FUELING CANADIAN COMMUNITIES

First Quarter 2011

Interim report for the three months ended March 31, 2011

Cautionary Information

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 month period ended March 31, 2011 with the three month period ended March 31, 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 subsequent to this report will be prepared in accordance with IFRS. Note 5 of the interim consolidated financial statements for the three months ended March 31, 2011 contains a detailed reconciliation of Parkland's financial statements prepared under Previous GAAP to those under IFRS for the three months ended March 31, 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 March 31, 2011. This MD&A includes discussion of Parkland's affairs up to May 26, 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 March 31,		
	2011	2010	% Change
Fuel volume (millions of litres)	**1,024.0**	816.0	25
Sales and operating revenues	**955.1**	675.2	41
Gross profit	**113.6**	70.4	61
Operating costs	**47.6**	31.4	52
Marketing, general and administrative	**20.0**	20.3	(1)
Depreciation and amortization expense	**17.4**	13.9	25
	28.6	4.8	496
Customer finance income	**(0.6)**	(0.5)	20
Finance costs	**8.9**	1.9	368
(Gain) loss on disposal of property, plant and equipment	**(0.9)**	0.4	(325)
Earnings before income taxes	**21.2**	3.1	584
Income tax expense (recovery)	**4.9**	(0.7)	(800)
Net earnings	**16.3**	3.7	341
EBITDA [1]	**46.6**	19.1	144
Distributable cash flow [1][2]	**31.9**	13.0	145
Dividends/distributions	**13.7**	14.6	(6)
Dividends/distributions, net of dividend reinvestment plan	**7.9**	13.9	(43)
Dividend/distribution to distributable cash flow payout ratio	**43%**	112%	
Dividend/distribution (net of dividend reinvestment plan) to distributable cash flow payout ratio	**25%**	107%	
Cents per Litre			
Sales and operating revenues	**93.27**	82.75	13
Gross margin	**11.09**	8.63	29
Operating costs	**4.65**	3.85	21
Marketing, general and administrative	**1.95**	2.49	(21)
Depreciation and amortization expense	**1.70**	1.70	(0)
Earnings before income taxes	**2.07**	0.38	445
Income tax (recovery) expense	**0.48**	(0.09)	
Net earnings	**1.59**	0.45	251
EBITDA[1]	**4.55**	2.34	94

[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.

Management's Discussion and Analysis

For the three months ended March 31, 2011.

The information in this document is in Canadian dollars and is current as of May 26, 2011.

Overview of Business

Parkland Fuel Corporation ("Parkland" or "the Corporation") is Canada's largest independent marketer and distributor of refined petroleum products, managing a nationwide network of fuel sales channels for retail, commercial, wholesale and home heating fuel customers.

Parkland's mission is to be the most trusted source of convenience for fuel and related products focused on non-urban markets.

A focus on the non-urban market has led to growth in communities where there exist strong local connections and brand loyalty to the brands acquired and operated by Parkland.

The Corporation's family of retail and commercial brands includes: Fas Gas Plus, Race Trac Gas, Bluewave Energy, Columbia Fuels, Great Northern Oil, Neufeld Petroleum & Propane, United Petroleum Products and Island Petroleum.

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.

Conversion to Parkland Fuel Corporation

On December 31, 2010 Parkland Income Fund completed the previously announced reorganization of the Fund to a corporation (the "Conversion") pursuant to a plan of arrangement under the Business Corporations Act (Alberta). Pursuant to the Conversion, 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 the Corporation (the "Common Shares") on a one-for-one basis.

All of the covenants and obligations of the Fund under the 6.5% series 1 convertible unsecured subordinated debentures of the Fund and the 5.75% series 2 convertible unsecured subordinated debentures of the Fund were assumed by the Corporation in connection with the Conversion.

Upon conversion, Parkland Fuel Corporation assumed the business of Parkland Income Fund, and Parkland income Fund ceased to exist. Therefore the name Parkland Fuel Corporation is used in this document.

Fuel Marketing Segment

Parkland's fuel marketing segment, which accounted for 94% of net sales and operating revenue and 77% of gross profit for the three months ended March 31, 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

Commercial Overview

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 March 31, 2011 accounted for 52% of the Corporation's total compared with 44% for the same period in 2010. Commercial fuel revenue increased by 81% to $464.2 million in the first quarter of 2011 compared with $256.4 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 March 31,	
Volume *(millions of litres)*	**2011**	2010
Gasoline & Diesel	**361**	254
Heating Oil	**117**	60
Propane	**51**	41
Commercial Sub-total	**529**	355
Sales and operating revenue *(millions of Canadian dollars)*		
Gasoline & Diesel	**324.2**	185.0
Heating Oil	**110.1**	46.8
Propane	**29.9**	24.6
Commercial Sub-total	**464.2**	256.4
Fuel gross profit *(millions of Canadian dollars)*		
Gasoline & Diesel	**21.8**	14.4
Heating Oil	**20.4**	11.3
Propane	**9.0**	7.6
Commercial Sub-total	**51.2**	33.3
Sales and operating revenue *(cents per litre)*		
Gasoline & Diesel	**89.81**	72.83
Heating Oil	**94.10**	78.00
Propane	**58.63**	60.00
Commercial Average	**87.75**	72.23
Fuel gross profit *(cents per litre)*		
Gasoline & Diesel	**6.04**	5.67
Heating Oil	**17.44**	18.83
Propane	**17.65**	18.54
Commercial Average	**9.68**	9.38

Operational Review

For the three months ended March 31, 2011, Parkland Commercial Fuels' volumes increased 49% to 529 million litres compared with 355 million litres for the same period in 2010.

The inclusion of Bluewave Energy's January business in the first quarter of 2011 compared with the first quarter of 2010, which only included Bluewave Energy's February and March operations, contributed an additional 90.7 million litres or increased volumes 26%. In addition, the increase in fuel volumes for the three months ended March 31, 2011 was the result of the acquisition of Island Petroleum, the return of normal winter weather conditions across most Parkland markets, and improved economic activity compared to the first quarter of 2010.

Economic activity in the oil and gas, mining, forestry, trucking and other commercial industries in Parkland's core markets continued to be robust in the first quarter of 2011. For the three months ended March 31, 2011, the Canadian Association of Oilwell Drilling Contractors (CAODC) reported an average rig utilization rate of 68% compared with 54% for the same period in 2010.

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 commercial fuels division. Average net fuel gross profit increased by 3% for the three months ended March 31, 2011 compared with the same period in 2010 due to margin increases in gasoline and diesel sales partially reduced by margin decreases in heating oil and propane.

Fuel gross profit for heating oil sales on a cents per litre basis decreased by 7% in the first quarter of 2011 compared with the same period in 2010 as a result of increased sales to commercial customers at a lower margin. In general, margins in the heating oil market have remained stable.

Due to standard credit terms allowed for commercial customers, high fuel product costs in the first quarter exaggerated the seasonal increase in Parkland's accounts receivable. The increase in accounts receivables is entirely the result of increased commercial business and higher fuel costs, and does not stem from an increase in the age of Parkland's accounts receivable.

Divisional Outlook

The business environment in the first quarter and into the second quarter to date has been characterized by the return of normal winter weather and increased economic activity. The outlook for commercial fuel sales volumes continues to be robust as activity in the oil and gas, mining, forestry, trucking and other commercial industries remains stronger than the same period in 2010.

The CAODC reported that rig utilization continued to increase in 2011 with an average utilization rate for April 2011 of 23% compared with 16% for the same period in 2010.

Wet cool weather across Canada at the beginning of the second quarter is making for a late planting season which will impact the agricultural component of Parkland's commercial business.

The lubricants business that was acquired from Shell in September, 2010 has been growing in importance to Parkland, and will be contribute to revenue and earnings going forward for Parkland Commercial Fuels. Becoming Canada's largest distributor of Shell's Penzoil and Quaker State branded lubricants has provided Parkland with a solid foundation to rapidly grow into the lubricants business, and

allows the Corporation to increase the range of refined products Parkland markets across Canada.

The Commercial Fuels group will continue to implement best in class processes to support leading edge delivery and operational effectiveness.

Markets

On May 26, 2011 Parkland Commercial Fuels had 129 commercial locations.

Province	Cardlock	Branch	Branch & Cardlock	Grand Total
Alberta	14	13	10	37
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	4		16
Saskatchewan		1		1
Yukon			1	1
Grand Total	**47**	**47**	**35**	**129**

Customers

Parkland has a diverse commercial 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 March 31, 2011 accounted for 33% of the Corporation's total volume compared with 40% for the same period of 2010. Retail fuel revenue increased 19.3% to $302.6 million in revenue in the first quarter of 2011 compared with $253.7 million in the first 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 three business models:

Independent Dealer Operated – 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.

Parkland Operated - These sites are owned, controlled and operated by Parkland, and Parkland directly benefits from all sales to the consumer in this type of station. The Corporation employs and manages all station employees, as well as owns and manages the convenience store inventories.

Commission Operated - Where possible, Parkland is transitioning 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 average sales volumes are lower but earnings are enhanced by typically 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 March 31,	
Volume *(millions of litres)*	**2011**	2010
Sales to Dealer	**210**	201
Sales to Consumer	**131**	126
Retail Sub-total	**341**	327
Sales and operating revenue *(millions of Canadian dollars)*		
Sales to Dealer	**183.4**	152.2
Sales to Consumer	**119.2**	101.5
Retail Sub-total	**302.6**	253.7
Fuel gross profit *(millions of Canadian dollars)*		
Sales to Dealer	**7.6**	6.6
Sales to Consumer	**10.3**	10.9
Retail Sub-total	**17.9**	17.5
Sales and operating revenue *(cents per litre)*		
Sales to Dealer	**87.33**	75.72
Sales to Consumer	**90.99**	80.56
Retail Average	**88.74**	77.58
Fuel gross profit *(cents per litre)*		
Sales to Dealer	**3.62**	3.28
Sales to Consumer	**7.86**	8.65
Retail Average	**5.25**	5.35

Operational Review

For the three months ended March 31, 2011, Parkland Retail Fuels' volumes increased 4% to 341 million litres compared with 327 million litres for the same period in 2010. This increase was entirely due to growth in same store sales, new locations, and 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. These margins decreased by 1.9% for the three months ended March 31, 2011 compared with the same period in 2010 due to increases in fuel product prices that are not immediately passed on to the consumer, and

competitive market pricing pressures from fuel outlets at big box retail chains in certain markets and due to other changes in market pricing.

In the first quarter of 2011, the Retail Fuels Division continued to make progress on gaining compliance with the Europay MasterCard and Visa ("EMV") payment system. 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

Increased economic activity in Parkland Retail Fuels' core markets is expected to contribute to volume growth in 2011.

On May 9, 2011 Parkland announced that it had entered into a binding agreement to acquire the business of Cango Inc. ("Cango"), subject to certain conditions, on or about May 31, 2011. Cango, a major independent retail fuel marketer in Ontario, supplies more than 400 million litres of petroleum products to a network of 155 independent dealers and company operated locations under the Cango, Sunys, Gas Rite and Esso brands. This network presently includes 29 retailers and 126 dealers of which 80 are Esso branded through Cango's Retail Branded Distributor agreement with Imperial Oil.

At the same time, Parkland also agreed to acquire 7 retail fuel outlets from Overwaitea Food Group representing 25 million litres of fuel volume. The agreement, which is subject to certain conditions, includes 7 Save On Foods Gas Bars located in British Columbia and Alberta. These stations, which will be re-branded to Fas Gas Plus, are anticipated to be in operation in time for the 2011 summer driving season.

The total cost for both the Cango and Save On Foods acquisitions is approximately $22 million.

Fas Gas Plus currently offers customers a cash back loyalty program known as the Litre Log™. Customers accumulate 3 cents per litre each time they fuel up, and after 12 fills or 200 litres, the customer receives their loyalty reward in the form of cash back. While this paper based loyalty program has served Parkland's customers well, it is important to ensure that Parkland's offering remains competitive compared with other loyalty offerings in the market. To investigate the advantages of adopting an electronic loyalty program Parkland Retail Fuels has been running a number of small pilot studies in isolated communities. Preliminary results indicate that the program has been well received, and that there are a number of advantages to delivering the program electronically. Parkland will

continue to assess the outcomes of this pilot, and make a decision on whether to deploy it across the Fas Gas Plus network later this year.

Markets

_Province	Parkland Operated	Commission Operated	Independent Dealer Operated	Grand Total
Alberta	4	77	194	275
British Columbia	2	13	85	100
Manitoba		12	11	23
Nova Scotia			3	3
Northwest Territories			3	3
Ontario		1	73	74
Prince Edward Island			2	2
Saskatchewan		32	96	128
Yukon Territories			9	9
Grand Total	6	135	476	617

Brands

	Fas Gas Plus	Race Trac	Esso	Other	Grand Total
Independent Dealer Operated	57	128	266	25	476
Parkland Operated	5		1		6
Commission Operated	91	2	26	16	135
	153	130	293	41	617

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 March 31, 2011 accounted for 17% of the Corporation's total fuel distribution compared with 24% in the same period of 2010. Supply and Wholesale fuel revenue decreased 14% to $144.2 million compared with $167.1 million in the first quarter of 2010.

Refinery Contracts - Fuel 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 the first quarter of 2011 were robust compared to the same period in 2010, increasing $17.3 million year over year.

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 less than a third 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 April 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.

Petrohaul - With fuel transportation assets located across western Canada, Petrohaul oversees Parkland's western regional fuel hauling needs. Petrohaul manages and distributes fuel to retail and commercial locations across western Canada and the Territories. Petrohaul's fleet is satellite-dispatched with GPS tracking to ensure efficient on-time customer deliveries.

Human Resources

Parkland had approximately 1,480 employees at March 31, 2011, including 50 retail convenience store personnel stationed throughout western Canada and 200 employees in its Red Deer, Alberta head office. Parkland is moving away from corporate owned and operated retail sites and further towards commission operated sites in order to enhance performance at individual retail locations. This move will further reduce the number of convenience store employees managed by Parkland directly.

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/unit 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. Parkland continues to recruit and attract top talent in order to carry out its strategic objective of continued growth by acquisition. Key positions have been filled despite the competitive labour market in western Canada and Parkland will continue to focus on talent development and performance management. 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 the last of the Corporation's values – success.

Growth Strategy - Accretive Acquisitions

Parkland's fuel volumes have grown at a compound annual growth rate ("CAGR") of 23% 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 14 independent fuel marketers remaining in Canada of this size. Parkland's 2010 acquisition of Bluewave Energy fell 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 recent 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 aftermarket 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), 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 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. As Parkland strives to maintain sufficient credit facilities and appropriate levels of debt, the seasonality of the business is not currently expected to influence dividend policies.

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.

However, 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 March 31, 2011**	Three months ended March 31, 2010
Cash flow from operating activities	**(22,022)**	14,977
Less: Total capital expenditures and intangibles	**(5,962)**	(10,859)
Standardized distributable cash flow [1]	**(27,984)**	4,118
Add back (deduct):		
Growth capital expenditures and intangibles	**2,415**	6,889
Proceeds on disposal of capital items	**2,740**	416
Change in non-cash working capital	**54,751**	1,626
Distributable cash flow	**31,922**	13,049
Dividends/distributions	**13,696**	14,553
Dividends/distributions, net of dividend reinvestment plan	**7,877**	13,945
Dividend/distribution payout ratio	**43%**	112%
Dividend/distribution payout ratio, net of dividend reinvestment plan	**25%**	107%

Distributable Cash Flow

Distributable cash flow exceeded dividends, net of dividend reinvestment plan in the first quarter by $24.0 million compared to distributions exceeding distributable cash flow by $0.9 million in the first quarter of 2010. The dividend/distribution payout ratio net of proceeds from the dividend reinvestment plan for the first quarter of 2011 was 25% compared with 107% in the first quarter of 2010. The reduction in the ratio from the first quarter of 2010 to the first quarter of 2011 was the result of $6.1 million in lower dividends/distributions net of the dividend reinvestment plan, as well as increased distributable cash flow arising from increased net earnings excluding depreciation and amortization costs. The increase in net earnings excluding depreciation and amortization costs was principally the result of 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 and the acquisition of Island Petroleum effective December 30, 2010, as well as improved refiners' margins. Movements in non-cash working capital are excluded from distributable cash flow.

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 30, 2011	May 14, 2011	0.085	**4,627**
Total dividends declared to Shareholders in 2011		0.340	**18,362**

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.

Dividend Reinvestment Plan

Premium Dividend™ and Discount Dividend Re-investment Plan

In January of 2011 Parkland launch 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 in 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 March 31, 2011	Three months ended March 31, 2010
Cash flow from operating activities	**(22,022)**	14,977
Net earnings	**16,285**	3,686
EBITDA [1]	**46,573**	19,147
Dividends / Distributions, net of dividend reinvestment plan	**7,877**	13,945
Excess (shortage) of cash flow from operating activities relative to dividends/distributions	**(29,899)**	1,032
Excess (shortage) of cash flow from net earnings relative to dividends/distributions	**8,408**	(10,259)
Excess (shortage) of cash flow from EBITDA relative to dividends/distributions	**38,696**	5,202

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. Cash flow from operating activities in the first three months ended March 31, 2011 has been lower than dividends as a result of significant working capital requirements, primarily increases in accounts receivable and inventories. The $68.2 million increase in accounts receivable from December 31, 2010 to March 31, 2011 included in net changes in non-cash working capital in the Consolidated Statements of Cash Flows, is primarily due to a 18% volume increase in Parkland Commercial Fuels from the fourth quarter of 2010 to the first quarter of 2011 and a 10% increase in average Edmonton light sweet marker crude pricing from the fourth quarter of 2010 to the first quarter of 2011.

Significant strengthening in EBITDA and net earnings in the three months ended March 31, 2011 resulted in higher excess EBITDA and net earnings compared to dividends/distributions compared to the first quarter of 2010.

Sequential Quarterly Review of Income

($000's except per share/unit amounts)	2011	2010			
For the three months ended,	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
Sales and operating revenue	955,099	824,591	790,825	600,556	675,201
Cost of sales	841,479	729,319	718,273	522,635	604,782
Gross profit	113,620	95,272	72,552	77,921	70,419
Expenses					
Operating costs	47,637	40,999	33,830	32,569	31,448
Marketing, general and administrative	19,999	19,996	20,702	17,218	20,303
Depreciation and amortization	17,350	16,788	16,551	15,697	13,881
	28,634	17,489	1,469	12,437	4,787
Customer finance income	(589)	(575)	(329)	(138)	(479)
Finance cost	8,886	8,779	8,191	8,479	1,918
Net Finance costs	8,297	8,204	7,862	8,341	1,439
(Gain) loss on disposal of property, plant and equipment	(891)	(491)	(1,344)	(1,643)	359
Earnings (loss) before income taxes	21,228	9,776	(5,049)	5,739	2,989
Income tax expense (recovery)					
Current	6,627	28	(28)	3,500	(3,500)
Deferred	(1,684)	(7,026)	(3,776)	(10,474)	2,803
	4,943	(6,998)	(3,804)	(6,974)	(697)
Net earnings	16,285	16,774	(1,245)	12,713	3,686
Comprehensive income	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	16,285	-	-	-	-
Net earnings per share/unit					
- basic	0.30	$ 0.32	(0.02)	0.25	0.07
- diluted	0.26	0.27	(0.02)	0.22	0.06
Share/units outstanding	54,048	53,164	52,037	51,957	51,871

Three Months Ended March 31, 2011

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

- Q1 fuel sales volumes increased 25% to 1,024 million litres compared with 816 million litres in Q1 2010;
- EBITDA increased 143% to $46.6 million compared with $19.1 million in Q1 2010;
- Net earnings increased to $16.3 million compared with $3.7 million in Q1 2010;
- Parkland Fuel Corporation appointed Bob Espey as President and CEO, effective May 1, 2011;
- Parkland agreed to acquire the business of Cango Inc. ("Cango"), subject to closing conditions, which supplies more than 400 million litres of petroleum products annually to a network of 155 independent dealers and company operated locations in Ontario;
- Parkland agreed to acquire, subject to closing conditions, 7 Save on Foods Gas Bars representing 25 million litres annually; and
- $86.3 million bought deal equity financing is expected to close on or about June 2, 2011, to fund acquisitions and to optimize the balance sheet in preparation for future growth.

Fuel Volumes

Gasoline, diesel and propane volumes increased 25% to 1,024 million litres in the first quarter of 2011 from 816 million litres in the prior year. The increase in volumes was primarily driven by elevated commercial activity in Northern Alberta and British Columbia, the acquisition of Island Petroleum effective December 30, 2010, and the inclusion of Bluewave Energy's January 2011 activity (Bluewave Energy was acquired February 1, 2010).

Commercial Fuel Volumes

For the three months ended March 31, 2011 commercial fuel volumes increased 49% or 529 million litres compared with 355 million litres for the same period in 2010 due to increased Western Canadian resource activity, and the Bluewave Energy and Island Petroleum acquisitions.

Propane volumes increased by 24% for the first quarter of 2011 to 51 million litres from 41 million litres for the same period in 2010.

Retail Fuel Volumes

For the three months ended March 31, 2011 retail fuel volumes increased 4% or 14 million litres to 341 million litres compared with 327 million litres for the same period in 2010 due primarily to new higher volume retail sites and the elimination of low volume sites as compared with the first quarter of 2010.

Revenue

Sales and operating revenue for the three month period ended March 31, 2011 was $955.1 million, up 41% from $675.2 million during the first quarter of last year. Fuel marketing revenue increased 41% with commercial fuel sales reporting an increase of 81% compared with the same three month period in 2010. The increase in fuel marketing and commercial revenues was primarily due to the inclusion of Bluewave Energy's January 2011 activity, first quarter volumes from Island Petroleum, increased crude pricing, cooler weather and stronger economic activity. In the first quarter of 2011 fuel marketing revenue per litre increased 12%.

Gross Profit

Gross profit for the three months ended March 31, 2011 increased 61% or $43.2 million to $113.6 million compared with $70.4 million for the same period in 2010. This increase was due to a 25% increase in fuel volumes and a 41% increase, or 2.5 cents, in fuel gross profit per litre compared with the same period in 2010 due to strong Commercial Fuel Division results and improved refiners' margins.

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:

(in millions of Canadian dollars)	Three months ended March 31, 2011	Three months ended March 31, 2010	% Change
Fuel Marketing Segment			
Sales	**893.9**	633.5	41
Cost of sales	**807.3**	584.5	38
Gross profit	**86.6**	49.0	77
Gross margin	**9.7%**	7.7%	
Non-Fuel Commercial Segment			
Sales	**49.4**	27.5	80
Cost of sales	**31.4**	15.5	103
Gross profit	**18.0**	12.0	50
Gross margin	**36.5%**	43.6%	
Other Non-Fuel Segment			
Sales	**11.8**	14.2	(17)
Cost of sales	**2.7**	4.8	-
Gross profit	**9.0**	9.4	(4)
Gross margin	**76.7%**	66.4%	
Gross Profit Sources			
Total consolidated gross profit	**113.6**	70.4	61
Less:			
Gross profit on commercial sales	**18.0**	12.0	50
Other revenue included in gross profit	**9.0**	9.4	(4)
Fuel marketing gross profit	**86.6**	49.0	77
Cents per litre	**8.46**	6.00	41

Fuel Marketing Segment

Parkland's fuel marketing segment, which accounted for approximately 94% (March 31, 2010 - 94%) of sales and operating revenue and approximately 76% (March 31, 2010 - 70%) of gross profit for the three months ended March 31, 2011, is the Corporation's most important segment and the focus of its operations. This segment consists of fuel sales and deliveries through the Corporation's commercial, retail, and wholesale operations.

Fuel marketing sales have increased 41% to $893.9 million in the quarter ended March 31, 2011 from $633.5 million in the first quarter of 2010. The increase in fuel marketing sales was primarily driven by the inclusion of Bluewave Energy's January 2011 activity, first quarter volumes from Island Petroleum, increased crude pricing, cooler weather and stronger economic activity. Bluewave Energy and Island Petroleum contributed $262.1 million in fuel sales in the first quarter of 2011 compared to $94.3 million in the first quarter of 2010.

Parkland's operating revenues and cost of sales fluctuate with the price paid for refined product, which in turn fluctuates with the cost of crude oil. Profit margins on a cents per litre (cpl) basis are a more relevant indicator of the Corporation's ability to generate value.

For the three month period ended March 31, 2011, fuel profit margins in the Retail Fuels Division of $17.9 million were up $0.4 million compared to $17.5 million in the first quarter of 2010. On a cents per litre basis, the Retail Fuels Division fuel gross profit was 5.3 cpl compared to 5.4 cpl in the first quarter of 2010. Fuel profit margins in the Commercial Fuels Division increased 54% to $51.2 million in the first quarter of 2011 compared with $33.3 million in the first quarter of last year. On a cents per litre basis the Commercial Fuels Division fuel profit margin increased to 9.7 cpl in the first quarter of 2011 compared with 9.4 cpl for the same period in 2010 due to an increase in the proportion of higher margin delivered fuel and heating oil products.

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.

Gross profit in the Parkland Supply & Wholesale Division increased $19.2 million to $16.3 million for the three months ended March 31, 2011, compared with ($2.9 million) for the same period in 2010 due to strong refiners' margins. Refiners' margins in the first quarter of 2011 compared to the same period in 2010 increased $17.3 million year over year.

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. This segment accounted for approximately 5% (March 31, 2010 – 4%) of revenues and 16% (March 31, 2010 – 17%) of gross profits for the three months ended March 31, 2011.

Non-Fuel Commercial revenue increased to $49.4 million in the first quarter of 2011 from $27.5 million in the first quarter of 2010 due to the inclusion of Bluewave Energy's January 2011 activity, and from strong lubricant 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, and vendor rebates. While this segment accounted for approximately 1% (March 31, 2010 – 2%) of sales and operating revenue, it was responsible for approximately 8% (March 31, 2010 - 13%) of Parkland's gross profits for the three months ended March 31, 2011. This segment reflects the changes as a result of Parkland's ongoing program to switch from company operated to commission operated retail sites.

Consolidated Gross Profit
Consolidated gross profit increased 61% to $113.6 million in the first quarter of 2011 from $70.4 million in the first quarter of 2010, primarily due to strong refiners' margins, the inclusion of Bluewave Energy's January 2011 activity, first quarter 2011 activity from Island Petroleum, cooler weather and stronger economic activity. First quarter fuel gross profit increased 77% to $86.6 million this year from $49.0 million last year.

Operating and Direct Expenses
Operating and direct costs increased by 51% to $47.6 million (4.7 cpl) for the three months ended March 31, 2011, compared with $31.4 million (3.9 cpl) for the same quarter in 2010. Of the $16.2 million increase in Parkland's operating and direct costs for the three month period, the Commercial Fuels division accounts for $13.3 million of the increase. This is the result of the growth of the division, relating to the acquisition of Island Petroleum and the inclusion of Bluewave Energy's January business in the first quarter of 2011. As a result of the acquisitions, and the return of seasonal winter weather, the Commercial Fuels Division increased fuel volume quarter over quarter by 49% from 355 million litres to 529 million litres, resulting in increased operating and direct expenses. The increase in operating costs on a cpl basis also reflects the change in business mix following the Bluewave and Island Petroleum acquisitions that increased Parkland's proportion of delivered fuel products which involves higher operating costs (due to delivery) offset by higher fuel gross margins.

Marketing, General and Administrative Expenses
Marketing, general and administrative expenses were $0.3 million lower than last year at $20.0 million (2.0 cpl) for the three months ended March 31, 2011, compared with $20.3 million (2.5 cpl) for the first quarter of 2010. The quarter ended March 31, 2010 included $2.9 million in expenses related to the Bluewave Energy acquisition. Marketing, general and administrative expenses from Bluewave Energy in January, 2011 were $1.5 million.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)
EBITDA for the first quarter of 2011 was $46.6 million, an increase of 143% from $19.1 million in 2010. The increase in EBITDA from the same period in 2010 is

explained primarily by increases in commercial fuel volumes, stronger refiners' margins and EBITDA increases from the Bluewave and Island Petroleum acquisitions.

Finance Costs

Finance costs were $8.9 million in the first quarter compared with $1.9 million for the same period in 2010. This increase of $7.0 million is primarily attributable to a revaluation of embedded derivative gain of $5.3 million in the first quarter of 2010 arising from the series 1 convertible unsecured subordinated debentures and increased interest and accretion on the series 1 and series 2 convertible unsecured subordinated debentures. As at March 31, 2011, the Corporation had convertible unsecured subordinated debentures outstanding of $134.1 million compared to $88.4 as at March 31, 2010.

Interest on long-term debt for the first quarter of 2011 was $4.9 million versus $5.0 million in the first quarter of 2010. Long-term debt including the current portion has increased to $340.7 million as at March 31, 2011, up $47.3 from $293.4 million at March 31, 2010. Interest costs in the first quarter of 2010 now includes $1.6 million of distributions to Class B and C LP unitholders that under IFRS are now treated as interest cost.

Income Tax

An income tax expense of $4.9 million was incurred in the first quarter compared with a recovery of $0.7 million for the same period in 2010. This is primarily the impact of the Conversion from an income trust to a corporation, as taxable income is no longer reduced by distributions to unitholders.

Earnings

Net earnings in the first quarter of 2011 were $16.3 million, up significantly from $3.7 million for the same period in 2010. The increase in net earnings was directly attributable to the improvement in refiners' margins from the same quarter in 2010, as well as the growth of the Commercial Fuels Division, which experienced increased volume and gross profit quarter over quarter.

Cash Balances and Cash Flow Activity

Parkland's cash position at March 31, 2011 decreased by $2.1 million to $16.4 million. For the three month period ended March 31, 2011, operating activities used $22.0 million of cash versus a generation of $15.0 million in cash flow in the first quarter of 2010. During the first quarter of 2011 accounts receivable increased $68.2 million from December 31, 2010 primarily due to an 18% volume increase in Parkland Commercial Fuels from the fourth quarter of 2010 to the first quarter of 2011 and a 10% increase in average Edmonton light sweet marker crude pricing. Accounts payable and accrued liabilities increased $15.8 million in the first quarter of 2011.

Financing activities in the first quarter of 2011 generated $35.7 million in net cash flow, which included $25.0 million in proceeds from an unsecured bridge loan which was obtained March 15, 2011 and repaid May 5, 2011. Financing activities in the first quarter of 2010 generated cash of $221.4 million which included proceeds from a capital loan used to fund the Bluewave Energy acquisition.

Investing activities in the first quarter of 2011 used $15.9 million in cash flow, which included $12.2 million in cash expenditures related to the Island Petroleum acquisition. This compared to $215.9 million in cash flow used in the first quarter of 2010, when the acquisition of Bluewave Energy was completed.

Property Plant and Equipment, Intangible Assets and Amortization

Depreciation and amortization expenses in the first quarter of 2011 were $17.4 million, an increase of $3.5 million from $13.9 million in 2010. During the first quarter of 2011, the Corporation's total additions of property, plant and equipment and intangibles, consisting of maintenance capital and growth capital, were $6.0 million compared with $10.9 million for the same period in 2010. Maintenance capital in the quarter ended March 31, 2011 was $3.6 million compared with maintenance capital of $4.0 million in the first quarter of 2010. Growth capital in the first quarter of 2011 was $2.4 million, compared with $6.9 million in growth capital for the same period last year.

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.

Summary of the Eight Most Recently Completed Consolidated Quarterly Results

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

Summary of the eight most recently completed consolidated quarterly results

(millions of Canadian dollars, except volume and per Unit amounts)

For the three months ended	2011	2010				2009 [1]		
	31-Mar	Dec-31	Sep-30	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Fuel volume (millions of litres)	**1,024**	980	901	802	816	728	712	628
Sales and Operating Revenue	**955.1**	824.6	790.8	600.6	675.2	542.4	543.1	479.5
Net earnings	**16.3**	16.8	(1.2)	12.7	3.7	4.5	10.1	14.3
EBITDA	**46.6**	34.9	18.3	28.3	19.1	13.7	21.4	23.4
Net earnings per Share/Unit								
Basic	**$0.30**	$0.32	($0.02)	$0.25	$0.07	$0.09	$0.20	$0.28
Diluted	**$0.26**	$0.27	($0.02)	$0.22	$0.06	$0.09	$0.20	$0.28

[1] Amounts reported in 2009 have not been restated and are reported using Previous GAAP

Parkland exceeded one billion litres of fuel sales in the first 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 has available an Extendible Facility, including an operating loan, capital loan and letters of credit, up to a maximum amount of $400 million (increased from $265 million to $400 million on January 31, 2010) and bears interest, payable monthly, at the bank's prime lending rate plus 2.5 to 3.75% per annum. The Extendible Facility is subject to renewal on June 6, 2011 at which time it can be extended at Parkland or the lenders' option for 364 days. If the Extendible Facility is not extended past June 6, 2011, all amounts outstanding are repayable in eight consecutive quarterly instalments, commencing on the last day of the quarter following the maturity date, with the first seven of such instalments being one-eighth of the outstanding balance and remainder at the end of the period. Security on the extendible facility is the assignment of insurance and a demand debenture for $500 million creating a first, specific mortgage and charge over all Parkland's real and personal property.

At March 31, 2011, Parkland had $213.4 million in long-term debt (excluding $127.3 million of the current portion of long-term debt, the $90.8 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 $184.0 million at March 31, 2010, (excluding $109.4 million of the current portion and the $88.4 million remaining amount of series 1 convertible unsecured subordinated debentures outstanding). At March 31, 2010 the debt component portion of the series 1 convertible

unsecured subordinated debentures was $88.4 million with no allocation to equity under IFRS before the Conversion on December 31, 2010.

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. As a result of the Conversion, Parkland is no longer subject to the Canadian Taxation rules for Income Trusts.

On March 15, 2011, Parkland obtained an 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 March 31, 2011 Parkland had $16.4 million of cash on hand at various banks compared with a cash balance of $38.1 million on hand at March 31, 2010.

At March 31, 2011, Parkland was in compliance with all debt covenants. As part of the June 7, 2010 credit renewal, a "net debt" concept was introduced 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 syndicated credit 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 3.25 to 1.00; and
3. Ratio of EBITDA less maintenance capital expenditures and taxes to the sum of interest, principal and distributions shall not be less than 1.00 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, the ability to integrate future acquisitions, and build 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 March 31, 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 analyze and 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.

Accounts Receivable

Parkland's accounts receivable have been reduced for amounts that have been deemed uncollectible. At March 31, 2011 the provision for credit losses was $7.9 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.

Inventory

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.

Amortization and Accretion

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 March 31, 2011 was estimated at $22.9 million with a net present value of the obligations accrued at March 31, 2011 of $13.0 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 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 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 March 31, 2011, Parkland's accounts receivable balance was $353.4 million, up $122.7 million from the March 31, 2010 balance of $230.7 million. The increase in accounts receivable is principally due to the 49% volume increase in Parkland Commercial Fuels from the first quarter of 2010 to the first quarter of 2011 and a 10% year-over-year increase in Edmonton light sweet marker crude pricing.

Accounts receivable outstanding for more than 90 days past terms have decreased by $8.5 million from $19.7 million at December 31, 2010 to $11.2 million at March 31, 2011.

At March 31, 2011, the provision for impairment of credit losses was $7.9 million, down $0.4 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 March 31, 2011 Parkland had US dollar accounts payable totalling $US1.3 million and US dollar cash of $US0.8 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 a large annual fuel volume of approximately one billion litres annually. 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 8 years and approximately 30% 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, 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 expenditures.

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 position, results of operations 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 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 they also 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 General Accounting Standards under IFRS.

Parkland has a Disclosure Committee, consisting of four 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 first quarter of 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 March 31, 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 three-month periods ended March 31, 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 March 31, 2010	Year ended December 31, 2010
Net earnings as reported under Previous GAAP	5,443	30,194
Adjustments to net earnings:		
Marketing, general and administrative	(2,868)	(2,677)
Depreciation and amortization	(81)	(324)
Finance costs	3,438	281
Other	148	(125)
(Provision) recovery for deferred income taxes	(2,394)	4,579
Net earnings, as reported under IFRS	3,686	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

(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. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

b) IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(c) IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions.* Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(d) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(e) IFRS 13 - Fair Value Measurement

IFRS 13 is 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. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

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 quarter of 2011 amounted to $0.2 million (Q1 2010 - $0.5 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 March 31, 2011	Mortgages, bank indebtedness, bank loans, notes payable, and convertible debentures	Other Long Term Liabilities	Operating Leases	Capital Leases
2011	84,182	66	5,412	1,052
2012	167,815	2,272	6,279	2,700
2013	83,906	268	5,554	726
2014	97,750	-	4,135	96
2015	45,000	-	3,698	60
Thereafter	-	-	13,968	740
	478,653	2,606	39,046	5,374

The Corporation also has purchase commitments under its fuel supply contracts that require the purchase of approximately 2.0 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 May 26, 2011, Parkland had approximately 54.6 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 March 31, 2011	As at December 31, 2010	As at January 1, 2010
Assets			
Current Assets			
Cash and cash equivalents	16,392	18,523	17,612
Accounts receivable (Note 7)	353,421	285,270	114,763
Current tax receivable	783	788	771
Inventories (Note 8)	67,346	61,722	51,757
Prepaid expenses and other	14,834	11,703	8,146
	452,776	378,006	193,049
Property, plant and equipment (Note 9)	237,417	242,597	217,108
Intangible assets (Note 10)	111,035	118,352	35,485
Goodwill (Note 11)	89,883	90,369	28,269
Loan receivables (Note 12)	4,398	3,585	2,927
Deferred tax asset (Note 13)	13,447	11,350	4,319
	908,956	844,259	481,157
Liabilities			
Current Liabilities			
Bank indebtedness (Note 14)	25,000	-	-
Accounts payable and accrued liabilities	173,263	169,918	107,473
Dividend/distributions declared and payable	4,604	5,622	5,205
Income tax payable	6,630	-	-
Deferred revenue	6,271	5,215	5,520
Class B & C limited partnership units	-	-	56,321
Long-term debt - current portion (Note 14)	127,295	80,392	13,939
Other long-term liabilities - current portion (Note 15)	2,115	1,223	-
	345,178	262,370	188,458
Long-term debt (Note 14)	213,448	240,649	41,030
Other long-term liabilities (Note 15)	335	2,339	-
Convertible debentures (Note 16)	134,073	133,360	93,515
Asset retirement obligations (Note 17)	12,968	12,338	11,219
Refinery remediation accrual (Note 18)	6,923	6,827	6,527
Deferred tax liability (Note 13)	1,885	1,472	18,071
	714,810	659,355	358,820
Shareholders' Equity			
Shareholders' capital (Note 19)	177,861	184,904	122,337
Retained earnings	16,285	-	-
	194,146	184,904	122,337
	908,956	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

For the three months ended March 31, 2011 and 2010

(Unaudited)

(in 000's of Canadian Dollars except per share/unit amounts)	Three months ended March 31, 2011	2010
Sales and operating revenue	955,099	675,201
Cost of sales, excluding depreciation	841,479	604,782
	113,620	70,419
Expenses		
Operating costs	47,637	31,448
Marketing, general and administrative	19,999	20,303
Depreciation and amortization	17,350	13,881
	28,634	4,787
Customer finance income	(589)	(479)
Finance costs (Note 20)	8,886	1,918
	8,297	1,439
(Gain) loss on disposal of property, plant and equipment	(891)	359
Earnings before income taxes	21,228	2,989
Income tax expense (recovery)		
Current	6,627	(3,500)
Deferred	(1,684)	2,803
	4,943	(697)
Net earnings	16,285	3,686
Total comprehensive income	16,285	3,686
Net earnings per share/unit (Note 6)		
- Basic	0.30	0.07
- Diluted	0.26	0.06
Shares/units outstanding	54,048	47,565

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

	Shareholders' / unitholders' capital	Retained earnings	Total	Number of shares/units ('000's)
Balance as at January 1, 2011	184,904	-	184,904	53,164
Net earnings and comprehensive income for the period	-	16,285	16,285	-
Dividends	(13,696)	-	(13,696)	-
Issued under dividend reinvestment plan, net of issue costs	5,819	-	5,819	525
Issued under share option plan	604	-	604	92
Issued on vesting of restricted shares	-	-	-	267
Share incentive compensation	230	-	230	-
Balance as at March 31, 2011	177,861	16,285	194,146	54,048
Balance as at January 1, 2010	122,337	-	122,337	42,308
			-	
Net earnings and comprehensive income for the period	3,686	-	3,686	-
Allocation of retailed earnings to Class B and C LP units	(523)		(523)	-
Dividends/distributions	(14,553)	-	(14,553)	-
Issued under dividend/distribution reinvestment plan, net of issue costs	608	-	608	49
Issued under share/unit option plan	941	-	941	144
Issued on vesting of restricted shares/units	-	-	-	244
Share/unit incentive compensation	742	-	742	-
Exchanged for fund shares/units and limited partnership shares/units	48,740	-	48,740	4,820
Balance as at March 31, 2010	161,978	-	161,978	47,565

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

	Three months ended March 31,	
	2011	2010
Cash Provided By Operations		
Net earnings	16,285	3,686
Adjustments for:		
Depreciation and amortization	17,350	13,881
(Gain) loss on disposal of property, plant and equipment	(891)	359
Share/unit incentive compensation	230	742
Refinery remediation accrual	96	120
Accretion expense on asset retirement obligation	837	297
Revalue of embedded derivative	-	(5,266)
Accretion on convertible debentures (Note 16)	713	196
Deferred taxes	(1,684)	2,803
Cash expenditures on asset retirement obligation	(207)	(215)
Net changes in non-cash working capital (Note 25)	(54,751)	(1,626)
Cash (used for) from operating activities	(22,022)	14,977
Financing Activities		
Long-term debt repayments	(26,386)	(421)
Proceeds from long-term debt	44,400	234,845
Proceeds from bank indebtedness	25,000	-
Distributions/dividends to shareholders / unitholders	(7,877)	(13,945)
Shares/fund units issued for cash	604	941
Cash from financing activities	35,741	221,420
Investing Activities		
Acquisition of Island Petroleum, net of cash acquired (Note 22a)	(12,173)	-
Acquisition of Bluewave Energy, net of cash acquired (Note 22b)	-	(205,824)
(Repayments) proceeds from loan receivables	(455)	335
Additions of property, plant and equipment	(5,962)	(8,763)
Additions of intangibles	-	(2,096)
Proceeds on sale of property, plant and equipment and intangibles	2,740	416
Cash used for investing activities	(15,850)	(215,932)
(Decrease) increase in cash and cash equivalents	(2,131)	20,465
Cash and cash equivalents, beginning of the period	18,523	17,612
Cash and cash equivalents, end of period	16,392	38,077
Supplementary Cash Flow Information		
Interest paid	4,931	5,006
Interest received	589	479

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 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 May 26, 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. Note 5 discloses IFRS information for the year ended December 31, 2010 that is material to an 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 company'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 payables 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 account.

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 the 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 sales, 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 comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on Class B and C limited partnership units classified as liabilities, revaluation of the embedded derivative, 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

(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. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(b) IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(c) IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions.* Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(d) IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

(e) IFRS 13 - Fair Value Measurement

IFRS 13 is 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. Parkland has not evaluated the impact of the new requirements and whether to early adopt this standard.

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 March 31, 2010

in 000's of Canadian Dollars	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	38,077	-		38,077
Accounts receivable	230,742	-		230,742
Current tax receivable	4,276	-		4,276
Inventories	63,181	-		63,181
Prepaid expenses and other	7,615	-		7,615
	343,891	-		343,891
Property, plant and equipment	236,079	7,360	(5)	243,439
Intangible assets	116,821	-		116,821
Goodwill	104,197	(3,128)	(2)	101,069
Loan receivables	2,592	-		2,592
Deferred tax asset	1,945	699	(8)	2,644
	805,525	4,931		810,456
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	181,451	(141)	(3)	182,717
		1,407	(4)	
Distributions declared and payable	5,486	-		5,486
Deferred revenue	6,765	-		6,765
Class B & C limited partnership units	-	23,666	(1)	23,418
		(248)	(2)	
Long-term debt - current portion	109,412	-		109,412
	303,114	24,684		327,798
Long-term debt	183,960	-		183,960
Other long-term liabilities	4,910			4,910
Convertible debentures	88,023	422	(7)	88,445
Asset retirement obligations	5,282	7,337	(5)	12,619
Refinery remediation accrual	6,647	-		6,647
Deferred tax liability	15,654	8,445	(8)	24,099
Shareholders' / unitholders' equity	197,935	(23,666)	(1)	161,978
		(2,880)	(2)	
		141	(3)	
		(1,407)	(4)	
		23	(5)	
		(422)	(7)	
		(7,746)	(8)	
	805,525	4,931		810,456

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 Months Ended March 31, 2010

(in 000's of Canadian Dollars except per share/unit amounts)	Previous GAAP	IFRS Adjustments		IFRS
Sales and operating revenue	679,771	(4,570)	(4)	675,201
Cost of sales, excluding depreciation	604,782	-		604,782
	74,989	(4,570)		70,419
Expenses				
Operating costs	36,166	(4,718)	(4)	31,448
Marketing, general and administrative	17,435	2,880	(2)	20,303
		(12)	(3)	
Depreciation and amortization	13,800	81	(5)	13,881
	7,588	(2,801)		4,787
Customer finance income	(479)	-		(479)
Finance costs	5,356	262	(5)	1,918
		(5,266)	(7)	
		1,566	(1)	
	4,877	(3,438)		1,439
Loss on disposal of property, plant and equipment	359	-		359
Earnings before income taxes	2,352	637		2,989
Income tax expense (recovery)				
Current	(3,500)	-		(3,500)
Deferred	409	2,394	(8)	2,803
	(3,091)	2,394		(697)
Net earnings	5,443	(1,757)		3,686
Total comprehensive income	5,443	(1,757)		3,686

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 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 debt 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 March 31, 2010 the impact was a decrease in retained earnings of $6,051, an increase to deferred income tax liability of $6,413 and an increase to income tax expense of $362. 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.

6. EARNINGS ANALYSIS AND EARNINGS PER SHARE/UNIT

	Three months ended March 31,	
	2011	2010
Net earnings	**16,285**	3,686
Earnings per share/unit		
- basic	**0.30**	0.07
- diluted	**0.26**	0.06
Equivalent share/units outstanding, beginning of year	**53,164**	50,194
Weighted average of Class C units issued	**-**	1,145
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 reinvestment plan	**461**	45
Weighted average of equivalent shares/units issued pursuant to exercise of share/unit options	**88**	137
Denominator utilized in basic earnings per share/unit	**53,980**	51,764
Incremental equivalent shares/units options that were dilutive	**118**	182
Incremental equivalent shares/units for debentures that were dilutive	**9,195**	6,695
Denominator utilized in diluted earnings per share/unit	**63,293**	58,641

7. ACCOUNTS RECEIVABLE

	March 31, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	**319,232**	248,109	110,858
Miscellaneous, government and other non-trade accounts receivable	**42,081**	45,414	7,505
Allowance for doubtful accounts	**(7,892)**	(8,253)	(3,600)
	353,421	285,270	114,763

8. INVENTORIES

	March 31, 2011	December 31, 2010	January 1, 2010
Gas and diesel	**44,836**	41,691	36,261
Agricultural inputs	**6,966**	5,397	4,848
Convenience store merchandise	**1,476**	2,026	1,962
Lubricants	**11,310**	8,932	4,174
Propane	**914**	1,601	1,364
Other	**1,844**	2,075	3,148
	67,346	61,722	51,757

For the period ended March 31, 2011, the amount of inventory recognized as an expense amounted to $841,479 (March 31, 2010 - $604,782)

9. PROPERTY PLANT AND EQUIPMENT

Period ending March 31, 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	-	1,097	85	-	5,078	6,260
Disposals	(629)	(125)	(318)	-	(1,227)	(2,299)
Balance, as at March 31, 2011	32,901	20,481	70,708	7,141	265,559	396,790
Accumulated depreciation						
Balance, as at January 1, 2011	-	4,916	20,266	1,181	123,869	150,232
Depreciation charge for the period	-	204	828	734	7,853	9,619
Disposals	-	(32)	(227)	-	(219)	(478)
Balance, as at March 31, 2011	-	5,088	20,867	1,915	131,503	159,373
Carrying amount						
As at January 1, 2011	33,530	14,593	50,675	5,960	137,839	242,597
As at March 31, 2011	32,901	15,393	49,841	5,226	134,056	237,417

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 March 31, 2011 Parkland had assets under construction of $10,126 (December 31, 2010 $6,090) consisting of retail stations and a rail siding terminal development project at Bowden, Alberta.

10. INTANGIBLE ASSETS

Period ending March 31, 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					-
Disposals	(28)	-	-	-	(28)
Balance, as at March 31, 2011	127,646	6,366	3,309	18,072	155,393
Accumulated amortization					
Balance, as at January 1, 2011	31,353	4,060	1,204	452	37,069
Amortization charge for the period	6,358	316	163	452	7,289
Balance, as at March 31, 2011	37,711	4,376	1,367	904	44,358
Carrying amount					
As at January 1, 2011	96,321	2,306	2,105	17,620	118,352
As at March 31, 2011	89,935	1,990	1,942	17,168	111,035

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 March 31, 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 22a)	(486)	2,779	-
Acquired through Bluewave Energy purchase (note 22b)	-	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.

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 $138 (December 31, 2010 - $144), bear interest at rates ranging between nil% and 10.75% (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.

14. FINANCING AND CREDIT FACILITIES

(a) Bank Indebtedness

On March 15, 2011, Parkland obtained a $25,000 unsecured bridge loan which was repaid on May 5, 2011. The unsecured bridge loan funds were used to finance short term working capital needs that arose due to higher commercial fuel sales volumes. The interest rate on the unsecured bridge loan was at the bank's prime lending rate plus 4%.

(b) Long-Term Debt

	March 31, 2011	December 31, 2010	January 1, 2010
Extendible facility	335,628	315,690	51,504
Mortgage payable	275	275	295
Capital lease obligations	4,840	5,076	3,170
	340,743	321,041	54,969
Less current portion	127,295	80,392	13,939
	213,448	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	1,052	2,700	726	96	60	740	(534)	4,840
Other loans	84,182	167,815	83,906	-	-	-	-	335,903
	85,234	170,515	84,632	96	60	740	(534)	340,743

(c) Extendible Facility

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

A revolving operating loan for working capital requirements to a maximum of $90,000 (December 31, 2010 - $90,000) subject to margin calculations. As at March 31, 2011 the outstanding balances totalled $65,400 (December 31, 2010 - $45,900). The operating facility bears interest at prime plus 3.25% (December 31, 2010 – 3.25%). The interest rate at the end of March 31, 2011 was 6.25% (December 31, 2010 – 5.50%).

A capital loan with interest only payable to a maximum of $275,000 (December 31, 2010 - $275,000). As at March 31, 2011 the outstanding balances totalled $273,881 (December 31, 2010 - $273,881). The interest is payable monthly at the Bankers Acceptance rates plus 4.25% (December 31, 2010 – 4.25%) per annum. The rate of interest at the end of March 31, 2011 was 5.44% (December 31, 2010 – 5.44%).

A letter of credit facility to a maximum of $35,000 (December 31, 2010 - $35,000). As at March 31, 2011 outstanding balances totalled $33,446 (December 31, 2010 - $33,480) which matures at various dates up to October 29, 2011.

The extendible facility was renewed on June 7, 2010 for an additional 364 days to June 6, 2011. If the extendible facility is not extended past June 6, 2011, all amounts outstanding are repayable in eight equal and consecutive quarterly instalments, commencing on the last day of the third month following the then maturity date. The extendible facility also incurs standby fees for any unused portion of the facility at a rate of 0.875% to 1.1875% (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 extendible facility is the assignment of insurance and a demand debenture for $500,000 creating a first, specific mortgage and charge over all Parkland's real and personal property.

Deferred finance charges of $3,652 (December 31, 2010 - $3,843) have reduced the value of the extendible facility and are amortized over three years.

As at March 31, 2011 Parkland was in compliance with all lender covenants.

(d) 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 $1,740 (December 31, 2010 - $1,800).

(e) Capital Lease Obligations

Capital leases are payable in monthly instalments totalling $126 (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 $5,227 (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 March 31, 2011 of $2,450 (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 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.

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

	January 1, 2011 to March 31, 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	-	481	-	2,109	-	75
Balance, end of period	97,750	90,839	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	-	-
Issue costs	-	-	-	(1,875)	-	-
Change due to passage of time	-	232	-	1	-	-
Balance, end of period	45,000	43,234	45,000	43,002	-	-
Series 1 and Series 2 debentures, end of period	142,750	134,073	142,750	133,360	97,750	93,515

Assumptions used under the binomial method:

Series 1 Debentures	January 1, 2010	March 31, 2010	December 31, 2010
Volatility	58.0%	58.0%	56.4%
Market price per unit	$ 13.40	$ 11.62	$ 11.48
Dividend yield	9.4%	10.8%	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 March 31, 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	**-**	3,187	7,384
Amounts used during the period	**(207)**	(118)	-
Unused amounts reserved during the period	**-**	(1,369)	(1,261)
Change due to passage of time and discount rate	**837**	(581)	(366)
Asset retirement obligations, end of period	**12,968**	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 $22,865 at March 31, 2011 (December 31, 2010 - $22,715). The costs are expected to be incurred between 2011 and 2046. At March 31, 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 March 31, 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	**96**	300	420
Refinery remediation accrual, end of period	**6,923**	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.

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 March 31, 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	-	(13,696)	-	-	-	-
Issued under dividend reinvestment plan	525	5,819	-	-	-	-
Issued on vesting of restricted shares	267	-	-	-	-	-
Share incentive compensation	-	230	-	-	-	-
Issued under share option plan	92	604	-	-	-	-
Balance, end of period	54,048	177,861	53,164	184,904	-	-

(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 March 31, 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

	January 1, 2011 to March 31, 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. 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 March 31, 2011 have the following ranges: 27 from $4.15 - $5.87, 42 from $6.32 - $6.68 and 187 from $6.73 - $7.27. These exercise prices represent the market value at the time of issue. The corresponding remaining contractual life for these options range from two to five years.

The total cost to be reported in 2011 is $0 (2010 - $0).

	January 1, 2011 to March 31, 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
Exercised	(91)	6.62	(189)	6.30	(146)	6.45
Option shares/units, end of period	256	$ 6.57	347	$6.79	536	$6.62
Exercisable options, end of period	256	$ 6.57	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 unit 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.

	January 1, 2011 to March 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Shares	Weighted Average Unit 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	-	-	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	372	$ 9.54	670	$9.86	685	$8.35

The total compensation cost that has been included in marketing, general and administrative expenses for the three months ended March 31, 2011 is $230 (March 31, 2010 - $788).

20. FINANCE COSTS

	Three months ended March 31, 2011	2010
Finance Costs		
Accretion on refinery remediation	96	120
Accretion on asset retirement obligation	837	297
Interest on long-term debt	4,931	5,006
Interest and accretion on convertible debentures	3,022	1,761
Revaluation of embedded derivative	-	(5,266)
Total Finance Costs	8,886	1,918

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 exceeded this ratio primarily as a result of the January 2010 acquisition of Bluewave Energy. At

March 31, 2011, the Net Debt to Capitalization ratio was 71% (December 31, 2010 - 70%), calculated as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Bank Indebtedness	25,000	-	-
Long-term debt and convertible debentures, including current portion	477,266	457,963	148,484
Cash and cash equivalents	(16,392)	(18,523)	(17,612)
Net Debt	485,874	439,440	130,872
Class B & C limited partnership units	-	-	56,321
Shareholders' / unitholders' equity	194,146	184,904	122,337
Capitalization	680,020	624,344	309,530
Net Debt to Capitalization	71%	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 March 31, 2011 the debt to EBITDA ratio was 3.79 times (December 31, 2010 – 4.15 times) calculated on a trailing twelve-month basis as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Net Debt	485,874	439,440	130,872
Net earnings	44,527	31,928	48,604
Add			
Finance costs	34,335	32,633	6,356
(Gain) loss on disposal of property, plant and equipment	(4,369)	(3,119)	(863)
Depreciation and amortization	66,386	62,917	37,878
Income tax expense	(12,833)	(18,473)	(1,135)
EBITDA	128,046	105,886	90,840
Net Debt to EBITDA	3.79	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.

22. ACQUISITIONS

(a) Island Petroleum

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 $24,086. The purchase price was financed by a deferred payment included in accounts payable and accrued liabilites of $12,231 and the issuance of 1,036,014 fund units valued at $11,230. The acquisition of Island Petroleum Ltd. Advances 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.

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

	March 31, 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
Acquisition costs	-
	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 1,036,014 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 $10.84 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 is included in the 2010 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Island Petroleum Ltd. from January 1, 2010, the consolidated statement of comprehensive income would show revenue of $50,300 and net earnings of $3,700.

(b) 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.

The goodwill of $64,478 recognized in this acquistion essentially represents the expected synergies from the combined operations as it expands the Corporation's geographic reach into Atlantic Canada and improves the Corporation'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. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

	March 31, 2010	December 31, 2010
Estimated fair value of net assets acquired:		
Intangible asset - customer relationships	82,217	83,700
Intangible asset - tradenames	1,313	1,400
Intangible asset - non compete agreement	578	600
Goodwill	72,801	59,321
Property, plant and equipment	25,753	25,753
Other long term receivable	-	448
Future tax asset	(4,900)	5,157
Working capital	51,981	52,029
	229,743	228,408
Consideration:		
Liabilities assumed	8,605	8,708
Cash paid to vendor	205,824	204,386
Class C Limited Partnership units	15,314	15,314
	229,743	228,408
Non cash consideration:		
Liabilities assumed	(8,605)	(8,708)
Class C Limited Partnership units issued	(15,314)	(15,314)
	205,824	204,386

The fair value of the 1,240,000 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 $0. 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.

Since the date of acquisition, Bluewave's revenue of $101,521 and net earnings of $7,255 have been included in the consolidated statement of comprehensive income during the first quarter of 2010. Revenue of $251,811 and net earnings of $10,111 have been recorded in the first quarter of 2011. Had the Bluewave acquistion occurred at the beginning of the 2010 annual reporting period, revenue of $156,240 and net earnings of $8,258 would have been recorded for the first quarter of 2010.

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	5,412
2012	6,279
2013	5,554
2014	4,135
2015	3,698
Thereafter	13,968

The Corporation has purchase commitments under its fuel supply contracts that require the purchase of approximately 2 billion litres of fuel products at variable cost in 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 March 31, 2011	Current or within terms	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Accounts Receivable	325,735	13,133	3,394	11,159	353,421
Accounts Payable	173,031	213	14	5	173,263

As at December 31, 2010	Current or within terms	31 - 60 Days	61 - 90 Days	Over 90 Days	Total
Accounts Receivable	253,266	8,045	4,250	19,709	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. 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. At March 31, 2011, the provision for impairment of credit losses was $7,892 (December 31, 2010 - $8,253).

Parkland is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. A 1% change to interest rates would have caused an increase or decrease to earnings for the period ending March 31, 2011 of $3,747 (March 31, 2010 - $700).

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 March 31, 2011 Parkland had US dollar accounts payable totalling $US 1,280 and US dollar cash of $US 808 and as a result the Corporation would not be exposed to a significant foreign exchange loss.

(c) Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its short term financial obligations. Cash liquidity of the Corporation 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 March 31, 2011, Parkland has available unused credit facilities in the amount of $25,273 (December 31, 2010 - $40,400). The Corporation 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 March 31,	
	2011	2010
Accounts receivable	**(68,359)**	(33,295)
Inventories	**(5,652)**	(3,112)
Prepaid expenses and other	**(3,199)**	1,985
Income taxes recoverable	**5**	(3,505)
Accounts payable and accrued liabilities	**15,757**	34,775
Income taxes payable	**6,630**	-
Deferred revenue	**1,085**	1,245
Dividends/distributions declared and payable	**(1,018)**	281
Total for operating activities	**(54,751)**	(1,626)

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.

Fuel Marketing includes sales of gasoline, diesel, home heating oil, propane fuel and variable rents derived from service station sites. Convenience Store Merchandise continues to include the operations of the Corporation owned and operated convenience stores that are integrated into fuel marketing sites and bear common operating costs.

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.

Three months ended March 31,							
	Fuel Marketing			Marketing			
	Gas and Diesel	Heating Oil	Propane	Total	Commercial	Other	Total
2011							
Sales and operating revenue	**753,901**	**110,081**	**29,909**	**893,891**	**49,440**	**11,768**	**955,099**
Cost of sales, excluding depreciation	**696,834**	**89,639**	**20,859**	**807,332**	**31,410**	**2,737**	**841,479**
	57,067	**20,442**	**9,050**	**86,559**	**18,030**	**9,031**	**113,620**
2010							
Sales and operating revenue	562,095	46,800	24,600	633,495	27,490	14,216	675,201
Cost of sales, excluding depreciation	532,116	35,400	17,000	584,516	15,498	4,768	604,782
	29,979	11,400	7,600	48,979	11,992	9,448	70,419

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 first quarter of 2011 amounted to $246 (Q1 2010 - $500).

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.

29. EXPENSE BY NATURE

Employee costs included in the consolidated statement of comprehensive income:

	Three months ended March 31,	
	2011	2010
Cost of sales	**2,401**	1,868
Operating costs	**17,908**	13,881
Marketing, general and administrative	**9,419**	10,337
	29,728	26,086

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. EVENTS AFTER THE REPORTING PERIOD

(a) Cango Inc. acquisition

Parkland has entered into a binding agreement, subject to certain conditions to be met upon closing, to acquire the shares of Cango Inc. ("Cango"), a major independent retail fuel marketer in Ontario, on or about May 31, 2011. On an annual basis, Cango supplies more than 400 million litres of petroleum products to a network of 155 independent dealers and company operated locations in Ontario. This network presently includes 29 retailers and 126 dealers of

which 80 are Esso branded through Cango's Retail Branded Distributor agreement with Imperial Oil. The binding agreement between Parkland and Cango is subject to the approval of the Competition Bureau and other closing conditions. The final price of the acquisition will be released at the time of close.

(b) Share issue

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").

This Offering is subject to certain customary conditions including regulatory approvals and specifically, the approval of the Toronto Stock Exchange. Closing of the Offering is anticipated to occur on or about June 2, 2011.

(c) Share option grant

Pursuant to Parkland's Share Option Plan (see Note 19(c) for details), on May 12th, 2011 460,140 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.

(d) Restricted share unit grant

Pursuant to Parkland's Restricted Share Unit Plan, on May 12th, 2011 142,230 restricted share units were granted. Refer to Note 19(d) for details of the Restricted Share Unit Plan vesting and earning criteria.

32. COMPARITIVE FIGURES

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

Supplementary Information

	Three months ended March 31,	
	2011	2010
Volume *(millions of litres)*		
Retail fuels		
Sales to dealer	**210**	201
Sales to consumer	**131**	126
Retail fuels sub-total	**341**	327
Commercial fuels		
Gasoline and diesel	**361**	254
Heating oil	**117**	60
Propane	**51**	41
Commercial fuels sub-total	**529**	355
Supply & Wholesale	**173**	193
Intersegment sales	**(19)**	(59)
Total fuel volume	**1,024**	816
Net sales and operating revenue *(millions of Canadian dollars)*		
Retail fuels		
Sales to dealer	**183.4**	152.2
Sales to consumer	**119.2**	101.5
Retail fuels sub-total	**302.6**	253.7
Commercial fuels		
Gasoline and diesel	**324.2**	185.0
Heating oil	**110.1**	46.8
Propane	**29.9**	24.6
Commercial fuels sub-total	**464.2**	256.4
Supply & Wholesale	**144.2**	167.1
Fuel sales	**911.0**	677.2
Commercial non-fuel sales	**49.4**	27.5
Other revenue (1)	**11.8**	14.7
Total gross sales and operating revenue	**972.2**	719.4
Intersegment sales	**(17.1)**	(44.2)
Total sales and operating revenue	**955.1**	675.2
Gross profit	**113.6**	70.4
Less: Commercial non-fuel sales gross profit	**18.0**	12.0
Other revenue gross profit (1)	**9.0**	9.4
Fuel gross profit	**86.6**	49.0
Cents per litre	**8.46**	6.00

Fuel gross profit *(millions of Canadian dollars)*		
Retail fuels		
Sales to dealer	**7.6**	6.6
Sales to consumer	**10.3**	10.9
Retail fuels sub-total	**17.9**	17.5
Commercial fuels		
Gasoline and diesel	**21.8**	14.4
Heating oil	**20.4**	11.3
Propane	**9.0**	7.6
Commercial fuels sub-total	**51.2**	33.3
Supply & Wholesale (2)	**16.3**	(2.9)
Fuel inventory market valuation adjustment	**1.2**	1.1
Fuel gross profit	**86.6**	49.0

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

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

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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

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President and Chief Executive Officer

Ken Grondin
Senior Vice President and Chief Financial Officer

Bob Fink
General Counsel and Corporate Secretary

Andrew Cruickshank
Vice President, Finance

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

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