10% of the total number of common shares issued and outstanding at any given time. At December 31, 2013, awards available to grant under the amended 2011 Equity Incentive Plan were approximately 9.2 million.

As at February 28, 2014, 122.7 million common shares, 1.0 million restricted share units, performance share units and deferred share units and 1.9 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 debt agreements. In addition, in connection with Company's dividend policy, after each fiscal year end the Board will formally review the annual dividend amount.

The Board has approved a DRIP 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. At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment of the articles of amalgamation of the Company setting forth terms and conditions pursuant to which the Company may issue common shares as a payment of all or any portion of dividends declared on the common shares for those eligible shareholders who elect to receive stock dividends instead of cash dividends. Presently, the Company has no intention of terminating the DRIP and intends that the stock dividend program ("SDP") and the DRIP will continue to run simultaneously. For the fourth quarter dividend of 2013, holders of approximately 26.2 % of the common shares participated in the DRIP and SDP.

DISTRIBUTABLE CASH FLOW

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

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

	Year ended December 31	
	2013	2012
	(in thousands)	
Cash flow from operating activities	$ 331,631	$308,899
Adjustments:		
Changes in non-cash working capital	90,043	(6,799)
Upgrade and replacement capital	(69,513)	(56,536)
Cash interest expense	(46,909)	(36,847)
Current income tax	(52,074)	(26,205)
Distributable cash flow	$ 253,178	$182,512
Dividends declared to shareholders	$ 133,682	$106,074

Dividends declared in the twelve months ended December 31, 2013 were $133.7 million, of which $96.4 million was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the twelve months ended December 31, 2013, dividends declared represented 53% of the distributable cash flow generated or, distributable cash flow was 1.9 times dividends declared.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the CME. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2013 and 2012. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $3.1 million and $3.7 million as of December 31, 2013 and 2012, respectively. A 15% unfavorable change would decrease the Company's net income by $3.0 million and $3.7 million as of December 31, 2013 and 2012, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on a pricing grid. As at December 31, 2013, the Company had no amounts drawn under the Revolving Credit Facility and accordingly, was not exposed to the interest rate cash flow risk.

Prior to the Notes offering, the Company's long-term debt had an interest rate floor which was considered an embedded derivative as the floor exceeded the LIBOR interest rate at the time of its origination and subsequent modification. 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 had entered into a forward U.S. dollar interest rate swap on the notional amount of U.S.$ 175.0 million to fix the variable interest rate on its Tranche B Term Loan at 5.5% until September 15, 2015. On completion of the Notes offering, the Company derecognized the financial liability discount and settled the interest rate swap and accordingly, as at December 31, 2013 was not exposed to changes in future market interest rates.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by $5.3 million and $2.5 million as at December 31, 2013 and 2012, respectively. A 5% favorable change would increase the Company's net income by $5.1 million and $2.5 million as at December 31, 2013 and 2012, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at December 31, 2013, the Company had outstanding U.S. dollar denominated debt of U.S.$500.0 million. In the year ended December 31, 2011, the Company had entered into U.S. dollar forward contracts on notional amount of U.S.$498.0 million expiring on September 15, 2015 and sold long-dated U.S. dollar call options for notional amount of U.S.$275.0 million to offset the credit cost related to the forward contracts that expire on September 15, 2015. Following the repayment of Tranche B Term Loan on June 28, 2013, U.S. dollar forward contracts for notional amount of U.S.$238.0 million and U.S. dollar call options with notional amount of U.S.$15.0 million were settled. Accordingly, U.S. dollar forward contracts and U.S. dollar call option contracts with notional amount of $260.0 million each remained outstanding as at December 31, 2013.

In addition, during the year ended December 31, 2013, the Company extended the terms and pricing of the remaining U.S. dollar forward and options contracts for a notional amount of U.S.$260.0 million. As a result, as at December 31, 2013, the Company has U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 to U.S.$1.00 for a notional amount of U.S.$260.0 million expiring on September 15, 2017 and as at December 31, 2013, the Company has sold U.S. dollar option contracts for a notional amount of $260.0 million for a strike price of $1.295 to U.S.$1.00, expiring on September 15, 2017.

A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $11.6 million and $5.7 million as at December 31, 2013 and 2012, respectively. A corresponding favorable change would increase the Company's net income by $11.6 million and $5.7 million as at December 31, 2013 and 2012, respectively.

With respect to the related interest payments on the U.S. dollar denominated long term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at December 31, 2013, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2013 would increase the Company's annual interest expense by $1.8 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2013 would decrease the Company's annual interest expense by $1.8 million.

The Company is exposed to credit loss in the event of non-performance by the other party to the derivative financial instruments. The Company mitigates this risk by entering into agreements directly with a number of major financial institutions that meet the Company's credit standards and that the Company expects to fully satisfy their contractual obligations. The Company views derivative financial instruments purely as a risk management tool and, therefore, 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.

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 consolidated statement of operations.

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, 2013 and 2012, the Company did not have any impairment charge with respect to property, plant and equipment, goodwill or intangible assets.

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 decrease to the provision of $22.6 million during the year ended December 31, 2013, with a corresponding decrease 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.

Amended standards adopted by the Company

The Company adopted the following amendments to IFRS that were effective for the first time for the financial year beginning on or after January 1, 2013.

- 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 did not result in any adjustments to other comprehensive income or comprehensive income.
- 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 continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, recognized in OCI. Furthermore, entities are 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. As required, the Company adopted these amendments retrospectively. The Company adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service credits and accordingly, on January 1, 2012, December 31, 2012 and December 31, 2013, deficit balance was decreased by approximately $0.6 million and other-long term liabilities were decreased by $0.6 million. The impact on the Company results of operations and earnings per share was not material for the current and comparative year.
- 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 adoption of this amendment resulted in additional disclosures that are included in these 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 IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries.
- 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 IFRS 11 did not result in any changes in the accounting for joint arrangements.
- 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 IFRS 12 did not result in additional disclosures.
- 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 IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and accordingly, did not result in any measurement adjustment as at January 1, 2013. However, the adoption of IFRS 13 resulted in a few additional disclosures that are included in the consolidated financial statements.
- The annual improvements process addresses issues in the 2009 - 2011 reporting cycle including changes to IFRS 1, 'First time adoption', IAS 1, IAS 16, 'Property plant and equipment', IAS 32, Financial Instruments: Presentation ("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 did not have any material impact on the Company's consolidated financial statements.

- IAS 36, 'Impairment of assets' ("IAS 36"), was amended regarding the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the group until 1 January 2014, however the Company has decided to early adopt the amendment as of January 1, 2013. The adoption of this amendment did not have any material impact on the Company's consolidated financial statements.

New standards and interpretations issued but not yet adopted

- 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.

- 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.

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, 2013. 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 IFRS. The Company's CEO and CFO have evaluated the design and operational effectiveness of such controls as at December 31, 2013.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the CEO and the CFO concluded that Gibson's DC&P and ICFR were effective as at December 31, 2013.

FORWARD-LOOKING STATEMENTS

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

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

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

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

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in

"Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 4, 2014 as filed on SEDAR and available on the Gibson website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

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

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

March 4, 2014

Independent Auditor's Report

To the Shareholders of Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of Gibson Energy Inc., which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Gibson Energy Inc.

Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	December 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 97,182	$ 61,026
Trade and other receivables (note 6)	592,850	484,843
Inventories (note 7)	156,419	151,458
Income taxes receivable	7,534	5,401
Prepaid expenses and other assets	25,170	17,584
Net investment in finance leases (note 8)	765	549
Total current assets	879,920	720,861
Non-current assets		
Property, plant and equipment (note 9)	1,119,856	1,038,784
Long-term prepaid expenses and other assets (note 10)	19,640	5,894
Net investment in finance leases (note 8)	93,236	78,130
Deferred income tax assets (note 11)	8,187	9,060
Intangible assets (note 12)	202,395	234,438
Goodwill (note 13)	726,148	709,358
Total non-current assets	2,169,462	2,075,664
Total assets	$ 3,049,382	$ 2,796,525
Liabilities		
Current liabilities		
Credit facilities (note 14)	$ -	$ 31,837
Trade payables and accrued charges (note 15)	565,179	467,224
Dividends payable (note 18)	33,605	31,232
Deferred revenue	2,847	1,499
Income taxes payable	20,535	3,410
Current portion of long-term debt (note 14)	-	6,467
Total current liabilities	622,166	541,669
Non-current liabilities		
Long-term debt (note 14)	757,566	599,677
Provisions (note 16)	91,424	111,197
Other long-term liabilities (note 17)	15,487	30,384
Deferred income tax liabilities (note 11)	194,105	206,116
Total non-current liabilities	1,058,582	947,374
Total liabilities	1,680,748	1,489,043
Equity		
Share capital (note 18)	1,585,145	1,543,149
Contributed surplus	16,130	11,297
Accumulated other comprehensive income (loss)	33,879	(9,166)
Deficit	(266,520)	(237,798)
Total equity	1,368,634	1,307,482
Total liabilities and equity	$ 3,049,382	$ 2,796,525

Commitments and contingencies (note 19)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "James M. Estey"
James M. Estey
Director

(signed) "Marshall L. McRae"
Marshall L. McRae
Director

Gibson Energy Inc.

Consolidated Statement of Operations

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

	Year ended December 31, 2013	Year ended December 31, 2012
Revenue (note 20)	$ 6,940,669	$ 4,913,029
Cost of sales (notes 21, 22 and 28)	6,666,257	4,707,720
Gross profit	274,412	205,309
General and administrative expenses (notes 21 and 22)	47,372	40,469
Other operating income (note 23)	(6,576)	(8,367)
Income from operating activities	233,616	173,207
Interest expense	53,458	43,655
Gain on financial instruments relating to interest expense (note 28)	(18,252)	(4,247)
Interest income	(471)	(645)
Foreign exchange loss (gain) on long-term debt (note 14)	19,951	(13,915)
Debt extinguishment expense (note 14)	38,209	-
Loss from investment in associate	-	12
Loss on sale of investment in associate	-	34
Income before income taxes	140,721	148,313
Income tax provision (note 11)	36,905	32,127
Net income	$ 103,816	$ 116,186
Earnings per share (note 24)		
Basic	$ 0.86	$ 1.13
Diluted	$ 0.84	$ 1.10

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31, 2013	2012
Net income	$ 103,816	$ 116,186
Other comprehensive income (loss)		
Items that may be reclassified subsequently to statement of operations		
Exchange differences on translating foreign operations	43,045	(5,662)
Items that will not be reclassified to statement of operations		
Remeasurements of post-employment benefit obligation, net of tax	1,144	(1,053)
Other comprehensive income (loss), net of tax	44,189	(6,715)
Comprehensive income	$ 148,005	$ 109,471

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 18)	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance – January 1, 2012 (as previously reported)	$ 1,082,990	$ 21,240	$ (3,504)	$ (247,505)	$ 853,221
Effect of change in accounting policy (note 4)	-	-	-	648	648
Balance – January 1, 2012 (restated)	1,082,990	21,240	(3,504)	(246,857)	853,869
Net income	-	-	-	116,186	116,186
Other comprehensive loss, net of tax	-	-	(5,662)	(1,053)	(6,715)
Comprehensive income (loss)	-	-	(5,662)	115,133	109,471
Issuance of common shares less issuance costs, net of tax	390,229	-	-	-	390,229
Employee share options:					
Stock based compensation	-	3,856	-		3,856
Proceeds from exercise of stock options	18,576	-	-	-	18,576
Reclassification of contributed surplus on exercise of stock option and other stock awards	13,799	(13,799)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	37,555	-	-	-	37,555
Dividends on common shares	-	-	-	(106,074)	(106,074)
Balance – December 31, 2012	$ 1,543,149	$ 11,297	$ (9,166)	$ (237,798)	$ 1,307,482
Net income	-	-	-	103,816	103,816
Other comprehensive income, net of tax	-	-	43,045	1,144	44,189
Comprehensive income	-	-	43,045	104,960	148,005
Employee share options:					
Stock based compensation	-	8,271	-		8,271
Proceeds from exercise of stock options	1,169	-	-	-	1,169
Reclassification of contributed surplus on exercise of stock option and other stock awards	3,438	(3,438)	-	-	-
Issuance of common shares in connection with the dividend reinvestment plans	37,389	-	-	-	37,389
Dividends on common shares	-	-	-	(133,682)	(133,682)
Balance – December 31, 2013	$ 1,585,145	$ 16,130	$ 33,879	$ (266,520)	$ 1,368,634

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
Cash provided by (used in)		
Operating activities		
Income from operating activities	$ 233,616	$ 173,207
Items not affecting cash		
Depreciation of property, plant and equipment (note 21)	133,854	91,972
Amortization of intangible assets (note 21)	50,203	34,639
Stock based compensation (note 22)	8,271	3,856
Gain on sale of property, plant and equipment (note 23)	(1,029)	(1,803)
Other	(3,863)	(851)
Net loss on fair value movement of financial instruments (note 28)	622	1,080
Changes in items of working capital		
Trade and other receivables	(108,618)	(29,518)
Inventories	(3,700)	36,727
Other current assets	(11,705)	(1,200)
Trade payables and accrued charges	68,481	(19,850)
Deferred revenue	1,330	(6,509)
Income taxes received (paid)	(35,831)	27,149
Net cash provided by operating activities	331,631	308,899
Investing activities		
Purchase of property, plant and equipment	(227,019)	(168,877)
Purchase of intangible assets	(8,495)	(5,502)
Proceeds from sale of associate	-	596
Proceeds on sale of assets	3,264	4,119
Acquisitions, net of cash acquired (note 5)	-	(466,381)
Net cash used in investing activities	(232,250)	(636,045)
Financing activities		
Net proceeds from issuance of common shares (note 18)	-	385,906
Payment of shareholder dividends	(131,309)	(98,204)
Proceeds from dividend reinvestment plans (note 18)	37,389	37,555
Interest paid	(19,803)	(37,928)
Interest received	466	637
Proceeds from exercise of stock options	1,169	18,576
Proceeds from long-term debt, net of debt discount (note 14)	764,173	664,535
Payment of debt issue and financing costs	(16,189)	(10,493)
Repayment of long-term debt (note 14)	(678,098)	(669,361)
Repayment of credit facilities (note 14)	(156,385)	(98,887)
Proceeds from credit facilities (note 14)	124,000	130,819
Repayment of finance lease liabilities	(808)	(328)
Net proceeds on settlement of derivative financial instruments not affecting operating activities (note 28)	8,723	-
Net cash provided by (used in) financing activities	(66,672)	322,827
Effect of exchange rate on cash and cash equivalents	3,447	535
Net increase (decrease) in cash and cash equivalents	36,156	(3,784)
Cash and cash equivalents – beginning of year	61,026	64,810
Cash and cash equivalents – end of year	$ 97,182	$ 61,026

See accompanying notes to the consolidated financial statements

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

1 General Information

Gibson Energy Inc. ("Gibson" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta). The Company's common shares are traded on the Toronto Stock Exchange under the symbol "GEI".

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

2 Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Accountants.

These consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on March 4, 2014.

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items that are recorded at fair value as required by the respective accounting standards.

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries together with its interest in joint operations.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

On January 1, 2013, the Company adopted IFRS 11 Joint Arrangements ("IFRS 11") and applied it to all joint arrangements as of January 1, 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations and accordingly, the Company has recognized its proportionate share of revenues, expenses, assets and liabilities relating to these joint operations.

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

Foreign currency translation

The financial statements for each of the Company's subsidiaries and joint operations are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the statement of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as general and administrative expenses when incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the statement of operations in the period of acquisition.

At the acquisition date, any goodwill acquired is allocated to each of the operating segments expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives as follows:

Brands	2 – 10 years
Customer relationships	1 – 12 years
Long-term customer contracts	6 – 10 years
Non-compete agreements	2 – 10 years
Technology	3 – 5 years
Software	3 – 7 years
License and permits	3 years

The expected useful lives and method of amortization of intangible assets are reviewed on an annual basis and, if necessary, changes in expected useful life are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

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

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets that are work in progress, using the straight-line method over their expected useful lives.

The useful lives of the Company's property, plant and equipment are as follows:

Buildings	10 – 20 years
Equipment	3 – 20 years
Rolling stock	5 – 23 years
Pipelines	8 – 20 years
Tanks	20 – 33 years
Plant	7 – 25 years
Disposal wells	15 – 25 years

The expected useful lives, method of depreciation and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period the item is derecognized.

Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of possible 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 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, but are not limited, for changes in the Company's business plans, changes in commodity prices leading to lower activity levels, an increase in the discount rate 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 inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal and its value in use. Impairments are recognized immediately in the statement of operations.

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 of disposal and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

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

An impairment loss in respect of goodwill is not reversible in future. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

Non-derivative financial instruments – recognition and measurement

Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the statement of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes cash and cash equivalents and trade and other receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days past the due date) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents comprise cash on hand and short-term deposit, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial liabilities

Financial liabilities classified as other liabilities include amounts borrowed under credit facilities, trade payables and accrued charges, dividends payable and long-term debt. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in statement of operations.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivative financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices, interest rates and foreign currency exchange rates, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded immediately in the statement of operations.

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

Inventories

Inventories are carried at the lower of average cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Leases - lessee

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in other long-term liabilities as finance lease liabilities. Interest incurred on finance leases is charged to the statement of operations on an accrual basis.

All other leases are operating leases, and the rental of these is charged to the statement of operations as incurred over the lease term.

Leases - lessor

Contractual arrangements that transfer substantially all the risks and benefits of ownership of property to the lessee are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the statement of operations as it is earned over the lease term.

Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably and outflow of cash is less than remote. Contingent assets are not recognized, but are disclosed when an inflow of economic benefits is probable.

Decommissioning

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. Actual expenditures incurred are charged against the accumulated liability.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of operations. 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.

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

Environmental liabilities

Environmental liabilities are recognized when a remediation 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 using a risk-free discount rate.

Employee benefits

Defined benefit pension plan and other post retirement benefits plan

The company maintains a funded defined benefit pension plan and an unfunded defined benefit other post-retirement benefits plan ("OPRB").

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs or credits are recognised immediately in statement of operations.

Defined contribution pension plans

The Company's defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The Company's equity incentive plan allows for granting of stock options, restricted share units with time (RSUs) and performance share units (PSUs) with performance based vesting conditions and deferred share units (DSUs) that vest when the employee retires from the Company.

The fair value of grants made under the employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the statement of operations with a corresponding impact to contributed surplus.

The fair value of RSUs, PSUs and DSUs are equal to the Company five days weighted average share price at the date of grant.

The fair value of options is measured by using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on a combination of the historical stock price of the Company and also of comparable companies in the industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada's Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model.

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

Termination benefit

The Company recognizes termination benefits as expense when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination.

Income taxes

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.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the statement of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company’s liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

Revenue recognition

Product revenues associated with the sales of crude oil, diluent, natural gas liquids, asphalt, natural gas, wellsite fluids and distillate owned by the Company are recognized when the risk of ownership passes to the customer and physical delivery occurs, the price is fixed and collection is reasonably assured. Sales terms are generally FOB shipping point, in which case the sales are recorded at the time of shipment, because this is when title and risk of loss are transferred. All payments received before delivery are recorded as deferred revenue and are recognized as revenue when delivery occurs, assuming all other criteria are met. Freight costs billed to customers are recorded as a component of revenue. Revenues from buy/sell transactions whereby the Company acts as an agent are recorded on a net basis.

Revenue associated with the provision of services such as transportation, terminalling and environmental services are recognized when the services are provided, the price is fixed and collection is reasonably assured. Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used. Revenue from equipment rentals and non-refundable propane tank fees are recorded in deferred revenue and are recognized in revenue on a straight line basis over the rental period, typically one year.

Excise taxes are reported gross within sales and other operating revenues and taxes other than income taxes, while other sales and value-added taxes are recorded net in operating expenses.

Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, and costs related to transportation and inventory write downs and reversals.

Interest

Interest income and expense is recognized in the statement of operations using the effective interest method.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of operations in the period in which they are incurred.

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

Share capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other equity awards were exercised or converted into common shares.

Dividends

Dividends on common shares are recognized in the period in which the dividends are approved by the Board.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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 and contracts involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets and liabilities 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 fair value of assets acquired and liabilities assumed 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.

Impairment assessment of non-financial assets

The Company tests annually whether goodwill of an operating segment has suffered any impairment, in accordance with the Company's accounting policy. The recoverable amounts of the operating segments are determined based on fair value less costs of disposal calculations which requires the use of estimates. The Company also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets

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

may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable.

In the impairment analysis of the Company's assets, some of the key assumptions used in estimating future cash flows include revenue growth, future commodity prices, expected margin, expected sales volumes, cost structures and the outlook of market supply and demand conditions appropriate to the local circumstances and environment. These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Income taxes

The Company is subject to income taxes in Canada and the United States of America. Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires management to make some assumptions as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in statement of operations in the period in which the change occurs.

Fair value of derivatives financial instruments

The Company reflects the fair value of derivative financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these 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 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. As a result of changes in key assumptions, the actual amounts may vary significantly from estimated amounts.

Provisions

Accruals for decommissioning and environmental remediation are recorded when it is considered probable and the costs can be reasonably estimated. 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 technology. Considering these factors, the Company has estimated the costs of remediation, which will be incurred in future years. The Company believes the provisions made for environmental matters are adequate, however it is reasonably possible that actual costs may differ from the estimated accrual, if the selected methods of remediation do not adequately reduce the contaminates and further remedial action is required. The Company uses third-party environmental evaluators, where possible, to obtain the estimates of decommissioning and environmental provision.

Critical judgements in applying the Company's accounting policies

Identification of cash-generating unit ("CGU")

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets, termed as a CGU. The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations.

Investment in finance leases

In determining whether certain of the Company's long-term tank storage arrangements are, or contain, a lease, the Company must use judgement in assessing whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys the right to use the assets. For those arrangements considered to be a lease, further judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company, to appropriately account for the arrangement as a finance or operating lease. These judgements can be significant as to how the Company classifies amounts related to the arrangements as property, plant and equipment or net investment in finance lease on the balance sheet. The Company has determined, based on the terms and

conditions of these arrangements, that the substantial risks and rewards to the ownership of certain storage tanks have been transferred to the customer, and accordingly, these storage tanks has been recognized as an investment in finance lease.

Current and deferred taxation

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. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in statement of operations in the period in which the change occurs. 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. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Change in the terms of the credit agreement

The Company incurs costs on the refinancing, replacement and re-pricing of its long-term debt and credit facilities. The treatment of such costs is dependent on the assessment of whether the refinancing, replacement or re-pricing was an extinguishment or a modification of the original loan. In the case of an extinguishment, the costs incurred are charged to statements of operations whereas in the case of a modification, the costs are capitalized as a part of the existing carrying amount of the loan and amortized to statement of operations over the term of the loan using effective interest method. When the terms and conditions of a refinancing, replacement and re-pricing are substantially different, it is generally considered an extinguishment. The assessment requires the exercise of significant judgement involving comparing qualitative and quantities factors of the credit agreement before and after the refinancing, replacement or re-pricing.

4 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company adopted the following amendments to IFRS that were effective for the first time for the financial year beginning on or after January 1, 2013.

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 did not result in any adjustments to other comprehensive income or comprehensive income.

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 continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, recognized in OCI. Furthermore, entities are 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. As required, the Company adopted these amendments retrospectively. The Company adjusted its opening equity as at January 1, 2012 to recognize previously unrecognized past service credits and accordingly, on January 1, 2012, December 31, 2012 and December 31, 2013, deficit balance was decreased by approximately $0.6 million and other-long term liabilities were decreased by $0.6 million. The impact on the Company results of operations and earnings per share was not material for the current and comparative year.

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 adoption of this amendment resulted in additional disclosures that are included in these 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 IFRS 10 did not result in any change in the consolidation status of any of the Company's subsidiaries.

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 IFRS 11 did not result in any changes in the accounting for joint arrangements.

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 IFRS 12 resulted in few additional disclosures that are included in these 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 IFRS 13 did not require any adjustment to the valuation techniques used by the Company to measure fair value and accordingly, did not result in any measurement adjustment as at January 1, 2013. However, the adoption of IFRS 13 resulted in a few additional disclosures that are presented in note 28.

The annual improvements process addresses issues in the 2009 - 2011 reporting cycle including changes to IFRS 1, 'First time adoption', IAS 1, IAS 16, 'Property plant and equipment', IAS 32, Financial Instruments: Presentation ("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 did not have any material impact on the Company's consolidated financial statements.

IAS 36, 'Impairment of assets' ("IAS 36"), was amended regarding the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1, 2014, however the Company has decided to early adopt the amendment as of January 1, 2013. The adoption of this amendment did not have any material impact on the Company's consolidated financial statements.

New standards and interpretations issued but not yet adopted

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 amortised 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.

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.

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

5 Business combinations

The Company did not complete any business combinations in 2013. Information regarding business combinations completed in 2012 is provided below:

Parent holding company of OMNI Energy Services Corp. ("OMNI")

On October 31, 2012, the Company acquired all of the issued and outstanding common stock of OMNI for total cash consideration of $439.7 million including final closing adjustments. OMNI has operations in many major oil and liquids focused areas in the United States with a focus on environmental and production-related activities.

Acquisition-related costs of $2.8 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

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

	Fair Value
Cash and cash equivalents	$ 6,577
Trade and other receivables	51,978
Inventories	8,835
Income taxes receivable	8,228
Prepaid and other assets	4,159
Property, plant and equipment	150,849
Long-term prepaid expenses and other assets	745
Goodwill	188,414
Intangible assets [(1)]	125,874
Trade payables and accrued charges	(34,296)
Income taxes payable	(760)
Provisions	(9,930)
Other long-term liabilities	(4,004)
Deferred income tax liabilities	(56,972)
Net assets acquired	$ 439,697

(1) Consists of customer relationships of $111.8 million, brands of $8.5 million, license and permits of $3.1 million, technology assets of $1.0 million, non-compete agreements of $0.3 million and software of $1.2 million.

The goodwill arising on the acquisition is attributable to the Company's broadened footprint in many major oil and liquids focused basins in the United States, the expected growth in the environmental services business in North America, the expansion upon recent acquisitions and new customers in the United States to whom the Company can promote the rest of the Gibson product suite. The goodwill is allocated to the Environmental Services segment, a new operating segment in the year ended December 31, 2012.

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

On October 1, 2012, the Company acquired all of the issued and outstanding common shares of Northern Trucking for total cash consideration of $23.2 million. Northern Trucking provides fluid hauling, filtration and completion products to drilling and production companies in Northern Alberta and Northeastern British Columbia.

Acquisition-related costs of $0.1 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

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

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

	Fair Value
Cash and cash equivalents	$ 1,922
Trade and other receivables	4,619
Inventories	378
Prepaid expenses and other assets	143
Property, plant and equipment	14,481
Goodwill	4,043
Intangible assets [(1)]	2,313
Trade payables and accrued charges	(1,780)
Deferred income tax liabilities	(2,837)
Net assets acquired	$ 23,282

(1) Consists of customer relationships of $1.7 million and non-compete agreements of $0.6 million.

The goodwill arising on the acquisition of Northern Trucking is attributable to Gibson's ability to take advantage of the growth in the fluid hauling market, with an additional opportunity to support the sales and hauling of Gibson's frac fluids and mud products from its Sexsmith facility. The goodwill is allocated to the Truck Transportation segment.

Other acquisitions

The Company completed the following individually immaterial business combinations during the year ended December 31, 2012:

Name	Acquisition date	Total consideration
Gator Propane Services Inc. ("Gator")	November 27, 2012	$ 3,745
Jalbert Enterprises Ltd ("Jalbert")	September 1, 2012	2,240
Mobile Propane Services Inc. ("Mobile Propane")	July 24, 2012	5,312
Fricken Fracken Water Hauling Ltd. ("Fricken Fracken")	May 1, 2012	4,750
		$ 16,047

Acquisition-related costs of $0.1 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2012.

The total consideration paid was comprised of the following:

Cash	$ 14,497
Contingent consideration	1,550
Total consideration	$ 16,047

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

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

	Fair value
Cash and cash equivalents	$ 351
Trade and other receivables	1,105
Inventories	92
Prepaid expenses and other assets	186
Property, plant and equipment	5,282
Goodwill	5,274
Intangible assets [(2)]	6,806
Trade payables and accrued charges	(556)
Deferred income tax liabilities	(2,493)
Total	$ 16,047

(1) Under the agreements, the Company is required to pay the former owners of the acquired entities certain cash amounts which are dependent on the achievement of specified gross margins. The maximum undiscounted amount of the contingent consideration under these agreements approximates $1.6 million. The Company has recorded the full amount of the contingent consideration as it expects that the specified gross margin thresholds will be achieved.

(2) Consists of customer relationships of $2.6 million and non-compete agreements of $4.2 million.

Gator, Jalbert and Mobile Propane provide retail propane services to the construction, residential and commercial sectors in Saskatchewan. Goodwill of $3.6 million arising from the acquisitions of Gator, Jalbert and Mobile Propane is attributable to the expected increase in the Company's share of the growing Southeast Saskatchewan marketplace and expected synergies with its existing propane operations within the Propane and NGL Marketing and Distribution segment. The goodwill for these acquisitions is allocated to the Propane and NGL marketing and distribution segment.

Fricken Fracken provides water hauling and transportation services. Goodwill of $1.7 million arising from the acquisition of Fricken Fracken is attributable to the expected expansion of the Company's market presence in west central Saskatchewan and expected synergies with the Company's custom treating and terminal operations. The goodwill arising on this acquisition is allocated to the Truck Transportation segment.

6 Trade and other receivables

	December 31,	
	2013	2012
Trade receivables	$ 583,068	$ 466,651
Allowance for doubtful accounts	(4,092)	(4,603)
Trade receivables - net	578,976	462,048
Derivative financial instruments (note 28)	1,120	5,520
Deposits held as collateral	1,145	1,337
Broker accounts receivable	1,326	5,371
GST receivable	5,967	3,495
Other	4,316	7,072
	$ 592,850	$ 484,843

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

Allowance for doubtful accounts

	Year ended December 31, 2013	2012
Opening balance	$ 4,603	$ 3,009
Additional allowances	1,291	2,611
Receivables written off as uncollectible	(1,866)	(871)
Recoveries	(28)	(120)
Effect of changes in foreign exchange rates	92	(26)
Closing balance	$ 4,092	$ 4,603

7 Inventories

	December 31, 2013	2012
Crude oil	$ 64,423	$ 79,407
Diluent	3,561	3,656
Asphalt	27,825	23,588
Natural gas liquids	34,749	25,103
Wellsite fluids and distillate	13,003	8,584
Spare parts and other	12,858	11,120
	$ 156,419	$ 151,458

The cost of the inventory sold included in cost of sales was $5,631.0 million and $3,954.0 million for the year ended December 31, 2013 and 2012, respectively. There were no inventory write-downs in the years ended December 31, 2013 and 2012.

8 Net investment in finance leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain tanks owned by the Company. These arrangements are accounted for as finance leases:

	December 31, 2013	2012
Total minimum lease payments receivable	$ 363,742	$ 335,229
Residual value	35,182	29,881
Unearned income	(304,923)	(286,431)
	94,001	78,679
Less: current portion	765	549
Net investment in finance lease : non-current portion	$ 93,236	$ 78,130

The minimum lease receivables are expected to be as follows:

2014	$ 22,740
2015	22,740
2016	22,740
2017	22,740
2018	22,740
2019 and later	250,042

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

9 Property, plant and equipment

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2013	$ 94,698	$ 133,706	$ 266,925	$ 337,260	$ 439,645	$ 36,741	$ 1,308,975
Additions	11,627	191	8,474	57,501	17,906	142,762	238,461
Disposals	-	-	(199)	(6,844)	(2,464)	-	(9,507)
Transfer to net investment in finance leases (note 8)	-	-	(15,905)	-	-	-	(15,905)
Reclassifications	6,109	(1,984)	15,722	5,132	68,289	(93,268)	-
Change in decommissioning provision (note 16)	-	(3,553)	(8,844)	-	(8,183)	-	(20,580)
Effect of movements in exchange rates	858	-	774	7,622	9,462	229	18,945
At December 31, 2013	$ 113,292	$ 128,360	$ 266,947	$ 400,671	$ 524,655	$ 86,464	$ 1,520,389
Accumulated depreciation and impairment:							
At January 1, 2013	$ 15,849	$ 34,477	$ 42,998	$ 88,981	$ 87,886	$ -	$ 270,191
Depreciation	4,829	9,102	15,285	46,160	58,478	-	133,854
Disposals	-	-	(83)	(5,396)	(1,696)	-	(7,175)
Effect of movements in exchange rates	28	-	177	2,469	989	-	3,663
At December 31, 2013	$ 20,706	$ 43,579	$ 58,377	$ 132,214	$ 145,657	$ -	$ 400,533
Carrying amounts:							
At January 1, 2013	$ 78,849	$ 99,229	$ 223,927	$ 248,279	$ 351,759	$ 36,741	$ 1,038,784
At December 31, 2013	92,586	84,781	208,570	268,457	378,998	86,464	1,119,856

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

	Land & Buildings	Pipelines	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2012	$ 76,406	$ 100,437	$ 236,173	$ 214,997	$ 292,274	$ 51,624	$ 971,911
Additions	6,789	17,734	15,188	57,462	15,225	64,298	176,696
Additions through business combination (note 5)	9,478	-	2,200	71,326	84,265	3,343	170,612
Disposals	(31)	-	(454)	(5,668)	(379)	-	(6,532)
Transfer to net investment in finance leases (note 8)	-	-	(13,833)	-	(21,338)	-	(35,171)
Reclassifications	2,105	10,431	14,858	892	54,222	(82,508)	-
Change in decommissioning provision (note 16)	-	5,104	12,994	-	16,065	-	34,163
Effect of movements in exchange rates	(49)	-	(201)	(1,749)	(689)	(16)	(2,704)
At December 31, 2012	$ 94,698	$ 133,706	$ 266,925	$ 337,260	$ 439,645	$ 36,741	$ 1,308,975
Accumulated depreciation and impairment:							
At January 1, 2012	$ 11,540	$ 26,624	$ 29,318	$ 60,916	$ 54,422	$ -	$ 182,820
Depreciation	4,328	7,853	13,831	32,216	33,744	-	91,972
Disposals	(16)	-	(118)	(3,817)	(235)	-	(4,186)
Effect of movements in exchange rates	(3)	-	(33)	(334)	(45)	-	(415)
At December 31, 2012	$ 15,849	$ 34,477	$ 42,998	$ 88,981	$ 87,886	$ -	$ 270,191
Carrying amounts:							
At January 1, 2012	$ 64,866	$ 73,813	$ 206,855	$ 154,081	$ 237,852	$ 51,624	$ 789,091
At December 31, 2012	78,849	99,229	223,927	248,279	351,759	36,741	1,038,784

Additions to property, plant and equipment includes capitalization of interest of $2.9 million and $1.9 million for the year ended December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, the carrying value includes $2.3 million and $4.4 million of assets capitalized under finance lease, respectively.

As a part of the annual review of the estimates of useful lives of property, plant and equipment, the Company revised estimated useful lives of certain property, plant and equipment. As a result, the Company recorded additional depreciation expense of $4.2 million in the year ended December 31, 2013.

10 Long-term prepaid expenses and other assets

	December 31, 2013	December 31, 2012
Long-term prepaid expenses	$ 442	$ 684
Derivative financial instruments (note 28)	15,646	2,476
Post-retirement benefit assets	1,058	1,087
Other assets	2,494	1,647
	$ 19,640	$ 5,894

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

11 Income tax

The major components of income tax are as follows:

	Year ended December 31,	
	2013	2012
Current tax provision		
Current tax on income for the year	$ 51,339	$ 26,522
Adjustments in respect of prior years	735	(317)
Total current tax provision	52,074	26,205
Deferred tax provision (recovery)	(10,848)	5,113
Origination and reversal of temporary differences	(4,321)	809
Total deferred tax provision (recovery)	(15,169)	5,922
Income tax provision	$ 36,905	$ 32,127

The income tax provision differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to income before income taxes. These differences result from the following items:

	Year ended December 31,	
	2013	2012
Income before income taxes	$ 140,721	$ 148,313
Statutory income tax rate	25.2%	25.0%
Computed income tax provision	35,462	37,078
Increase (decrease) in income tax resulting from:		
Foreign exchange loss (gain) on long-term debt, net	4,026	(6,582)
Non-deductible expenses	1,568	908
Stock based compensation	2,091	964
Non-taxable dividends	(11,159)	(4,794)
Other, including revisions in previous tax estimates and rate reductions	1,839	2,568
Rate differential on foreign taxes	3,078	1,985
	$ 36,905	$ 32,127
Effective income tax rate	26.2%	21.7%
Current	52,074	26,205
Deferred	(15,169)	5,922
	$ 36,905	$ 32,127

The increase in the statutory rate was due to higher local income tax rates in Canada in the current year.

The income tax provision relating to actuarial gain on post-employment benefit obligation recognized in other comprehensive income was $0.4 million for the year ended December 31, 2013. The income tax recovery relating to actuarial loss on post-employment benefit obligation recognized in other comprehensive income was $0.4 million for the year ended December 31, 2012. The income tax adjustment to equity in the year ended December 31, 2012 was $4.0 million relating to the impact of the deductibility of expenses incurred on the issuance of common shares.

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

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	$ 4,487	$ 9,060
Deferred tax asset to be settled within 12 months	3,700	-
	8,187	9,060
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	184,605	203,916
Deferred tax liability to be settled within 12 months	9,500	2,200
	194,105	206,116
Deferred tax liabilities (net)	$ 185,918	$ 197,056

The gross movement on the deferred income tax account is as follows:

	Year ended December 31, 2013	Year ended December 31, 2012
Opening balance	$ 197,056	$ 133,417
Effect of changes in foreign exchange rates	3,644	(211)
Recognized on business combinations (note 5)	-	62,302
Income statement provision (recovery)	(15,169)	5,922
Tax credit relating to components of other comprehensive income	387	(351)
Tax credited directly to equity	-	(4,023)
Closing balance	$ 185,918	$ 197,056

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefits obligations	Other	Total
At January 1, 2012	$ 27,580	$ 5,585	$ 2,802	$ 30,488	$ 66,455
Credited (charged) to the statement of operations	(5,309)	1,542	(1,091)	(7,672)	(12,530)
Credited to other comprehensive income	-	-	351	-	351
Credited directly to equity	-	-	-	4,023	4,023
Business combinations	-	3,755	-	1,244	4,999
Effect of changes in foreign exchange rates	-	-	-	211	211
At December 31, 2012	$ 22,271	$ 10,882	$ 2,062	$ 28,294	$ 63,509
Credited (charged) to the statement of operations	(2,291)	1,360	(195)	(6,066)	(7,192)
Charged to other comprehensive income	-	-	(387)	-	(387)
Effect of changes in foreign exchange rates	1,513	269	-	(1,186)	596
At December 31, 2013	$ 21,493	$ 12,511	$ 1,480	$ 21,042	$ 56,526

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

Deferred tax liabilities	**Timing of Partnership Income**	**Property, Plant and Equipment**	**Accounting and tax basis differences**	**Other**	**Total**
At January 1, 2012	$ (66,655)	$(102,867)	$ (29,785)	$ (565)	$ (199,872)
Credited (charged) to the statement of operations	5,269	(7,560)	10,027	(1,128)	6,608
Business combinations	-	(43,625)	(23,676)	-	(67,301)
At December 31, 2012	$ (61,386)	$(154,052)	$ (43,434)	$ (1,693)	$ (260,565)
Credited (charged) to the statement of operations	13,918	2,243	4,507	1,693	22,361
Effect of changes in foreign exchange rates	-	(4,240)	-	-	(4,240)
At December 31, 2013	$ (47,468)	$(156,049)	$ (38,927)	$ -	$ (242,444)

Income tax losses carry forward

At December 31, 2013 and December 31, 2012, the Company had losses available to offset income for tax purposes of $60.5 million and $60.3 million, respectively. At December 31, 2013, the Company has $7.1 million and $53.4 million of the losses available in Canada and the United States, respectively that expire as follows:

December 31, 2028	$ 49
December 31, 2029	141
December 31, 2030	1,861
December 31, 2031	45,543
December 31, 2032	8,722
December 31, 2033	4,177
	$ 60,493

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries. As no income taxes are expected to be paid in respect of these differences related to Canadian subsidiaries, the amounts have not been determined. There are no taxable temporary differences associated with investments in non-Canadian subsidiaries.

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

12 Intangible assets

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2013	$ 49,881	$ 226,364	$ 32,712	$ 22,945	$ 2,516	$ 19,470	$ 3,074	$ 356,962
Additions	-	-	-	-	-	8,333	162	8,495
Effect of movements in exchange rates	584	8,732	1,941	423	63	108	212	12,063
At December 31, 2013	$ 50,465	$ 235,096	$ 34,653	$ 23,368	$ 2,579	$ 27,911	$ 3,448	$ 377,520
Accumulated amortization:								
At January 1, 2013	$ 18,280	$ 70,900	$ 10,515	$ 13,934	$ 1,651	$ 7,073	$ 171	$ 122,524
Amortization	9,694	29,396	3,698	3,142	317	2,858	1,098	50,203
Effect of movements in exchange rates	168	1,182	588	392	12	13	43	2,398
At December 31, 2013	$ 28,142	$ 101,478	$ 14,801	$ 17,468	$ 1,980	$ 9,944	$ 1,312	$ 175,125
Carrying amounts:								
At January 1, 2013	$ 31,601	$ 155,464	$ 22,197	$ 9,011	$ 865	$ 12,397	$ 2,903	$ 234,438
At December 31, 2013	22,323	133,618	19,852	5,900	599	17,967	2,136	202,395

	Brands	Customer relationships	Long-term Contracts	Non-compete agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2012	$ 41,425	$ 111,093	$ 33,336	$ 17,923	$ 1,600	$ 12,775	$ -	$ 218,152
Additions	-	-	-	-	-	5,502	-	5,502
Additions through business combination (note 5)	8,496	116,133	-	5,152	920	1,203	3,089	134,993
Effect of movements in exchange rates	(40)	(862)	(624)	(130)	(4)	(10)	(15)	(1,685)
At December 31, 2012	$ 49,881	$ 226,364	$ 32,712	$ 22,945	$ 2,516	$ 19,470	$ 3,074	$ 356,962
Accumulated amortization:								
At January 1, 2012	$ 13,544	$ 50,020	$ 7,033	$ 11,407	$ 1,313	$ 4,920	$ -	$ 88,237
Amortization	4,735	20,989	3,596	2,654	338	2,156	171	34,639
Effect of movements in exchange rates	1	(109)	(114)	(127)	-	(3)	-	(352)
At December 31, 2012	$ 18,280	$ 70,900	$ 10,515	$ 13,934	$ 1,651	$ 7,073	$ 171	$ 122,524
Carrying amounts:								
At January 1, 2012	$ 27,881	$ 61,073	$ 26,303	$ 6,516	$ 287	$ 7,855	$ -	$ 129,915
At December 31, 2012	31,601	155,464	22,197	9,011	865	12,397	2,903	234,438

As a part of the annual review of the estimates of useful lives of intangible assets, the Company revised estimated useful life of a certain brand. As a result, the Company recorded additional amortization expense of $0.7 million in the year ended December 31, 2013. The revision in estimate of useful life of this brand will result in additional amortization expense of $3.5 million per year for years 2014 and 2015.

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

13 Goodwill

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

	Year ended December 31, 2013	Year ended December 31, 2012
Balance as at January 1	$ 709,358	$ 513,747
Additions through business combinations (note 5)	-	197,731
Effect of changes in foreign exchange rates	16,790	(2,120)
Balance as at December 31	$ 726,148	$ 709,358

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2013, $432.7 million, net of impairment, relates to goodwill recognized on the acquisition of the Company by the wholly-owned subsidiary of R/C Guitar Cooperatief U.A. (“Co-op”), a Dutch Co-op owned by investment funds affiliated with Riverstone Holdings LLC (“Riverstone”), from Hunting PLC (“Hunting”) on December 12, 2008. Of the remaining balance, $279.9 million represents additional goodwill recorded on acquisitions completed and $13.5 million relates to the effect of changes in foreign exchange rates recorded by the Company since December 12, 2008.

Goodwill is monitored for impairment by management at the operating segment level. The following is a summary of goodwill allocated to each operating segment:

	December 31, 2013	December 31, 2012
Terminals and Pipelines	$ 199,972	$ 199,867
Truck Transportation	51,388	49,178
Environmental Services	216,542	203,593
Propane and NGL Marketing and Distribution	97,027	95,501
Processing and Wellsite Fluids	117,664	117,664
Marketing	43,555	43,555
	$ 726,148	$ 709,358

The recoverable amount of goodwill has been determined based on a fair value less costs of disposal calculation. This calculation involves comparing the fair value of each operating segment to its carrying value, including goodwill, at November 30, the annual impairment test date. To calculate a fair value, management uses an earning’s multiple approach. In calculating earnings, the Company uses Board approved budgets to determine earnings before interest, taxes, depreciation and amortization (“EBITDA”) by operating segment. Corporate expenses are allocated to the operating segments based on assumptions such as expected usage and headcount. To determine fair value, an implied multiple was applied to each operating segment’s EBITDA less corporate expenses. The implied multiple was calculated by looking at multiples of comparable public companies by operating segment and ranged from 6.3 to 12.5 in the 2013 annual impairment test. For all operating segments, the fair value less costs of disposal was greater than the operating segments carrying value, including goodwill. Accordingly, goodwill is not considered impaired in the years ended December 31, 2013 and 2012. The fair value of each of operating segment was categorized as Level 2 fair value based on the observables inputs.

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

14 Loans and Borrowings

Revolving Credit Facility

On June 28, 2013, the Company established a revolving credit facility of $500.0 million (the “Revolving Credit Facility”), the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility has a term of five years, expiring on June 28, 2018. In connection with the Revolving Credit Facility, the Company incurred transaction costs of approximately $2.1 million which were capitalized as prepaid expenses and other assets.

The Revolving Credit Facility provides sub–facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company’s total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees based on the Company’s total debt leverage ratio.

The Revolving Credit Facility contains certain covenants including financial covenants, as defined in the agreement, that require the Company to maintain ratios of maximum senior debt leverage ratio of 3.5:1.0, maximum total debt leverage ratio of 5.0:1.0 and minimum interest coverage ratio of 2.5:1.0. As at December 31, 2013, the Company was in compliance with all covenants under the Revolving Credit Facility.

As at December 31, 2012, the Company had a previous credit facility of up to U.S.$375.0 million which was terminated on June 28, 2013 concurrent with the establishment of the Revolving Credit Facility.

The Company has no amounts drawn against the Revolving Credit Facility as at December 31, 2013. The Company had $31.8 million drawn against the previous revolving credit facility as at December 31, 2012. The Company had issued letters of credit totalling $57.4 million and $90.4 million as at December 31, 2013 and December 31, 2012, respectively.

The Revolving Credit Facility is secured by substantially all of the Company’s property, plant and equipment, intangibles and current assets, including inventory and trade receivables and is guaranteed by substantially all of the Company’s existing wholly owned subsidiaries.

Long-term debt

Long-term debt consists of the following:

	December 31,	
	2013	**2012**
6.75% Notes due July 15, 2021	$ 531,800	$ -
7.00% Notes due July 15, 2020	250,000	-
Tranche B Term Loan	-	641,835
Unamortized issue discount and debt issue costs	(24,234)	(24,755)
Unamortized financial instrument liability discount	-	(10,936)
	757,566	606,144
Less: current portion	-	6,467
Long-term debt: non-current portion	$ 757,566	$ 599,677

On June 28, 2013, the Company issued U.S.$500.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at issue price of 98.476% and $250.0 million 7.00% Senior Unsecured Notes due July 15, 2020 at issue price of 98.633% (collectively, the “Notes”). Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding. In connection with the issuance of the Notes, the Company incurred and capitalized debt discount and issue costs of $25.5 million which were recorded as a deduction to the carrying amount of the long-term debt. The proceeds from the Notes were used to repay the outstanding Tranche B Term Loan in an aggregate principal amount of U.S.$643.5 million.

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

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

As at December 31, 2012, the Company had a senior secured first lien term loan facility ("Tranche B Term Loan") in the aggregate principal amount of U.S.$650.0 million. The Tranche B Term Loan had a term expiring on June 15, 2018 and was repayable in equal quarterly installments at the end of each quarter, totalling 1% per annum of the principal with the remaining balance to be paid at the end of the term. The Tranche B Term Loan accrued 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%. This interest rate floor was considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the Trance B Term Loan was incurred. As a result, the interest rate floor derivative was required to be separated from the carrying value of long-term debt and accounted for as a separate financial liability initially measured at fair value and marked to market at each reporting date (note 28).

Debt extinguishment and modification

Concurrent with the completion of the issuance of the Notes and the establishment of the Revolving Credit Facility, the Company terminated its previous senior secured first lien credit facility which comprised of the Tranche B Term Loan facility of U.S.$650.0 million and a revolving credit facility of up to U.S.$375.0 million. As a result, the Company recognised debt extinguishment expenses of $38.2 million comprising unamortized debt issue costs of $22.8 million, unamortized financial instrument liability discount of $10.0 million and unamortized financing costs of $5.4 million in 2013.

In the year ended December 31, 2012, the Company replaced and re-priced its previous term loan facility with the Tranche B Term Loan whereby the previous loan was re-priced to reflect a decrease in the interest rate of 0.75% and a decrease in the interest rate floor of 0.25%. The Company determined that the terms of the old and new loan were not substantially different, including the change in the net present value of cash flows and accordingly, the replacement and re-pricing transaction was not accounted for as a debt extinguishment. As a result, in the year ended December 31, 2012, the Company capitalized $10.1 million relating to the replacement and re-pricing that consisted of a prepayment penalty on the repayment of the old loan of $6.5 million, an original issue discount of $3.3 million and other fees of $0.4 million.

Foreign exchange gain (loss) on long-term debt

As a result of the movement in foreign exchange rates, the Company recorded foreign exchange gains and losses on long-term debt as follows:

	Year ended December 31,	
	2013	**2012**
Foreign exchange loss (gain) on movement in exchanges rates on U.S. dollar long-term debt	$ 42,451	$ (14,424)
Loss (gain) on financial instruments relating to long-term debt (note 28)	(22,500)	509
	$ 19,951	$ (13,915)

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

15 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31, 2013	December 31, 2012
Trade payables	$ 437,724	$ 356,388
Accrued compensation charges	36,591	30,156
GST payable	1,980	1,843
Derivative financial instruments (note 28)	2,465	11,790
Broker accounts payable	2,610	3,118
Post-retirement benefit obligations	825	1,121
Interest payable	27,894	595
Due to Hunting (note 19)	9,199	26,525
Other	45,891	35,688
	$ 565,179	$ 467,224

16 Provisions

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

	Year ended December 31, 2013	Year ended December 31, 2012
Balance as at January 1	$ 111,197	$ 66,471
Settlements	(3,305)	(1,197)
Assumed in a business combination (note 5)	-	9,930
Additions	2,032	4,773
Change in estimated future cash flows	705	19,782
Effect of changes in foreign exchange rates	732	(61)
Change in discount rate	(23,317)	9,608
Unwinding of discount	3,380	1,891
Balance as at December 31	$ 91,424	$ 111,197

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $228.9 million and $235.8 million at December 31, 2013 and 2012, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 3.1% and 2.4% at December 31, 2013 and 2012, respectively. The provision is expected to be settled up to 40 years into the future. A one percent increase in the risk-free rate would decrease the provision by $21.5 million, with a corresponding adjustment to property, plant and equipment. A one percent decrease in the risk-free rate would increase the provision by $21.5 million, with a corresponding adjustment to property, plant and equipment.

17 Other long-term liabilities

	December 31, 2013	December 31, 2012
Post-retirement benefit obligations	$ 6,086	$ 7,591
Derivative financial instruments (note 28)	5,046	17,409
Finance lease liabilities	345	1,262
Other	4,010	4,122
	$ 15,487	$ 30,384

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

18 Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company. There were no issued and outstanding preferred shares as at December 31, 2013 and 2012.

Common Shares - Issued and outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2013 and 2012.

	Common Shares	
	Number of Common Shares	Amount
Balance as at January 1, 2012	97,335,641	$ 1,082,990
Issuance of common shares, less issuance costs, net of tax	18,216,000	390,229
Issuance of common shares in connection with the exercise of stock options	2,149,941	18,576
Issuance of common shares in connection with other equity awards	573,400	-
Issuance of common shares in connection with the dividend reinvestment plans	1,848,548	37,555
Transfer from contributed surplus on issue of equity awards	-	13,799
Balance as at December 31, 2012	120,123,530	$ 1,543,149
Issuance of common shares in connection with the exercise of stock options	135,340	1,169
Issuance of common shares in connection with other equity awards	375,976	-
Issuance of common shares in connection with the dividend reinvestment plans	1,565,346	37,389
Transfer from contributed surplus on issue of equity awards	-	3,438
Balance as at December 31, 2013	122,200,192	$ 1,585,145

On October 29, 2012, the Company closed a bought deal offering of subscription receipts which on closing of the acquisition of OMNI were automatically exchanged into common shares of the Company. As a result, the Company issued 18,216,000 common shares at a price of $22.10 per common shares for gross proceeds of approximately $402.6 million. The Company incurred issuance costs, including the underwriters' discount, of $16.4 million, offset in part by a tax benefit of $4.0 million relating to the deductibility of issuance costs. The net proceeds were used to finance a portion of the purchase price of OMNI.

A dividend of $0.275 per share, declared in November 2013, was paid on January 17, 2014.

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

19 Commitments and contingencies

Commitments

Operating lease obligations primarily relate to office leases, rail tank cars, vehicles, field buildings, various equipment and terminal services arrangements. These leases expire at various dates over the next 10 years. The minimum payments required under these commitments, net of sub-lease income, are as follows:

2014	$ 45,478
2015	44,228
2016	41,055
2017	34,753
2018	29,013
2019 and later	34,419
	$ 228,946

Expenses related to operating leases, net of sublease income, were $28.2 million and $22.9 million for the year ended December 31, 2013 and 2012, respectively.

Finance lease liabilities primarily relates to trucks and trailers and are for the non-cancellable term ranging from 1 to 2 years with a favourable bargain purchase option at the end of the term. The minimum lease payments are expected to be as follows:

2014	$ 948
2015	360
	$ 1,308

With respect to capital expenditures, at December 31, 2013, the Company had $261.5 million remaining to be spent that relate to projects approved at that date.

Contingencies

The Company is currently undergoing income tax related and excise tax audits. While the final outcome of such audits cannot be predicted with certainty, it is the opinion of management that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations.

As a part of the acquisition of the Company by Riverstone from Hunting on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits. Included in income tax receivable and trade payables and accrued charges as at December 31, 2013 and December 31, 2012 is $9.2 million and $26.5 million, respectively, whereby Hunting paid the Company and the Company paid the tax assessments relative to certain of these audits. In the year ended December 31, 2013, the Company received a refund of income tax totalling $17.3 million that was ultimately refunded to Hunting. The Company has assumed that the remaining assessment amounts paid in connection with these audits will be refunded to the Company and although the timing is uncertain, will be settled within a year.

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

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

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

20 Revenue

	Year ended December 31,	
	2013	2012
Products	$ 5,998,769	$ 4,196,663
Services	941,900	716,366
	$ 6,940,669	$ 4,913,029

21 Depreciation and amortization

	Year ended December 31,	
	2013	2012
Depreciation of property, plant and equipment	$ 133,854	$ 91,972
Amortization of intangible assets	50,203	34,639
	$ 184,057	$ 126,611

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

	Year ended December 31,	
	2013	2012
Cost of sales	$ 179,620	$ 122,745
General and administrative	4,437	3,866
	$ 184,057	$ 126,611

22 Employee salaries and benefits

	Year ended December 31,	
	2013	2012
Salaries and wages	$ 255,697	$ 150,552
Post-employment benefits	5,568	5,501
Share based compensation	8,271	3,856
Termination benefits	746	1,416
	$ 270,282	$ 161,325

Employee salaries and benefits have been expensed as follows:

	Year ended December 31,	
	2013	2012
Cost of sales	$ 241,568	$ 138,594
General and administrative	28,714	22,731
	$ 270,282	$ 161,325

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

23 Other operating income

	Year ended December 31, 2013	2012
Gain on sale of property, plant and equipment	$ 1,029	$ 1,803
Foreign exchange gain	5,547	6,564
	$ 6,576	$ 8,367

24 Per share amounts

The following table shows the number of shares used in the calculation of earnings per share:

	Year ended December 31, 2013	2012
Weighted average common shares outstanding - Basic	121,376,222	102,812,328
Dilutive effect of:		
Stock options and other awards	1,708,187	2,700,369
Weighted average common shares – Diluted	123,084,409	105,512,697

25 Related party transactions

Management and registration rights agreements

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. The Company and Co-op also had an agreement to govern the sale of common shares held by Co-op and its affiliates. The agreement contained 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 in the year ended December 31, 2012. The agreement expired on closing of the secondary offering on March 27, 2012 and accordingly, no expenses have been incurred since that date. As a result of the secondary offering, Co-op and Riverstone no longer hold any common shares of the Company as at March 27, 2012.

Sale and purchase of goods and services

	Year ended December 31, 2013	2012
Sale of goods and services		
Principal shareholder having controlling/significant interest	$ -	$ 226
Associates	-	205
Purchase of goods and services		
Principal shareholder having controlling/significant interest	$ -	$ 46,185

The related party transactions noted above were measured at the exchange amount and only for the period in which they were considered related.

Joint operations

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2013 and 2012, the Company's proportionate share of property, plant and equipment was $10.5 million and $9.8 million, respectively. The impact of the Company's share of the other financial position and results of the Partnership is not material to the Company's consolidated financial statements.

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

Compensation of key management

Key management includes the Company's directors, executive officers, business unit leaders and other non-business unit senior vice presidents. Compensation awarded to key management was:

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and short-term employee benefits	$ 6,079	$ 6,597
Post-employment benefits	817	875
Share based compensation	2,696	1,435
Termination benefits	-	270
	$ 9,592	$ 9,177

26 Post-retirement benefits

Defined benefit plans

The company maintains a funded defined benefit pension plan and an unfunded defined benefit other post-retirement benefits plan ("OPRB").

The Company's defined benefit pension plans are funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of its pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2012. Based on the actuarial valuations as at December 31, 2013 and 2012, the status of the defined benefit plans was as follows:

Accrued benefit obligation

	Year ended December 31, 2013		2012	
	Pension	OPRB	Pension	OPRB
Accrued benefit obligation, beginning of year	$ 14,736	$ 3,996	$ 13,003	$ 3,508
Current service cost	323	506	509	246
Interest cost	558	155	568	152
Benefits paid	(500)	(261)	(490)	(259)
Actuarial loss (gain)	56	(791)	1,132	349
Other	14	-	14	-
Accrued benefit obligation, end of year	$ 15,187	$ 3,605	$ 14,736	$ 3,996

Plan assets

	Year ended December 31, 2013		2012	
	Pension	OPRB	Pension	OPRB
Fair value of pension plan assets, beginning of year	$ 11,107	$ -	$ 10,472	$ -
Interest on plan assets	394	-	574	-
Actual contributions	1,142	261	474	259
Actual benefits paid	(500)	(261)	(490)	(259)
Actuarial gain	796	-	77	-
Fair value of pension plan assets, end of year	$ 12,939	$ -	$ 11,107	$ -

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

Accrued benefit liability

	December 31,			
	2013		2012	
	Pension	OPRB	Pension	OPRB
Accrued benefit obligation	$ (15,187)	$ (3,605)	$ (14,736)	$(3,996)
Fair value of plan assets	12,939	-	11,107	-
Accrued benefit liability	$ (2,248)	$ (3,605)	$ (3,629)	$(3,996)

The significant weighted average actuarial assumptions adopted in measuring the Company's post-retirement benefit obligation are as follows:

	Year ended December 31,	
	2013	2012
Discount rate	4.75%	4.00%
Rate of compensation increase	4.00%	5.00%
Health care cost trend rate for next year	7.0%	7.0%

Assumed discount rate and health care cost and trend rates have an effect on the amounts reported for post-retirement obligation. A one-percentage point change in discount rate and assumed health care cost and trend rates would have the following impact:

	One % point increase	One % point decrease
Discount rate effect on post-retirement benefit obligation	$ (2,649)	$ 2,767
Health care cost and trend rates effect on post retirement benefit obligation	481	(379)

Defined contribution pension plan

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was $5.0 million and $4.6 million for the year ended December 31, 2013 and 2012, respectively.

27 Share based compensation

The Company has established an equity incentive plan (the ''2011 Equity Incentive Plan'') which permits the award of stock options, RSUs, PSUs' and DSUs for executives, directors, employees and consultants of the Company. RSUs give the holder the right to receive a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in 2013 and 2012 were expected to be settled by delivery of common shares and accordingly, were considered an equity–settled award for accounting purposes. RSUs granted generally vest over a three year period. RSUs granted with specific performance criteria are designated as PSUs. DSUs are similar to PSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At the Company's Annual General Meeting held on May 8, 2013, the Company's shareholders approved the amendment to its 2011 Equity Incentive Plan to fix the number of common shares reserved for issuance under the plan at a maximum of 10% of the total number of common shares issued and outstanding at any given time. At December 31, 2013, awards available to grant under the amended 2011 Equity Incentive Plan totalled approximately 9.2 million.

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

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

	Number of Shares	Weighted-Average Exercise Price (in dollars)
Balance at January 1, 2012	3,402,246	$ 8.64
Granted	96,226	21.24
Exercised	(2,149,941)	8.64
Forfeited	(54,389)	8.64
Balance at December 31, 2012	1,294,142	$ 8.66
Granted	798,233	25.87
Exercised	(135,340)	8.64
Forfeited	(28,050)	24.88
Balance at December 31, 2013	1,928,985	$ 16.22
Vested and exercisable at December 31, 2013	1,076,097	$ 9.33
Vested and exercisable at December 31, 2012	1,142,648	$ 8.66

Additional information under the 2011 Equity Incentive Plan regarding stock options outstanding as of December 31, 2013 is as follows:

Outstanding			Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price (in dollars)	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Exercise Price (in dollars)
1,057,818	5.0	$ 8.64	1,031,676	5.0	$ 8.64
4,750	4.6	16.10	3,167	4.6	16.10
52,012	5.3	20.67	23,748	5.3	20.67
40,164	5.5	22.03	13,388	5.5	22.03
27,068	5.3	24.44	-	-	-
747,173	6.2	25.94	4,118	0.5	25.94
1,928,985	6.0		1,076,097	6.0	

A summary of RSUs, PSUs and DSUs activity is set forth below:

	Number of Shares		
	RSUs	PSUs	DSUs
Balance at January 1, 2012	1,408,319	1,604	42,889
Granted	120,369	88,776	2,067
Forfeited	(87,125)	(12,229)	-
Issued	(571,525)	(1,875)	-
Balance at December 31, 2012	870,038	76,276	44,956
Granted	246,604	155,478	50,065
Forfeited	(15,145)	(6,504)	-
Issued	(373,886)	(2,090)	-
Balance at December 31, 2013	727,611	223,160	95,021
Vested, Balance at December 31, 2013	114,345	-	73,599
Vested, Balance at December 31, 2012	85,364	-	20,009

Stock based compensation expense was $8.3 million and $3.9 million for the years ended December 31, 2013 and 2012, respectively, and is included in general and administrative expenses.

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

The fair value of the options granted was estimated at $2.40 per option and $1.97 per option for the year ended December 31, 2013 and 2012, respectively. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31,	
	2013	2012
Expected dividend rate	4.0%	4.7%
Expected volatility	20.2%	21.5%
Risk-free interest rate	1.2%	1.2%
Expected life of option (years)	3.0	3.0

The fair value of RSUs, PSUs and DSUs was determined using the five days weighted average stock price on the date of grant.

28 Financial instruments

Non-Derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease, trade payables and accrued charges, amount borrowed under the credit facilities, dividends payable, long-term debt and finance lease liabilities.

Cash and cash equivalents, trade and other receivables, trade payables and accrued charges, dividends payable and amount borrowed under the credit facilities are recorded at amortized cost which approximates fair value due to the short term nature of these instruments.

Long-term debt is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2013, the carrying amount of long-term debt was $781.8 million less debt discount and issue costs of $24.2 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $805.9 million. As at December 31, 2012, the carrying amount of long-term debt was $641.8 million less debt discount and issue costs of $24.8 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $651.9 million.

Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table provides a summary of the Company's offsetting trade and other receivables and trade payables and accrued charges:

	December 31, 2013		December 31, 2012	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	$ 560,256	$ 529,789	$ 312,923	$ 283,749
Amount offset	(409,636)	(409,636)	(206,801)	(206,801)
Net amount included in the consolidated financial statements	$ 150,620	$ 120,153	$ 106,122	$ 76,948

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

Derivative financial instruments (recurring fair value measurements)

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

	December 31, 2013		December 31, 2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	$ -	$ 336	$ 434	$ 2,013
Commodity swaps	1,095	1,914	5,086	3,887
Commodity options	13	-	-	18
Foreign currency forward contracts	15,651	215	2,476	316
Foreign currency options, including deferred premium	7	5,046	-	2,954
Interest rate swap	-	-	-	2,884
Interest rate floor	-	-	-	17,127
Total	$ 16,766	$ 7,511	$ 7,996	$ 29,199
Less non-current portion:				
Foreign currency forward contracts	15,646	-	2,476	-
Foreign currency options	-	5,046	-	2,954
Interest rate swap	-	-	-	1,746
Interest rate floor	-	-	-	12,709
	15,646	5,046	2,476	17,409
Current portion	$ 1,120	$ 2,465	$ 5,520	$ 11,790

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

(i) Commodity financial instruments

WTI Futures, options and swaps

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

Natural Gas Liquids ("NGL")

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

(ii) Currency financial instruments

U.S. Dollar Forwards

The Company enters into forward contracts to sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its estimated future net cash inflows denominated in U.S. dollars.

In the year ended December 31, 2011, the Company entered into a U.S. dollar forward contracts maturing on September 15, 2015 on U.S.$498.0 million of the principal of the Company's long-term debt to help mitigate the currency risk associated with its U.S. dollar denominated long-term debt. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company received cash of $11.6 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.$238.0 million. In the year ended December 31, 2013, the Company extended the terms of the remaining U.S. dollar forward contracts for a notional amount of U.S.$260.0 million to September 15, 2017.

As at December 31, 2013, U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 to U.S.$1.00 for a notional amount of U.S.$260.0 million remained outstanding.

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

U.S. Dollar Options

In the year ended December 31, 2011, in connection with the forward contracts on the principal of the Company's long-term debt and to mitigate the credit cost, the Company sold U.S. dollar call options with a notional amount of U.S.$275.0 million, expiring September 15, 2015, with a strike price of $1.32 to U.S.$1.00 for which the Company received an initial cash premium of $4.8 million.

Following the repayment of Tranche B Term Loan on June 28, 2013, the Company paid $0.2 million to settle U.S. dollar options for a notional amount of U.S.$15.0 million. In the year ended December 31, 2013, the Company extended the terms of the remaining U.S. dollar option contracts for a notional amount of U.S.$260.0 million to September 15, 2017 at a strike price to $1.295 to U.S.$1.00.

As at December 31, 2013, U.S. dollar option contracts for a notional amount of $260.0 million remained outstanding.

Interest Rate Swap

In the year ended December 31, 2011, the Company entered into a U.S. dollar interest rate swap to hedge a portion of the Company's U.S. dollar floating interest rate exposure on the Company's long-term debt. The swap effectively fixed the interest rate on U.S.$175.0 million of the principal at 5.5% for a three year period beginning in September 2012. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company paid $2.7 million to settle the U.S. dollar interest rate swap.

Interest Rate Floor

The Tranche B Term Loan carried an interest rate of Adjusted LIBOR plus 3.75%, subject to a minimum Adjusted LIBOR floor of 1.0%. This interest rate floor was considered an embedded derivative as the floor rate exceeded the market rate of interest at the time that the debt was incurred and modified. As a result, the interest rate floor derivative was separated from the carrying value of long-term debt and accounted for as a separate financial liability measured at fair value. Following the repayment of Tranche B Term Loan on June 28, 2013, the Company derecognized the interest rate floor financial instrument liability discount and accordingly, recognized a gain in financial instrument relating to interest expense of $17.1 million in the year ended December 31, 2013.

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

The Company used the following techniques to value financial instruments categorized in Level 2:

- The fair value of commodity options and swaps is calculated as the present value of the estimated future cash flows based on the difference between contract price and commodity price forecast.

- The fair value of foreign currency options and forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

- The fair value of interest rate swaps and floor was calculated as the present value of the estimated future cash flows based on observable yield curves.

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

The fair value of derivative financial instrument contracts by fair value hierarchy at December 31, 2013 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 1,095	$ -	$ 1,095	$ -
Commodity options	13	-	13	-
Foreign currency options, including deferred premium	7	-	7	-
Foreign currency forward contracts	15,651	-	15,651	-
Total assets	$ 16,766	$ -	$ 16,766	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 1,914	$ -	$ 1,914	$ -
Commodity futures	336	336	-	-
Foreign currency options, including deferred premium	5,046	-	5,046	-
Foreign currency forward contracts	215	-	215	-
Total liabilities	$ 7,511	$ 336	$ 7,175	$ -

The fair value of derivative financial instrument contracts by fair value hierarchy at December 31, 2012 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	$ 5,086	$ -	$ 5,086	$ -
Commodity futures	434	434	-	-
Foreign currency forward contracts	2,476	-	2,476	-
Total assets	$ 7,996	$ 434	$ 7,562	$ -
Liabilities from financial instrument contracts				
Commodity swaps	$ 3,887	$ -	$ 3,887	$ -
Commodity futures	2,013	2,013	-	-
Commodity options	18	-	18	-
Foreign currency options, including deferred premium	2,954	-	2,954	-
Foreign currency forward contracts	316	-	316	-
Interest rate swap	2,884	-	2,884	-
Interest rate floor	17,127	-	17,127	-
Total liabilities	$ 29,199	$ 2,013	$ 27,186	$ -

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

	Year ended December 31,	
	2013	2012
Cost of sales	$ 622	$ 1,080
Foreign exchange loss (gain) on long-term debt (note 14)	(22,500)	509
Gain on financial instrument relating to interest expense	(18,252)	(4,247)
	$ (40,130)	$ (2,658)

Financial Risk Management

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

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

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

a) Foreign exchange risk

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

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

Foreign currency exchange rate sensitivity

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

	December 31,	
	2013	2012
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 5,063	$ 2,529
Unfavorable 5% change	(5,260)	(2,529)
U.S. Dollar long-term debt Forwards and the related Options		
Favorable 5% change	$ 11,566	$ 5,670
Unfavorable 5% change	(11,566)	(5,670)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options. The sensitivity relating to the Company's long-term debt includes the change in the carrying value of the Company's U.S. dollar denominated long-term debt, the U.S. dollar forward contracts on the principal and the related U.S. dollar call options.

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

b) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates.

As a result of the repayment of Tranche B Term Loan on June 28, 2013, the Company settled the interest rates swap and derecognized its interest rate floor financial instrument liability discount, and accordingly, the Company no longer has exposure to changes in market interest rates as at December 31, 2013 relating to these financial instruments.

The following table summarizes the impact to net income and equity to a change in fair value of the Company's risk management position to changes in interest rates leaving all other variables constant:

	December 31,	
	2013	2012
Interest Rate Swap		
Favorable 1% change	$ -	$ 1,537
Unfavorable 1% change	-	(189)

	December 31,	
	2013	2012
Interest Rate Floor		
Favorable 1% change	$ -	$ 7,262
Unfavorable 1% change	-	(17,887)

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

c) Commodity price risk

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

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's derivative positions because of fluctuations in commodity prices leaving all other variables constant, in particular foreign currency rates. The Company believes that a 15% volatility in crude oil and NGL related prices is a reasonable assumptions.

	December 31,	
	2013	2012
Crude oil and NGL related prices		
Favorable 15% change	$ 3,082	$ 3,706
Unfavorable 15% change	(3,004)	(3,656)

d) Credit risk

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

At December 31, 2013 and 2012, approximately 4% and 5%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when it is 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

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

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

The Company's cash equivalents are placed in time deposits with major international banks and financial institutions.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Sufficient funds and the Revolving Credit Facility are available to satisfy the Company's requirements over the next 12 months, and are expected to be available to satisfy the Company's long term requirements. The Company

has a Revolving Credit Facility of $500.0 million and at December 31, 2013, no amount was drawn against the facility other than outstanding issued letters of credit.

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2013 and December 31, 2012, the Company was in compliance with these covenants.

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at December 31, 2013. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	$ 534,820	$ -	$ -	$ 534,820
Dividend payable	33,605	-	-	33,605
Long-term debt	-	-	781,800	781,800
Interest payment on long-term debt	53,397	213,588	145,209	412,194
Commodity futures	336	-	-	336
Commodity swaps	1,914	-	-	1,914
Foreign currency forwards and options	215	5,046	-	5,261
	$ 624,287	$ 218,634	$ 927,009	$ 1,769,930

Capital management

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

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

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

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

	December 31,	
	2013	2012
Total financial liability borrowings	$ 757,566	$ 637,981
Less: cash and cash equivalents	(97,182)	(61,026)
Net debt	660,384	576,955
Total share capital	1,585,145	1,543,149
Total capital	$ 2,245,529	$ 2,120,104

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

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

29 Segmental information

In the first quarter of 2013, the Company combined its Canadian and United States Environmental Services businesses and as a result realigned its Canadian custom treating and terminal facilities business from the Terminals and Pipelines segment to the Environmental Services segment. Accordingly, results of operations for the comparative periods have been reclassified to reflect the realignment.

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

Terminals and Pipelines include fee-based storage and terminalling services and tariff-based pipeline services for crude oil, condensate and refined product. The Company owns and operates major storage terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; a terminal at Sexsmith, Alberta; pipelines, which are connected to the Hardisty Terminal; and injection stations, which are located in the United States.

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

Environmental Services includes the provision of environmental and production services such as emulsion treating, water disposal services and oilfield waste management, exploration support services and accommodation facilities to the oil and gas industry.

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

Processing and Wellsite Fluids includes the refining and marketing of a variety of products, including road asphalt, roofing flux, wellsite fluids and tops.

Marketing includes purchasing, selling, storing and blending of crude oil and condensate providing aggregation services to producer and earning margins through quality, or time-based arbitrage opportunities.

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

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

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

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

Year ended December 31, 2013	Terminals & Pipelines	Truck Transportation	Environmental Services	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external and inter-segmental	$ 132,144	$ 532,490	$ 325,059	$1,151,206	$ 611,097	$ 5,580,040	$ -	$ 8,332,036
Revenue - inter-segmental	(50,884)	(56,155)	(24,836)	(160,500)	(174,275)	(924,717)	-	(1,391,367)
Revenue - external	81,260	476,335	300,223	990,706	436,822	4,655,323		6,940,669
Segment profit	95,613	83,674	83,094	62,277	48,720	83,004	-	456,382
Depreciation of property, plant and equipment.	26,503	36,146	42,820	10,337	15,838	263	1,947	133,854
Amortization of intangible assets	2,011	12,541	22,646	6,296	3,541	678	2,490	50,203
General and administrative	-	-	-	-	-	-	34,664	34,664
Stock based compensation	-	-	-	-	-	-	8,271	8,271
Corporate foreign exchange gain	-	-	-	-	-	-	(4,226)	(4,226)
Interest expense	-	-	-	-	-	-	53,458	53,458
Gain on financial instruments relating to interest expense	-	-	-	-	-	-	(18,252)	(18,252)
Interest income	-	-	-	-	-	-	(471)	(471)
Foreign exchange loss on long-term debt	-	-	-	-	-	-	19,951	19,951
Debt extinguishment	-	-	-	-	-	-	38,209	38,209
Income tax provision	-	-	-	-	-	-	36,905	36,905
Net income	$ 67,099	$ 34,987	$ 17,628	$ 45,644	$ 29,341	$ 82,063	$ (172,946)	$ 103,816

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

Year ended December 31, 2012	Terminals & Pipelines	Truck Transportation	Environmental Services	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external and inter-segmental	$ 109,407	$ 524,007	$ 75,216	$ 856,686	$ 551,737	$3,745,283	$ -	$ 5,862,336
Revenue - inter-segmental	(36,265)	(43,932)	(15,528)	(143,731)	(176,465)	(533,386)	-	(949,307)
Revenue - external	73,142	480,075	59,688	712,955	375,272	3,211,897	-	4,913,029
Segment profit	79,229	85,499	16,689	49,671	40,068	58,737	-	329,893
Depreciation of property, plant and equipment.	25,227	32,199	13,171	9,162	10,147	256	1,810	91,972
Amortization of intangible assets	2,073	11,562	6,752	5,853	5,665	678	2,056	34,639
General and administrative	-	-	-	-	-	-	32,747	32,747
Stock based compensation	-	-	-	-	-	-	3,856	3,856
Corporate foreign exchange gain	-	-	-	-	-	-	(6,482)	(6,482)
Interest expense	-	-	-	-	-	-	43,655	43,655
Gain on financial instruments relating to interest expense	-	-	-	-	-	-	(4,247)	(4,247)
Interest income	-	-	-	-	-	-	(645)	(645)
Foreign exchange gain on long-term debt	-	-	-	-	-	-	(13,915)	(13,915)
Income tax provision	-	-	-	-	-	-	32,127	32,127
Net income (loss)	$ 51,929	$ 41,738	$ (3,234)	$ 34,656	$ 24,256	$ 57,803	$ (90,962)	$ 116,186

The breakdown of additions to property, plant and equipment and intangible assets by operating segment is as follows:

	December 31			
	2013		2012	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Terminals and Pipelines	$ 105,061	$ 2,276	$ 43,245	$ 1,860
Truck Transportation	51,146	2,356	64,162	1,162
Environmental Services	59,213	978	25,295	139
Propane & NGL Marketing & Distribution	12,930	462	12,372	68
Processing & Wellsite Fluids	8,083	109	30,525	-
Corporate & other	2,028	2,314	1,097	2,273
	$ 238,461	$ 8,495	$ 176,696	$ 5,502

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

Geographic Data

Based on the location of the end user, approximately 23% and 22% of revenue was from customers in the United States for the year ended December 31, 2013 and 2012, respectively.

The Company's non-current assets, excluding investment in finance lease and deferred tax asset, are primarily concentrated in Canada with 32% and 32% in the United States at December 31, 2013 and 2012, respectively.

30 Subsequent Event

On March 4, 2014, the Company announced that the Board declared a quarterly dividend of $0.30 per common share for the quarter ending March 31, 2014 on its outstanding common shares. The common share dividend is payable on April 17, 2014 to shareholders of record at the close of business on March 31, 2014.

31 Principal subsidiaries

The Company had the following subsidiaries as at December 31, 2013:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
A&A Tank Truck Co.	USA	Trucking and Waste Disposal	100%
All-Clean Fluids and Filtration Services Ltd.	Canada	Oil and Drilling Fluids	100%
B.E.G. Liquid Mud Services Corp.	USA	Oil & Gas Support Services	100%
Bridge Creek Trucking Ltd.	Canada	Trucking Services	100%
Canwest Propane Partnership	Canada	Retail propane	100%
Canwest Propane ULC	Canada	Retail propane	100%
Chief Hauling Contractors ULC	Canada	Trucking Services	100%
GEP ULC	Canada	Trucking and Storage	100%
Gibson (U.S) Acquisition Corp.	USA	Holding Company	100%
Gibson (U.S) Finco Corp.	USA	Holding Company	100%
Gibson (U.S) Holdco Corp.	USA	Holding Company	100%
Gibson Energy (US) Inc.	USA	Wholesale petroleum products	100%
Gibson Energy Inc.	Canada	Holding Company	100%
Gibson Energy Marketing , LLC	USA	Wholesale petroleum products	100%
Gibson Energy Partnership	Canada	Trucking and Storage	100%
Gibson Energy ULC	Canada	Holding Company	100%
Gibson Energy, LLC	USA	Transportation	100%
Gibson Finance Ltd.	Canada	Holding Company	100%
Gibson Gas Liquids Partnership (Alberta)	Canada	Wholesale propane	100%
Gibson Gas Liquids ULC	Canada	Wholesale propane	100%
Gibson GCC Inc.	Canada	Inactive	100%
Gibson Offshore, LLC.	USA	Oil & Gas Support Services	100%
Griswold Management, Inc.	USA	Inactive	100%
Industrial Lift Truck & Equipment Co, Inc	USA	Oil & Gas Support Services	100%
Johnstone Tank Trucking Ltd.	Canada	Trucking Services	100%
Keeton Services, Inc.	USA	Oil & Gas Support Services	100%

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

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
Link Petroleum Inc.	USA	Wholesale propane	100%
Link Petroleum Services Ltd.	Canada	Inactive	100%
Moose Jaw Refinery Partnership	Canada	Fluids and refining	100%
Moose Jaw Refinery ULC	Canada	Fluids and refining	100%
Northern Truck Services 1994 Ltd.	Canada	Trucking Services	100%
Omni Energia Mexicana	Mexico	Inactive	100%
OMNI Energy Seismic Services, LLC	USA	Oil & Gas Seismic Services	100%
OMNI Energy Services Corp.	USA	Oil & Gas Support Services	100%
OMNI Energy Transportation Corp	USA	Oil & Gas Support Services	100%
OMNI Labor Corporation	USA	Inactive	100%
OMNI Properties Corp.	USA	Inactive	100%
Plato Services Partnership	Canada	Waste Disposal Services	50%
Preheat, Inc.	USA	Oil & Gas Support Services	100%
Rig Tools, Inc.	USA	Oil & Gas Support Services	100%
Taylor Transfer Services, LLC	USA	Transportation	100%
Gibson Energy ULC Pension Plan	Canada	Pension Fund	100%
TPG Leasing, LLC	USA	Rental and Leasing	100%
TPG Transport, LLC	USA	Transportation	100%
Trussco, Inc.	USA	Oil & Gas Support Services	100%
Wellspring Omni Parent Inc.	USA	Holding Company	100%
WISCO Inc.	USA	Oil & Gas Support Services	100%

Corporate Information

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BANKERS
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JPMorgan Chase Bank, N.A.

LEGAL COUNSEL
Bennett Jones LLP
Latham & Watkins LLP

TRUSTEE, REGISTRAR & TRANSFER AGENT
Computershare Trust Company of Canada
Calgary, Alberta

STOCK EXCHANGE
Toronto Stock Exchange
Trading Symbol: GEI

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MANAGEMENT
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Donald A. Fowlis
Chief Financial Officer
Brian J. Recatto
President U.S. Operations
Douglas P. Wilkins
Chief Commercial Officer
Richard M. Wise
Chief Operating Officer
Rodney J. Bantle
Senior Vice President, Truck Transportation
Sean W. Duffee
Senior Vice President Supply & Marketing
Warren Osatiuk
Senior Vice President, Refining
Samuel van Aken
Senior Vice President, Propane Marketing & Distribution

DIRECTORS
James M. Estey
Chairman of the Board
James J. Cleary
A. Stewart Hanlon
Donald R. Ingram
Marshall L. McRae
Mary Ellen Peters
Clayton H. Woitas

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report constitute forward-looking information and statements (collectively "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 annual report should not be unduly relied upon. These statements speak only as of the date of this annual report.

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

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

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 described in "Risk Factors" and "Forward-Looking Statements" included in the Company's AIF dated March 4, 2014 as filed on SEDAR at www.sedar.com.

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