Second Quarter 2011

Interim report for the three and six months ended June 30, 2011

Parkland
FUEL CORPORATION

Management's Discussion and Analysis

This MD&A provides a comparison of Parkland Fuel Corporation's (the "Corporation") and Parkland Income Fund's (the "Fund") and together their ("Parkland") performance for the three and six month period ended June 30, 2011 with the three and six month period ended June 30, 2010. This MD&A reflects Parkland's adoption of International Financial Reporting Standards ("IFRS") as of January 1, 2011. Comparative periods in 2010 have
been restated in accordance with IFRS, including the January 1, 2010 transition date balance sheet ("Transition Date"), however, periods prior to January 1, 2010 have not been restated and are reported in accordance with Canadian GAAP before the adoption of IFRS ("Previous GAAP"). Financial statements commencing March 31, 2011 onward will be prepared in accordance with IFRS. Note 5 of the interim consolidated financial statements for the three and six months ended June 30, 2011 contains a detailed reconciliation of Parkland's financial statements prepared under Previous GAAP to those under IFRS for the three and six months ended June 30, 2010 and for the year ended December 31, 2010 as well as the balance sheets as of these dates and the opening transition date of January 1, 2010. This discussion should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2010 and the Corporation's Annual Information Form dated March 29, 2011 and the unaudited interim financial statements and accompanying notes for the period ended June 30, 2011. This MD&A includes discussion of Parkland's affairs up to August 3, 2011. All amounts disclosed are in Canadian dollars, unless otherwise noted. Certain amounts in prior years have been reclassified to conform to the current year's presentation.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information that, if published, would potentially have an adverse impact on the competitive position of Parkland.

Additional information relating to Parkland can be found at www.parkland.ca. The Corporation's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, its 2010 Annual Report, Annual Information Form, Management Information Circular and Proxy, Material Change Reports and the various news releases issued by the Corporation are also available on its website or directly through the SEDAR system at www.sedar.com.

Forward-Looking Statements

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, effectiveness of internal controls, sources of funding of growth capital expenditures, conversion of Parkland to a corporate structure, anticipated dividends and the amount thereof, if any, to be declared by Parkland Fuel Corporation, expectations regarding the implementation of Parkland's new ERP system (as defined herein) and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include, but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in Parkland's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause Parkland's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Parkland wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Readers should also refer to the section **Business Risks** at the end of this MD&A and in the 2010 Annual Information Form for additional information on risk factors and other events that are not within Parkland's control. Parkland's future financial and operating results may fluctuate as a result of these and other risk factors.

Consolidated Highlights

(in millions of Canadian dollars except volume and per Share/Unit amounts)	For the three months ended June 30,			Six months ended June 30,		
	2011	2010	% Change	**2011**	2010	% Change
Fuel volume (millions of litres)	**903.0**	802.0	13	**1,927.0**	1,618.0	19
Sales and operating revenues	**950.3**	600.6	58	**1,905.4**	1,275.8	49
Gross profit	**89.1**	77.9	14	**202.8**	148.3	37
Operating costs	**40.6**	32.6	25	**88.2**	64.0	38
Marketing, general and administrative	**23.9**	17.2	39	**43.9**	37.5	17
Depreciation and amortization expense	**20.0**	15.7	27	**37.4**	29.6	26
	4.7	12.4	(62)	**33.3**	17.2	94
Customer finance income	**(0.7)**	(0.1)	600	**(1.3)**	(0.6)	117
Finance costs	**8.4**	8.5	(1)	**17.3**	10.4	66
(Gain) loss on disposal of property, plant and equipment	**0.4**	(1.6)	(125)	**(0.5)**	(1.3)	(62)
(Loss) earnings before income taxes	**(3.5)**	5.7	(161)	**17.8**	8.7	105
Income tax expense (recovery)	**5.8**	(7.0)	(183)	**10.8**	(7.7)	
Net (loss) earnings	**(9.3)**	12.7	(173)	**7.0**	16.4	(57)
EBITDA [1]	**25.4**	28.3	(10)	**71.9**	47.4	52
Distributable cash flow [1][2]	**15.4**	17.9	(14)	**47.4**	30.9	53
Dividends/distributions	**14.5**	15.2	(4)	**28.2**	29.7	(5)
Dividends/distributions, net of dividend re-investment plan	**5.1**	14.3	(64)	**13.0**	28.3	(54)
Dividend/distribution to distributable cash flow payout ratio	**94%**	85%		**60%**	96%	
Dividend/distribution (net of dividend re-investment plan) to distributable cash flow payout ratio	**33%**	80%		**28%**	91%	
Cents per Litre						
Sales and operating revenues	**105.24**	74.89	41	**98.88**	78.85	25
Gross margin	**9.87**	9.71	2	**10.52**	9.17	15
Operating costs	**4.50**	4.06	11	**4.58**	3.96	16
Marketing, general and administrative	**2.65**	2.14	23	**2.28**	2.32	(2)
Depreciation and amortization expense	**2.21**	1.96	13	**1.94**	1.83	6
(Loss) earnings before income taxes	**(0.38)**	0.71	(154)	**0.92**	0.54	72
Income tax (recovery) expense	**0.64**	(0.87)		**0.56**	(0.48)	
Net (loss) earnings	**(1.02)**	1.58	(165)	**0.36**	1.01	(64)
EBITDA[1]	**2.81**	3.53	(20)	**3.73**	2.93	27

(1) Please refer to the Non-GAAP Measures section in the MD&A for definitions.

(2) Please see Distributable Cash Flow reconciliation table in the MD&A.

Overview of Business

Parkland Fuel Corporation ("Parkland" or "the Corporation") is Canada's largest independent marketer and distributor of refined petroleum products.

Parkland is Canada's local fuel company, delivering a complete range of fuel and related products and serving Canadian communities through local operators focused on customer service.

Fuel Marketing Segment

Parkland's fuel marketing segment, which accounted for 90% of net sales and operating revenue and 73% of gross profit for the three months ended June 30, 2011, is the Corporation's most important segment and the focus of operations.

Parkland manages fuel distribution and marketing through four different divisions:

- Parkland Commercial Fuels
- Parkland Retail Fuels
- Parkland Supply & Wholesale
- Parkland Transportation

Parkland Commercial Fuels

Parkland Commercial Fuels, the Corporation's fastest growing division, is a nationwide operation serving commercial, industrial and residential customers from coast-to-coast. This division delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers through an extensive nationwide delivery network.

Fuel volumes from Parkland Commercial Fuels for the three months ended June 30, 2011 accounted for 42% of the Corporation's total volumes compared with 37% for the same period in 2010. Commercial fuel revenue increased by 62% to $349.0 million in the second quarter of 2011 compared with $215.9 million in 2010.

Parkland Commercial Fuels' family of successful brands includes: Bluewave Energy, Columbia Fuels, Great Northern Oil, Neufeld Petroleum & Propane, United Petroleum Products, Island Petroleum and Race Trac cardlock locations. All of the brands feature quality products and services and a commitment to locally delivered, premium customer service.

Commercial Fuels - Volume and Margin Review

	Three months ended June 30,		Six months ended June 30,	
Volume *(millions of litres)*	**2011**	2010	**2011**	2010
Gasoline & Diesel	**314**	251	**674**	505
Heating Oil	**41**	30	**158**	90
Propane	**22**	19	**73**	60
Commercial Sub-total	**377**	300	**905**	655
Sales and operating revenue *(millions of Canadian dollars)*				
Gasoline & Diesel	**295.9**	182.4	**620.1**	367.5
Heating Oil	**40.8**	23.4	**150.9**	70.2
Propane	**12.3**	10.1	**42.2**	34.7
Commercial Sub-total	**349.0**	215.9	**813.2**	472.4
Fuel gross profit *(millions of Canadian dollars)*				
Gasoline & Diesel	**19.1**	15.9	**40.9**	30.4
Heating Oil	**7.1**	4.8	**27.5**	16.2
Propane	**4.1**	3.0	**13.1**	10.6
Commercial Sub-total	**30.3**	23.7	**81.5**	57.2
Sales and operating revenue *(cents per litre)*				
Gasoline & Diesel	**94.24**	72.67	**92.00**	72.77
Heating Oil	**99.51**	78.00	**95.51**	78.00
Propane	**55.91**	53.16	**57.81**	57.83
Commercial Average	**92.57**	71.97	**89.86**	72.12
Fuel gross profit *(cents per litre)*				
Gasoline & Diesel	**6.08**	6.33	**6.07**	6.02
Heating Oil	**17.32**	16.00	**17.41**	18.00
Propane	**18.64**	15.79	**17.95**	17.67
Commercial Average	**8.04**	7.90	**9.01**	8.73

Operational Review

For the three months ended June 30, 2011, Parkland Commercial Fuels' volumes increased 26% to 377 million litres compared with 300 million litres for the same period in 2010.

The increase in fuel volumes for the three months ended June 30, 2011 was the result of the acquisition of Island Petroleum on December 30, 2010 and organic growth across Parkland's commercial operations despite forest fires and wet conditions in certain parts of the country that reduced or delayed normal activities for certain customers.

Otherwise, economic activity in the oil and gas, mining, forestry, trucking and other commercial industries in Parkland's core markets continued to be in line with seasonal norms. For the three months ended June 30, 2011, the Canadian Association of Oilwell Drilling Contractors (CAODC) reported an average rig utilization rate of 24% compared with 20% for the same period in 2010.

Alberta and North Eastern British Columbia, a region responsible for approximately one half of Parkland's commercial business, experienced unusually wet conditions as well as forest fires in the Slave Lake region that closed two commercial offices for two weeks during the second quarter. While these inclement conditions delayed the agriculture season by one month, and delayed some commercial projects, volumes continued to increase in Western Canada.

Favourable business conditions in Parkland's other commercial markets, including Vancouver Island, Southern mainland British Columbia, and the Maritimes have also provided for fuel volume growth at good margins through Q2.

While sales on a cents per litre (cpl) basis will fluctuate based on the market's demand for fuel, net fuel gross profit on a cents per litre basis drives the profitability of the commercial fuels division. Average net fuel gross profit on a cents per litre basis for Q2 2011 was 8.04 cpl, an increase of 2% compared with 7.90 cpl in Q2 2010. However, average net fuel gross profit decreased in Q2 2011 by 17% or 1.64 cpl compared with 9.68 cpl in Q1 2011 due to the addition of high volume but lower margin contracts. Gross margins in heating fuel, commercial diesel, propane, and lubricants continued to be robust for the second quarter.

In Q2 2011 Gas and Diesel gross profit on a cents per litre basis decreased 4% to 6.08 cpl compared with 6.33 cpl in Q2 2010 due to the new high volume contracts mentioned above. Fuel gross profit for heating oil sales in Q2 2011 increased 8% to 17.32 cpl compared with 16.00 cpl in Q2 2010. Propane gross profit in Q2 2011 on a cents per litre basis increased 18% to 18.64 cpl compared with 15.79 in Q2 2010. Gross profits in Propane and Heating Oil on a cents per litre basis in Q2 2011 were very similar to the first quarter, and reflect improved market conditions.

The lubricants business that was acquired from Shell in September, 2010 continues to grow in its importance to Parkland and experienced robust sales for Q2 2011. Parkland has been successful in transitioning the vast majority of Shell's legacy customer base to the Corporation's portfolio.

Despite the rotating postal strike that began on June 3rd followed by the lockout at Canada Post that began on June 14th and lasted until June 27th, accounts receivable in the Commercial Fuels Division have decreased approximately $42 million from March 31, 2011 to June 30, 2011. Commercial accounts have payment terms ranging from 30 to 90 days. Large commercial fuel volumes in Q1 and Q4 mean that on a seasonal basis, receivables in the commercial fuels division should be expected to build up through these periods, then diminish in Q2 and Q3 as the accounts are collected. This is evident when comparing accounts receivable between the first and second quarters of 2011. In addition, there has been a modest improvement in average collection times on Commercial Fuels Division accounts receivable in the second quarter of 2011 compared to the first quarter of 2011.

Divisional Outlook

While commercial activity may have been impacted in the second quarter by inclement weather conditions in Northern Alberta and North Eastern British Columbia, the outlook for oilfield operations and business in general in this region is positive. Large customers are growing their needs and Parkland is gaining new business as a result.

Markets

On August 3, 2011 Parkland Commercial Fuels had 125 commercial locations.

Province	Cardlock	Branch	Branch & Cardlock	Grand Total
Alberta	14	11	10	35
British Columbia	18	11	11	40
New Brunswick			1	1
Nova Scotia	3	10	4	17
Northwest Territories			2	2
Ontario		8	6	14
Prince Edward Island	12	2		14
Saskatchewan		1		1
Yukon			1	1
Grand Total	**47**	**43**	**35**	**125**

Customers

Parkland Commercial Fuels has a diverse customer base operating across a broad cross-section of industries with no single customer accounting for more than 5% of consolidated revenue. This customer base includes:

- Oil & gas industry participants;
- Mining operations;
- Forestry operations;
- Agricultural operations;
- Residential heating fuel clients; and
- Other industrial operations.

Because of its customer diversity, as well as the wide geographic scope of Parkland's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of Parkland.

Parkland Retail Fuels

Parkland Retail Fuels operates and services a nationwide network of retail service stations that serve Canadian motorists from coast-to-coast.

Fuel volumes from Parkland Retail Fuels for the three months ended June 30, 2011 accounted for 41% of the Corporation's total volume compared with 45% for the same period of 2010. Retail fuel revenue increased 30% to $362.5 million in the second quarter of 2011 compared with $279.6 million in the second quarter of 2010.

Parkland is a Retail Branded Distributor for Imperial Oil Limited with locations in Saskatchewan, Alberta, British Columbia and Ontario operating under the Esso brand. Parkland has rebranded all former Sunoco sites to either Esso, Race Trac, or Fas Gas Plus as a result of the 2009 Suncor/Petro-Canada merger. Parkland is also a franchisee of Esso's "On the Run" brand.

Parkland operates service stations under the following business models:

Independent Dealers – These sites are owned or controlled by third parties who contract with Parkland for fuel supply for the site. Parkland profits are derived from the fuel sold to these operators. As a wholesale business, margins remain fairly fixed in this segment, and the dealer takes the fuel price risk.

Parkland Retailers - Parkland has transitioned its owned or controlled retail gas stations to a commission operated business model. Rather than Parkland employees, these stations are managed by independent entrepreneurs ("retailers") who provide and manage staff in exchange for a commission on fuel volumes sold, and pay rent to Parkland based on a percentage of non-fuel sales revenue.

Converting stations to a commission operated model offers several advantages including reducing overhead and operating costs, transferring ownership of convenience store inventories and their corresponding shrinkage risks to the retailer, and leveraging the initiative and work ethic of these entrepreneurs who are incented to achieve Parkland's business objectives.

The retail fuel business is highly competitive, with margins ultimately dependent on wholesale fuel costs and retail fuel prices. Due to its focus on non-urban markets, Parkland has limited exposure to the more competitive, larger urban markets where retail fuel sales are dominated by major oil companies and by more recent entrants such as grocery store chains and large retailers. Parkland's non-urban focus means Parkland operates in markets where the average sales volume per site is lower but earnings are generally enhanced by less price volatility, lower overhead costs and less expensive real estate. Parkland will continue to target growth by leveraging its unique brands within its existing network and through the acquisition of new sites.

Retail Fuels - Volume and Margin Review

	Three months ended June 30,		Six months ended June 30,	
Volume *(millions of litres)*	**2011**	2010	**2011**	2010
Sales to Dealer	**237**	224	**447**	425
Sales to Consumer	**137**	140	**268**	266
Retail Sub-total	**374**	364	**715**	691
Sales and operating revenue *(millions of Canadian dollars)*				
Sales to Dealer	**223.9**	169.2	**407.3**	321.5
Sales to Consumer	**138.6**	110.4	**257.8**	212.0
Retail Sub-total	**362.5**	279.6	**665.1**	533.5
Fuel gross profit *(millions of Canadian dollars)*				
Sales to Dealer	**7.3**	7.2	**14.9**	13.8
Sales to Consumer	**13.3**	12.9	**23.6**	23.8
Retail Sub-total	**20.6**	20.1	**38.5**	37.6
Sales and operating revenue *(cents per litre)*				
Sales to Dealer	**94.47**	75.54	**91.12**	75.65
Sales to Consumer	**101.17**	78.86	**96.19**	79.70
Retail Average	**96.93**	76.81	**93.02**	77.21
Fuel gross profit *(cents per litre)*				
Sales to Dealer	**3.08**	3.21	**3.33**	3.25
Sales to Consumer	**9.71**	9.21	**8.81**	8.95
Retail Average	**5.51**	5.52	**5.38**	5.44

Operational Review

For the three months ended June 30, 2011, Parkland Retail Fuels' volumes increased 3% to 374 million litres compared with 364 million litres for the same period in 2010. This increase was the result of growth in same store sales and new locations, partially offset by the rationalization of underperforming stations.

While sales on a cents per litre basis will fluctuate based on the market's demand for fuel, net fuel gross profit on a cents per litre basis drives the profitability of the retail fuels division.

Parkland's network of owned and leased sites participates in the full margin of retail fuel sales, and as such is subject to both margin risk and volume risk. While margins in April were negatively impacted by rising fuel prices, supply price stability in May and June allowed margins to improve. As a result, fuel gross profit on a cents per litre basis in Q2 2011 increased by 5% to 9.71 cpl compared with 9.21 cpl in Q2 2010. Compared with Q1 2011 fuel gross profit increased by 24% from 7.86 cpl due to price stability while the competitive environment remained relatively unchanged.

Overall, Parkland Retail Fuel's gross profit in Q2 2011 decreased by 0.2% to 5.51 cpl compared with 5.52 cpl in Q2 2010. However, compared to Q1 2011, fuel gross profit on a cents per litre basis increased by 5%.

The Retail Fuels Division is currently on track to achieve compliance with the Europay MasterCard and Visa ("EMV") payment system by the end of the third quarter for in-store sales, and by the end of the fourth quarter for sales at the pump. EMV is the global standard for chip-based credit and debit card payments that is required for all retailers in Canada. Banks and credit card companies will transfer liability for credit card fraud to retailers that fail to demonstrate that they have commenced the process to gain EMV compliance by December 31, 2011, while pay at the pump operations will be given until December 31, 2012 to demonstrate compliance. The requirement for debit card EMV compliance is expected to take effect in 2014.

Divisional Outlook

On June 22, 2011 Parkland acquired the business of Cango Inc. ("Cango"), a major independent retail fuel marketer in Ontario distributing more than 400 million litres of petroleum products through a network of 155 independent dealers and company operated locations under the Cango, Sunys, Gas Rite and Esso brands. This network includes 29 retailers and 126 dealers of which 80 are Esso branded through Cango's Retail Branded Distributor agreement with Imperial Oil. The timing of this acquisition coincides with the summer driving season, which is traditionally the strongest season for the retail fuels division.

At the same time, Parkland also agreed to acquire seven retail fuel outlets from Overwaitea Food Group ("Save On") representing 25 million litres of fuel volume. The seven Save On Foods Gas Bars that Parkland acquired are located in British Columbia and Alberta. These stations have been re-branded to Fas Gas Plus in time for the 2011 summer driving season.

In addition to the Cango and Save On acquisitions, increased economic activity in Parkland Retail Fuels' core markets is expected to contribute to volume growth for the balance of 2011.

Fas Gas Plus currently offers customers a cash back loyalty program known as the Litre Log™. This paper based program allows customers to accumulate 3 cents per litre each time they fuel up and receive a loyalty reward in the form of cash back after 12 fills or 200 litres. As discussed previously in the Q1 2011 MD&A, Parkland is investigating an electronic loyalty delivery system, and this pilot program has been extended to investigate its overall impact on customer loyalty and redemptions.

Markets

_Province	Parkland Retailers	Independent Dealers	Grand Total
Alberta	83	196	279
British Columbia	18	84	102
Manitoba	12	11	23
Nova Scotia		3	3
Northwest Territories		3	3
Ontario	23	190	213
Prince Edward Island		6	6
Quebec	1		1
Saskatchewan	32	96	128
Yukon Territories		7	7
Grand Total	169	596	765

Brands

	Fas Gas Plus	Race Trac	Esso	Other	Grand Total
Independent Dealers	61	125	348	62	596
Parkland Retailers	102	2	30	35	169
	163	127	378	97	765

Parkland constantly strives to increase same store sales of merchandise and fuel, and overall sales volumes. The actual number of stations may increase or decrease as new sites are added and under-performing sites are closed, sold or as dealer contracts expire.

Fas Gas Plus - Fas Gas Plus is a community focussed independent brand that brings consumers an urban offering in non-urban markets. Parkland's strategy is to continue to maximize penetration of its Fas Gas Plus brand throughout its traditional non-urban markets by investing in the Fas Gas Plus station upgrade and conversion program and acquiring new sites.

Esso - The Esso Retail Branded Distributorship agreement provides Parkland with the opportunity to offer Esso's nationally recognized brand to independent operators or within the Corporation's operated network in Alberta, Saskatchewan, British Columbia, Ontario and the Northwest Territories.

Race Trac - In the independent dealer business, Parkland has focused on increasing its brand value to the operators. The Race Trac brand is positioned for locations or markets where the Fas Gas Plus or Esso brands are not suited and is an important part of Parkland's brand portfolio.

Customers

Parkland Retail Fuels sells products to Canadian motorists through its network of retail gas stations. Fuel products sold through this network include gasoline and diesel fuel.

Parkland Supply & Wholesale

Parkland Supply & Wholesale is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, and serving wholesale and reseller customers.

Fuel volumes from Parkland Supply & Wholesale for the three months ended June 30, 2011 accounted for 17% of the Corporation's total fuel distribution compared with 17% in the same period of 2010. Supply and Wholesale fuel revenue increased 154% to $193.5 million compared with $76.3 million in the second quarter of 2010.

Refinery Contracts - Fuel supply contracts are maintained with eight oil refiners and include minimum volume requirements for certain agreements. This portfolio of contracts allows Parkland to obtain fuel supplies at highly competitive prices and to enhance the security of the Corporation's fuel supply by diversifying away the supply risk associated with any one supplier. Maintaining lifting rights at a multitude of refineries and primary terminals across Canada provides Parkland with the flexibility to serve customers in a timely fashion.

Bowden Terminal - Parkland is in the process of converting its refinery storage into a terminal with a 200,000 barrel fuel storage capacity at Bowden, Alberta. The site is also home to an inactive refinery which suspended production in 2001 due to the rising cost of condensate, the refinery's primary input. A rail siding and related unloading facilities are being added to facilitate the movement of product into the terminal.

Operational Review

Parkland Supply & Wholesale Division, a part of the Fuel Marketing Segment, includes profits from Parkland's participation in refiners' profit margins and modest profits from wholesale fuel sales.

To monitor refiners' margins, Parkland reviews the difference in value between the average crude input cost and the cost of gasoline and diesel at the refinery on a cents per litre basis. Parkland participates in refiners' margins for a portion of its supply volumes. Refiners' margins in 2011 have remained strong, increasing by $17.4 million for the six months ended June 30, 2011 versus the six months ended June 30, 2010.

On December 31, 2010 Parkland received notice that the current supply contract with Suncor Energy Inc. ("Suncor") will be terminated on December 31, 2013. Parkland currently purchases approximately one billion litres of fuel from Suncor annually under this agreement, which is priced using a formula by which Parkland shares in a portion of the refinery margins.

This contract accounts for roughly a quarter of Parkland's total fuel supply, and the Corporation is continually negotiating new supply agreements to optimize its supply portfolio. Parkland is developing alternate supply options and related facilities to economically replace the fuel supply contract with Suncor. Parkland does not anticipate any issues with replacing the Suncor fuel supply volumes for 2014.

Divisional Outlook

Refiners' margins continued to remain strong in July 2011. Product supplies appear to be adequate to meet forecasted commitments subject to regional refinery maintenance programs that can cause fuel shortages in certain markets.

Parkland Transportation

Parkland Transportation is responsible for distribution of fuel to Parkland's retail and commercial locations. Fuel is delivered to Parkland's service stations and commercial customers by a combination of the Corporation's own fleet of tractor/trailers and third party commercial carriers. Parkland staff schedule and coordinate the pick-up of fuel from the refineries and terminals by either Parkland or third party carriers.

As part of the operations, mechanical repair and maintenance facilities are located in both Grande Prairie and La Crete, Alberta, allowing the Parkland long-haul fleet to be serviced internally.

Human Resources

Parkland had approximately 1,450 employees at June 30, 2011, including 50 retail convenience store personnel stationed throughout western Canada and 200 employees in its Red Deer, Alberta head office.

Our Values

Integrity: *We will always do the right thing*
People: *Respect the needs of customers, employees and others*
Teamwork: *Achieve greater results by working together*
Success: *Set and achieve challenging goals*

Parkland's employees are also owners of the Corporation, investing in Parkland regularly through its share purchase plan. A profit sharing plan further contributes to the entrepreneurial spirit of Parkland's employees, fostering a sense of ownership and pride throughout Parkland. By constantly adhering to the Corporation's values of integrity, people, teamwork and success, Parkland believes it has the right tools to retain and develop the talent required to achieve success.

Growth Strategy - Accretive Acquisitions

Parkland's fuel volumes have grown at a compound annual growth rate ("CAGR") of 22% over the past 4 years as the Corporation continues to execute on its plan to grow petroleum product sales volumes through accretive acquisitions. Parkland aims to continue this growth trajectory over the next five years.

There are four primary sources of growth for Parkland:

1) **Acquisition of large independent fuel marketers** – Large independent fuel marketers are defined as those that have annual fuel volume sales between 200 and 1,500 million litres. There are approximately 13 independent fuel marketers remaining in Canada of this size. Parkland's 2010 acquisition of Bluewave Energy and 2011 acquisition of Cango fall into this category.

2) **Acquisition of small independent fuel marketers** – Small independent fuel marketers have annual fuel volume sales of less than 200 million litres. Parkland's 2010 acquisition of Island Petroleum fell into this category.

3) **Acquisition of business from major Canadian refiners** – Major Canadian petroleum refiners include Imperial Oil, Shell, and Suncor. In some cases, these major refiners are actively divesting parts of their downstream marketing channels. Parkland's recent acquisition of Shell Canada's after-market lubricant business and distribution rights for select markets fell into this category.

4) **Organic growth -** This includes retail gas station upgrades, acquiring new retail dealers, and building new retail and commercial outlets. Organic growth accounts for approximately 2% of Parkland's fuel volume CAGR.

As the largest independent fuel marketer in Canada, Parkland strives to be the partner of choice when independents or majors look to divest their fuel marketing business.

Approach to Acquisitions

Parkland intends to continue to be proactive, focused and disciplined in its approach to such acquisitions.

Parkland seeks to make acquisitions that:

- are immediately accretive to cash flow from operating activities;
- increase fuel sales volumes in strategic markets;
- build non-fuel profits to enhance the long-term stability of the enterprise;
- optimize the Corporation's supply contracts; and
- diversify the customer base.

Non-GAAP Measures

This MD&A is prepared under Canadian Generally Accepted Accounting Principles ("GAAP") and reflects Parkland's adoption of International Financial Reporting Standards ("IFRS") as disclosed in the first page of this MD&A. However, in this document there are references to non-GAAP measures such as EBITDA and Distributable Cash Flow.

EBITDA refers to earnings before finance costs (accretion on refinery remediation, accretion on asset retirement obligation, interest on long-term debt, interest and accretion on convertible debentures and revaluation of embedded derivatives), income tax expense (recovery), depreciation and amortization, and (gain) loss on disposal of property, plant and equipment. It can be calculated from the GAAP amounts included in Parkland's financial statements. Parkland believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to Parkland's debt and equity holders.

Distributable Cash means cash flows from operating activities that are adjusted for but are not limited to, the impact of the seasonality of Parkland's businesses by adjusting for non-cash working capital items thereby eliminating the impact of the timing between the recognition and collection/payment of Parkland's revenues and expenses, which can from quarter to quarter differ significantly. Parkland's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related including expenditures on intangible assets, in addition to allowing for the proceeds received from the sale of capital items.

Maintenance capital is the amount of capital funds required in a period for an enterprise to maintain its future cash flow from operating activities at a constant level of productive capacity. Parkland defines its productive capacity as the volume of fuel and propane sold, volume of convenience store sales, volume of lubricants sales, agricultural inputs and delivery capacity. The adjustment for maintenance capital in the calculation of standardized distributable cash is capital expenditures during the period excluding the cost of any growth asset acquisitions or proceeds of any asset dispositions. Parkland believes that the current capital programs, based on the current view of its assets and opportunities and the outlook for fuel supply and demand and industry conditions, should be sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties for supply of fuel and propane and general economic conditions and weather that affects customer demand, there can be no assurance that capital programs, whether limited to the excess of cash flow over dividends or not, will be sufficient to maintain or increase production levels or cash flow from operating activities.

Parkland's calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations. Parkland believes the only significant long-term unfunded contractual obligation at this time is for asset retirement obligations and refinery remediation, both of which are expected to be deferred for an extended period of time.

Although it is typical for Parkland's cash flow to have seasonal fluctuations, the current intention of Parkland's Directors is to pay consistent regular monthly dividends throughout the year based on estimated annual cash flow. Parkland's Directors review dividends quarterly giving consideration to current performance, historical and future trends in the business, expected sustainability of those trends, as well as capital betterment requirements to sustain performance.

EBITDA and Distributable Cash are not recognized earnings measures and do not have standardized meanings prescribed by GAAP. Readers of this MD&A are cautioned that EBITDA and Distributable Cash should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as an indicator of Parkland's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

Parkland's method of calculating EBITDA and Distributable Cash may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers. Distributable Cash is not assured, and the actual amount received by shareholders will depend on, among other things, the Corporation's financial performance, debt covenants and obligations, working capital requirements, future capital requirements and the deductibility of items for income tax purposes, all of which are susceptible to a number of risks, as described in Parkland's public filings available on SEDAR at www.sedar.com.

Reconciliation of Distributable Cash Flow

(in thousands of Canadian dollars except per Share/Unit amounts)	**Three months ended June 30, 2011**	Three months ended June 30, 2010
Cash flow from operating activities	**53,921**	18,189
Less: Total capital expenditures and intangibles	**(6,908)**	(8,461)
Standardized distributable cash flow (1)	**47,013**	9,728
Add back (deduct):		
Growth capital expenditures and intangibles	**5,377**	6,333
Proceeds on disposal of capital items	**-**	2,345
Change in non-cash working capital	**(36,960)**	(522)
Distributable cash flow	**15,430**	17,884
Dividends/distributions	**14,527**	15,177
Dividends/distributions, net of dividend re-investment plan	**5,147**	14,342
Dividend/distribution payout ratio	**94%**	85%
Dividend/distribution payout ratio, net of dividend re-investment plan	**33%**	80%
(in thousands of Canadian dollars except per Share/Unit amounts)	**Six months ended June 30, 2011**	Six months ended June 30, 2010
Cash flow from operating activities	**31,899**	33,166
Less: Total capital expenditures and intangibles	**(12,870)**	(19,320)
Standardized distributable cash flow (1)	**19,029**	13,846
Add back (deduct):		
Growth capital expenditures and intangibles	**7,792**	13,222
Proceeds on disposal of capital items	**2,740**	2,761
Change in non-cash working capital	**17,791**	1,104
Distributable cash flow	**47,352**	30,933
Dividends/distributions	**28,223**	29,730
Dividends/distributions, net of dividend re-investment plan	**13,024**	28,287
Dividend/distribution payout ratio	**60%**	96%
Dividend/distribution payout ratio, net of dividend re-investment plan	**28%**	91%

(1) Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). See discussion below.

Distributable Cash Flow

Q2 2011 vs. Q2 2010

Distributable cash flow exceeded dividends, net of the dividend reinvestment plan in the second quarter by $10.3 million compared with $3.5 million in the second quarter of 2010. The dividend/distribution payout ratio net of proceeds from the dividend reinvestment plan for the second quarter of 2011 was 33% compared with 80% in the second quarter of 2010. The reduction in the payout ratio in the second quarter of 2011 compared with the second quarter of 2010 was the result of $9.2 million in lower dividends/distributions due to the dividend reinvestment plan, partially offset by $2.5 million in decreased distributable cash flow. Movements in non-cash working capital are excluded from distributable cash flow.

Year-to-date ("YTD") 2011 vs. YTD 2010

Net of the proceeds of the dividend reinvestment plan, distributable cash flow for the six months ended June 30, 2011 exceeded dividends by $34.3 million compared with $2.6 million in the first six months of 2010. The dividend/distribution payout ratio net of proceeds from the dividend reinvestment plan for the first two quarters of 2011 was 28% compared with 91% in the first two quarters of 2010. The reduction in the payout ratio in the first six months of 2011 compared with the first six months of 2010 was the result of $15.3 million in lower dividends/distributions due to the dividend reinvestment plan, as well as $16.4 million in increased distributable cash flow arising from increased net earnings excluding depreciation and amortization costs. The decrease in net earnings, excluding depreciation and amortization costs, was principally the result of $3.3 million in expenses related to previously announced management changes and Cango acquisition costs, $18.5 million in higher income tax expenses, and a $6.9 million increase in finance costs partially offset by strong commercial volumes associated with colder weather in 2011 versus 2010, the inclusion of 90.7 million litres from Bluewave's January operations which were not included in last year's first quarter results, the acquisition of Island Petroleum effective December 30, 2010 and improved refiners' margins.

Dividends

The following table sets forth the record date, date of payment, payment date, amount per share, and total dividends paid during the quarter:

Record Date	Payment Date	Per Share	Total Dividends (*$000's*)
January 21, 2011	February 15, 2011	0.085	**4,553**
February 28, 2011	March 15, 2011	0.085	**4,579**
March 24, 2011	April 15, 2011	0.085	**4,603**
April 25, 2011	May 14, 2011	0.085	**4,627**
May 20, 2011	June 15, 2011	0.085	**4,659**
June 22, 2011	July 15, 2011	0.085	**5,289**
Total dividends declared to Shareholders in 2011		0.510	**28,310**

2011 Dividend Plan

Parkland intends to continue to pay dividends on a monthly basis of $0.085 per share, equivalent to $1.02 per share annually. Parkland's business has grown significantly over the past several years and a similar growth trajectory is anticipated as the fuel industry continues to consolidate. This dividend level has been set to allow Parkland to continue to execute growth plans through a combination of internally generated funds, external debt and equity capital. At the discretion of Parkland's Board of Directors, Parkland will determine the amount of any future dividends payable. From time to time this amount may vary depending on a number of factors.

Premium Dividend™ and Discount Dividend Re-investment Plan

In January of 2011 Parkland launched the Premium Dividend and discount Dividend Re-Investment Plan ("DRIP") as a means to incrementally raise equity capital for growth and other corporate purposes at a very low cost. In addition to the option of receiving a monthly cash dividend of $0.085 per share, the Premium Dividend™ and enhanced Dividend Reinvestment Plan provide Canadian shareholders with the following options:

- The Premium Dividend™ – this provides eligible shareholders with a 2% cash premium on top of their regular cash dividend. Participants electing this option will receive a monthly payment of $0.0867 per share.

- Dividend Reinvestment – this allows shareholders to purchase additional shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan.

Those shareholders who do not elect to participate in the Premium Dividend™ and enhanced Dividend Reinvestment Plan will still receive their regular monthly dividend of $0.085 per share.

Parkland's DRIP is administered by Valiant Trust. Details are available from Parkland or from Valiant Trust.

CASH FLOW, NET EARNINGS and EBITDA compared to DIVIDENDS/DISTRIBUTIONS

(in thousands of Canadian dollars except per Share/Unit amounts	Three months ended June 30, 2011	Three months ended June 30, 2010
Cash flow from operating activities	**53,921**	18,189
Net (loss) earnings	**(9,313)**	12,713
EBITDA [(1)]	**25,367**	28,272
Dividends / Distributions, net of dividend re-investment plan	**5,147**	14,342
Excess (shortage) of cash flow from operating activities relative to dividends/distributions	**48,774**	3,847
Excess (shortage) of cash flow from net earnings relative to dividends/distributions	**(14,460)**	(1,629)
Excess (shortage) of cash flow from EBITDA relative to dividends/distributions	**20,220**	13,930
(in thousands of Canadian dollars except per share/unit amounts	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash flow from operating activities	**31,899**	33,166
Net earnings	**6,972**	16,399
EBITDA [(1)]	**71,940**	47,419
Dividends / Distributions, net of dividend re-investment plan	**13,024**	28,287
Excess (shortage) of cash flow from operating activities relative to dividends/distributions	**18,875**	4,879
Excess (shortage) of cash flow from net earnings relative to dividends/distributions	**(6,052)**	(11,888)
Excess (shortage) of cash flow from EBITDA relative to dividends/distributions	**58,916**	19,132

(1) Please refer to the Non-GAAP Measures section in the MD&A for a definition of EBITDA.

Net earnings include significant non-cash charges including depreciation and amortization and accretion. These non-cash charges do not impact Parkland's ability to meet its dividend payments.

Q2 2011 vs. Q2 2010

Cash flow from operating activities in the three months ended June 30, 2011 was $48.8 million higher than dividends primarily as a result of $60.2 million in lower accounts receivable partially offset by $32.4 million in lower accounts payable and accrued liabilities. Parkland experienced a 15% improvement in the average time that trade accounts receivable were outstanding in the second quarter of 2011 compared to the first quarter of 2011.

The net loss of $9.3 million in Q2 2011 compared with net income of $12.7 million in Q2 2010 was the result of the following factors:

1. $3.3 million in one-time expenses relating to previously announced management changes and Cango acquisition costs;
2. $4.3 million in higher depreciation and amortization costs; and
3. A $12.8 million increase in income tax expense due to the impact of the conversion from an income trust to a corporation. This was partially the result of the Corporation's inability to continue to reduce taxable income by distributions to unitholders and the impact of changes in the effective income tax rate used in the process of conversion from the Trust to the Corporation.

YTD 2011 vs. YTD 2010

For the six months ended June 30, 2011 versus the same period in 2010, EBITDA was $24.5 million higher due to strong first half of 2011 Commercial Fuels Division performance in the winter fuel season and elevated refiners' margins. Cash flow from operating activities was $31.9 million in the first half of 2011 compared to $33.2 million in the first half of 2010. Higher EBITDA was offset by $6.9 million in higher finance costs and $16.7 million in higher use of non-cash working capital in the first two quarters of 2011 compared to 2010. Dividends are $15.3 million lower in the first half of 2011 than in 2010 as a result of $15.2 million in common shares issued under DRIP in 2011 compared to $1.4 million in fund units issued in the first half of 2010 under the former DRIP program.

Sequential Quarterly Review of Income

($000's except per Share/Unit amounts)	2011		2010			
For the three months ended,	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
Sales and operating revenue	950,290	955,099	824,591	790,825	600,556	675,201
Cost of sales	861,152	841,479	729,319	718,273	522,635	604,782
Gross profit	89,138	113,620	95,272	72,552	77,921	70,419
Expenses						
Operating costs	40,572	47,637	40,999	33,830	32,569	31,448
Marketing, general and administrative	23,890	19,999	19,996	20,702	17,218	20,303
Depreciation and amortization	20,017	17,350	16,788	16,551	15,697	13,881
	4,659	28,634	17,489	1,469	12,437	4,787
Customer finance income	(691)	(589)	(575)	(329)	(138)	(479)
Finance cost	8,382	8,886	8,779	8,191	8,479	1,918
Net Finance costs	7,691	8,297	8,204	7,862	8,341	1,439
(Gain) loss on disposal of property, plant and equipment	436	(891)	(491)	(1,344)	(1,643)	359
(Loss) earnings before income taxes	(3,468)	21,228	9,776	(5,049)	5,739	2,989
Income tax expense (recovery)						
Current	1,052	6,627	28	(28)	3,500	(3,500)
Deferred	4,793	(1,684)	(7,026)	(3,776)	(10,474)	2,803
	5,845	4,943	(6,998)	(3,804)	(6,974)	(697)
Net (loss) earnings	(9,313)	16,285	16,774	(1,245)	12,713	3,686
Comprehensive income	(9,313)	16,285	16,774	(1,245)	12,713	3,686
Retained earnings, beginning of period	-	-	-	-	-	-
Allocation to Class B Limited Partners	-	-	(523)	(22)	(660)	(269)
Allocation to Class C Limited Partners	-	-	(352)	(15)	(449)	(254)
Allocation to Unitholders	-	-	(15,899)	1,282	(11,604)	(3,163)
Retained earnings, end of period	(9,313)	16,285	-	-	-	-
Net earnings per share/unit						
- basic	(0.18)	0.30	$ 0.32	(0.02)	0.25	0.07
- diluted	(0.18)	0.26	0.27	(0.02)	0.22	0.06
Share/units outstanding	62,120	54,048	53,164	47,755	47,675	47,565

Financial Performance for the Three and Six Months Ended June 30, 2011

The highlights for the second quarter of 2011 are as follows:

- Q2 fuel sales volumes increased 13% to 903 million litres compared with 802 million litres in Q2 2010 on organic growth and acquired volumes;
- EBITDA decreased $2.9 million to $25.4 million compared with $28.3 million in Q2 2010 partially as a result of $3.3 million in one-time expenses relating to previously announced management changes and Cango acquisition costs;
- A net loss in Q2 2011 of $9.3 million compared with net income of $12.7 million in Q2 2010 principally from lower EBITDA, a $4.3 million increase in depreciation and amortization expenses and $12.8 million in higher income tax expenses;
- On June 2nd Parkland closed an $86.3 million bought deal equity financing to fund acquisitions and to optimize the balance sheet in preparation for future growth;
- On June 22nd Parkland completed the acquisition of Cango Inc. ("Cango"), a large independent retail operator that distributes more than 400 million litres of petroleum products annually through a network of 155 independent dealers and company operated locations in Ontario; and
- On June 30th Parkland entered into a new three year $450 million revolving credit facility, replacing its previous $400 million 364 day extendible credit facility at superior terms and with more flexible conditions.

Fuel Volumes

Q2 2011 vs. Q2 2010

Fuel volumes increased 101 million litres or 13% to 903 million litres in the second quarter of 2011 from 802 million litres in the prior year. This was the result of strong Commercial Fuels volumes that increased by 77 million litres or 26% in the second quarter of 2011 compared with the second quarter of 2010.

<u>Commercial Fuel Volumes</u>

For the three months ended June 30, 2011 commercial fuel volumes increased 26% or 77 million litres to 377 million litres compared with 300 million litres for the same period in 2010 primarily due to improved organic growth, an increase in large volume or wholesale transactions within the Commercial Fuels Division, and the acquisition of Island Petroleum effective December 30, 2010.

<u>Retail Fuel Volumes</u>

For the three months ended June 30, 2011 retail fuel volumes increased 3% or 10 million litres to 374 million litres compared with 364 million litres for the same period in 2010 due primarily to the acquisition of Cango, seven Save-on-Food sites.

YTD 2011 vs. YTD 2010

Year-to-date fuel volumes increased 19% to 1.9 billion litres at the end of the second quarter of 2011 from 1.6 billion litres in the prior year primarily from 250 million litres in higher Commercial Fuels volumes due to colder weather experienced in 2011, the inclusion of 90.7 million litres from Bluewave's January operations which were not included in last year's first quarter results, organic growth and acquired volumes.

Segmented Sales, Cost of Sales and Gross Profit

The following table details sales and operating revenue, cost of sales and gross profit for Parkland's business segments:

	Three months ended June 30,			Six months ended June 30,		
(in millions of Canadian dollars)	**2011**	2010	% Change	**2011**	2010	% Change
Fuel Marketing Segment						
Sales	**857.0**	551.7	55	**1,750.9**	1,185.2	48
Cost of sales	**791.8**	493.2	61	**1,599.2**	1,077.8	48
Gross profit	**65.2**	58.4	12	**151.8**	107.4	41
Gross margin	**7.6%**	10.6%		**8.7%**	9.1%	
Non-Fuel Commercial Segment						
Sales	**69.4**	35.5	95	**118.8**	63.0	89
Cost of sales	**52.3**	24.7	112	**83.8**	40.2	108
Gross profit	**17.0**	10.8	57	**35.0**	22.8	54
Gross margin	**24.5%**	30.4%		**29.5%**	36.2%	
Other Non-Fuel Segment						
Sales	**23.9**	13.4	78	**35.7**	27.6	29
Cost of sales	**17.0**	4.7	-	**19.7**	9.5	-
Gross profit	**6.9**	8.7	(21)	**16.0**	18.1	(12)
Gross margin	**28.9%**	64.9%		**44.8%**	65.6%	
Gross Profit Sources						
Total consolidated gross profit	**89.1**	77.9	14	**202.8**	148.3	37
Less:						
Gross profit on commercial sales	**17.0**	10.8	57	**35.0**	22.8	54
Other revenue included in gross profit	**6.9**	8.7	(21)	**16.0**	18.1	(12)
Fuel marketing gross profit	**65.2**	58.4	12	**151.8**	107.4	41
Cents per litre	**7.22**	7.28	(1)	**7.88**	6.65	18

Fuel Marketing Segment

Fuel marketing consists of the sale and delivery of gasoline, diesel and to a lesser extent propane through the Corporation's commercial, retail, and wholesale distribution channels. It is the Corporation's most important segment and the focus of its operations.

Q2 2011 vs. Q2 2010

For the three months ended June 30, 2011, Parkland's fuel marketing segment accounted for approximately 90% of sales and operating revenue compared with 92% in Q2 2010; and approximately 73% of gross profit compared with 75% in Q2 2010.

Fuel marketing sales increased 55% to $857.0 million in the quarter ended June 30, 2011 from $551.7 million in the second quarter of 2010. The increase in fuel marketing sales was primarily driven by higher volumes and prices for the reasons described above.

Q2 2011 fuel gross profit increased 12% to $65.2 million compared with $58.4 million in Q2 2010.

Please refer to the operational reviews of Parkland's commercial and retail operations found at the front of the MD&A for an in-depth discussion on fuel margins and volumes for the quarter.

YTD 2011 vs. YTD 2010

Year-to-date Parkland's fuel marketing segment accounted for approximately 92% of sales and operating revenue compared with 93% at the end of Q2 2010; and approximately 75% of gross profit compared with 72% in Q2 2010.

Year-to-date fuel marketing sales increased 48% to $1.8 billion for the period ending June 30, 2011 compared with $1.2 billion in Q2 2010. The increase in fuel marketing sales was primarily driven by higher volumes and higher prices for the reasons described above.

For the six month period ending June 30, 2011, year-to-date fuel gross profit increased 41% to $151.8 million compared with $107.4 million at the end of June 30, 2010.

Parkland Supply & Wholesale and Refiners' Margins

Parkland Supply & Wholesale, a part of the Fuel Marketing Segment, includes profits from Parkland's participation in refiners' profit margins and modest profits from wholesale fuel sales. Parkland participates in refiners' margins for a portion of its supply volumes. Refiners' margins are driven by supply and demand, over which the Corporation has no control. Parkland continues to execute its strategy to build fuel marketing profits to offset fluctuations in refinery margins that are expected to continue until the termination of the Suncor contract on December 31, 2013.

Q2 2011 vs. Q2 2010

Gross profit in the Parkland Supply & Wholesale Division increased by 6% or $0.8 million to $14.1 million for the three months ended June 30, 2011, compared with $13.3 million for the same period in 2010.

YTD 2011 vs. YTD 2010

Year-to-date, gross profit in the Parkland Supply & Wholesale Division increased $20.2 million to $30.4 million for the period ended June 30, 2011, compared with $10.2 million for the same period in 2010. Refiners' margins in 2011 have remained strong, increasing by $17.4 million for the six months ended June 30, 2011 versus the six months ended June 30, 2010.

Product supplies appear to be adequate to meet forecasted commitments.

Non-Fuel Commercial Segment

Parkland's Non-Fuel Commercial Segment consists of agricultural inputs, lubricants, and other products that do not fall into the fuel category.

Q2 2011 vs. Q2 2010

For the three months ended June 30, 2011, this segment accounted for approximately 7% of sales and operating revenue compared with 6% in Q2 2010; and approximately 19% of gross profit compared with 14% in Q2 2010.

Non-Fuel Commercial revenue increased to $69.4 million in the second quarter of 2011 from $35.5 million in the second quarter of 2010 due to additional lubricant business and improved agricultural sales. While wet conditions delayed sales in the agricultural portion of Parkland's business in April, vigorous activity in May and June made up for the lost ground.

YTD 2011 vs. YTD 2010

Year-to-date this segment accounted for approximately 6% of sales and operating revenue compared with 5% in 2010; and approximately 17% of gross profit compared with 15% in 2010.

Year-to-date, Non-Fuel Commercial revenue increased 89% to $118.8 million for the six months ended June 30, 2011 compared with $63.0 million in the first two quarters of 2010 due to additional lubricant and agricultural sales.

Other Non-Fuel Segment

Parkland's Other Non-Fuel Segment consists of convenience store revenue, lottery revenue, externally charged freight revenue, retail variable rents received from Parkland's Retailers, and vendor rebates.

Q2 2011 vs. Q2 2010

For the three months ended June 30, 2011, this segment accounted for approximately 3% of sales and operating revenue compared with 2% in Q2 2010; and approximately 8% of gross profit compared with 11% in Q2 2010.

While sales in this segment increased 78% to $23.9 million in Q2 2011 compared with $13.4 million in Q2 2010, Other Non-Fuel gross profit decreased by 21% or $1.8 million to $6.9 million in Q2 2011 compared with $8.7 million in Q2 2010. The decrease is partly due the conversion of Parkland's retail fuel sites to a commission operated model combined with a number of lower margin annual renewals with commissioned operators compared to 2010. Parkland has implemented an enhanced process to monitor and ensure renewals provide earnings improvements on average.

YTD 2011 vs. YTD 2010

Year-to-date this segment accounted for approximately 2% of sales and operating revenue compared with 2% at the end of Q2 2010; and approximately 8% of gross profit compared with 12% in Q2 2010.

Year-to-date, Other Non-Fuel revenue increased 29% to $35.7 million in 2011 compared with $27.6 million in 2010. However, for the same reasons cited above, gross profit in this segment decreased 12% to $16.0 million in 2011 compared with $18.1 million in 2010.

Consolidated Financial Performance

Revenue

Q2 2011 vs. Q2 2010

Sales and operating revenue for the three month period ended June 30, 2011 increased by 58% to $950.3 million compared with $600.6 million during the second quarter of 2010. This is due to the 13% increase in fuel volumes previously discussed, as well as a result of the increase in the cost of crude oil and refined product. Revenue per litre increasing 30 cents, or 41%,per litre from Q2 2010 to Q2 2011.

YTD 2011 vs. YTD 2010

Sales and operating revenue for the six months ended June 30, 2011 increased by 49% to $1.9 billion compared with $1.3 billion for the first two quarters of 2010. This is due to the 19% increase in fuel volumes in 2011 versus 2010, in addition to the increase in fuel prices. Revenue per litre increasing 20 cents, or 25%, per litre from 2010 to 2011.

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Gross Profit

Q2 2011 vs. Q2 2010

Gross profit for the three months ended June 30, 2011 increased 14% or $11.2 million to $89.1 million compared with $77.9 million for the same period in 2010. Parkland's fuel volumes increased 13% in the second quarter of 2011 compared with the same period in 2010. On a product segment basis:

- Fuel gross profit increased 12% or $6.8 million to $65.2 million in Q2 2011 compared with $58.4 million in Q2 2010. The increase is due to higher volumes through organic growth and acquired business as well as higher fuel marketing margins. In addition, refiners' margins remained robust through Q2 2011.

- Commercial non-fuel gross profit increased by 57% or $6.2 million to $17.0 million in Q2 2011 compared with $10.8 million in Q2 2010. The increase in commercial non-fuel gross profit is due to a strong agricultural season, as well as increased lubricant sales, primarily from the Shell lubricant business acquired in Q3 2010 which is a high margin business.
- Other revenue gross profit decreased 20% or $1.8 million to $6.9 million in Q2 2011 compared with $8.7 million in Q2 2010.

YTD 2011 vs. YTD 2010

Year-to-date gross profit for the six months ended June 30, 2011 increased by 37% to $202.8 million compared with $148.3 million for the six months ended June 30, 2010. Parkland's fuel volumes increased 19% in the six months ended June 30, 2011 compared to 2010. On a product segment basis:

- Fuel gross profit increased 41% or $44.4 million to $151.8 million at the end of Q2 2011 compared with $107.4 million at the end of Q2 2010. This increase is attributable to fuel volumes increasing by 19% compared with 2010, due mostly to higher commercial volumes from added business from Bluewave Energy in January 2011, Island Petroleum business acquired December 2010, and organic growth. Strong refiners' margins for the first six months of 2011 have improved gross profit compared to the first six months of 2010.
- Commercial non-fuel gross profit increased by 54% or $12.2 million to $35.0 million at the end of Q2 2011 compared with $22.8 million at the end of Q2 2010. The increase in commercial non-fuel gross profit is due to the factors described above for the quarter.
- Other revenue gross profit decreased 12% or $2.2 million to $16.0 million at the end of Q2 2011 compared with 18.1 million at the end of Q2 2010.

Operating and Direct Expenses

Q2 2011 vs. Q2 2010

Operating and direct costs increased by 25% to $40.6 million (4.5 cpl) for the three months ended June 30, 2011, compared with $32.6 million (4.1 cpl) in Q2 2010. The $8.0 million increase in Parkland's operating and direct costs for the three month period can be attributed to increased sales activity during the quarter, higher commercial fleet costs due to higher fuel prices, and an increase in Commercial Fuels volumes from 37% of fuel sold in the second quarter of 2010 to 43% of fuel sold in the second quarter of 2011 with associated delivery costs.

YTD 2011 vs. YTD 2010

Operating and direct costs for the year-to-date increased by 38% to $88.2 million (4.6 cpl) for the period ending June 30, 2011, compared with $64.0 million (4.0 cpl) for the same period in 2010. The increase for the six months ended June 30, 2011 is the result of increased commercial volumes due to organic growth and recent commercial acquisitions combined with increased fuel prices and delivery charges.

Marketing, General and Administrative Expenses

Q2 2011 vs. Q2 2010

Marketing, general and administrative expenses increased 39% or $6.7 million to $23.9 million (2.7 cpl) for Q2 2011 compared with $17.2 million (2.1 cpl) in Q2 2010. While part of this increase is activity related, $3.3 million is the result of one-time expenses relating to previously announced management changes and Cango acquisition costs. Furthermore, additional costs were borne at the corporate level for IFRS and C-Sox consultants, as well as additional auditing services to support IFRS conversion.

YTD 2011 vs. YTD 2010

Year-to-date marketing, general and administrative expenses increased 17% or $6.4 million to $43.9 million (2.3 cpl) for the period ended June 30, 2011, compared with $37.5 million (2.3 cpl) for the period ended June 30, 2010.

The quarter ended March 31, 2010 included $2.9 million in expenses related to the Bluewave Energy acquisition.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Q2 2011 vs. Q2 2010

EBITDA for the second quarter of 2011 decreased by 10% to $25.4 million compared with $28.3 million in Q2 2010. The decrease in EBITDA is the result higher variable costs combined with higher marketing, general and administrative expenses partially offset by fuel sales volume increases.

YTD 2011 vs. YTD 2010

Year-to-date EBITDA for the period ended June 30, 2011 was $71.9 million, an increase of 52% compared with $47.4 million at the end of Q2 2010 due to strong commercial results and improved refiners' margins.

Depreciation and Amortization

Q2 2011 vs. Q2 2010

Depreciation and amortization expenses in Q2 2011 increased 27% or $4.3 million to $20.0 million compared with $15.7 million in Q2 2010. The increase for the quarter was partly due to $3.2 million in deferred finance fees related to the previous credit facility as a result of Parkland's transition to the new revolving extendible credit facility executed on June 30, 2011.

YTD 2011 vs. YTD 2010

Year-to-date depreciation and amortization expenses for the period ended June 30, 2011 increased 26% or $7.8 million to $37.4 million compared with $29.6 million at the end of Q2 2010.

Increases in depreciation and amortization across both periods that are not otherwise attributed are a function of Parkland's continuing strategy to acquire fuel marketing assets which include both tangible assets and intangible assets that are generally amortized over a five to ten year period.

Finance Costs

Q2 2011 vs. Q2 2010

Finance costs were $8.4 million in the second quarter compared with $8.5 million for the same period in 2010. Finance costs relate to interest on long-term debt and interest and accretion on convertible debentures.

Interest on long-term debt for the second quarter of 2011 was $5.4 million versus $6.6 million in the second quarter of 2010. Interest and accretion on convertible debentures for the second quarter of 2011 was $2.4 million versus $1.8 million in the second quarter of 2010.

Long-term debt including the current portion has decreased to $280.7 million as at June 30, 2011, down $47.4 from $328.1 million at June 30, 2010 due to a portion of the proceeds from the June 2, 2011 $86 million equity raise being used to reduce the amount outstanding on Parkland's credit facility during Q2 2011.

YTD 2011 vs. YTD 2010

Finance costs year-to-date were $17.3 million at the end of the second quarter compared with $10.4 million at the end of Q2 2010. This increase is primarily attributable to increased borrowings to finance higher working capital requirements and interest on the series 2 5.75% convertible debenture that commenced December 2010.

Interest on long-term debt year-to-date at the end of Q2 2011 was $10.3 million compared with $11.6 million at the end of Q2 2010.

Income Tax

Q2 2011 vs. Q2 2010

An income tax expense of $5.8 million was incurred in the second quarter compared with a recovery of $7.0 million for the same period in 2010.

YTD 2011 vs. YTD 2010

Year-to-date an income tax expense of $10.8 million was incurred at the end of Q2 2011 compared with a recovery of $7.7 million at the end of Q2 2010.

The increase in income tax expense across both periods resulted from the impact of the conversion from an income trust to a corporation. This was partially the result of the Corporation's inability to continue to reduce taxable income by distributions to unitholders and the impact of changes in the effective income tax rate used in the process of conversion from the Trust to the Corporation.

Earnings

Q2 2011 vs. Q2 2010

Parkland incurred a net loss in the second quarter of 2011 of $9.3 million, compared with net earnings of $12.7 million for the same period in 2010. The decrease in net earnings in Q2 was directly attributable to decreased EBITDA, increased depreciation and amortization, and increased income tax.

YTD 2011 vs. YTD 2010

Year-to-date, net earnings for the period ended June 30, 2011 were $7.0 million, a decrease of $9.4 million from $16.4 million for the same period in 2010. The decrease in net earnings in Q2 was directly attributable to increased EBITDA, offset by increased depreciation and amortization, and increased income tax.

Cash Balances and Cash Flow Activity

Q2 2011 vs. Q2 2010

Parkland's cash position increased by $15.6 million in the second quarter of 2011 compared to an increase of $32.3 million in the second quarter of 2010. For the three month period ended June 30, 2011, operating activities generated $53.9 million of cash versus $18.2 million in cash flow in the second quarter of 2010. Cash generated from a decrease in non-cash working capital of $37.0 million in the second quarter of 2011 compared to cash generated of $0.5 million in the second quarter of 2010. Accounts receivable decreased by $60.2 million in the second quarter of 2011. Accounts payable and accrued liabilities decreased $32.4 million in the second quarter of 2011.

Financing activities in the second quarter of 2011 used $11.8 million of cash flow, which included a total use of cash flow of $90.2 million from long-term debt repayments, repayments of bank indebtedness less proceeds from long-term debt. The June 2nd bought deal equity financing arrangement resulted in net proceeds of $83.5 million for the new share issue. Financing activities generated $20.8 million in cash flow in the second quarter of 2010.

Investing activities in the second quarter of 2011 used $26.5 million in cash flow, which included $17.8 million in net cash expenditures related to the Cango Inc. acquisition. Investing activities used $6.7 million in cash flow in the second quarter of 2010.

YTD 2011 vs. YTD 2010

Parkland's cash position increased by $13.5 million in the six months ended June 30, 2011 compared to an increase of $52.8 million in 2010. For the first two quarters of 2011, operating activities generated $31.9 million of cash versus $33.2 million in cash flow in 2010. Cash used from an increase in non-cash working capital of $17.8 million in 2011 compared to a use of cash of $1.1 million in 2010 from an increase in non-cash working capital. Accounts receivable increased by $8.2 million in the first six months of 2011. Accounts payable and accrued liabilities decreased $16.7 million in the first two quarters of 2011.

Financing activities in 2011 generated $23.9 million of cash flow, which included a total use of cash flow of $47.2 million from long-term debt repayments less proceeds from long-term debt. The June 2nd bought deal equity financing arrangement resulted in net proceeds of $82.6 million for the new share issue. Financing activities generated $242.2 million in cash flow in the first six months of 2010.

Investing activities in 2011 used $42.3 million in cash flow, which included $17.8 million in net cash expenditures related to the Cango Inc. acquisition and $12.2 million used in the Island Petroleum acquisition. Investing activities used $222.6 million in cash flow in the first two quarters of 2010, which included $204.4 million of cash used to purchase Bluewave.

Property Plant and Equipment and Intangible Assets

For accounting purposes, amounts expended on both maintenance and growth capital are treated as purchases of capital assets. The classification of capital as growth or maintenance is subject to judgment, as many of the Corporation's capital projects have components of both. It is the Corporation's policy to classify all capital assets related to service station upgrades or the replacement and betterment of its trucking fleet as maintenance capital. The construction of a new building on an existing site or the additions of new trucks and trailers to increase the size of the fleet is considered growth capital.

Q2 2011 vs. Q2 2010

During the second quarter of 2011, the Corporation's total additions of property, plant and equipment and intangibles, consisting of maintenance capital and growth capital, were $6.9 million compared with $8.5 million for the same period in 2010. Maintenance capital in the quarter ended June 30, 2011 was $1.5 million compared with maintenance capital of $2.1 million in the second quarter of 2010. Growth capital in the second quarter of 2011 was $5.4 million, compared with $6.4 million in growth capital for the same period last year.

YTD 2011 vs. YTD 2010

During the first six months of 2011, the Corporation's total additions of property, plant and equipment and intangibles, consisting of maintenance capital and growth capital, were $12.9 million compared with $19.3 million for the same period in 2010. Maintenance capital in the six months ended June 30, 2011 was $5.1 million compared with maintenance capital of $6.1 million in 2010. Growth capital in the first two quarters of 2011 was $7.8 million, compared with $13.2 million in growth capital for the same period last year.

Summary of the Eight Most Recently Completed Consolidated Quarterly Results

(millions of Canadian dollars, except volume and per share/unit amounts)

For the three months ended	2011		2010				2009 (1)	
	30-Jun	31-Mar	Dec-31	Sep-30	30-Jun	31-Mar	31-Dec	30-Sep
Fuel volume (millions of litres)	**903**	1,024	980	901	802	816	728	712
Sales and Operating Revenue	**950.3**	955.1	824.6	790.8	600.6	675.2	542.4	543.1
Net (loss) earnings	**(9.3)**	16.3	16.8	(1.2)	12.7	3.7	4.5	10.1
EBITDA	**25.4**	46.6	34.9	18.3	28.3	19.1	13.7	21.4
Net (loss) earnings per Share/Unit								
Basic	**($0.18)**	$0.30	$0.32	($0.02)	$0.25	$0.07	$0.09	$0.20
Diluted	**($0.18)**	$0.26	$0.27	($0.02)	$0.22	$0.06	$0.09	$0.20

(1) Amounts reported in 2009 have not been restated and are reported using Previous GAAP

Parkland's fuel sales were 903 million litres in the second quarter of 2011 and continues to generate increased fuel volume each quarter compared with the corresponding quarters in the prior year, generally as a result of acquisitions in prior quarters.

Financial Condition, Capital Resources and Liquidity

Parkland successfully closed a bought deal equity financing on June 2, 2011. Including the over-allotment option that was fully exercised by the syndicate of underwriters, the offering raised $86.3 million in gross proceeds. The syndicate purchased 7,130,000 common shares (representing 13% of Parkland's float prior to this issue) for resale to the public on a bought deal basis at a price of $12.10 per share. The equity proceeds were used to pay for the Cango acquisition with the balance used to reduce Parkland's credit facility

A new revolving extendible credit facility (the "Extendible Facility") agreement was executed on June 30, 2011 for a period of three years. The facility is extendible each year for a rolling three year period at the option of Parkland. The Extendible Facility is for a maximum amount of $450 million with interest only payable at the bank's prime lending rate plus 1% to 2.5% per annum. The Extendible Facility includes a revolving operating loan to a maximum of $450 million less the value of letters of credit issued. The letter of credit facility is to a maximum of $60 million. The new Extendible Facility also includes a $100 million accordion feature that could potentially increase the total lending capacity to $550 million. Security on the Extendible Facility is the assignment of insurance and a floating charge demand debenture for $650 million creating a first floating charge over all of the undertaking, property and assets of Parkland.

At June 30, 2011, Parkland had $276.5 million in long-term debt (excluding $4.2 million of the current portion of long-term debt, the $91.2 million remaining amount of series 1 convertible unsecured subordinated debentures outstanding and the $43.2 million remaining amount of series 2 convertible unsecured subordinated debentures outstanding), compared with $326.2 million at June 30, 2010 (excluding $1.8 million of the current portion of long-term debt and the $88.3 million remaining amount of series 1 convertible unsecured subordinated debentures outstanding).

Based on the balance of Parkland's seasonal business, management believes that cash flow from operations will be adequate to fund maintenance capital, interest, income taxes and targeted dividends. Growth capital expenditures in 2011 will be funded by cash flow from operations, proceeds from the Premium Dividend™ and Dividend Reinvestment Plan, and by the Extendible Facility. Any additional debt incurred will be serviced by anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends paid to shareholders, issue new shares, issue new debt or repay existing debt.

On March 15, 2011, Parkland obtained a $25 million unsecured bridge loan which was repaid on May 5, 2011. The unsecured bridge loan proceeds were used to finance short term working capital needs that arose due to higher commercial fuel sales volumes at higher fuel prices. The interest rate on the unsecured bridge loan was at the bank's prime lending rate plus 4%. At June 30, 2011 Parkland had $32 million of cash on hand at various banks compared with a cash balance of $70.4 million on hand at June 30, 2010.

At June 30, 2011, Parkland was in compliance with all debt covenants. The new Extendible Facility retained the "net debt" concept where cash on hand is treated as a reduction to debt to determine covenant compliance. Debt covenant ratios are tested on a trailing four quarter EBITDA basis. The financial covenants under the Extendible Facility are as follows:

1. Ratio of current assets to current liabilities shall not be less than 1.10 to 1.00 on a consolidated basis;
2. Ratio of funded debt (which excludes the convertible debentures but includes issued letters of credit) to EBITDA shall not exceed 3.00 to 1.00 for Q2 and Q3 and 3.50 to 1.00 for Q1 and Q4; and
3. Ratio of EBITDA less maintenance capital expenditures and taxes to the sum of interest, principal and dividends after DRIP proceeds shall not be less than 1.15 to 1.00;

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its financial liability obligations. Parkland manages its liquidity risk through cash and debt management. In managing liquidity risk, Parkland has access to various credit products at competitive rates.

Parkland believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

Enterprise Resource Planning (ERP) Implementation

During 2010 Parkland implemented an ERP system with the view to enhancing Parkland's long-term efficiency, expanding Parkland's ability to integrate future acquisitions, and building a sustainable platform for future growth and operational improvements. The majority of the earlier implementation issues with the ERP system have either been resolved or personnel are working towards resolution. Processes continue to be streamlined to automate and simplify the day to day document flow within Parkland. Further integration of staff and functions within local branches and across broad geography continues to be a focus area in 2011 to harmonize and simplify, to remove unnecessary costs and strengthen business controls. During the quarter, Parkland also continued reconciling and settling customer accounts that were disrupted by the 2010 implementation.

The ERP system implementation began on March 1, 2010 when the majority of Parkland's operating divisions, excluding Columbia Fuels and Bluewave, migrated their supply-chain and accounting transaction streams onto the ERP platform. This unified the essential operational data of these business units with Parkland's core business functions. The initial implementation experienced complications with processing certain sales transactions which resulted in invoicing delays, delayed customer collections and increased working capital requirements. In response to these initial implementation complications, and to compensate for any deficiencies identified, Parkland implemented a number of analytical procedures that were designed and operated throughout the year and at quarter-ends including the quarter ended June 30, 2011. The procedures included additional account reconciliations, specific transaction price and volume testing procedures, senior management review of adjustments and operational results, including comparisons to budget and prior period(s) results and other analytical procedures. A dedicated team was put in place to monitor the resolution of outstanding issues with the ERP system under the guidance of a sub-committee of the Board of Directors.

Parkland continues to prepare for the controlled migration of Columbia Fuels and Bluewave onto the ERP system later in 2011, and the implementation of additional modules to expand the functionality of the system. Based on the experience gained during the initial implementation, Parkland has refined its approach to beta testing and implementation. Parkland will continue to utilize a staged approach that will require new information technologies to first be deployed in a test (beta) environment, running in parallel with existing systems where possible. New systems will not be implemented until they have stabilized in the test environment, and have demonstrated a robust capacity to manage their data streams.

While Parkland will continue to utilize qualified and experienced external consultants to assist in future technology implementations, its growing internal base of expertise in implementing new systems will reduce the Corporation's use of external resources over time.

Once fully implemented, the ERP system will provide Parkland with a comprehensive back office system that will help support and optimize the management of Parkland's fuel supply chain and be the foundation platform for future acquisitions.

Critical Accounting Estimates

Estimates are used when accounting for items such as impairment and valuation allowances for accounts receivable and inventory, calculation of fair value for the convertible debentures, intangibles and goodwill, amortization of property plant and equipment, asset retirement obligations, the refinery remediation accrual, amortization and income taxes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

<u>Accounts Receivable</u>

Parkland's accounts receivable have been reduced for amounts that have been deemed uncollectible. At June 30, 2011 the provision for credit losses was $9.6 million (December 31, 2010 - $8.3 million). This amount is based on management's judgment and assessment of the financial condition of Parkland's customers and the industries in which they operate. The provision for credit losses is subject to change as general economic, industry and customer specific conditions change.

<u>Inventory</u>

Parkland's inventory is comprised mainly of products purchased for resale including fuel, lubricants, agricultural and convenience store products. The products are valued at the lesser of cost or net realizable value. The determination of the net realizable value includes certain estimates and judgements which could affect the ending inventory valuations.

<u>Amortization and Accretion</u>

The amortization of capital assets and intangibles incorporates the use of estimates for useful lives and residual values. These estimates are subject to change as market conditions change or as operating conditions change. Accretion expense is recognized on the estimated future asset retirement obligations for current sites and for the future estimated cost of the Bowden refinery remediation. These future obligations are estimated and are subject to change over time as more experience is obtained or as conditions change.

Asset Retirement Obligations

The estimated future costs to remove underground fuel storage tanks at locations where Parkland has a legal or constructive obligation to remove these tanks are recorded as asset retirement obligations at the time the tanks are installed. A corresponding increase to the carrying value of the fuel storage tanks is also recorded at installation. The future retirement costs are estimated in consultation with Parkland's environmental technicians and based on industry standards and would be subject to change as more experience is obtained and as conditions change. The costs are expected to be incurred between 2011 and 2046 and the total undiscounted obligation at June 30, 2011 was estimated at $32.7 million with a net present value of the obligations accrued at June 30, 2011 of $22.1 million (December 31, 2010 - $12.3 million).

Intangibles and Goodwill

Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment is assessed at the Cash Generating Unit (CGU) level. Intangible assets, other than goodwill, that suffered a previous impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Income Taxes

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates at the consolidated balance sheets dates that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net earnings (loss) in the period during which they occur. Changes in the assumptions used to derive the future income tax rate could have a material impact on the future income tax expense or recovery incurred in the period.

Convertible Debentures

Under Previous GAAP, before the December 31, 2010 conversion to a corporation from a trust (the "Conversion"), a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS an equity portion is not determined; rather the embedded derivative arising from the equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the Consolidated Statements of Comprehensive Income in finance costs as "revaluation of embedded derivative". Under IFRS the binomial method was used to value the conversion feature for the Debentures. On Conversion the Series 1 Debentures had a conversion feature value of $0 and the previously recognized conversion feature of $5,266 was re-valued accordingly. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had a conversion value of $0. Post Conversion there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the Consolidated Balance Sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

Bowden Refinery

In December 2004, Parkland eliminated the carrying value of its Bowden refinery and recorded a net liability of $3.4 million for future estimated costs of remediation of the site, based on the uncertainty of creating an alternative to the refinery being dismantled and remediated. The Refinery Remediation Accrual represents the present value estimate of Parkland's cost to remediate the site.

Parkland has previously used the refinery site for processing fluids used in the oilfields. The contract was terminated and Parkland is, therefore, continuing to pursue other economically viable uses for the refinery site. Parkland uses the tanks for storage and has been upgrading the equipment for use as a railroad terminal and plans to use the tanks for storage and shipping product by rail. Therefore any decision to dismantle, remediate and sell the refinery site has been deferred. The obligations relating to future environmental remediation, however, continue to exist. The timing of this remediation is uncertain at this point of time.

Assuming Parkland continues operations at the refinery site, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the discounted cost of remediation on the basis that operations continue and that remediation would be part of a multi-year management plan. Remediation costs have been estimated using independent engineering studies conducted in December 2007. The total undiscounted estimated future cash flows, to be incurred over an extended period after operations cease, are approximately $13.8 million (December 31, 2010 - $13.8 million). The costs are expected to be incurred between 2018 and 2027. The discount rate used to determine the present value of the future costs is 6.90% (December 31, 2010 - 6.90%).

Impairment of Assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. The expected cash flows are derived from budgets and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate goodwill and other non-financial assets could result in a material change to the results of operations. The Corporation tests whether goodwill has suffered any impairment at least annually. Other non-financial assets are tested for impairment when indicators of impairment arise.

The Corporation did not identify any indicators of impairment at the Transition Date. An impairment test was conducted at the Transition Date and the recoverable amount of the CGU was determined on a value in use basis. This calculation used pre-tax cash flow projections based on expected performance and on management’s expectations of market developments. The growth rates used were consistent with the forecasts included in industry reports. Pre-tax discount rates reflect specific risks relating to the CGU.

Financial Instruments

Credit and Market Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. The credit risk is minimized by Parkland's broad customer and geographic base. In light of the current market conditions, Parkland's credit department has been expanded and policies strengthened to control the credit granting process. The Corporation manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. The Corporation attempts to closely monitor financial conditions of its customers and the industries in which they operate. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored.

As at June 30, 2011, Parkland's accounts receivable balance was $295.5 million, up $57.4 million from the June 30, 2010 balance of $238.1 million. The increase in accounts receivable is principally due to the 62% increase in Commercial Fuels sales from the second quarter of 2010 to the second quarter of 2011. Parkland has experienced a 15% improvement in the average period of time trade accounts receivable are outstanding in the second quarter of 2011 compared to the first quarter of 2011.

Accounts receivable outstanding for more than 90 days past terms have increased by $5.1 million from $12.9 million at December 31, 2010 to $18.0 million at June 30, 2011.

At June 30, 2011, the provision for credit losses was $9.6 million, up $1.3 million from $8.3 million as at December 31, 2010. Parkland considers the total reserve to be adequate.

Interest Rate Risk

Parkland is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. The $97.8 million series 1 convertible unsecured subordinated debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010. The $45.0 million principal amount of series 2 convertible unsecured subordinated debentures bear interest at a 5 year annual fixed rate of 5.75% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The fixed rates of the series 1 and series 2 convertible unsecured subordinated debentures reduce Parkland's exposure to variable rates.

Foreign Exchange Risk

The Corporation purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar to the US dollar can result in foreign exchange gains and losses. As at June 30, 2011 Parkland had US dollar accounts payable totalling $US0.9 million and US dollar cash of $US0.7 million and as a result the Corporation would not be exposed to a significant foreign exchange loss.

Off Balance Sheet Arrangements

Parkland has not engaged in any off balance sheet arrangements.

Non Capital Resources

Employees

Parkland's ability to deliver on its strategy is contingent on retaining and attracting employees with the proper skill sets to drive the key initiatives forward. As such, there is a focus on recruiting and retaining key employees. To date, Parkland has been successful at filling critical positions as needed. Compensation plans for senior management have significant incentive arrangements, with overall compensation dependent on Parkland's performance, business unit operating performance and results on individually identified key initiatives.

Parkland has an active Human Resources department, with compensation plans and benefits reviewed on an ongoing basis to best meet the needs of Parkland and the various employee groups it includes. Parkland provides a share purchase plan with matching employer contributions. A profit sharing plan is also available to most employees with greater than one year service. Initiatives like these are intended to bring a sense of ownership to the employee groups as increases in profits and share prices are beneficial to all.

Safety

In addition to other risks, Parkland's primary business involves the transportation and sale of fuel products and other dangerous goods such as anhydrous ammonia, which have an inherently high degree of risk. Parkland provides training to all staff as required to mitigate these risks and has operations and response procedures to cover risk situations. Safety bonuses are also provided to employees in higher risk roles as a means of motivating safe performance of duties.

Parkland's Health, Safety & Environment (HSE) program includes comprehensive policies and procedures to protect the Corporation's workers, the public and the environment. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees. The HSE committees represent all areas of Parkland's business and, as part of the overall program, ensure that identified risks are properly mitigated.

Parkland maintains a Certificate of Recognition (COR) in two provinces, and is a proud participant in Alberta WCB's Partnerships in Injury Reduction program. In the third quarter of 2010 Parkland successfully underwent a comprehensive external audit to re-certify its operations.

Technology

Parkland utilizes a number of information technology systems that assist and support the administration and control of its operations. Technology initiatives are primarily implemented using in-house resources with additional assistance from outside consultants when required.

Parkland's technology initiatives include:

- Upgrading Point of Sale systems and implementing the Europay, MasterCard and Visa ("EMV") payment system at convenience store and service station sites;
- Upgrading cardlock hardware and software;
- Expanding the use of its handheld inventory billing devices for bulk fuel sales; and
- Continued maintenance and security related to overall network administration and emergency response processes.

Parkland is currently undergoing extensive business process re-engineering and the upgrade and continued integration of its ERP system software. Parkland has engaged external consultants who have experience in the fuel marketing industry and in the implementation of the ERP system chosen by Parkland. These consultants have assisted with various phases of the project including system/process design, implementation, stabilization and sustainment.

Business Risks

Risks Related to the Business and the Industry

Retail Pricing and Margin Erosion

Retail pricing for motor fuels is very competitive, with major oil companies and newer entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal over-supply and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in Parkland's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively. Furthermore, difficult fuel market conditions may also adversely affect Parkland's major customers and create increased credit risk. These risks are partially mitigated by Parkland's other sources of revenue, conservative credit policies, geographic diversification and by the wholesale business, which typically would only share in a portion of any market erosion. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

Competition

Parkland competes with major integrated oil companies, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retail segments have entered the motor fuel retail business, including supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and this could grow. In some of Parkland's markets, competitors have been in existence longer and have greater financial, marketing and other resources than Parkland does. Parkland may not be able to compete successfully against current and future competitors, and competitive pressures faced by Parkland could materially and adversely affect Parkland's business, results of operations and financial condition.

Volatility in Crude Oil Prices and in Wholesale Petroleum Pricing and Supply

Parkland's motor fuel and propane revenues are a significant component of total revenues. Crude oil and domestic wholesale petroleum markets display significant volatility. Parkland is susceptible to interruptions in supply. General political conditions and instability in oil producing regions, particularly in the Middle East, Africa and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in wholesale petroleum supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. Higher supply and fuel costs can also result in increased working capital and corresponding financing requirements. In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence Parkland's motor fuel volume, motor fuel gross profit and overall customer traffic, which, in turn, could have a material adverse effect on the Corporation's operating results and financial condition. The development of the oilsands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volumes in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region.

Parkland's supply contract with Suncor allows Parkland to participate in refiners' margins. These margins are volatile and not assured. Parkland has received notice from Suncor that the supply contract will terminate on December 31, 2013. The Suncor supply contract represents annual fuel volume of approximately one billion litres. Suncor volumes currently account for less than a third of Parkland's total fuel supply, and the Corporation is continually negotiating new supply agreements for its supply portfolio. In anticipation of receiving Suncor's notice of termination, Parkland has already started developing alternate supply options and related facilities to economically replace the fuel supply contract with Suncor. Parkland does not anticipate any issues with replacing the Suncor supply volumes for 2014.

Credit

Parkland grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. These accounts may default on their obligations. Parkland manages this exposure through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor financial conditions of its customers. As a result of delayed invoicing caused by Parkland's 2010 ERP implementation, certain customer accounts and balances have aged beyond normal terms which could result in increased bad debts.

Safety and Environmental

The operation of service stations, refinery facilities and petroleum, propane and anhydrous ammonia transport trucks and commercial facilities carry an element of safety and environmental risk. To prevent environmental incidents from occurring, Parkland has extensive safety and environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides its employees with extensive training in operational responsibilities in the event of an environmental incident. Parkland is insured for all major environmental risk areas. There can be no assurances that such insurance will be adequate to cover all potential losses or that Parkland's mitigation efforts will be effective, in whole or in part.

Dependence on Key Suppliers

Parkland's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with Parkland. An interruption or reduction in the supply of products and services by such suppliers could adversely affect Parkland's revenue and dividends in the future. Further, if any of the long-term supply agreements are terminated or end in accordance with their terms, Parkland may experience disruptions in its ability to supply customers with product until a new source of supply can be secured, if at all. Such a disruption may have a material negative impact on Parkland's revenues, dividends and its reputation. Additionally, Parkland cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favourable to Parkland.

Parkland attempts to mitigate this risk by maintaining a diverse supply portfolio to include substantial volumes from each of its major suppliers and growing to a level of annual sales volumes that will offer potential suppliers a compelling share of the fuel supply business in the Corporation's regional market. However, there can be no assurances that such mitigation efforts will be adequate, in whole or in part. Parkland's supply contract with Suncor will terminate on December 31, 2013. The Suncor supply contract represents a large annual fuel volume of approximately one billion litres annually. In addition to Suncor, Parkland has contracts in place with 7 refiners with contract durations ranging from 1 to 7 years and approximately 50% of Parkland's fuel volumes correspond to contracts with 3 years or more remaining.

Economic Conditions

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and consequently less demand for fuel products, which may adversely affect Parkland's revenue, profitability and ability to pay dividends.

Parkland serves the farm trade. This sector is subject to weather variation and commodity price fluctuation.

The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of Parkland's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacts communities in primary exploration regions in Alberta and northern British Columbia.

The oil production sector is more stable but is impacted by long-term trends in exploration activity. Parkland provides propane and related product sales to this sector.

Forestry has seen reduced activity over the past several years and future activity is dependent upon trends in construction activity.

Mining is susceptible to variations in commodity prices. Parkland's fuel customers include several mines producing different metals and their demand for fuel may decline.

Part of Parkland's profitability is derived from its share of refiners' margins under the supply contract with Suncor. Refiners' margins may deteriorate in the face of declining demand for petroleum products or surplus refining capacity.

Weather

Parkland's sales volume and profitability are subject to weather influences especially winter temperatures. Parkland's heating oil and propane sales are greatest in the winter months but can be lower than normal if winter temperatures are warmer. Parkland has propane and heating oil operations in Atlantic Canada, Ontario, Alberta, British Columbia and the Yukon Territory which all experience different weather patterns which can mitigate the impacts of regional winter temperature differences. In the spring and fall seasons, weather can negatively influence agricultural product sales in the Parkland Commercial Fuels Division.

Dependence on Key Personnel

Parkland's success will be substantially dependent on the continued services of senior management. The loss of the services of one or more members of senior management could adversely affect Parkland's operating results. In addition, Parkland's continued growth depends on the ability of Parkland and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage Parkland's growth and consolidate and integrate its operations. There can be no assurance that Parkland will be successful in attracting and retaining such managers, employees and other personnel.

Alternate Fuels & Hybrid Vehicles

The auto industry continues to develop technologies to improve the efficiency of internal combustion engines and produce economically viable alternate fuels.

Although hybrid vehicles, and to a lesser extent electric vehicles, have entered the market, the non-urban nature of Parkland's market niche is expected to provide some insulation from the impact of these vehicles on fuel sales volumes. Non-urban markets are expected to be late adopters of these technologies due to the realities of driving outside of Canada's large urban centres.

The federal government and certain provinces have developed or are developing legislation requiring the inclusion of ethanol in gasoline and use of biodiesel which may negatively affect the overall demand for fossil fuel products. Parkland has already adopted biodiesel and ethanol blended gasoline in certain markets to align with these emerging policies.

To date no economically viable alternative to the transportation fuels Parkland markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for Parkland's products.

Climate Change

Parkland does not operate any industrial sites and is not a major emitter of greenhouse gases. The federal and provincial governments in Canada are formulating laws and regulations designed to limit greenhouse gas emissions which would be expected to result in a decline of consumption of petroleum products over time.

Technology

At the operational level, Parkland relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and back-up procedures. However, there can be no assurances that such mitigation efforts will be successful in any circumstance and the conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

In March 2010, Parkland commenced the implementation of an upgrade to its ERP system. The ERP implementation included the conversion and integration of existing legacy applications and the re-engineering of many processes and controls. The March 2010 implementation caused difficulties in processing transactions, issuing invoices and collecting accounts receivable on a timely basis and resulted in increased working capital requirements. While Parkland has made efforts to address the implementation challenges experienced, there is risk that components of the ERP system and related applications will not perform as planned, data could be lost and business could be disrupted. In addition, because of invoicing complications many customer accounts have paid outside of normal terms, certain customers' accounts may not be collected and certain customers may choose to discontinue dealing with Parkland. If the implementation challenges experienced are not fully overcome or additional difficulties or problems are encountered during the continuing implementation of the ERP system or the integration of other businesses with the ERP system, Parkland could experience disruptions to its business and operations that could have a material adverse effect on its business and could impair its ability to report its operating results on a timely and accurate basis.

Insurance

Although Parkland has a comprehensive insurance program in effect, there can be no assurance that potential liabilities will not exceed the applicable coverage limits under Parkland's insurance policies. Consistent with industry practice, not all risk factors are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis. The Corporation maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs.

Interest Rates

Most of Parkland's loans have floating rates and may be negatively impacted by increases in interest rates, the effect of such increases would be to reduce the amount of cash available for dividends. In addition, the market price of the shares at any given time may be affected by the level of interest rates prevailing at such time. The $97.8 million principal amount of series 1 convertible unsecured subordinated debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010. The $45.0 million principal amount of series 2 convertible unsecured subordinated debentures bear interest at a 5 year annual fixed rate of 5.75% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The fixed rates of the series 1 and series 2 convertible secured subordinated debentures reduce Parkland's exposure to variable rates.

Government Legislation

Transportation fuel sales are taxed by the federal (GST and excise tax), provincial and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could negatively affect profitability of the Corporation.

Refinery Operating Permit

The Bowden refinery has operated as a toll-based petrochemical processing site and fuel storage site. Parkland obtained a new permit in 2007 to allow for continued use or for alternative uses of the facility. The new permit expires in 2017.

If operations at the refinery are not continued, Parkland may incur significant remediation costs. An estimate of the potential future remediation cost has been accrued and provided for in Parkland's financial statements.

Regional Economic Conditions

Parkland's revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence and over which Parkland exercises no influence include unemployment rates, levels of personal disposable income and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of Parkland's market areas. Some of Parkland's sites are located in markets which are more severely affected by weak economic conditions. With the acquisition of Bluewave Energy, Parkland has added Atlantic Canada economic exposure risk and at the same time has diversified overall Canadian exposure that was previously heavily weighted to Western Canada variables.

Cash Dividends are Not Guaranteed and will Fluctuate with Performance of the Business

Although Parkland intends to distribute a significant portion of the income earned by the Corporation, less expenses, capital additions, income taxes and amounts, if any, paid by the Corporation in connection with the redemption of shares, there can be no assurance regarding the amounts of income to be generated by the business. Parkland's Board of Directors will, at their discretion, determine the amount of any future dividends payable. The actual dividend will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditure programs.

Capital Investment

The timing and amount of expenditures for business acquisitions, additions of property, plant and equipment and intangibles will directly affect the amount of cash available for distribution to shareholders. Dividends may be substantially reduced at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by Parkland of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Parkland and its cash flow.

Legal Proceedings

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Corporation believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations.

Supplementary Information

Parkland seeks to provide relevant information to allow investors to evaluate its operations. The nature of this information is limited by competitive sensitivities, confidentiality terms in written agreements and Parkland's policy not to provide guidance regarding future earnings. Parkland has developed a template of supplementary information that is published with each quarterly financial report. For persons seeking information regarding fuel margins please refer to outside sources including: websites of western Canadian refiners, Bloomberg's Oil Buyers Guide, Nymex contracts for gasoline and crude oil as well as Government of Canada and Natural Resources Canada reports. Data from these sources will not be sufficient to calculate Parkland's fuel margin given that it does not correlate directly with the Corporation's market region and supply contracts, but should indicate margin trends.

Controls Environment

Management is responsible for the preparation and fair presentation of the consolidated financial statements. Parkland has established disclosure controls and procedures, internal controls over financial reporting, and corporate-wide policies to provide that Parkland's consolidated financial condition, financial results and cash flows are presented fairly. Parkland's disclosure controls and procedures are designed to ensure timely disclosure and communication of all material information required by regulators.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete. Due to the inherent limitations in all control systems, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Parkland, under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, has designed disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that information required is recorded, processed, summarized and reported within the time periods specified by the applicable Canadian securities regulators and include controls and procedures designed to provide reasonable assurances that information required to be disclosed in reports filed or submitted under applicable Canadian securities regulations is accumulated and communicated to Parkland's management, including Parkland's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition these controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles.

Parkland has a Disclosure Committee, consisting of three senior management members, that approves all items for public disclosure and also considers whether all items required to be disclosed are disclosed.

Significant Change in Internal Controls

Parkland has undergone extensive business process re-engineering and an upgrade of its ERP software. The upgraded system was implemented on March 1, 2010 with the following objectives:

- Introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes;
- Integrate all systems and processes of the business, including that of the acquired companies, into its ERP software (initially excluding Columbia Fuels and Bluewave); and
- Complete the integration of the acquired companies by merging systems, processes, controls and operations.

Due to the size and complexity of the ERP implementation, the above stated objectives are still being realized. Management has taken the prudent approach of continuing to perform additional account reconciliations, specific transaction price and volume testing procedures, senior management review of adjustments and operating results including comparisons to budget and prior period(s), and other analytical procedures that were designed in 2010 and continued to operate effectively throughout 2010 and 2011 and which mitigated against the risks from the introduction of the ERP system into the organization's control structure. Such additional procedures have been designed by, or under the supervision of, Parkland's Chief Executive Officer and Chief Financial Officer. A dedicated team continues to be in place to monitor progress on the above stated objectives under the guidance and supervision of a sub-committee of the Board of Directors. While management is of the view that the procedures implemented to compensate for the control exceptions encountered during the implementation of the ERP system and its ongoing efforts are reasonable and adequate, the design and implementation of any system of control is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that the design or the implementation of any system of control (including compensating controls) will succeed in achieving its stated goals under all potential conditions.

CHANGES IN ACCOUNTING POLICIES

Parkland's significant accounting policies are described in note 3 to the June 30, 2011 unaudited Interim consolidated financial statements.

Adoption of IFRS

Effective January 1, 2011, Parkland began reporting under IFRS. The accounting policies referenced above have been applied in preparing the financial results for the six month periods ended June 30, 2011 and 2010, the financial results for the year ended December 31, 2010, and Parkland's opening balance sheet as at January 1, 2010. A detailed reconciliation of amounts reported under Previous GAAP to those presented in this MD&A is provided in note 5 to the unaudited interim consolidated financial statements.

The following table provides a summary reconciliation of consolidated net earnings reported under Previous GAAP to that reported under IFRS:

(in thousands of Canadian dollars except per Share/Unit amounts)	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
Net earnings as reported under Previous GAAP	13,505	18,948	30,194
Adjustments to net earnings:			
Marketing, general and administrative	534	(2,334)	(2,677)
Depreciation and amortization	(81)	(162)	(324)
Finance costs	(1,447)	1,991	281
Other	(188)	(40)	(125)
Recovery (provision) for deferred income taxes	390	(2,004)	4,579
Net earnings, as reported under IFRS	12,713	16,399	31,928

The transition to IFRS also required that Parkland adopt accounting policies that are different to those previously reported. The accounting policies as adopted by Parkland have been explained further in note 3 of the interim consolidated financial statements.

As a result of the adoption of IFRS, Parkland made use of certain exemptions allowed under IFRS 1 and made adjustments and reclassifications to its balances. A comprehensive analysis and listing of transition options and its implications have been explained in note 5 of the interim consolidated financial statements.

RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

Parkland is in the process of evaluating the impact of the following new requirements and has not decided whether to early adopt the following standards.

(a) IFRS 9 – Financial Instruments
In November 2009, as part of the International Accounting Standards Board's ("IASB") project to replace International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2013. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

(b) IFRS 13 - Fair Value Measurement
On May 12, 2011 the IASB issued IFRS 13, a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(c) IAS 1 – Financial Statement Presentation
On June 16, 2011 the IASB issued amendments to IAS 1 Financial Statement Presentation. These amendments improve the presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.

RELATED PARTY TRANSACTIONS
Parkland receives legal services from Bennett Jones LLP where a director of the Corporation is a partner. The fees paid during the first six months of 2011 amounted to $0.8 million (2010 - $1.1 million). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

Contractual Obligations
Parkland has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum lease and principal payments ($000's) under the existing terms are as follows:

As at June 30, 2011	Mortgages, bank indebtedness, bank loans, notes payable, and convertible debentures	Other Long Term Liabilities	Operating Leases	Capital Leases
2011	1,415	-	3,836	745
2012	204	2,275	6,426	2,661
2013	117	268	5,663	705
2014	372,190	-	4,224	88
2015	45,000	-	3,792	60
Thereafter	-	-	14,501	740
	418,926	2,543	38,442	4,999

The Corporation also has purchase commitments under its fuel supply contracts that require the purchase of approximately 2.2 billion litres of product over the next year.

The series 1 convertible unsecured subordinated debentures are convertible into common shares at the option of the holder at any time up to the maturity on November 30, 2014 at a conversion price of $14.60 per share. The series 2 convertible unsecured subordinated debentures are convertible into shares at the option of the holder at any time up to the maturity on December 31, 2015 at a conversion price of $18.00 per share.

Shares Outstanding

As at August 3, 2011, Parkland had approximately 62.5 million shares outstanding and 0.6 million share options outstanding consisting of 0.1 million share options that are currently exercisable into shares.

Parkland Fuel Corporation (Formerly Parkland Income Fund)

Consolidated Balance Sheets

(Unaudited)

(in 000's of Canadian Dollars)	**As at June 30, 2011**	As at December 31, 2010	As at January 1, 2010
Assets			
Current Assets			
Cash and cash equivalents	**32,006**	18,523	17,612
Accounts receivable (Note 7)	**295,512**	285,270	114,763
Current tax receivable	**783**	788	771
Inventories (Note 8)	**64,839**	61,722	51,757
Prepaid expenses and other	**8,133**	11,703	8,146
	401,273	378,006	193,049
Property, plant and equipment (Note 9)	**248,290**	242,597	217,108
Intangible assets (Note 10)	**129,615**	118,352	35,485
Goodwill (Note 11)	**89,883**	90,369	28,269
Loan receivables (Note 12)	**6,347**	3,585	2,927
Deferred tax asset (Note 13)	**12,269**	11,350	4,319
	887,677	844,259	481,157
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	**153,315**	169,918	107,473
Dividend/distributions declared and payable	**5,289**	5,622	5,205
Income tax payable	**7,595**	-	-
Deferred revenue	**445**	5,215	5,520
Class B & C limited partnership units	**-**	-	56,321
Long-term debt - current portion (Note 14)	**4,175**	80,392	13,939
Other long-term liabilities - current portion (Note 15)	**2,149**	1,223	-
	172,968	262,370	188,458
Long-term debt (Note 14)	**276,547**	240,649	41,030
Other long-term liabilities (Note 15)	**347**	2,339	-
Convertible debentures (Note 16)	**134,379**	133,360	93,515
Asset retirement obligations (Note 17)	**22,103**	12,338	11,219
Refinery remediation accrual (Note 18)	**7,240**	6,827	6,527
Deferred tax liability (Note 13)	**10,645**	1,472	18,071
	624,229	659,355	358,820
Shareholders' Equity			
Shareholders' capital (Note 19)	**256,476**	184,904	122,337
Retained earnings	**6,972**	-	-
	263,448	184,904	122,337
	887,677	844,259	481,157

Commitments (Note 23)
Contingencies (Note 30)

See accompanying notes to the interim consolidated financial statements.

Parkland Fuel Corporation (Formerly Parkland Income Fund)

Consolidated Statements of Comprehensive Income and loss

For the three and six months ended June 30, 2011 and 2010

(Unaudited)

(in 000's of Canadian Dollars and shares/units except per share/unit amounts)	For the three months ended June 30, 2011	2010	For the six months ended June 30, 2011	2010
Sales and operating revenue	**950,290**	600,556	**1,905,389**	1,275,757
Cost of sales, excluding depreciation	**861,152**	522,635	**1,702,631**	1,127,417
	89,138	77,921	**202,758**	148,340
Expenses				
Operating costs	**40,572**	32,569	**88,209**	64,017
Marketing, general and administrative	**23,890**	17,218	**43,889**	37,521
Depreciation and amortization	**20,017**	15,697	**37,367**	29,578
	4,659	12,437	**33,293**	17,224
Customer finance income	**(691)**	(138)	**(1,280)**	(617)
Finance costs (Note 20)	**8,382**	8,479	**17,268**	10,397
	7,691	8,341	**15,988**	9,780
Loss (gain) on disposal of property, plant and equipment	**436**	(1,643)	**(455)**	(1,284)
(Loss) earnings before income taxes	**(3,468)**	5,739	**17,760**	8,728
Income tax (recovery) expense				
Current	**1,052**	3,500	**7,679**	-
Deferred	**4,793**	(10,474)	**3,109**	(7,671)
	5,845	(6,974)	**10,788**	(7,671)
Net (loss) earnings	**(9,313)**	12,713	**6,972**	16,399
Total comprehensive (loss) income	**(9,313)**	12,713	**6,972**	16,399
Net (loss) earnings per share/unit (Note 6)				
- Basic	**(0.18)**	0.25	**0.12**	0.32
- Diluted	**(0.18)**	0.22	**0.08**	0.28
Shares/units outstanding			**62,120**	47,675

See accompanying notes to the interim consolidated financial statements.

Parkland Fuel Corporation (Formerly Parkland Income Fund)

Consolidated Statement of changes in equity

(in 000's of Canadian Dollars and shares/units)	For the three months ended June 30,				For the six months ended June 30,			
	Shareholders' / unitholders' capital	Retained earnings	Total	Number of shares/units	Shareholders' / unitholders' capital	Retained earnings	Total	Number of shares/units
2011								
Balance beginning of period	**177,861**	**16,285**	**194,146**	**54,989**	**184,904**	**-**	**184,904**	**53,164**
Net (loss) earnings and comprehensive income for the period	**-**	**(9,313)**	**(9,313)**	**-**	**-**	**6,972**	**6,972**	**-**
Dividends	**(14,527)**	**-**	**(14,527)**	**-**	**(28,223)**	**-**	**(28,223)**	**-**
Issued under dividend re-investment plan, net of issue costs	**9,380**	**-**	**9,380**	**-**	**15,199**	**-**	**15,199**	**1,331**
Issued for cash, net of issue costs	**82,597**	**-**	**82,597**	**7,130**	**82,597**	**-**	**82,597**	**7,130**
Issued under share option plan	**909**	**-**	**909**	**-**	**1,513**	**-**	**1,513**	**227**
Issued on vesting of restricted shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**267**
Share incentive compensation	**231**	**-**	**231**	**-**	**461**	**-**	**461**	**-**
Issued upon conversion of debentures	**25**	**-**	**25**	**1**	**25**	**-**	**25**	**1**
Balance end of period	**256,476**	**6,972**	**263,448**	**62,120**	**256,476**	**6,972**	**263,448**	**62,120**
2010								
Balance beginning of period	161,978	-	161,978	47,565	122,337	-	122,337	42,308
Net earnings and comprehensive income for the period	12,713	-	12,713	-	16,399	-	16,399	-
Allocation of retailed earnings to Class B and C LP units	(1,109)	-	(1,109)	-	(1,632)		(1,632)	-
Dividends/distributions	(15,177)	-	(15,177)	-	(29,730)	-	(29,730)	-
Issued under dividend/distribution re-investment plan, net of issue costs	835	-	835	76	1,443	-	1,443	125
Issued under share/unit option plan	72	-	72	10	1,013	-	1,013	154
Issued on vesting of restricted shares/units	-	-	-	-	-	-	-	244
Share/unit incentive compensation	1,055	-	1,055	-	1,797	-	1,797	-
Exchanged for fund shares/units and limited partnership shares/units	12,238	-	12,238	24	60,978	-	60,978	4,844
Balance end of period	172,605	-	172,605	47,675	172,605	-	172,605	47,675

See accompanying notes to the interim consolidated financial statements.

Parkland Fuel Corporation (Formerly Parkland Income Fund)

Consolidated Statements of Cash Flows

(in 000's of Canadian Dollars)	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	**2011**	2010
Cash Provided By Operations				
Net (loss) earnings	**(9,313)**	12,713	**6,972**	16,399
Adjustments for:				
Depreciation and amortization	**20,017**	15,697	**37,367**	29,578
Loss (gain) on disposal of property, plant and equipment	**436**	(1,643)	**(455)**	(1,284)
Share/unit incentive compensation	**231**	1,055	**461**	1,797
Refinery remediation accrual	**318**	30	**414**	150
Accretion expense on asset retirement obligation	**211**	84	**1,048**	381
Revalue of embedded derivative	**-**	-	**-**	(5,266)
Accretion on convertible debentures (Note 16)	**331**	205	**1,044**	401
Deferred taxes	**4,793**	(10,474)	**3,109**	(7,671)
Cash expenditures on asset retirement obligation	**(63)**	-	**(270)**	(215)
Net changes in non-cash working capital (Note 25)	**36,960**	522	**(17,791)**	(1,104)
Cash from operating activities	**53,921**	18,189	**31,899**	33,166
Financing Activities				
Long-term debt repayments	**(358,582)**	(377)	**(384,968)**	(798)
Proceeds from long-term debt	**293,376**	35,436	**337,776**	270,281
Repayments of bank indebtedness	**(25,000)**	-	**-**	-
Distributions/dividends to shareholders / unitholders	**(5,147)**	(14,342)	**(13,024)**	(28,287)
Shares/fund units issued for cash	**83,506**	72	**84,110**	1,013
Cash (used for) from financing activities	**(11,847)**	20,789	**23,894**	242,209
Investing Activities				
Acquisition of Cango Incorporated, net of cash acquired (Note 22a)	**(17,787)**	-	**(17,787)**	-
Acquisition of Island Petroleum, net of cash acquired (Note 22b)	**-**	-	**(12,173)**	-
Acquisition of Bluewave Energy, net of cash acquired (Note 22c)	**-**	1,472	**-**	(204,352)
Increase in loan receivables	**(1,765)**	(2,027)	**(2,220)**	(1,692)
Additions of property, plant and equipment	**(6,858)**	(5,708)	**(12,820)**	(14,471)
Additions of intangibles	**(50)**	(2,753)	**(50)**	(4,849)
Proceeds on sale of property, plant and equipment and intangibles	**-**	2,345	**2,740**	2,761
Cash used for investing activities	**(26,460)**	(6,671)	**(42,310)**	(222,603)
Increase in cash and cash equivalents	**15,614**	32,307	**13,483**	52,772
Cash and cash equivalents, beginning of the period	**16,392**	38,077	**18,523**	17,612
Cash and cash equivalents, end of period	**32,006**	70,384	**32,006**	70,384
Supplementary Cash Flow Information				
Interest paid	**9,934**	9,751	**14,865**	14,757
Interest received	**691**	138	**1,280**	617
Income taxes paid	**127**	-	**127**	-

See accompanying notes to interim consolidated financial statements.

1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

Parkland Fuel Corporation and its wholly owned subsidiaries (collectively the "Corporation" or "Parkland") is a Canadian independent marketer and distributor of fuels, managing a nationwide network of sales channels for retail, commercial, wholesale and home heating fuel customers. The consolidated financial statements include the accounts of Parkland Fuel Corporation and its wholly-owned subsidiaries. Parkland Fuel Corporation was incorporated under the laws of the Province of Alberta on March 9, 2010 and has its corporate head office at Suite 236, Riverside Office Plaza, 4919 59th Street, Red Deer, Alberta.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

(a) Statement of Compliance

Parkland prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 and IFRS 1. Subject to certain transition elections disclosed in note 5, the Corporation has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 3, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on the change-over to IFRS. The interim consolidated financial statements should be read in conjunction with the Corporation's Previous GAAP annual financial statements for the year ended December 31, 2010 and the Corporation's interim financial statements for the quarter ended March 31, 2011, prepared in accordance with IFRS applicable to interim financial statements. Note 5 discloses IFRS information for the year ended

December 31, 2010 that is material to understanding of these consolidated interim financial statements.

(b) Conversion to a Corporation

At the annual and special meeting of the Parkland Income Fund (the "Fund") on May 3, 2010, the securityholders approved the conversion of the Fund to a corporation (the "Conversion") by way of a plan of arrangement under the Business Corporations Act (Alberta). The Court of Queen's Bench of Alberta issued its final order approving the Conversion on May 4, 2010.

Pursuant to the Conversion, on December 31, 2010:

i. All outstanding units of the Fund and all outstanding Class B units and Class C units of Parkland Holdings Limited Partnership were exchanged for common shares in the capital of Parkland Fuel Corporation on a one-for-one basis. Accordingly, the terms "shares" and "units" are used interchangeably throughout these financial statements.

ii. All of the covenants and obligations of the Fund under the 6.5% series 1 convertible unsecured subordinated debentures and the 5.75% series 2 convertible unsecured subordinated debentures (together the "Debentures") of the Fund were assumed by the Corporation.

iii. All outstanding incentive rights and obligations under the Fund's unit option plan and restricted unit plan were assumed by the Corporation on the same terms and conditions.

Prior to the Conversion on December 31, 2010, the consolidated financial statements included the accounts of the Fund and its subsidiaries, partnerships and trusts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Measurement

The condensed consolidated financial statements are prepared on a historical cost basis except as detailed in the Corporation's accounting policies disclosed in note 3. The accounting policies described in note 3 have been applied consistently to all periods presented in these financial statements except for the opening IFRS consolidated balance sheets, which has utilized certain exemptions available under IFRS 1.

(b) Principles of Consolidation

The financial statements of the Corporation consolidate the accounts of Parkland and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Parkland and de-consolidated from the date that control ceases.

(b) Functional and Presentation Currency

Functional and presentation currency items included in the consolidated financial statements of Parkland are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Parkland's presentation currency.

(c) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, 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 operation's functional currency are recognized in the consolidated statements of comprehensive income.

(d) Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The conversion feature of the embedded derivative of the Debentures has been classified as a financial asset and liability at fair value through profit or loss.

Financial instruments in this category are initially recognized and subsequently measured at fair value. Transaction costs are expensed in the consolidated statements of comprehensive income. Gains and losses arising from changes in fair value are presented in consolidated statements of comprehensive income in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated balance sheets' date, which is classified as non-current.

Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Parkland has not designated any financial instruments as available-for-sale investments.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in the consolidated statements of comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months of the consolidated balance sheets' date.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in consolidated statements of comprehensive income as part of interest income. Dividends on available-for-sale equity instruments are recognized in consolidated statements of comprehensive income when the Corporation's right to receive payment is established.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Parkland has designated accounts receivable and loan receivables as loans and receivables and are included as current assets due to their short term nature.

Loans and receivables are initially recognized at the amount expected to be received less a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost: Financial liabilities at amortized cost are initially recognized at the amount required to be paid less a discount, when material, to reduce the liabilities to fair value. Subsequently, financial liabilities at amortized cost are measured at amortized cost using the effective interest method. Parkland has designated bank indebtedness, accounts payable and accrued liabilities, dividends/distributions declared and payable, long-term debt, other long-term liabilities, convertible debentures, asset retirement obligations, refinery remediation accrual and Class B and C limited partnership units as financial liabilities at amortized cost.

Financial liabilities at amortized cost are classified as current liabilities if payment is due within twelve months of the consolidated balance sheet date. Otherwise, they are presented as non-current liabilities.

(e) Derivative Financial Instruments

Parkland has issued convertible debt and the convertible portion of the debt is treated as derivative liabilities.

(f) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

> **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance provision.
>
> **Available-for-sale financial assets:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of comprehensive income.
>
> Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale financial assets are not reversed.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificates of deposit and all other highly liquid investments with a maturity of three months or less at the time of purchase.

(h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price less applicable selling expenses. Parkland's inventory consists primarily of fuel, agriculture inputs and lubricants which tend to turnover quickly. Any provision for obsolescence is reduced from the value of inventory. Vendor rebates are received for high volume inventory purchases and are recorded initially as a reduction to inventory with a subsequent reduction in cost of sales when the product is sold.

(i) Property, Plant & Equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is de-recognized when replaced. Repairs and maintenance costs are expensed as incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment that suffered previous impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Depreciation

Land is not depreciated. Depreciation on the other assets is provided for on a straight line basis over the estimated useful lives of assets as follows:

Land improvements	25 years
Buildings	20 years
Equipment	5 - 10 years
Assets under capital lease	5 - 10 years (Shorter of useful life or lease term)

Parkland allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU's).

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of comprehensive income.

(k) Intangible Assets and Goodwill

The intangible assets include customer relationships, tradenames, non-compete agreements and software systems with finite useful lives. Amortization on intangible assets is provided for on a straight line basis over the estimated useful lives of assets as follows:

Customer relationships and tradenames	5 years
Non-compete agreements	Term of the agreement
Software systems	10 years

Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment is assessed at the CGU level. Intangible assets, other than goodwill, that suffered a previous impairment loss are reviewed for possible reversal of the impairment loss at each reporting date.

Acquisitions are accounted for using the purchase method, whereby the purchase consideration of the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities on the basis of fair value as of the date of acquisition. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets expected to benefit from the synergies of the acquisition.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. The expected cash flows are derived from budgets and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate goodwill and other non-financial assets could result in a material change to the results of operations. The Corporation tests whether goodwill has suffered any impairment at least annually. Other non-financial assets are tested for impairment when indicators of impairment arise.

(l) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Parkland leases certain property, plant and equipment. Leases of property, plant and equipment, where Parkland has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired through finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Other leases are operating leases and the leased assets are not recognized on the Parkland's consolidated balance sheets.

(m) Deferred Revenue

Deferred revenue consists of deposits and prepayments from customers for the purchase of agricultural products not yet delivered. Revenue is recorded when products are delivered to customers.

(n) Income Taxes

The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates at the consolidated balance sheets' dates that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net earnings (loss) in the period during which they occur.

(o) Asset Retirement Obligations and Refinery Remediation Accrual

Provisions for asset retirement obligations related to underground fuel storage tanks and the Bowden, Alberta refinery remediation are recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation or to restore the property to its condition before the fuel storage tanks were installed or before the refinery was constructed; and the amount to settle or restore has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Asset retirement obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax credit adjusted discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is included in finance costs.

(p) Revenue

Parkland recognizes revenue on its sale of goods and services when title passes to the purchaser, physical delivery has occurred and collection is reasonably assured. The major categories of revenue include retail and commercial fuel, heating oil, lubricants, agricultural products, convenience store merchandise, and trucking of fuel and other products. Revenue is measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale. Historical experience is used to estimate and provide for discounts and returns. Volume discounts are assessed based on anticipated annual purchases.

(q) Cost of sales

Cost of sales includes costs incurred to transport inventory.

(r) Grants of Options and Restricted Units

Parkland accounts for its grants of options and restricted shares/units in accordance with the fair value based method of accounting for stock-based compensation.

(s) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of comprehensive income in the period in which they are incurred.

(t) Customer Finance Income and Finance Costs

Customer finance income is recognized as it accrues in the consolidated statements of comprehensive income, using the effective interest method.

Finance costs include interest expense on borrowings, unwinding of the discount on provisions, distributions on Class B and C limited partnership units classified as liabilities, revaluation of the embedded derivative on convertible debentures, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. All borrowing costs are recognized in the consolidated statements of comprehensive income using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

Foreign currency gains and losses are reported on a net basis.

(u) Dividends

Dividend distributions to Parkland's shareholders are recognized as liabilities in the financial statements in the period in which the dividends are approved by Parkland's Board of Directors.

(v) Earnings Per Share/Unit

1) Basic

Basic earnings per share is calculated by dividing the net earnings (loss) of the Corporation by the weighted average number of common shares in issue during the period.

2) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Corporation has two categories of dilutive potential common shares; Debentures and share/unit options. The Debentures are assumed to have been converted into common shares. For the share/unit options, a calculation is done to determine the number of shares/units that could have been acquired at fair value (determined as the average annual market share/unit price of the Corporation's shares/units) based on the monetary value of the subscription rights attached to outstanding share/unit options. The number of shares/units calculated is compared with the number of shares/units that would have been issued assuming the exercise of the share/unit options.

(w) Use of Estimates

The preparation of the consolidated financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimated.

Estimates are used when appropriate for accounting purposes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

Estimates are used when accounting for items such as impairment and valuation allowances for accounts receivable and inventory, value in use calculations for impairment, calculation of fair values for the debentures, intangible assets and goodwill, amortization of property, plant and equipment, contingent liabilities including matters in litigation, fair value of financial instruments, asset retirement obligations, the refinery remediation accrual, amortization and income taxes.

4. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

Parkland is in the process of evaluating the impact of the following new requirements and has not decided whether to early adopt the following standards.

(a) IFRS 9 – Financial Instruments

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2013. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

(b) IFRS 13 - Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

(c) IAS 1 – Financial Statement Presentation

On June 16, 2011 the IASB issued amendments to IAS 1 Financial Statement Presentation. These amendments improve the presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.

5. FIRST-TIME ADOPTION OF IFRS

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. Prior to the adoption of IFRS, the Corporation prepared its annual consolidated financial statements in accordance with Previous GAAP. The annual consolidated financial statements as at and for the year ended December 31, 2011, will be the first annual financial statements issued by the Company that comply with IFRS. The Company's transition date is January 1, 2010 ("the transition date") and the Company prepared its opening IFRS consolidated balance sheets at that date. These financial statements have been prepared in accordance with the accounting policies described in note 3 and in accordance with existing IFRS with an effective date of December 31, 2011 or earlier. Reconciliations from Previous GAAP to IFRS for comparative periods are provided on the following pages.

Reconciliation of Equity at December 31, 2010

in 000's of Canadian Dollars	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	18,523	-		18,523
Accounts receivable	284,470	800	(6)	285,270
Current tax receivable	788	-		788
Inventories	61,722	-		61,722
Prepaid expenses and other	11,703	-		11,703
	377,206	800		378,006
Property, plant and equipment	235,970	6,627	(5)	242,597
Intangible assets	118,352	-		118,352
Goodwill	93,925	(2,756)	(2)	90,369
		(800)	(6)	
Loan receivables	3,585	-		3,585
Deferred tax asset	10,651	699	(8)	11,350
	839,689	4,570		844,259
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	168,778	(540)	(3)	169,918
		1,680	(4)	
Distributions declared and payable	5,622	-		5,622
Deferred revenue	5,215	-		5,215
Long-term debt - current portion	80,392	-		80,392
Other long-term liabilities - current portion	1,223	-		1,223
	261,230	1,140		262,370
Long-term debt	240,649	-		240,649
Other long-term liabilities	2,339			2,339
Convertible debentures	130,262	3,098	(7)	133,360
Asset retirement obligations	6,386	5,952	(5)	12,338
Refinery remediation accrual	6,827	-		6,827
Deferred tax liability	-	1,472	(8)	1,472
Shareholders' / unitholders' equity	191,996	(248)	(1)	184,904
		(3,658)	(2)	
		540	(3)	
		(1,680)	(4)	
		675	(5)	
		(3,098)	(7)	
		377	(8)	
	839,689	4,570		844,259

Reconciliation of Equity at June 30, 2010

in 000's of Canadian Dollars	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	70,384	-		70,384
Accounts receivable	238,147	-		238,147
Current tax receivable	813	-		813
Inventories	56,334	-		56,334
Prepaid expenses and other	4,849	-		4,849
Deferred tax asset	6,655	-		6,655
	377,182	-		377,182
Property, plant and equipment	231,310	7,328	(5)	238,638
Intangible assets	115,227	-		115,227
Goodwill	102,517	(2,786)	(2)	99,731
Loan receivables	5,067	-		5,067
Deferred tax asset	-	699	(8)	699
	831,303	5,241		836,544
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	181,469	(333)	(3)	182,731
		1,595	(4)	
Distributions declared and payable	5,495	-		5,495
Deferred revenue	1,545	-		1,545
Class B & C limited partnership units	-	12,537	(1)	12,289
		(248)	(2)	
Long-term debt - current portion	1,843	-		1,843
Other long-term liabilities - current portion	3,065	-		3,065
	193,417	13,551		206,968
Long-term debt	326,230	-		326,230
Other long-term liabilities	2,147			2,147
Convertible debentures	88,290	422	(7)	88,712
Asset retirement obligations	5,273	7,480	(5)	12,753
Refinery remediation accrual	6,677	-		6,677
Deferred tax liability	12,397	8,055	(8)	20,452
Shareholders' / unitholders' equity	196,872	(12,537)	(1)	172,605
		(2,538)	(2)	
		333	(3)	
		(1,595)	(4)	
		(152)	(5)	
		(422)	(7)	
		(7,356)	(8)	
	831,303	5,241		836,544

Reconciliation of Equity at January 1, 2010

in 000's of Canadian Dollars	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	17,612	-		17,612
Accounts receivable	114,763	-		114,763
Current tax receivable	771	-		771
Inventories	51,757	-		51,757
Prepaid expenses and other	8,146	-		8,146
	193,049	-	-	193,049
Property, plant and equipment	210,985	6,123	(5)	217,108
Intangible assets	35,485	-		35,485
Goodwill	28,269	-		28,269
Loan receivables	2,927	-		2,927
Deferred tax asset	3,620	699	(8)	4,319
	474,335	6,822		481,157
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	106,047	(129)	(3)	107,473
		1,555	(4)	
Distributions declared and payable	5,205	-		5,205
Deferred revenue	5,520	-		5,520
Class B & C limited partnership units	-	56,321	(1)	56,321
Long-term debt - current portion	13,939	-		13,939
	130,711	57,747		188,458
Long-term debt	41,030	-		41,030
Convertible debentures	87,827	5,688	(7)	93,515
Asset retirement obligations	5,462	5,757	(5)	11,219
Refinery remediation accrual	6,527	-		6,527
Deferred tax liability	12,020	6,051	(8)	18,071
Shareholders' / unitholders' equity	190,758	(56,321)	(1)	122,337
		129	(3)	
		(1,555)	(4)	
		366	(5)	
		(5,688)	(7)	
		(5,352)	(8)	
	474,335	6,822		481,157

Reconciliation of Comprehensive Income for the Year Ended December 31, 2010

(in 000's of Canadian Dollars except per share/unit amounts)	Previous GAAP	IFRS Adjustments		IFRS
Sales and operating revenue	2,911,899	(20,726)	(4)	2,891,173
Cost of sales, excluding depreciation	2,575,009	-		2,575,009
	336,890	(20,726)		316,164
Expenses				
Operating costs	159,447	(20,601)	(4)	138,846
Marketing, general and administrative	75,542	3,088	(2)	78,219
		(411)	(3)	
Depreciation and amortization	62,593	324	(5)	62,917
	39,308	(3,126)		36,182
Customer finance income	(1,521)	-		(1,521)
Finance costs	27,648	5,618	(1)	27,367
		(633)	(5)	
		(5,266)	(7)	
	26,127	(281)		25,846
(Gain) on disposal of property, plant and equipment	(3,119)	-		(3,119)
Earnings before income taxes	16,300	(2,845)		13,455
Income tax expense (recovery)				
Deferred	(13,894)	(4,579)	(8)	(18,473)
	(13,894)	(4,579)		(18,473)
Net earnings	30,194	1,734		31,928
Total comprehensive income	30,194	1,734		31,928

Reconciliation of Comprehensive Income for the Three and Six Months Ended June 30, 2010

	Three months ended June 30, 2010				Six months ended June 30, 2010			
(in 000's of Canadian Dollars except per share/unit amounts)	Previous GAAP	IFRS Adjustments		IFRS	Previous GAAP	IFRS Adjustment		IFRS
Sales and operating revenue	605,661	(5,105)	(4)	600,556	1,285,432	(9,675)	(4)	1,275,757
Cost of sales, excluding depreciation	522,635	-		522,635	1,127,417	-		1,127,417
	83,026	(5,105)		77,921	158,015	(9,675)		148,340
Expenses								
Operating costs	37,486	(4,917)	(4)	32,569	73,652	(9,635)	(4)	64,017
Marketing, general and administrative	17,752	(342)	(2)	17,218	35,187	2,538	(2)	37,521
		(192)	(3)			(204)	(3)	
Depreciation and amortization	15,616	81	(5)	15,697	29,416	162	(5)	29,578
	12,172	265		12,437	19,760	(2,536)		17,224
Customer finance income	(138)	-		(138)	(617)	-		(617)
Finance costs	7,032	94	(5)	8,479	12,388	356	(5)	10,397
		-				(5,266)	(7)	
		1,353	(1)			2,919	(1)	
	6,894	1,447		8,341	11,771	(1,991)		9,780
Loss on disposal of property, plant and equipment	(1,643)	-		(1,643)	(1,284)	-		(1,284)
Earnings before income taxes	6,921	(1,182)		5,739	9,273	(545)		8,728
Income tax expense (recovery)								
Current	3,500	-		3,500	-	-		-
Deferred	(10,084)	(390)	(8)	(10,474)	(9,675)	2,004	(8)	(7,671)
	(6,584)	(390)		(6,974)	(9,675)	2,004		(7,671)
Net earnings	13,505	(792)		12,713	18,948	(2,549)		16,399
Total comprehensive income	13,505	(792)		12,713	18,948	(2,549)		16,399

Explanation of IFRS adjustments made

(1) Under Previous GAAP, prior to the Conversion, the Class B and C Limited Partnership ("LP") units were classified as unitholders' capital. Under IFRS the redemption feature provides the holder of the LP unit the ability to 'put' the option back to the Trust at a specified value and was considered a puttable instrument, therefore, the Class B and C LP units are classified as a liability as of date of transition at cost in accordance with the requirements of IAS 32 para 16(c). Distributions to holders of Class B and C LP units are classified as interest expense after the transition to IFRS. Upon Conversion to a Corporation on December 31, 2010 the Class B and C LP units were converted on a one-for-one basis into Fund units.

(2) Parkland has applied IFRS 3 to all business combinations that have occurred since January 1, 2010. Accordingly, the purchase accounting has been revised to expense transaction costs. Under Previous GAAP the consideration paid in units was valued using the 10 day weighted average closing price. Under IFRS the units given as consideration are valued at the price on the date of closing the transaction. From January 1, 2010 Parkland has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively. As part of the transition to IFRS, Parkland elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under Previous GAAP.

(3) IFRS requires an estimate of future forfeitures of shares/units arising at the date of grant of shares/units under the Restricted Share Unit Plan as described in note 19(d). Under Previous GAAP no estimate of future forfeitures was required.

(4) As a result of the adoption of IFRS, the presentation of Parkland's customer and dealer incentive programs have been reclassified to their appropriate presentation in the interim consolidated financial statements.

(5) Under Previous GAAP, increases in estimated cash flows for asset retirement obligations were discounted using the credit adjusted risk-free rate. Under IFRS, estimated cash flows are discounted using the current pre-tax discount rate for risks specific to the obligation that exist at the consolidated balance sheets' date. In accordance with IFRS 1, the Company elected to re-measure its asset retirement obligations and refinery remediation accrual at the Transition Date and has estimated the related asset by discounting the liability to the date in which the liability arose and recalculated the accumulated depreciation and amortization under IFRS. Asset retirement obligations and the refinery remediation accrual are recognized for legal as well as constructive obligations under IFRS. Asset retirement obligations and the refinery remediation accrual are measured based on the estimated cost of abandonment discounted to their net present value.

(6) As part of the acquisition of the fuel distribution business of Bluewave Energy Limited Partnership, Parkland received $800 in 2011 as a final settlement of the purchase price consideration owed to the seller. Under IFRS, Parkland is required to record an accounts receivable at December 31, 2010 as the recovery was more likely than not considering the circumstances at December 31, 2010.

(7) Under Previous GAAP, before the Conversion, a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS an equity portion is not determined; rather the embedded derivative arising from the equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the Consolidated Statements of Comprehensive Income in finance costs as "revaluation of embedded derivative". Under IFRS the binomial method was used to value the conversion feature for the Debentures. On Conversion the Series 1 Debentures had a conversion feature value of $0 and the previously recognized conversion feature of $5,266 was reversed. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had a conversion value of $0. Post Conversion there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the Consolidated Balance Sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

(8) The Company recognized deferred income taxes primarily in respect of the above changes.

Prior to the Conversion on December 31, 2010, the Fund itself was not subject to income tax provided it distributed all of its taxable income to unitholders. For taxation purposes the Fund was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax on its distributions commencing January 1, 2011. Temporary timing differences between tax basis and carrying values under Previous GAAP were tax effected at the tax rate expected when the temporary timing differences were expected to reverse. Under IFRS Parkland is required to tax effect the temporary timing differences at the undistributed SIFT rate of 39%. On January 1, 2010 the date of transition, the net impact of the transition to IFRS was a decrease in retained earnings of $6,051 and an increase to deferred income tax liability of $6,051. At June 30, 2010 the impact was a decrease in retained earnings of $6,051, an increase to deferred income tax liability of $6,134 and an increase to income tax expense of $83. At December 31, 2010 the impact of the transition to IFRS was a decrease in retained earnings of $6,051, an increase in deferred income tax liability of $585 and an income tax expense reduction of $5,466.

Mandatory exceptions to retrospective application

In preparing these interim consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exception applicable for estimates. IFRS estimates at

January 1, 2010 are consistent with the estimates as at the same date made in conformity with Previous GAAP.

The other compulsory exceptions of IFRS 1 that have not been applied as these are not relevant to the Corporation are as follows:

i. De-recognition of financial assets and liabilities
ii. Non-controlling interests
iii. Hedge accounting

(a) Elective exemptions from full retrospective application

In preparing these interim consolidated financial statements in accordance with IFRS 1, the Corporation has applied certain of the optional exemptions for full retrospective application. The optional exemptions applied are described below.

(b) Business Combinations

IFRS 1 provides the option to apply IFRS 3 Business combinations, prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. Parkland elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

(c) Unit based compensation

The Corporation has elected not to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments granted after November 7, 2002 and vested by the date of transition.

(d) Decommissioning Liabilities

The Corporation has elected to apply the short-cut method for decommissioning liabilities within the scope of International Financial Reporting Interpretation Committee 1. The short-cut method permits the Corporation to estimate the amount that would have been included in the cost of the related asset when the liability first arose by discounting the liability to that date using the Corporation's best estimate of historical risk adjusted discount rates that would have applied for that liability over the period since it was first incurred.

Accumulated depreciation on the discounted amount is then calculated at the date of transition to IFRS, based on the current estimate of the useful life of the asset and using the depreciation policy adopted by the Corporation under IFRS.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

6. EARNINGS ANALYSIS AND EARNINGS PER SHARE/UNIT

	For the six months ended June 30, 2011	2010
Net earnings	**6,972**	16,399
Earnings per share/unit		
- basic	**0.12**	0.32
- diluted	**0.08**	0.28
Equivalent share/units outstanding, beginning of period	**53,164**	50,194
Weighted average of Class C units issued	**-**	1,145
Weighted average of Common Shares issued	**4,200**	-
Weighted average of equivalent shares/units issued pursuant to restricted unit plan	**267**	243
Weighted average of equivalent shares/units issued pursuant to dividend/distribution re-investment plan	**1,003**	45
Weighted average of equivalent shares/units issued pursuant to exercise of share/unit options	**177**	137
Denominator utilized in basic (loss) earnings per share/unit	**58,811**	51,764
Incremental equivalent shares/units options that were dilutive	**58**	149
Incremental equivalent shares/units for debentures that were dilutive	**9,195**	6,695
Denominator utilized in diluted (loss) earnings per share/unit	**68,064**	58,608

7. ACCOUNTS RECEIVABLE

	June 30, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	**273,818**	248,109	110,858
Miscellaneous, government and other non-trade accounts receivable	**31,267**	45,414	7,505
Allowance for doubtful accounts	**(9,573)**	(8,253)	(3,600)
	295,512	285,270	114,763

8. INVENTORIES

	June 30, 2011	December 31, 2010	January 1, 2010
Gas and diesel	**43,369**	41,691	36,261
Propane	**1,342**	1,601	1,364
Agricultural inputs	**3,229**	5,397	4,848
Lubricants	**12,890**	8,932	4,174
Convenience store merchandise	**793**	2,026	1,962
Other	**3,216**	2,075	3,148
	64,839	61,722	51,757

For the six month period ended June 30, 2011, the amount of inventory recognized as an expense amounted to $1,702,631 (June 30, 2010 - $1,127,417).

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

9. PROPERTY PLANT AND EQUIPMENT

Period ending June 30, 2011	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2011	**33,530**	**19,509**	**70,941**	**7,141**	**261,708**	**392,829**
Additions	**7,258**	**1,097**	**2,519**	**-**	**15,628**	**26,502**
Disposals	**(327)**	**(237)**	**(1,059)**	**-**	**(3,640)**	**(5,263)**
Balance, as at June 30, 2011	**40,461**	**20,369**	**72,401**	**7,141**	**273,696**	**414,068**
Accumulated depreciation						
Balance, as at January 1, 2011	**-**	**4,916**	**20,266**	**1,181**	**123,869**	**150,232**
Depreciation charge for the period	**-**	**865**	**2,085**	**2,130**	**13,472**	**18,552**
Disposals	**-**	**(32)**	**(567)**	**-**	**(2,407)**	**(3,006)**
Balance, as at June 30, 2011	**-**	**5,749**	**21,784**	**3,311**	**134,934**	**165,778**
Carrying amount						
As at January 1, 2011	**33,530**	**14,593**	**50,675**	**5,960**	**137,839**	**242,597**
As at June 30, 2011	**40,461**	**14,620**	**50,617**	**3,830**	**138,762**	**248,290**

Year ending December 31, 2010	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2010	31,714	13,449	66,444	4,302	217,710	333,619
Additions	2,891	6,486	7,295	2,839	48,333	67,844
Disposals	(1,075)	(426)	(2,798)	-	(4,335)	(8,634)
Balance, as at December 31, 2010	33,530	19,509	70,941	7,141	261,708	392,829
Accumulated depreciation						
Balance, as at January 1, 2010	-	3,548	16,953	666	95,344	116,511
Depreciation charge for the year	-	1,368	4,880	515	32,430	39,193
Disposals	-	-	(1,567)	-	(3,905)	(5,472)
Balance, as at December 31, 2010	-	4,916	20,266	1,181	123,869	150,232
Carrying amount						
As at January 1, 2010	31,714	9,901	49,491	3,636	122,366	217,108
As at December 31, 2010	33,530	14,593	50,675	5,960	137,839	242,597

At June 30, 2011 Parkland had assets under construction of $11,151 (December 31, 2010 $6,090) consisting of retail stations and a rail siding terminal development project at Bowden, Alberta.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

10. INTANGIBLE ASSETS

Period ending June 30, 2011	**Customer Relationships**	**Tradenames**	**Non-compete agreements**	**Software systems**	**Total**
Cost					
Balance, as at January 1, 2011	**127,674**	**6,366**	**3,309**	**18,072**	**155,421**
Additions	**25,863**	**50**	**-**	**-**	**25,913**
Disposals	**(28)**	**-**	**-**	**-**	**(28)**
Balance, as at June 30, 2011	**153,509**	**6,416**	**3,309**	**18,072**	**181,306**
Accumulated amortization					
Balance, as at January 1, 2011	**31,353**	**4,060**	**1,204**	**452**	**37,069**
Amortization charge for the period	**12,755**	**634**	**329**	**904**	**14,622**
Balance, as at June 30, 2011	**44,108**	**4,694**	**1,533**	**1,356**	**51,691**
Carrying amount					
As at January 1, 2011	**96,321**	**2,306**	**2,105**	**17,620**	**118,352**
As at June 30, 2011	**109,401**	**1,722**	**1,776**	**16,716**	**129,615**

Year ending December 31, 2010	**Customer Relationships**	**Tradenames**	**Non-compete agreements**	**Software systems**	**Total**
Cost					
Balance, as at January 1, 2010	29,696	4,966	2,171	12,212	49,045
Additions	97,978	1,400	1,138	5,860	106,376
Disposals	-	-	-	-	-
Balance, as at December 31, 2010	127,674	6,366	3,309	18,072	155,421
Accumulated amortization					
Balance, as at January 1, 2010	10,067	2,819	674	-	13,560
Amortization charge for the year	21,286	1,241	530	452	23,509
Balance, as at December 31, 2010	31,353	4,060	1,204	452	37,069
Carrying amount					
As at January 1, 2010	19,629	2,147	1,497	12,212	35,485
As at December 31, 2010	96,321	2,306	2,105	17,620	118,352

11. GOODWILL

	January 1, 2011 to June 30, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Balance, beginning of period	**90,369**	28,269	13,500
Acquired through Island Petroleum Ltd. purchase (note 22b)	**(486)**	2,779	-
Acquired through Bluewave Energy purchase (note 22c)	**-**	59,321	-
Acquired through Eagle Marine Ltd. purchase	**-**	-	400
Acquired through Anmart Fuels purchase	**-**	-	188
Acquired through Columbia Fuels Ltd. purchase	**-**	-	14,181
Balance, end of period	**89,883**	90,369	28,269

The Corporation did not identify any indicators of impairment at the Transition Date. An impairment test was conducted at the Transition Date and the recoverable amount of the CGU was determined on a value in use basis.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The entire goodwill has been allocated to the fuel marketing segment. No impairment was identified for Goodwill for January 1, 2010 and for December 31, 2010.

This calculation used pre-tax cash flow projections based on expected performance and on management's expectations of market developments. The growth rates used were consistent with the forecasts included in industry reports which were developed based on macro-economic factors such as inflation rates and demand-supply fundamentals. Cash flows beyond the four year period were extrapolated using the estimated growth rates below. Pre-tax discount rates reflect specific risks relating to the CGU. The key assumptions used for the calculations for the Transition Date to IFRS are as follows:

Long term growth rate	2.0%
Pre-tax discount rate	12.0%
Budgeted Cents Per Litre (CPL)	5-9 CPL

No impairment was identified as a result of this analysis.

12. LOAN RECEIVABLES

Loan receivables consisting of loans to retail and commercial dealers are receivable in monthly instalments of $127 (December 31, 2010 - $144), bear interest at rates ranging between nil% and 10.25% (December 31, 2010 - nil% and 10.75%) and are secured by specific assets of the borrower.

13. INCOME TAXES

Immediately prior to giving effect to the Conversion on December 31, 2010, the Fund itself was not subject to income tax provided it distributed all of its taxable income to unitholders. For taxation purposes the Fund was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax commencing January 1, 2011. For accounting purposes, the Fund computed deferred tax based on temporary differences that were expected to reverse after 2010, at the tax rate expected to apply for those periods. Realization of deferred tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all deferred tax assets will be realized based on reversals of temporary timing differences, projections of operating results and tax planning strategies available to Parkland Fuel Corporation and its subsidiaries. Effective December 31, 2010, after giving effect to the Conversion, Parkland became subject to tax on taxable income earned from that date forward.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

14. FINANCING AND CREDIT FACILITIES

(a) Long-Term Debt

	June 30, 2011	December 31, 2010	January 1, 2010
Bank loans	**525**	-	-
Extendible facility	**274,376**	315,690	51,504
Mortgage payable	**1,275**	275	295
Capital lease obligations	**4,546**	5,076	3,170
	280,722	321,041	54,969
Less current portion	**4,175**	80,392	13,939
	276,547	240,649	41,030

Estimated repayments for the next five years are:

	2011	2012	2013	2014	2015	Thereafter	Interest expense included in minimum lease payments	Total
Obligations under capital lease	745	2,661	705	88	60	740	(453)	4,546
Other loans	1,415	204	117	274,440	-	-	-	276,176
	2,160	2,865	822	274,528	60	740	(453)	280,722

(b) Extendible Facility

A new revolving extendible credit facility (the "Extendible Facility") agreement was executed on June 30, 2011 for a period of three years. The facility is extendible each year for a rolling three year period at the option of Parkland. If the Extendible Facility is not extended past the maturity date of June 29, 2014, all amounts outstanding are repayable on the maturity date.

Prior to June 30, 2011 Parkland maintained a revolving extendible facility for a maximum amount of $400,000 consisting of a revolving operating loan to a maximum of $90,000 plus a capital loan to a maximum of $275,000 plus a letter of credit facility to a maximum of $35,000.

The new Extendible Facility is for a maximum amount of $450,000 (December 31, 2010 - $400,000) with interest only payable at the bank's prime lending rate plus 1.0% to 2.5% (December 31, 2010 – 2.5% to 3.75%) per annum. The new Extendible Facility includes the following components:

i) A revolving operating loan to a maximum of $450,000 less the value of letters of credit issued (December 31, 2010 - $90,000 operating loan and $275,000 capital loan). As at June 30, 2011 the outstanding balances totalled $276,616 (December 31, 2010 - $45,900 operating loan and $273,881 capital loan). The revolving operating facility bears interest at prime plus 1.5% (December 31, 2010 – 3.25%) or Bankers Acceptance rate plus 2.5%. The interest rate at the end of June 30, 2011 was 4.5% for prime based loans (December 31, 2010 – 5.50%). There were no Bankers Acceptance based loans as of June 30, 2011.

ii) A letter of credit facility to a maximum of $60,000 (December 31, 2010 - $35,000). As at June 30, 2011 outstanding balances totalled $28,446 (December 31, 2010 - $33,480) which mature at various dates up to July 31, 2012.

The revolving operating loan incurs standby fees for any unused portion of the facility at a rate of 0.5% to 0.8750% (December 31, 2010 – 0.875% to 1.1875%) depending on the ratio of funded debt to earnings before interest, taxes and depreciation and amortization ("EBITDA" a non-GAAP financial measure), see note 21 for a reconciliation of net earnings to EBITDA). Security on the new Extendible Facility is the assignment of insurance and a floating charge demand debenture for $650,000 creating a first floating charge over all of the undertaking, property and assets of Parkland.

Deferred finance charges of $2,239 (December 31, 2010 - $3,843) have reduced the value of the new Extendible Facility and are amortized over three years.

As at June 30, 2011 Parkland was in compliance with all lender covenants under the new Extendible Facility.

(c) Mortgage Payable

Effective February 2011 the mortgage was payable and is now due on demand. Interest on the mortgage is 8.0% (December 31, 2010 – 8.0%) per annum and the mortgage is secured by the land and buildings with a net book value of $1,730 (December 31, 2010 - $1,800). An interest free mortgage of $1000 was assumed from the Cango Incorporated acquisition and is payable in full in August 2011.

(d) Capital Lease Obligations

Capital leases are payable in monthly instalments totalling $124 (December 31, 2010 - $135) including interest varying from 0% to 8.05% (December 31, 2010 - 0% to 10.37%). The leases are for land, buildings and equipment with a net book value of $5,111 (December 31, 2010 - $5,960), and mature at various dates ending up to July 2022.

15. OTHER LONG-TERM LIABILITIES

The other long-term liabilities are non-interest bearing loans from a vendor of Bluewave Energy Limited Partnership, with principle repayments of $66 required in 2011, $2,272 in 2012 and $268 in 2013. The debt has been recorded at its fair market value at June 30, 2011 of $2,496 (December 31, 2010 – $3,562). The fair market value was determined using a market interest rate of 7.6% (December 31, 2010 – 7.6%).

16. CONVERTIBLE DEBENTURES

On December 1, 2009 Parkland issued $97,750 principal amount of 6.5% series 1 convertible unsecured subordinated debentures ("Series 1 Debentures"), at a price of $1 per debenture. Interest on the Series 1 Debentures is paid semi-annually in arrears, on November 30 and May 31 in each year commencing May 31, 2010. On December 21, 2010 Parkland issued $45,000 principal amount of 5.75% series 2 convertible unsecured subordinated debentures ("Series 2 Debentures"), at a price of $1 per debenture. Interest on the Series 2 Debentures is paid semi-annually in arrears, on June 30 and December 31 in each year commencing June 30, 2011. Collectively the Series 1 Debentures and the Series 2 Debentures are referred to as the "Debentures". The Debentures are convertible at the option of the holder at any time into common shares of the Corporation at a conversion price of $14.60 per share for the Series 1 Debentures and $18.00 per share for the Series 2 Debentures.

The Series 1 Debentures mature on November 30, 2014 and the Series 2 Debentures mature on December 31, 2015 at which time the Debentures are due and payable. The Series 1 Debentures may be redeemed in whole or in part at the option of Parkland on or after November 30, 2012 and prior to November 30, 2013 and the Series 2 Debentures may be redeemed in whole or in part at the option of Parkland on or after December 31, 2013 and prior to December 31, 2014, on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the common shares of Parkland on the date immediately preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. The Debentures may be redeemed prior to their maturity dates in whole or in part at a price equal to their principal amount plus accrued and unpaid interest on or after November 30, 2013 for the Series 1 Debentures and on or after December 31, 2014 for the Series 2 Debentures.

Upon the maturity or redemption of the Debentures, Parkland may pay the outstanding principal of the Debentures in cash or may at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of common shares obtained by dividing the aggregate principal amount of the Debentures which have matured or redeemed by 95% of the weighted average trading price of the common shares of Parkland on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

Under Previous GAAP, before the Conversion, a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS an equity portion is not determined; rather the embedded derivative arising from the debt-equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the Consolidated Statements of Comprehensive Income in finance costs as "revaluation of embedded derivative". Under IFRS the binomial method was used to value the conversion feature for the Debentures. On Conversion the Series 1 Debentures had an conversion feature value of $0 and the previously recognized conversion feature of $5,266 was reversed. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had an conversion value of $0. Post Conversion there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the Consolidated Balance Sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The following table reconciles the principal amount, debt component and equity component of the Debentures.

	January 1, 2011 to June 30, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Principal Amount of Debentures	**Convertible Debenture Debt**	Principal Amount of Debentures	Convertible Debenture Debt	Principal Amount of Debentures	Convertible Debenture
Series 1 Debentures						
Balance, beginning of period	**97,750**	**90,358**	97,750	93,515	-	-
December 1, 2009 issuance	**-**	**-**	-	-	97,750	92,484
Issue costs	**-**	**-**	-	-	-	(4,310)
Revaluation of embedded derivative	**-**	**-**	-	(5,266)	-	5,266
Change due to passage of time	**-**	**846**	-	2,109	-	75
Balance, end of period	**97,750**	**91,204**	97,750	90,358	97,750	93,515
Series 2 Debentures						
Balance, beginning of period	**45,000**	**43,002**	-	-	-	-
December 1, 2010 issuance	**-**	**-**	45,000	42,200	-	-
Unwind of equity portion upon Conversion	**-**	**-**	-	2,676	-	-
Conversion to common shares	**(25)**	**(25)**				
Issue costs	**-**	**-**	-	(1,875)	-	-
Change due to passage of time	**-**	**198**	-	1	-	-
Balance, end of period	**44,975**	**43,175**	45,000	43,002	-	-
Series 1 and Series 2 debentures, end of period	**142,725**	**134,379**	142,750	133,360	97,750	93,515

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Assumptions used under the binomial method:

Series 1 Debentures	January 1, 2010	June 30, 2010	December 31, 2010
Volatility	58.0%	59.0%	56.4%
Market price per unit	$ 13.40	$ 10.80	$ 11.48
Dividend yield	9.4%	11.7%	11.0%

Series 2 Debentures	December 14, 2010	December 31, 2010
Volatility	61.2%	61.2%
Market price per unit	$ 10.74	$ 11.48
Dividend yield	11.7%	11.0%

17. ASSET RETIREMENT OBLIGATIONS

A reconciliation of Parkland's estimated liability for the removal of its underground storage tanks is as follows:

	January 1, 2011 to June 30, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Asset retirement obligations, beginning of period	**12,338**	11,219	5,462
Additional provisions during the period	**8,988**	3,187	7,384
Amounts used during the period	**(270)**	(118)	-
Unused amounts reserved during the period	**-**	(1,369)	(1,261)
Change due to passage of time and discount rate	**1,047**	(581)	(366)
Asset retirement obligations, end of period	**22,103**	12,338	11,219

Parkland is liable for the environmental obligations related to the removal of its underground storage tanks at properties that it leases and owns. The asset retirement obligation represents the present value estimate of Parkland's cost to remove these tanks. The total undiscounted estimated future cash flows required to settle Parkland's obligation was $32,672 at June 30, 2011 (December 31, 2010 - $22,715). The costs are expected to be incurred between 2011 and 2046. At June 30, 2011, the discount rate used to determine the present value of the future costs was 7.60% (December 31, 2010 – 7.36%).

18. REFINERY REMEDIATION ACCRUAL

	January 1, 2011 to June 30, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Refinery remediation accrual, beginning of period	**6,827**	6,527	6,107
Change due to passage of time	**413**	300	420
Refinery remediation accrual, end of period	**7,240**	6,827	6,527

In December 2004, Parkland eliminated the carrying value of its Bowden refinery and recorded a net liability of $3,400 for future estimated costs of remediation of the site, based on the uncertainty of creating an alternative to the refinery being dismantled and remediated. The Refinery Remediation Accrual represents the present value estimate of Parkland's cost to remediate the site.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Parkland has previously used the refinery site for processing fluids used in the oilfields. The contract was terminated and Parkland is therefore continuing to pursue other economically viable uses for the refinery site. Parkland uses the tanks for storage and has been upgrading the equipment for use as a railroad terminal and plans to use the tanks for storage and shipping product by rail. Therefore any decision to dismantle, remediate and sell the refinery site has been deferred. The obligations relating to future environmental remediation, however, continue to exist. The timing of this remediation is uncertain at this point of time.

Assuming Parkland continues operations at the refinery site, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the discounted cost of remediation on the basis that operations continue and that remediation would be part of a multi-year management plan. Remediation costs have been estimated using independent engineering studies conducted in December 2007. The total undiscounted estimated future cash flows, to be incurred over an extended period after operations cease, are approximately $13,800 (December 31, 2010 - $13,800). The costs are expected to be incurred between 2018 and 2027. The discount rate used to determine the present value of the future costs is 6.90% (December 31, 2010 - 6.90%).

19. SHAREHOLDERS' CAPITAL

(a) Shareholders' Capital

Authorized capital of Parkland Fuel Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

	January 1, 2011 to June 30, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Shares						
Balance, beginning of period	**53,164**	**184,904**	-	-	-	-
Common shares issued pursuant to the Conversion	**-**	**-**	53,164	184,904	-	-
Dividends to shareholders	**-**	**(28,223)**	-	-	-	-
Issued under dividend reinvestment plan	**1,331**	**15,199**	-	-	-	-
Issued on vesting of restricted shares	**267**	**-**	-	-	-	-
Share incentive compensation	**-**	**461**	-	-	-	-
Issued for cash, net of issue costs	**7,130**	**82,597**	-	-	-	-
Issued on capital acquisition, net of issue costs	**-**	**-**	-	-	-	-
Issued under share option plan	**227**	**1,513**	-	-	-	-
Issued upon conversion of debentures	**1**	**25**				
Balance, end of period	**62,120**	**256,476**	53,164	184,904	-	-

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

On May 12, 2011, Parkland entered into an agreement with a syndicate of underwriters ("Underwriters"), under which the Underwriters have agreed to purchase for resale to the public, on a bought deal basis 6,200,000 common shares in the capital of Parkland, at a price of $12.10 per common share resulting in aggregate gross proceeds of $75,020. The Underwriters have exercised the option to purchase from the Corporation, an additional 930,000 common shares at the same price per common share which increased the aggregate gross proceeds of the Offering to $86,273 (the "Offering").

(b) Unitholders' Capital

Authorized capital of the Fund consisted of an unlimited number of Fund units and Class B and Class C Limited Partnership ("LP") units.

Fund units represented an undivided interest in the Fund. Class B and Class C LP units represented a partnership interest in Parkland Holdings Limited Partnership and were exchangeable on a one-for-one basis into Fund units. Fund unitholders and Class B and Class C LP unitholders were entitled to vote at meetings of the Fund and were entitled to distributions from time to time as determined by the Board of Directors.

	January 1, 2011 to June 30, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Units	**Amount**	Number of Units	Amount	Number of Units	Amount
Fund Units						
Balance, beginning of period	-	-	42,308	122,337	41,542	134,942
Allocation of retained earnings	-	-	-	29,384	-	34,288
Distribution to unitholders	-	-	-	(59,819)	-	(52,152)
Issued under distribution reinvestment plan	-	-	256	2,897	144	1,332
Issued on vesting of restricted units	-	-	249	-	136	-
Unit incentive compensation	-	-	-	2,798	-	2,950
Issued for cash, net of issue costs	-	-	-	-	4	35
Issued on capital acquisition, net of issue costs	-	-	1,036	11,868	-	-
Issued under unit option plan	-	-	189	1,260	146	942
Exchange of limited partnership units	-	-	4,844	60,978	445	-
Expired exchange units	-	-	-	-	(109)	-
Units cancelled under the Conversion	-	-	(48,882)	(171,703)	-	-
Balance, end of period	-	-	-	-	42,308	122,337

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

	January 1, 2011 to June 30, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Class B Limited Partnership Units						
Balance, beginning of period	-	-	2,577	2,440	2,885	3,153
Allocation of retained earnings	-	-	-	1,474	-	2,730
Distribution to partners	-	-	-	-	-	(3,443)
Exchanged for fund units	-	-	(19)	(252)	(308)	-
Units cancelled under the Conversion	-	-	(2,558)	(3,662)	-	-
Balance, end of period	-	-	-	-	2,577	2,440
Class C Limited Partnership Units						
Balance, beginning of period	-	-	5,309	53,881	5,238	53,461
Issued on capital acquisition, net of issue costs	-	-	1,240	15,314	208	1,935
Allocation of retained earnings	-	-	-	1,070	-	5,174
Distribution to partners	-	-	-	-	-	(6,689)
Exchanged for fund units	-	-	(4,825)	(60,726)	(137)	-
Units cancelled under the Conversion	-	-	(1,724)	(9,539)	-	-
Balance, end of period	-	-	-	-	5,309	53,881
Total for Class B and C	-	-	-	-	7,886	56,321

(c) Share Option Plan

Parkland has a Share Option Plan under which Parkland may issue from treasury, together with any other compensation arrangement, an amount not to exceed 10% of the issued and outstanding common shares. The eligible participants are officers, employees or consultants of the Corporation. The exercise price shall be fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares. All units granted under the former unit option plan were transferred under the same terms and conditions to options for common shares under the Conversion. The unit options granted under the former unit option plan have a 10 year term and, with limited exceptions, vest proportionally over the first three anniversary dates following the grant. All new share option grants under the Share Option Plan have an 8 year term and vest over 3 years. Each annual vesting tranche is considered a separate award with its own vesting period and grant date fair value. Fair value of each annual vesting tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Exercise prices for outstanding options at June 30, 2011 have the following ranges: 27 from \$4.15 - \$5.87, 27 from \$6.32 - \$6.68, 67 from \$6.73 - \$7.27 and 510 at \$12.25. These exercise prices represent the market value at the time of issue. The corresponding remaining contractual life for these options range from two to eight years.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Pursuant to Parkland's Share Option Plan, on May 12th, 2011, 510 options for common shares were granted at an exercise price of $12.25 per share vesting over three years and having an eight year term.

The total compensation cost that has been included in marketing, general and administrative expenses for the six months ended June 30, 2011 is $69 (June 30, 2010 - $0).

	January 1, 2011 to June 30, 2011			January 1, 2010 to December 31, 2010			January 1, 2009 to January 1, 2010		
	Number of Shares		**Average Exercise Price**	Number of Shares/Units		Average Exercise Price	Number of Units		Average Exercise Price
Option shares/units, beginning of period	**347**	**$**	**6.79**	536	$	6.62	682	$	6.58
Granted	**510**	**$**	**12.25**	-	$	-	-	$	-
Exercised	**(226)**		**6.68**	(189)		6.30	(146)		6.45
Option shares/units, end of period	**631**	**$**	**11.13**	347	$	6.79	536	$	6.62
Exercisable options, end of period	**121**	**$**	**6.39**	347	$	6.79	536	$	6.62

(d) Restricted Share Unit Plan

Parkland awards certain directors, officers, employees and consultants restricted share units at no cost and expenses the restricted share units uniformly over their vesting period. The fair market value of the award is based on the volume weighted average trading price for the Shares on the Toronto stock exchange for the 5 trading days immediately preceding the date of the grant. Under the Conversion, all grants under the former Restricted Unit Plan will be settled in common shares of the Corporation, with all other terms and conditions remaining the same. No further grants will be made from the former Restricted Unit Plan.

Under the Restricted Share Unit Plan the units granted in 2006 vest over a five year period and the units granted in 2007, 2008, 2009 and 2010 vest over a three year period. For grants prior to 2011, the restricted share units vesting is typically subject to entity performance criteria, including maintenance of the annual fund distribution target. For restricted share units granted on or after January 1, 2011, restricted share units shall be earned over a 3 year period with vesting at the third anniversary of the grant. The number of shares earned can range from 0 to 200% of the grant amount based on entity performance criteria, specifically Total Shareholder Return ("TSR") ranking versus a specified peer group of companies.

Pursuant to Parkland's Restricted Share Unit Plan, on May 12th, 2011, 133 restricted share units were granted.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

	January 1, 2011 to June 30, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Shares	**Weighted Average Share Price**	Number of Shares/units	Weighted Average Unit Price	Number of Units	Weighted Average Unit Price
Restricted shares/units, beginning of period	**670**	**$ 9.86**	685	$ 8.35	339	$ 12.97
Granted	**133**	**12.25**	311	13.22	506	6.40
Issued on vesting	**(267)**	**10.35**	(249)	9.81	(136)	13.00
Cancelled	**(31)**	**8.83**	(77)	10.11	(24)	9.06
Restricted share/units, end of period	**505**	**$ 10.26**	670	$ 9.86	685	$ 8.35

The total compensation cost that has been included in marketing, general and administrative expenses for the six months ended June 30, 2011 is $1,537 (June 30, 2010 - $1,700).

20. FINANCE COSTS

	For the three months ended June 30,		**For the six months ended June 30,**	
	2011	2010	**2011**	2010
Finance Costs				
Accretion on refinery remediation	**318**	30	**414**	150
Accretion on asset retirement obligation	**211**	84	**1,048**	381
Interest on long-term debt	**5,404**	6,574	**10,335**	11,580
Interest and accretion on convertible debentures	**2,449**	1,791	**5,471**	3,552
Revaluation of embedded derivative	**-**	-	**-**	(5,266)
Total Finance Costs	**8,382**	8,479	**17,268**	10,397

21. CAPITAL MANAGEMENT

Parkland's capital structure is comprised of bank indebtedness, long-term debt including current portion, other long-term liabilities including current portion, convertible debentures and shareholders' equity, less cash and cash equivalents. Parkland's objectives when managing its capital structure are to:

I. maintain financial flexibility so as to preserve the Corporation's access to capital markets and its ability to meet its financial obligations; and
II. finance internally generated growth as well as potential acquisitions.

Parkland monitors its capital structure and financing requirements using non-GAAP financial metrics consisting of Net Debt to Capitalization and Net Debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The metrics are used to monitor and guide the Corporation's overall debt position as a measure of Parkland's overall financial strength and flexibility of capital structure.

Parkland currently targets a Net Debt to Capitalization ratio of below 50% on a long term basis. This target may be periodically exceeded if strategic acquisitions are available. Parkland has exceeded this ratio primarily as a result of the January 2010 acquisition of Bluewave Energy.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The Net Debt to Capitalization ratio has decreased from December 31, 2010 to June 30, 2011 partially as a result of the issue of 7,130 common shares on June 2, 2011 for proceeds of $82,597, net of issue costs. At June 30, 2011, the Net Debt to Capitalization ratio was 59% (December 31, 2010 - 70%), calculated as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
Long-term debt and convertible debentures, including current portion	417,597	457,963	148,484
Cash and cash equivalents	(32,006)	(18,523)	(17,612)
Net Debt	385,591	439,440	130,872
Class B & C limited partnership units	-	-	56,321
Shareholders' / unitholders' equity	263,448	184,904	122,337
Capitalization	649,039	624,344	309,530
Net Debt to Capitalization	59%	70%	42%

Parkland currently targets a Net Debt to EBITDA ratio of less than 4.0 times (4.0 times - December 31, 2010). This target may be periodically exceeded if strategic acquisitions are available. EBITDA from acquisitions is not included for periods prior to acquisition in the following trailing twelve-month EBITDA calculation. At June 30, 2011 the debt to EBITDA ratio was 3.08 times (December 31, 2010 – 4.15 times) calculated on a trailing twelve-month basis as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
Net Debt	**385,591**	439,440	130,872
Net earnings	**22,501**	31,928	48,604
Add			
Finance costs	**34,238**	32,633	6,356
(Gain) loss on disposal of property, plant and equipment	**(2,290)**	(3,119)	(863)
Depreciation and amortization	**70,706**	62,917	37,878
Income tax expense	**(14)**	(18,473)	(1,135)
EBITDA	**125,141**	105,886	90,840
Net Debt to EBITDA	**3.08**	4.15	1.44

The Corporation manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends/distributions paid to shareholders/unitholders, issue new equity, issue new debt or repay existing debt.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

22. ACQUISITIONS

(a) Cango Incorporated

On June 22, 2011 Parkland acquired 100% of shares in Cango Inc., a company involved in the wholesale and retail sale of automotive fuels and other products in Ontario for cash consideration of $20,000. The acquisition of Cango Inc. advances Parkland's strategy of continued growth of market share in Canada and results in expansion in the Ontario market.

The fair value of net assets acquired from Cango Inc. is as follows:

	June 30, 2011
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	25,863
Cash and cash equivalent	2,213
Property, plant and equipment	10,942
Loan receivables	184
Deferred tax liability	(5,145)
Working capital	(6,080)
Asset retirement obligations assumed	(6,452)
Other liabilities assumed	(1,525)
	20,000
Consideration:	
Cash paid to vendor	20,000
Cash consideration	20,000
Cash and cash equivalents acquired	(2,213)
	17,787

Trade receivables acquired in the transaction have a fair value of $2,351 that equals their gross contractual value and expected cashflows at the acquistion date.

Since the date of acquisition, revenue of $9,350 and net earnings of $63 are included in the June 30, 2011 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Cango Inc. on January 1, 2011, the June 30, 2011 consolidated statement of comprehensive income would include additional revenue of $187,018 and net earnings of $2,200.

(b) Island Petroleum Limited

On December 30, 2010 Parkland acquired assets of Island Petroleum Ltd., a company specializing in distribution of heating oil based in Prince Edward Island for $24,040. The purchase price included $12,173 paid in cash consideration in January 2011 and the December 2010 issuance of 1,036 fund units valued at $11,867. The acquisition of Island Petroleum Ltd. advanced the Corporation's strategy of continued growth of market share of the distribution of heating oil in Canada. The transaction was an asset purchase and accounted for using the purchase method as no voting equity interest was acquired.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The fair value of net assets acquired from Island Petroleum Ltd. is as follows:

	June 30, 2011
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	12,139
Intangible asset - non-compete agreement	537
Goodwill	2,293
Property, plant and equipment	4,303
Other long-term receivables	358
Working capital	4,410
	24,040
Consideration:	
Cash paid to vendor	12,173
Fund units/shares	11,867
	24,040
Non cash consideration:	
Fund units/shares	(11,867)
	12,173

The goodwill of $2,293 which arose from the acquisition was attributable to the synergies from combining operations of heating oil and fuel distribution, increased market presence, combining offices and resource optimization for Parkland. None of the goodwill recognized is expected to be deductible for income tax purposes. No liabilities were assumed as a result of this acquisition.

The fair value of the 1,036 fund units issued as part of the consideration paid for Island Petroleum Ltd. was based on the published share price on December 30, 2010 of $11.45 per unit.

Trade and other receivables acquired in the transaction have a fair value of $5,441, with gross contractual amounts receivable of $6,365. The best estimate at the acquistion date of the contractual cash flows for which collection is uncertain is $924.

No revenue was included in the December 31, 2010 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Island Petroleum Ltd. from January 1, 2010, the December 31, 2010 consolidated statement of comprehensive income would include additional revenue of $50,300 and net earnings of $3,700.

(c) Bluewave Energy Limited Partnership

On January 31, 2010 Parkland acquired substantially all of the assets, property and undertakings of Bluewave Energy Limited Partnership ("Bluewave") for an aggregate purchase price before acquisition costs of $228,408. Bluewave is a national petroleum distribution company headquartered in Dartmouth, Nova Scotia, and is Shell's largest branded distributor in Canada. The acquisition of Bluewave provides Parkland with significant growth in fuel volume, both immediately and through a pipeline of potential future acquisitions.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The goodwill of $59,321 recognized in this acquistion essentially represents the expected synergies from the combined operations as it expands Parkland's geographic reach into Atlantic Canada and improves Parkland's overall geographic and customer diversity. The acquisition will also increase the Corporation's total purchasing volume, which is expected to give rise to additional cost saving opportunities. Goodwill in the value of $86,550 is expected to be deductible for income tax purposes in the future.

The transaction was effective February 1, 2010 and was accounted for using the purchase method with the allocon of the purchase price as follows:

	June 30, 2010	December 31, 2010
Estimated fair value of net assets acquired:		
Intangible asset - customer relationships	83,700	83,700
Intangible asset - tradenames	1,400	1,400
Intangible asset - non compete agreement	600	600
Goodwill	71,461	59,321
Property, plant and equipment	25,753	25,753
Other long term receivable	448	448
Deferred tax asset	(7,017)	5,157
Working capital	52,029	52,029
	228,374	228,408
Consideration:		
Liabilities assumed	8,708	8,708
Cash paid to vendor	204,352	204,386
Class C Limited Partnership units	15,314	15,314
	228,374	228,408
Non cash consideration:		
Liabilities assumed	(8,708)	(8,708)
Class C Limited Partnership units issued	(15,314)	(15,314)
	204,352	204,386

The fair value of the 1,240 Class C Limited Partnership units issued as part of the consideration paid for Bluewave was based on the published share price of $12.35 on February 1, 2010.

Trade receivables acquired in the transaction have a fair value of $7,124, with gross contractual amounts receivable of $9,565. The best estimate at the acquistion date of the contractual cash flows for which collection is uncertain is $2,441.

Acquistion related costs of $2,538 are included in Marketing, General & Administrative expenses.

From the date of acquisition to December 31, 2010, Bluewave's revenue of $545,937 and net earnings of $5,054 have been included in the consolidated statement of comprehensive income for the year ended December 31, 2010. Had the Bluewave acquistion occurred on January 1, 2010 additional revenue of $54,719 and net earnings of $753 would have been recorded in the December 31, 2010 consolidated statement of comprehensive income.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

23. COMMITMENTS

Parkland has contracted obligations under various debt agreements as well as under operating leases for land, building and equipment. Minimum operating lease payments under the existing terms for each of the five succeeding years are as follows**:**

2011	3,836
2012	6,426
2013	5,663
2014	4,224
2015	3,792
Thereafter	14,501

The Corporation has purchase commitments under its fuel supply contracts that require the purchase of approximately 2.2 billion litres of fuel products at variable cost in the 12 months following June 30, 2011.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Parkland does not have a significant credit exposure to any individual customer. Parkland reviews each new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

(a) Aging analysis

As at June 30, 2011	**Current or within terms**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**	**Total**
Accounts Receivable	**251,860**	**13,174**	**12,452**	**18,026**	**295,512**
Accounts Payable	**153,112**	**66**	**130**	**7**	**153,315**

As at December 31, 2010	Current or within terms	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Accounts Receivable	258,795	10,461	3,097	12,917	285,270
Accounts Payable	161,745	3,000	2,573	2,600	169,918

(b) Credit and Market Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. The credit risk is minimized by Parkland's broad customer and geographic base. In light of the current market conditions, Parkland's credit department has been expanded and policies strengthened to control the credit granting process. Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor financial conditions of its customers and the industries in which they operate. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored. At June 30, 2011, the provision for impairment of credit losses was $9,573 (December 31, 2010 - $8,253).

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Parkland is exposed to market risk from changes in the Canadian prime interest rate and Bankers Acceptance rate which can impact its borrowing costs. A 1% change in these interest rates would have caused an increase or decrease to earnings for the period ending June 30, 2011 of $3,050 (June 30, 2010 - $777).

Parkland purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar to the US dollar can result in foreign exchange gains and losses. As at June 30, 2011 Parkland had US dollar accounts payable totalling $US 915 and US dollar cash of $US 704 and as a result Parkland would not be exposed to a significant foreign exchange loss.

(c) Liquidity Risk

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its short term financial obligations. Cash liquidity of Parkland is mainly provided by cash flows from operating activities and borrowings available under its extendible credit facility. In managing liquidity risk, Parkland has access to various credit products at competitive rates. As at June 30, 2011, Parkland has available unused credit facilities in the amount of $144,994 (December 31, 2010 - $40,400). Parkland believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

25. NET CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended June 30,		For the Six months ended June 30,	
	2011	2010	**2011**	2010
Accounts receivable	**60,209**	(7,850)	**(8,150)**	(41,145)
Inventories	**3,569**	6,847	**(2,083)**	3,735
Prepaid expenses and other	**9,775**	2,766	**6,576**	4,751
Income taxes recoverable	**-**	3,463	**5**	(42)
Accounts payable and accrued liabilities	**(32,417)**	844	**(16,660)**	35,619
Income taxes payable	**965**	-	**7,595**	-
Deferred revenue	**(5,826)**	(5,557)	**(4,741)**	(4,312)
Dividends/distributions declared and payable	**685**	9	**(333)**	290
Total for operating activities	**36,960**	522	**(17,791)**	(1,104)

26. SEGMENTED INFORMATION

Parkland's retail operations have been predominantly in fuel marketing and convenience store sales. Parkland's Commercial segment includes sales of propane, fertilizer, lubricants, home heating oil, other agricultural inputs and industrial products and services.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Fuel Marketing includes sales of gasoline, diesel, home heating oil, propane fuel and variable rents derived from service station sites.

Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross profits. The segregation of capital expenditures and total assets is not practical as the reportable segments represent product sales that are generated from common locations.

For the three months ended June 30,	Fuel Marketing			Marketing			
	Gas and Diesel	Heating Oil	Propane	Total	Commercial	Other	Total
2011							
Sales and operating revenue	**803,938**	**40,849**	**12,262**	**857,049**	**69,352**	**23,889**	**950,290**
Cost of sales	**749,940**	**33,737**	**8,172**	**791,849**	**52,342**	**16,961**	**861,152**
Gross profit	**53,998**	**7,112**	**4,090**	**65,200**	**17,010**	**6,928**	**89,138**
2010							
Sales and operating revenue	518,156	23,400	10,100	551,656	35,500	13,400	600,556
Cost of sales	467,535	18,600	7,100	493,235	24,700	4,700	522,635
Gross profit	50,621	4,800	3,000	58,421	10,800	8,700	77,921

For the six months ended June 30,	Fuel Marketing			Marketing			
	Gas and Diesel	Heating Oil	Propane	Total	Commercial	Other	Total
2011							
Sales and operating revenue	**1,557,838**	**150,931**	**42,171**	**1,750,940**	**118,792**	**35,657**	**1,905,389**
Cost of sales	**1,446,773**	**123,377**	**29,031**	**1,599,181**	**83,752**	**19,698**	**1,702,631**
Gross profit	**111,065**	**27,554**	**13,140**	**151,759**	**35,040**	**15,959**	**202,758**
2010							
Sales and operating revenue	1,080,251	70,200	34,700	1,185,151	62,990	27,616	1,275,757
Cost of sales	999,651	54,000	24,100	1,077,751	40,198	9,468	1,127,417
Gross profit	80,600	16,200	10,600	107,400	22,792	18,148	148,340

27. RELATED PARTY TRANSACTIONS

Parkland receives legal services from Bennett Jones LLP where a director of the Corporation is a partner. The fees paid during the six months ended June 30, 2011 amounted to $849 (June 30, 2010 - $1,135) including $20 (June 30, 2010 - $0) in amounts payable at June 30, 2011.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

28. SEASONALITY

Parkland's retail fuels and supply and wholesale operations typically experience higher volumes and refiners' margins during the second and third quarters of the year, driven by higher consumer purchases during the summer months. The commercial fuels segment experiences higher volumes during the first and fourth quarters of the year, due to higher heating fuel and propane demand during the colder months.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

29. EXPENSE BY NATURE

Employee costs included in the consolidated statement of comprehensive income:

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	**2011**	2010
Cost of sales	**2,161**	2,099	**4,562**	3,967
Operating costs	**7,736**	7,174	**17,977**	15,485
Marketing, general and administrative	**13,988**	9,875	**25,806**	20,212
	23,885	19,148	**48,345**	39,664

30. CONTINGENCIES

The Corporation is involved in various legal claims and legal notices arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Parkland's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

31. COMPARITIVE FIGURES

Certain comparative figures have been reclassified to comply with the presentation adopted in the current period.

Supplementary Information

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
Volume ***(millions of litres)***				
Retail fuels				
Sales to dealer	**237**	224	**447**	425
Sales to consumer	**137**	140	**268**	266
Retail fuels sub-total	**374**	364	**715**	691
Commercial fuels				
Gasoline and diesel	**314**	251	**674**	505
Heating oil	**41**	30	**158**	90
Propane	**22**	19	**73**	60
Commercial fuels sub-total	**377**	300	**905**	655
Supply & Wholesale	**203**	164	**377**	357
Intersegment sales	**(51)**	(26)	**(70)**	(85)
Total fuel volume	**903**	802	**1,927**	1,618
Net sales and operating revenue ***(millions of Canadian dollars)***				
Retail fuels				
Sales to dealer	**223.9**	169.2	**407.3**	321.5
Sales to consumer	**138.6**	110.4	**257.8**	212.0
Retail fuels sub-total	**362.5**	279.6	**665.1**	533.5
Commercial fuels				
Gasoline and diesel	**295.9**	182.4	**620.1**	367.5
Heating oil	**40.8**	23.4	**150.9**	70.2
Propane	**12.3**	10.1	**42.2**	34.7
Commercial fuels sub-total	**349.0**	215.9	**813.2**	472.4
Supply & Wholesale	**193.5**	76.3	**337.7**	243.6
Fuel sales	**905.0**	571.8	**1,816.0**	1,249.5
Commercial non-fuel sales	**69.4**	35.5	**118.8**	63.0
Other revenue (1)	**23.9**	13.4	**35.7**	27.6
Total gross sales and operating revenue	**998.3**	620.7	**1,970.5**	1,340.1
Intersegment sales	**(48.0)**	(20.1)	**(65.1)**	(64.3)
Total sales and operating revenue	**950.3**	600.6	**1,905.4**	1,275.8
Gross profit	**89.1**	77.9	**202.8**	148.3
Less: Commercial non-fuel sales gross profit	**17.0**	10.8	**35.0**	22.8
Other revenue gross profit (1)	**6.9**	8.7	**16.0**	18.1
Fuel gross profit	**65.2**	58.4	**151.8**	107.4
Cents per litre	**7.22**	7.28	**7.88**	6.65

(1) This category includes convenience store sales, variable rents, trucking and delivery charges to customers, lottery, vendor rebates and other.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
Fuel gross profit ***(millions of Canadian dollars)***				
Retail fuels				
Sales to dealer	**7.3**	7.2	**14.9**	13.8
Sales to consumer	**13.3**	12.9	**23.6**	23.8
Retail fuels sub-total	**20.6**	20.1	**38.5**	37.6
Commercial fuels				
Gasoline and diesel	**19.1**	15.9	**40.9**	30.4
Heating oil	**7.1**	4.8	**27.5**	16.2
Propane	**4.1**	3.0	**13.1**	10.6
Commercial fuels sub-total	**30.3**	23.7	**81.5**	57.2
Supply & Wholesale (2)	**14.1**	13.3	**30.4**	10.2
Fuel inventory market valuation adjustment	**0.2**	1.3	**1.4**	2.4
Fuel gross profit	**65.2**	58.4	**151.8**	107.4

(2) Included in this category is Parkland's share of refinery margin and modest profits from wholesale sales.

Parkland Fuel Corporation Head Office

Suite 236, Riverside Office Plaza
4919 – 59th Street
Red Deer, Alberta T4N 6C9
Tel: (403) 357-6400
Fax: (403) 352-0042
Email: corpinfo@parkland.ca
Website: www.parkland.ca

Banker

HSBC Bank Canada
108, 4909 – 49th Street
Red Deer, Alberta T4N 1V1

Auditors

PricewaterhouseCoopers LLP
3100, 111 – 5th Avenue SW
Calgary, Alberta T2P 5L3

Legal Counsel

Bennett Jones LLP
4500, Bankers Hall East
855 – 2nd Avenue SW
Calgary, Alberta T2P 4K7

Stock Exchange Listing

Parkland Fuel Corporation common shares and debentures are listed on the Toronto Stock Exchange under the following symbols:
Common Shares: PKI
Debenture Series 1: PKI.DB
Debenture Series 2: PKI.DB.A

Registrar and Transfer Agent

Valiant Trust Company
310, 606 – 4th Street SW
Calgary, Alberta T2P 1T1

Directors

John F. Bechtold
Robert G. Brawn
Jim Dinning
Bob Espey
Alain Ferland
Jim Pantelidis
Ron Rogers
David A. Spencer

Officers

Bob Espey
President and Chief Executive Officer

Andrew Cruickshank
Vice President Finance and
Interim Chief Financial Officer

Bob Fink
General Counsel and Corporate Secretary

Sanjeev Saha
Treasurer

Wholly Owned Subsidiaries of Parkland Fuel Corporation

Parkland Industries Ltd.
1472490 Alberta Ltd.
United Petroleum Products Inc.
Columbia Fuels Ltd.
Parkland Refining Ltd.
Neufeld Petroleum & Propane Ltd.
Bluewave Energy Ltd.

Parkland
FUEL CORPORATION

Suite 236, Riverside Office Plaza
4919 – 59th Street
Red Deer, Alberta T4N 6C9
www.parkland.ca