Parkland Fuel Corporation

Consolidated Balance Sheets

(Unaudited)

(in 000's of Canadian Dollars)	**As at September 30, 2012**	As at December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	**43,948**	24,905
Restricted cash	**-**	3,000
Accounts receivable (Note 6)	**318,960**	329,758
Income tax receivable	**-**	-
Inventories (Note 7)	**76,481**	84,257
Risk management (Note 8)	**782**	347
Prepaid expenses and other	**10,048**	8,629
	450,219	450,896
Property, plant and equipment (Note 9)	**254,734**	246,961
Intangible assets (Note 10)	**105,877**	119,378
Goodwill (Note 11)	**89,883**	89,883
Loan receivables (Note 12)	**8,302**	6,307
Deferred tax asset	**9,403**	10,024
	918,418	923,449
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**254,110**	196,360
Dividends declared and payable	**5,711**	5,469
Income tax payable	**13,833**	17,026
Deferred revenue	**600**	4,533
Long-term debt - current portion (Note 13)	**877**	2,779
Risk management (Note 8)	**1,272**	-
Other long-term liabilities - current portion	**290**	2,236
	276,693	228,403
Long-term debt (Note 13)	**108,714**	228,241
Other long-term liabilities	**-**	313
Convertible debentures (Note 14)	**136,879**	135,544
Asset retirement obligations (Note 15)	**32,515**	25,478
Refinery remediation accrual (Note 16)	**12,113**	11,242
Deferred tax liability	**4,411**	8,034
	571,325	637,255
Shareholders' Equity		
Shareholders' capital (Note 17)	**337,080**	300,981
Contributed surplus	**2,537**	1,814
Accumulated other comprehensive loss	**(712)**	-
Retained earnings (deficit)	**8,188**	(16,601)
	347,093	286,194
	918,418	923,449

Commitments (Note 21)
Contingencies (Note 26)
Subsequent Events (Note 27)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Income

For the three and nine months ended September 30, 2012 and 2011

(Unaudited)

(in 000's of Canadian Dollars and shares except per share amounts)	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	**2012**	2011
Sales and operating revenue	**1,066,211**	1,060,775	**3,145,547**	2,966,164
Cost of sales, excluding depreciation	**953,738**	958,203	**2,812,503**	2,660,834
Operating costs	**33,183**	39,937	**113,108**	128,146
Marketing, general and administrative	**18,490**	20,601	**57,842**	64,490
Depreciation and amortization	**12,282**	14,349	**38,734**	51,716
Customer finance income	**(794)**	(905)	**(2,453)**	(2,185)
Finance costs (Note 18)	**4,590**	8,906	**16,050**	26,174
(Gain)/loss on disposal of property, plant and equipment	**(631)**	(14,376)	**49**	(14,831)
Realized risk management loss (Note 8)	**846**	-	**5,304**	-
Unrealized risk management loss (Note 8)	**277**	-	**1,471**	-
Earnings before income taxes	**44,230**	34,060	**102,939**	51,820
Income tax expense (recovery)				
Current	**11,663**	8,607	**30,669**	16,286
Deferred	**746**	993	**(3,002)**	(998)
Net earnings	**31,821**	24,460	**75,272**	36,532
Net earnings per share (Note 5)				
- Basic	**0.48**	0.41	**1.14**	0.62
- Diluted	**0.44**	0.36	**1.08**	0.57
Shares outstanding	**67,204**	63,111	**67,204**	63,111

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income

(Unaudited)

(in 000's of Canadian Dollars)	For the three months ended September 30, **2012**	2011	For the nine months ended September 30, **2012**	2011
Net earnings	**31,821**	24,460	**75,272**	36,532
Other comprehensive income (loss), in the future potentially to be reclassified to consolidated statement of income				
Income (loss) on interest rate swaps due to change in fair value. (Note 8)	**322**	-	**(1,272)**	-
Income (loss) on interest rate swaps due to de-designation of a portion of the hedging item (Note 18)	**560**	-	**560**	-
Comprehensive Income (loss)	**882**	-	**(712)**	-
Total comprehensive income (loss)	**32,703**	24,460	**74,560**	36,532

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Equity

(Unaudited)

(in 000's of Canadian Dollars and shares)	For the three months ended September 30,					
	Shareholders' capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total	Number of shares
2012						
Balance, beginning of period	**324,596**	**2,489**	**(6,573)**	**(1,594)**	**318,918**	**66,335**
Net earnings for the period	**-**	**-**	**31,821**	**-**	**31,821**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**	**882**	**882**	**-**
Dividends	**-**	**-**	**(17,060)**	**-**	**(17,060)**	**-**
Share incentive compensation	**-**	**48**	**-**	**-**	**48**	**-**
Issued under dividend reinvestment plan, net of issue costs	**11,925**	**-**	**-**	**-**	**11,925**	**820**
Issued under share option plan	**158**	**-**	**-**	**-**	**158**	**22**
Issued upon conversion of debentures	**401**	**-**	**-**	**-**	**401**	**27**
Balance, end of period	**337,080**	**2,537**	**8,188**	**(712)**	**347,093**	**67,204**
2011						
Balance, beginning of period	279,138	461	(16,151)	-	263,448	62,120
Net earnings and comprehensive income for the period	-	-	24,460	-	24,460	-
Dividends	-	-	(16,021)	-	(16,021)	-
Share incentive compensation	-	(270)	-	-	(270)	-
Issued under dividend reinvestment plan, net of issue costs	10,583	-	-	-	10,583	991
Balance, end of period	289,721	191	(7,712)	-	282,200	63,111

(in 000's of Canadian Dollars and shares)	For the nine months ended September 30,					
	Shareholders' Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total	Number of shares
2012						
Balance, beginning of period	**300,981**	**1,814**	**(16,601)**	**-**	**286,194**	**64,354**
Net earnings for the period	**-**	**-**	**75,272**	**-**	**75,272**	**-**
Other comprehensive income (loss)	**-**	**-**	**-**	**(712)**	**(712)**	**-**
Dividends	**-**	**-**	**(50,483)**	**-**	**(50,483)**	**-**
Share incentive compensation	**-**	**794**	**-**	**-**	**794**	**-**
Issued under dividend reinvestment plan, net of issue costs	**35,235**	**-**	**-**	**-**	**35,235**	**2,641**
Issued under share option plan	**463**	**(71)**	**-**	**-**	**392**	**73**
Issued on vesting of restricted shares	**-**	**-**	**-**	**-**	**-**	**109**
Issued upon conversion of debentures	**401**	**-**	**-**	**-**	**401**	**27**
Balance, end of period	**337,080**	**2,537**	**8,188**	**(712)**	**347,093**	**67,204**
2011						
Balance, beginning of period	**179,804**	-	-	-	179,804	53,164
Net earnings and comprehensive income for the period	-	-	36,532	-	36,532	-
Dividends	-	-	(44,244)	-	(44,244)	-
Share incentive compensation	-	191	-	-	191	-
Issued under dividend reinvestment plan, net of issue costs	25,782	-	-	-	25,782	2,322
Issued for cash, net of issue costs	82,597	-	-	-	82,597	7,130
Issued under share option plan	1,513	-	-	-	1,513	227
Issued on vesting of restricted shares	-	-	-	-	-	267
Issued upon conversion of debentures	25	-	-	-	25	1
Balance, end of period	289,721	191	(7,712)	-	282,200	63,111

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows

(Unaudited)

(in 000's of Canadian Dollars)	For the three months ended September 30, 2012	2011	For the nine months ended September 30, 2012	2011
Cash Provided by Operations				
Net earnings	**31,821**	24,460	**75,272**	36,532
Adjustments for:				
Depreciation and amortization	**12,282**	14,349	**38,734**	51,716
(Gain) loss on disposal of property, plant and equipment	**(631)**	(14,376)	**49**	(14,831)
Share incentive compensation	**1,113**	(270)	**1,859**	191
Refinery remediation accrual	**(67)**	1,242	**358**	1,656
Accretion expense on asset retirement obligation	**(690)**	2,929	**167**	3,977
Loss on interest rate swap	**560**	-	**560**	-
Accretion on convertible debentures (Note 14)	**583**	584	**1,737**	1,628
Deferred taxes	**746**	993	**(3,002)**	(998)
Cash expenditures on asset retirement obligation	**(848)**	(414)	**(1,614)**	(684)
Net changes in non-cash working capital (Note 22)	**2,738**	26,198	**66,824**	5,272
Cash from operating activities	**47,607**	55,695	**180,944**	84,459
Financing Activities				
Long-term debt repayments	**(91,171)**	(62,879)	**(220,268)**	(447,847)
Proceeds from long-term debt	**-**	41	**97,175**	337,817
Dividends to shareholders, net of dividend reinvestment plan	**(5,064)**	(5,362)	**(15,051)**	(18,251)
Shares issued for cash	**192**	-	**497**	84,110
Cash (used for) from financing activities	**(96,043)**	(68,200)	**(137,647)**	(44,171)
Investing Activities				
Acquisition of Cango Incorporated, net of cash acquired (Note 20a)	**-**	-		(14,787)
Acquisition of Island Petroleum, net of cash acquired (Note 20b)	**-**	-	**-**	(12,173)
(Increase) decrease in loan receivables	**(1,415)**	1,415	**(3,053)**	(805)
Additions of property, plant and equipment	**(13,424)**	(15,187)	**(33,703)**	(28,007)
Additions of intangibles	**-**	-	**-**	(50)
Proceeds on sale of property, plant and equipment and intangibles	**4,572**	26,883	**9,502**	29,623
Cash used for investing activities	**(10,267)**	13,111	**(27,254)**	(26,199)
(Decrease) increase in cash	**(58,703)**	606	**16,043**	14,089
Cash, beginning of period	**102,651**	32,006	**27,905**	18,523
Cash, end of period	**43,948**	32,612	**43,948**	32,612
Represented by:				
Cash and cash equivalents	**43,948**	29,612	**43,948**	29,612
Restricted cash	**-**	3,000	**-**	3,000
Total cash	**43,948**	32,612	**43,948**	32,612
Supplementary Cash Flow Information				
Interest paid	**2,132**	2,916	**11,167**	17,781
Interest received	**794**	905	**2,453**	2,185
Income taxes paid	**7,831**	131	**33,873**	258

The accompanying notes are an integral part of these condensed 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

(a) General Information

These condensed consolidated interim financial statements were approved for issue by the board on November 8, 2012.

(b) Statement of Compliance

These unaudited condensed interim consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The CICA Handbook incorporates International Financial Reporting Standards ("IFRS") and publically accountable enterprises, like the Corporation, are required to apply such standards. These unaudited interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and the accounting policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS effective on September 30, 2012.

These unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(c) Use of Estimates

The preparation of the condensed interim 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 amortization of property, plant and equipment, asset retirement obligations, the refinery remediation accrual, value in use calculations for impairment, intangible assets and goodwill, impairment and valuation allowances for accounts receivable and inventory, contingent liabilities including matters in litigation, fair value of financial instruments, amortization and income taxes, grants of options and restricted share units, and calculation of fair values for the debentures.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Parkland's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted by Parkland in these condensed consolidated interim financial statements are the same as those applied by Parkland in its consolidated financial statements as at and for the year ended December 31, 2011.

(a) Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

Any changes to the fair value during the year are recorded in the consolidated statement of income and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition of profit or loss depends on the nature of the hedge relationship.

(b) Hedge Accounting

Parkland has designated certain interest rate swaps as hedging instruments.

At the inception of the hedge relationship, Parkland documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy undertaken for hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, Parkland documents whether the hedging instrument is highly effective and the portion of the change in the fair value of the hedging item that was effective is recognized in other comprehensive income (loss) and the ineffective portion is recognized in net income under financing costs.

(c) Recently Announced Accounting Pronouncements

Parkland adopted the following standard on July 1, 2012:

IAS 1 – Presentation of items within other comprehensive income ("OCI") is required on the basis of whether they can subsequently be reclassified to the consolidated statement of income and those that cannot be reclassified. The adoption of IAS 1 impacted Parkland's presentation of OCI.

4. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

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

(a) IFRS 9 – Financial Instruments

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

(b) IFRS 13 - Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption allowed.

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

There are no other standards, amendments or interpretations that have been issued, but are not yet effective, that the Corporation anticipates will have a material effect on the consolidated financial statements once adopted.

5. EARNINGS ANALYSIS AND EARNINGS PER SHARE

	For the nine months ended September 30, 2012	2011
Net earnings, basic	**75,272**	36,532
Interest and accretion on convertible debentures, net of tax	**6,116**	6,091
Net earnings, diluted	**81,388**	42,623
Earnings per share		
- basic	**1.14**	0.62
- diluted	**1.08**	0.57
Equivalent shares outstanding, beginning of period	**64,354**	53,164
Weighted average of Common Shares issued	**-**	4,200
Weighted average of equivalent shares issued pursuant to restricted share unit plan	**109**	268
Weighted average of equivalent shares issued pursuant to dividend reinvestment plan	**1,519**	1,413
Weighted average of equivalent shares issued pursuant to exercise of share options	**34**	177
Weighted average of equivalent shares issued pursuant to conversion of convertible debentures	**4**	1
Denominator utilized in basic earnings per share	**66,020**	59,223
Incremental equivalent share options that were dilutive	**55**	48
Incremental equivalent shares for debentures that were dilutive	**9,463**	14,863
Denominator utilized in diluted earnings per share	**75,538**	74,134

6. ACCOUNTS RECEIVABLE

	September 30, 2012	December 31, 2011
Trade accounts receivable	**256,565**	282,339
Miscellaneous, government and other non-trade accounts receivable	**70,249**	58,086
Allowance for doubtful accounts	**(7,854)**	(10,667)
	318,960	329,758

Miscellaneous, government and other non-trade accounts receivable includes over-remittances of fuel and other taxes made to federal and provincial jurisdictions.

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

7. INVENTORIES

	September 30, 2012	December 31, 2011
Gas and diesel	**46,747**	52,098
Propane	**1,093**	2,324
Agricultural inputs	**5,928**	7,403
Lubricants	**19,119**	19,606
Other	**3,594**	2,826
	76,481	84,257

For the three and nine months ended September 30, 2012, the amount of inventory recognized as cost of goods sold amounted to $953,738 and $2,812,503, respectively ($958,203 and $2,660,834 for the three and nine months ended September 30, 2011, respectively).

8. RISK MANAGEMENT

The fair value of the outstanding NYMEX New York harbour WTI to heating oil and gasoline put option contracts (the "risk management asset") are reflected on the consolidated balance sheets with the changes during the period recorded in the consolidated statements of income and loss within realized and unrealized risk management loss.

The fair value of the outstanding interest rate swaps (the "risk management liability") are reflected on the consolidated balance sheets with the changes during the period recorded in the consolidated statement of comprehensive income.

As at September 30, 2012 and December 31, 2011, the risk management asset, and the risk management liability were measured at fair value based on "Level 2 inputs".

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

Risk Management Asset

NYMEX New York harbour WTI to heating oil and gasoline put option contracts are carried at fair value as follows:

	January 1, 2012 to September 30, 2012	January 1, 2011 to December 31, 2011
Total fair value, beginning of period	347	-
Additions	7,210	1,275
Unrealized loss	(1,471)	(928)
Realized loss	(5,304)	-
Total fair value, end of period	782	347

Fair values are determined using external counterparty information, which is compared to observable market data. Parkland limits its credit risk by executing counterparty risk procedures which include transacting only with financial institutions within Parkland's Credit Facility (see Note 13).

Parkland had the following put option contracts (represented as the difference between NYMEX New York harbour WTI to heating oil and gasoline) outstanding as at September 30, 2012.

Notional Volume and Term	Pricing	Fair Value
Heating Oil		
73,000 bbls per month in the months of October to December, 2012	US$25.00/bbl	64
84,000 bbls per month in the months of January to March, 2013	US$30.00/bbl	718
		782

Risk Management Liability

Interest rate swaps designated and effective as hedging instruments are carried at fair value as follows:

	January 1, 2012 to September 30, 2012	January 1, 2011 to December 31, 2011
Total fair value, beginning of period	-	-
Loss during the period	1,272	-
Total fair value, end of period	1,272	-

The income on the interest swap for three months ended September 30, 2012 of $822 (deferred tax expense of $222) and the loss for the nine months ended September 30, 2012 of $712 (deferred tax recovery of $192) represent the amounts before the tax impact.

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

BUSINESS RISKS

Credit 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. Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor the 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 and when deemed uncollectible a provision is established. At September 30, 2012, the provision for impairment of credit losses was $7,854 (December 31, 2011 - $10,667).

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. The maximum exposure to credit risk at the reporting date is the carrying value of Parkland's accounts receivable balance. Parkland does not hold any collateral as security.

As at September 30, 2012	**Current or within terms**	**31 - 60 Days past terms**	**61 - 90 Days past terms**	**Over 90 Days past terms**	**Total**
Trade Accounts Receivable, net of Allowance for Doubtful Accounts	**224,214**	**8,321**	**4,180**	**11,996**	**248,711**
Accounts Payable	**254,099**	**11**	**-**	**-**	**254,110**

As at December 31, 2011	Current or within terms	31 - 60 Days past terms	61 - 90 Days past terms	Over 90 Days past terms	Total
Trade Accounts Receivable, net of Allowance for Doubtful Accounts	250,831	7,571	4,803	8,467	271,672
Accounts Payable	194,728	1,374	184	74	196,360

Interest Rate Risk

Parkland is exposed to market risk from changes in the Canadian prime interest rate and Bankers' Acceptance rate which can impact its borrowing costs. Parkland analyzes the interest rate risk on a regular basis and mitigates that risk by considering refinancing, renewal of existing credit lines and hedging options. A 1% change in these interest rates would have caused an increase or decrease to earnings for the three and nine month period ended September 30, 2012 of $426 and $1,559 respectively ($900 and $2,150 for the three and nine months ended September 30, 2011, respectively).

Parkland is exposed to market risk, primarily related to changes in interest rates. On March 15, 2012, Parkland entered into interest rate swaps covering $150,000 of borrowings under its Credit Facility (see Note 13). As of September 30, 2012, the outstanding balance of the Credit

Facility covered by interest rate swaps was $110,000.The swaps require Parkland to pay a fixed interest rate of 1.69% plus 1.75%. The interest rate swaps expire on June 30, 2014 and Parkland will be exposed to variations in the interest rate on its Credit Facility after this date unless Parkland enters into additional hedging agreements in the future. A 0.1% change in the market interest rate for the balance of the term of the swap would have caused an increase or decrease to comprehensive income (loss) for the three and nine month period ended September 30, 2012 of $106 and $191, respectively and to finance costs of $69 for both periods due to de-recognition of ineffective portion of the hedging item.

Foreign Currency Rate Risk

Parkland purchases certain products in U.S. 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 unbilled U.S. dollar can result in foreign exchange gains and losses. As at September 30, 2012 Parkland had U.S. dollar accounts payable totalling $US696 and U.S. dollar cash of $US698. Parkland purchases U.S. funds as required to pay U.S. dollar denominated invoices. Parkland does not forward contract purchases of U.S. funds. U.S. dollar accounts payable are payable in terms of less than 15 days. In the opinion of Parkland management there is no significant risk of exposure to foreign exchange loss due to fluctuations of exchange rates.

Liquidity Risk

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its short term financial obligations. Cash liquidity of Parkland is mainly provided by cash flows from operating activities and borrowings available under its Credit Facility (see Note 13). In managing liquidity risk, Parkland has access to various credit products at competitive rates. As at September 30, 2012, Parkland has available unused credit facilities in the amount of $308,400 (December 31, 2011 - $194,298). Parkland believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

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

Undiscounted cash outflows relating to financial liabilities are outlined in the tables below:

As at September 30, 2012	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Accounts payable	254,110	-	-	-	-	-	254,110
Dividends declared and payable	5,711	-	-	-	-	-	5,711
Long-term debt, including capital lease obligations (1)	1,193	4,220	3,503	3,395	113,360	679	126,350
Obligations under operating leases	1,659	5,907	4,332	3,875	3,373	10,289	29,435
Other long-term liabilities (1)	58	268	-	-	-	-	326
Convertible debentures (1)	2,246	8,912	105,699	47,561	-	-	164,418

(1) Principal and interest, including current portion

As at December 31, 2011	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Accounts payable	196,360	-	-	-	-	-	196,360
Dividends declared and payable	5,469	-	-	-	-	-	5,469
Long-term debt, including capital lease obligations (1)	11,653	9,850	231,951	95	60	679	254,288
Obligations under operating leases	5,975	6,530	5,121	4,113	3,499	10,723	35,961
Other long-term liabilities (1)	2,448	288	-	-	-	-	2,736
Convertible debentures (1)	8,964	8,940	106,125	47,586	-	-	171,615

(1) Principal and interest, including current portion

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

9. PROPERTY, PLANT AND EQUIPMENT

Nine Months Ended September 30, 2012	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2012	**43,821**	**27,930**	**69,037**	**7,141**	**261,929**	**409,858**
Additions	**11**	**10,315**	**7,591**	**-**	**25,091**	**43,008**
Disposals	**(4,495)**	**(560)**	**(2,526)**	**-**	**(6,744)**	**(14,325)**
Balance, as at September 30, 2012	**39,337**	**37,685**	**74,102**	**7,141**	**280,276**	**438,541**
Accumulated depreciation						
Balance, as at January 1, 2012	**-**	**5,559**	**22,570**	**2,997**	**131,771**	**162,897**
Depreciation charge for the period	**-**	**567**	**3,107**	**365**	**21,635**	**25,674**
Disposals	**-**	**(171)**	**(584)**	**-**	**(4,009)**	**(4,764)**
Balance, as at September 30, 2012	**-**	**5,955**	**25,093**	**3,362**	**149,397**	**183,807**
Carrying amount						
As at January 1, 2012	**43,821**	**22,371**	**46,467**	**4,144**	**130,158**	**246,961**
As at September 30, 2012	**39,337**	**31,730**	**49,009**	**3,779**	**130,879**	**254,734**

Year ended December 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	13,408	8,799	4,824	-	31,735	58,766
Disposals	(3,117)	(378)	(6,728)	-	(31,514)	(41,737)
Balance, as at December 31, 2011	43,821	27,930	69,037	7,141	261,929	409,858
Accumulated depreciation						
Balance, as at January 1, 2011	-	4,916	20,266	1,181	123,869	150,232
Depreciation charge for the period	-	847	4,053	1,816	31,337	38,053
Disposals	-	(204)	(1,749)	-	(23,435)	(25,388)
Balance, as at December 31, 2011	-	5,559	22,570	2,997	131,771	162,897
Carrying amount						
As at January 1, 2011	33,530	14,593	50,675	5,960	137,839	242,597
As at December 31, 2011	43,821	22,371	46,467	4,144	130,158	246,961

At September 30, 2012, Parkland had assets under construction of $28,191 (December 31, 2011 - $17,391) consisting of retail stations and a rail siding terminal development project at Bowden, Alberta.

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

10. INTANGIBLE ASSETS

Nine Months Ended September 30, 2012	Customer Relationships	Tradenames	Non-compete agreements	Software systems	Total
Cost					
Balance, as at January 1, 2012	**153,509**	**6,416**	**3,309**	**18,072**	**181,306**
Additions	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance, as at September 30, 2012	**153,509**	**6,416**	**3,309**	**18,072**	**181,306**
Accumulated amortization					
Balance, as at January 1, 2012	**52,476**	**5,331**	**1,862**	**2,259**	**61,928**
Amortization charge for the period	**11,302**	**352**	**492**	**1,355**	**13,501**
Balance, as at September 30, 2012	**63,778**	**5,683**	**2,354**	**3,614**	**75,429**
Carrying amount					
As at January 1, 2012	**101,033**	**1,085**	**1,447**	**15,813**	**119,378**
As at September 30, 2012	**89,731**	**733**	**955**	**14,458**	**105,877**

Year ended December 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	25,863	50	-	-	25,913
Disposals	(28)	-	-	-	(28)
Balance, as at December 31, 2011	153,509	6,416	3,309	18,072	181,306
Accumulated amortization					
Balance, as at January 1, 2011	31,353	4,060	1,204	452	37,069
Amortization charge for the period	21,123	1,271	658	1,807	24,859
Balance, as at December 31, 2011	52,476	5,331	1,862	2,259	61,928
Carrying amount					
As at January 1, 2011	96,321	2,306	2,105	17,620	118,352
As at December 31, 2011	101,033	1,085	1,447	15,813	119,378

11. GOODWILL

	January 1, 2012 to September 30, 2012	January 1, 2011 to December 31, 2011
Balance, beginning of period	**89,883**	90,369
Acquired through Island Petroleum Ltd. purchase (Note 20b)	**-**	(486)
Balance, end of period	**89,883**	89,883

The Corporation did not identify any indicators of impairment during the period ended September 30, 2012.

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

12. LOAN RECEIVABLES

Loan receivables consisting of loans to retail and commercial dealers are receivable in monthly instalments of $156 (December 31, 2011 - $79), bear interest at rates ranging between nil% and 10.25% (December 31, 2011 - nil% and 10.25%) and are secured by specific assets of the borrower.

13. FINANCING AND CREDIT FACILITIES

(a) Long-Term Debt

	September 30, 2012	December 31, 2011
Extendible facility	**107,600**	226,413
Capital lease obligations	**1,612**	4,029
Other loans	**379**	578
	109,591	231,020
Less current portion	**(877)**	(2,779)
	108,714	228,241

Estimated repayments for the next five years are:

	2012	2013	2014	2015	2016	Thereafter	Interest expense included in minimum lease payments	Total
Obligations under capital lease	310	750	86	60	60	679	(333)	1,612
Other loans	58	169	117	35	107,600	-	-	107,979
	368	919	203	95	107,660	679	(333)	109,591

(b) Credit Facility

A revolving extendible credit facility (the "Credit Facility") agreement was executed on September 30, 2011 for a period of three years and subsequently amended on August 7, 2012 to extend the maturity date an additional two years to June 30, 2016. The facility is extendible each year for a rolling three-year period at the option of Parkland. If the Credit Facility is not extended past the maturity date of June 30, 2016, all amounts outstanding are repayable on the maturity date.

The Credit Facility is for a maximum amount of $450,000 (December 31, 2011 - $450,000) with interest only payable at the bank's prime lending rate plus 0.75% to 2.00% (December 31, 2011 – 1.0% to 2.5%) per annum.

The Credit Facility includes the following components:

i) A revolving operating loan to a maximum of $450,000 less the value of letters of credit issued (December 31, 2011 - $450,000). As at September 30, 2012, the outstanding balances totalled $141,600 (December 31, 2011 - $227,431). The revolving operating loan bears interest at prime plus 0.75% (December 31, 2011 prime plus 1.5%) or Bankers' Acceptance rate plus 1.75% (December 31, 2011 Bankers' Acceptance rate plus 2.5%). The interest rate at September 30, 2012 was 3.75% for prime-based loans (December 31, 2011 4.5% prime based loans) and 3.20% for Bankers' Acceptance based loans (December 31, 2011 Bankers' Acceptance based loans 3.45%).

ii) A letter of credit facility to a maximum of $60,000 (December 31, 2011 - $60,000). As at September 30, 2012, outstanding balances totalled $31,600 (December 31, 2011 - $28,173) which mature at various dates up to July 31, 2013.

The revolving operating loan incurs standby fees for any unused portion of the facility at a rate of 0.39375% to 0.6750% (December 31, 2011 – 0.5% to 0.8750%) depending on the ratio of funded debt to earnings before interest, taxes and depreciation and amortization ("EBITDA" a non-GAAP financial measure). See Note 19 for a reconciliation of net earnings to EBITDA). Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture for $650,000 creating a first floating charge over all of the undertaking, property and assets of Parkland.

Deferred finance charges of $2,400 (December 31, 2011 - $1,018) have reduced the value of the Credit Facility and are amortized in proportion to the facility utilized.

As at September 30, 2012, Parkland was in compliance with all lender covenants under the Credit Facility.

14. 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.

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

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.

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

	January 1, 2012 to September 30, 2012		January 1, 2011 to December 31, 2011	
	Principal Amount of Debentures	**Convertible Debenture Debt**	Principal Amount of Debentures	Convertible Debenture Debt
Series 1 Debentures				
Balance, beginning of period	**97,750**	**92,166**	97,750	90,358
Conversion to common shares	**(402)**	**(402)**		
Change due to passage of time	**-**	**1,437**	-	1,808
Balance, end of period	**97,348**	**93,201**	97,750	92,166
Series 2 Debentures				
Balance, beginning of period	**44,975**	**43,378**	45,000	43,002
Conversion to common shares	**-**	**-**	(25)	(25)
Change due to passage of time	**-**	**300**	-	401
Balance, end of period	**44,975**	**43,678**	44,975	43,378
Series 1 and Series 2 Debentures, end of period	**142,323**	**136,879**	142,725	135,544

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

15. ASSET RETIREMENT OBLIGATIONS

	January 1, 2012 to September 30, 2012	January 1, 2011 to December 31, 2011
Asset retirement obligations, beginning of period	**25,478**	12,338
Additional provisions during the period	**7,598**	9,414
Amounts used during the period	**(1,614)**	(1,780)
Unused amounts reversed during the period	**(492)**	(1,061)
Change due to passage of time and discount rate	**1,545**	6,567
Asset retirement obligations, end of period	**32,515**	25,478

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 $49,259 at September 30, 2012 (December 31, 2011 - $41,518). The costs are expected to be incurred between 2012 and 2046. At September 30, 2012, the discount rate used to determine the present value of the future costs was 3.73% (December 31, 2011 – 4.31%).

16. REFINERY REMEDIATION ACCRUAL

	January 1, 2012 to September 30, 2012	January 1, 2011 to December 31, 2011
Refinery remediation accrual, beginning of period	**11,242**	6,827
Additions during the period	**-**	1,147
Change due to passage of time and discount rate	**871**	3,268
Refinery remediation accrual, end of period	**12,113**	11,242

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. 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.

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

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 $18,080 (December 31, 2011 - $18,080). 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 3.73% (December 31, 2011 – 4.31%).

17. SHAREHOLDERS' CAPITAL

(a) Shareholders' Capital

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

	January 1, 2012 to September 30, 2012		January 1, 2011 to December 31, 2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Shares				
Balance, beginning of period	**64,354**	**300,981**	53,164	179,804
Issued under dividend reinvestment plan	**2,641**	**35,235**	3,443	37,042
Issued on vesting of restricted shares	**109**	**-**	390	-
Issued for cash, net of issue costs	**-**	**-**	7,130	82,597
Issued under share option plan	**73**	**463**	226	1,513
Issued upon conversion of debentures	**27**	**401**	1	25
Balance, end of period	**67,204**	**337,080**	64,354	300,981

In January 2011, Parkland launched the Premium Dividend and Enhanced Dividend Reinvestment Plan as a means to incrementally raise equity capital for growth and other corporate purposes.

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

(b) 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. 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.

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

Share options outstanding at September 30, 2012 have the following expiry date and exercise prices:

Grant-vest	Expiry Date	Exercise price in $ per share	Shares **2012**	Shares 2011
2003-6	Jan 2014	4.15	**-**	27
2004-7	Jan 2014	6.32	**12**	12
2004-7	Jan 2014	6.68	**15**	15
2005-8	Jan 2015	6.73	**-**	-
2005-8	Jan 2015	7.10	**-**	10
2005-8	Jan 2015	7.27	**30**	57
2011-12	May 2019	10.47	**29**	29
2011-12	May 2019	12.25	**143**	156
2011-13	May 2019	10.47	**29**	29
2011-13	May 2019	12.25	**143**	156
2011-14	May 2019	10.47	**29**	29
2011-14	May 2019	12.25	**143**	156
2012-13	May 2020	13.80	**139**	-
2012-14	May 2020	13.80	**138**	-
2012-15	May 2020	13.80	**138**	-
			988	676

The total compensation cost that has been included in marketing, general and administrative expenses for the three and nine month period ended September 30, 2012 amounted to $138 and $301, respectively (three and nine months ended September 30, 2011 - $0 and $69, respectively).

	January 1, 2012 to September 30, 2012		January 1, 2011 to December 31, 2011	
	Number of Shares	**Average Exercise Price**	Number of Shares	Average Exercise Price
Option shares, beginning of period	**676**	**$ 10.98**	347	$ 6.79
Granted	**417**	**13.80**	596	11.99
Exercised	**(73)**	**6.36**	(227)	6.68
Forfeited	**(32)**	**12.25**	(40)	12.25
Option shares, end of period	**988**	**$ 12.52**	676	$ 10.98
Exercisable options, end of period	**203**	**$ 10.66**	121	$ 6.39

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

(c) Restricted Share Unit Plan

Parkland awards certain directors, officers, employees and consultants restricted share units at no cost, and the restricted share units are expensed 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 five trading days immediately preceding the date of the grant.

Under the Restricted Share Unit Plan, the units granted in 2006 vest over a five year period and the units granted in 2007, 2008, 2009 and 2010 vest over a three year period. For grants prior to 2011, the restricted share units vesting is typically subject to entity performance criteria, including maintenance of the annual fund distribution target. For restricted share units granted on or after January 1, 2011, restricted share units shall be earned over a three 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, 2012 to September 30, 2012			January 1, 2011 to December 31, 2011		
	Number of Shares		**Weighted Average Share Price**	Number of Shares		Weighted Average Share Price
Restricted shares, beginning of period	**314**	**$**	**10.41**	670	$	9.86
Granted	**167**		**13.80**	140		12.25
Issued on vesting	**(111)**		**10.79**	(390)		9.11
Forfeited	**(19)**		**12.99**	(106)		9.35
Restricted shares, end of period	**351**	**$**	**13.14**	314	$	10.41

The total compensation cost that has been included in marketing, general and administrative expenses for the three and nine month period ended September 30, 2012 amounted to $450 and $1,033, respectively (three and nine months ended September 30, 2011 - $193 and $1,730, respectively).

18. FINANCE COSTS

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2012	2011	**2012**	2011
Accretion on refinery remediation	**(67)**	96	**358**	510
Accretion on asset retirement obligation	**(690)**	2,929	**167**	3,977
Interest on long-term debt	**2,124**	2,916	**6,691**	13,251
Interest and accretion on convertible debentures	**2,663**	2,965	**8,274**	8,436
Loss on interest rate swap	**560**	-	**560**	-
Total finance costs	**4,590**	8,906	**16,050**	26,174

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

19. CAPITAL MANAGEMENT

Parkland's capital structure is comprised of long-term debt including current portion, other long-term liabilities including current portion, convertible debentures and shareholders' equity, less cash and cash equivalents and restricted cash. 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. At September 30, 2012, the Net Debt to Capitalization ratio was 37% (December 31, 2011 - 54%), calculated as follows:

	September 30, 2012	December 31, 2011
Long-term debt (including current portion), long-term liabilities (including current portion) and convertible debentures	246,760	369,113
Cash and cash equivalents	(43,948)	(24,905)
Restricted cash	-	(3,000)
Net Debt	202,812	341,208
Shareholders' equity	347,093	286,194
Capitalization	549,905	627,402
Net Debt to Capitalization	37%	54%

Parkland currently targets a Net Debt to EBITDA ratio of less than 3.0 times (4.0 times - December 31, 2011). 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 September 30, 2012 the debt to EBITDA ratio was 1.05 times (December 31, 2011 – 2.26 times) calculated on a trailing twelve-month basis as follows:

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

	September 30, 2012	December 31, 2011
Net Debt	**202,812**	341,208
Net earnings	**82,655**	43,915
Add		
Finance costs	**26,588**	36,712
Gain on disposal of property, plant and equipment	**(1,058)**	(15,938)
Depreciation and amortization	**55,462**	68,444
Income tax expense	**30,078**	17,699
EBITDA	**193,725**	150,832
Net Debt to EBITDA	**1.05**	2.26

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 paid to shareholders, issue new equity, issue new debt or repay existing debt.

20. ACQUISITIONS

(a) Cango Incorporated

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

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

	December 31, 2011
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	25,863
Cash and cash equivalent	2,213
Restricted cash	3,000
Property, plant and equipment	10,942
Loan receivables	184
Deferred tax liability	(5,145)
Working capital	(9,080)
Asset retirement obligations assumed	(6,452)
Other liabilities assumed	(1,525)
	20,000
Consideration:	
Cash paid to vendor	20,000
Cash consideration	20,000
Cash and cash equivalents acquired	(2,213)
Restricted cash	(3,000)
	14,787

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

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

Since the date of acquisition, revenue of $180,106 and net earnings of $285 are included in the December 31, 2011 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Cango Inc. on January 1, 2011, the December 31, 2011 consolidated statement of comprehensive income would include additional revenue of $187,018 and net earnings of $802. This pro-forma financial information is not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

(b) Island Petroleum Limited

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

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

	December 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
	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.

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

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

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

No revenue was included in the December 31, 2010 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Island Petroleum Ltd. from January 1, 2010, the December 31, 2010 consolidated statement of comprehensive income would include additional revenue of $50,300 and net earnings of $3,700. These pro-forma financial information are not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

21. COMMITMENTS

The Corporation has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.1 billion litres of fuel products to the end of 2013.

22. NET CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2012	2011	**2012**	2011
Accounts receivable	**294**	(2,292)	**10,593**	(10,442)
Income tax receivable	**-**	(5)	**-**	-
Inventories	**(9,110)**	(8,265)	**7,595**	(10,348)
Risk management	**(199)**	-	**(435)**	-
Prepaid expenses and other	**2,952**	(2,707)	**(1,419)**	869
Accounts payable and accrued liabilities	**4,668**	31,646	**57,616**	14,518
Income taxes payable	**3,918**	7,774	**(3,193)**	15,369
Deferred revenue	**215**	47	**(3,933)**	(4,694)
Total for operating activities	**2,738**	26,198	**66,824**	5,272

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

23. 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.

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

For the three months ended September 30,	Fuel Marketing	Non-Fuel Commercial	Other Non-Fuel	Total
2012				
Sales and operating revenue	**993,910**	**63,081**	**9,220**	**1,066,211**
Cost of sales	**907,229**	**46,509**	**-**	**953,738**
Gross profit	**86,681**	**16,572**	**9,220**	**112,473**
2011				
Sales and operating revenue	984,165	58,172	18,438	1,060,775
Cost of sales	902,921	42,164	13,118	958,203
Gross profit	81,244	16,008	5,320	102,572

For the nine months ended September 30,	Fuel Marketing	Non-Fuel Commercial	Other Non-Fuel	Total
2012				
Sales and operating revenue	**2,920,470**	**200,101**	**24,976**	**3,145,547**
Cost of sales	**2,664,862**	**147,468**	**173**	**2,812,503**
Gross profit	**255,608**	**52,633**	**24,803**	**333,044**
2011				
Sales and operating revenue	2,735,105	176,964	54,095	2,966,164
Cost of sales	2,502,102	125,916	32,816	2,660,834
Gross profit	233,003	51,048	21,279	305,330

24. 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 nine months ended September 30, 2012 amounted to $362 (September 30, 2011 - $1,528).

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.

25. 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.

26. 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.

27. SUBSEQUENT EVENTS

On November 1, 2012, Parkland Fuel completed an acquisition of the assets and liabilities of Magnum Oil (MB) Ltd. for a purchase price of $9,060, paid in cash. Magnum Oil (MB) Ltd is based in the province of Manitoba and specializes in lubes distribution to residential, commercial, wholesale and retail customers throughout the province of Manitoba. The Corporation is assessing the purchase price allocation.

28. COMPARATIVE FIGURES

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

Supplementary Information (unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	**2012**	2011
Volume ***(millions of litres)***				
Retail fuels	**491**	508	**1,364**	1,223
Commercial fuels	**343**	403	**1,120**	1,308
Supply & Wholesale	**356**	269	**984**	686
Intersegment sales	**(99)**	(82)	**(289)**	(152)
Total fuel volume	**1,091**	1,098	**3,179**	3,065
Net sales and operating revenue ***(millions of Canadian dollars)***				
Retail fuels	**468.2**	499.0	**1,286.0**	1,164.1
Commercial fuels	**305.0**	368.1	**1,032.5**	1,181.3
Supply & Wholesale	**307.9**	188.8	**856.6**	526.5
Intersegment	**(87.2)**	(71.6)	**(254.6)**	(136.7)
Fuel sales	**993.9**	984.3	**2,920.5**	2,735.2
Non-fuel commercial revenue	**63.1**	58.1	**200.1**	176.9
Other non-fuel revenue	**9.3**	18.4	**25.9**	54.1
Intersegment	**(0.1)**	-	**(1.0)**	-
Total other non-fuel revenue (1)	**9.2**	18.4	**24.9**	54.1
Total sales and operating revenue	**1,066.2**	1,060.8	**3,145.5**	2,966.2
Fuel gross profit ***(millions of Canadian dollars)***				
Retail fuels	**21.4**	23.8	**65.0**	62.3
Commercial fuels	**29.3**	29.4	**107.0**	110.9
Supply & Wholesale (2)	**36.0**	28.0	**83.6**	59.8
Fuel gross profit	**86.7**	81.2	**255.6**	233.0
Cents per litre	**7.95**	7.40	**8.04**	7.61
Fuel gross profit	**86.7**	81.2	**255.6**	233.0
Non-fuel commercial gross profit	**16.6**	16.1	**52.6**	51.1
Other non-fuel gross profit (1)	**9.2**	5.3	**24.8**	21.2
Gross profit	**112.5**	102.6	**333.0**	305.3

(1) This category includes convenience store sales, 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 profits from wholesale sales.