Parkland Fuel Corporation

Annual Information Form

For the Fiscal Year Ended December 31, 2014

March 24, 2015

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GLOSSARY OF TERMS

The following terms when used in this Annual Information Form have the meanings set forth below, unless otherwise indicated.

"**Arrangement**" means the arrangement completed on December 31, 2010 whereby Parkland Income Fund reorganized from a trust structure to a corporation, Parkland Fuel Corporation;

"**Bluewave**" means Bluewave Energy Ltd., a corporation amalgamated under the Business Corporations Act, which carries on the business acquired by Parkland from Bluewave Energy LP;

"**Board of Directors**" or "**Board**" means the board of directors of Parkland;

"**Business**" means the marketing, logistics and transportation of fuels and related petroleum products and services to commercial, industrial, retail and residential customers in Canada and the United States as currently carried on by Parkland and affiliated companies, including the predecessor businesses historically carried on by Parkland Industries Ltd., Bluewave, Elbow River, and SPF Energy, and their subsidiaries;

"**Business Corporations Act**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**Business Day**" means any day other than a Saturday, Sunday or statutory holiday in the City of Calgary, Alberta;

"**Common Shares**" means the common shares in the capital of Parkland;

"**Competition Act Approval**" has the meaning attributed thereto under the heading "Risk Factors – Pioneer Acquisition – Competition Act Approval";

"**Corporation**" **or** "**Parkland**" means Parkland Fuel Corporation, a corporation incorporated under the Business Corporations Act and includes, where the context dictates, its subsidiaries and affiliates;

"**Credit Agreement**" means the third amended and restated credit agreement among between Parkland Industries Ltd., Elbow River and Parkland (U.S.) Financing Corp., as borrowers, The Bank of Nova Scotia, as agent, and The Bank of Nova Scotia, Royal Bank of Canada, Wells Fargo Bank, N.A., Canadian Imperial Bank of Commerce, The Toronto-Dominion Bank, Bank of Montreal, National Bank of Canada, Alberta Treasury Branches, Canadian Western Bank, and such other persons as become parties thereto as lenders, dated as of June 30, 2014;

"**Credit Facility**" means, collectively, Parkland's C$320 million revolving extendible credit facility and USD$30 million revolving extendible credit facility;

"**Elbow River**" means Elbow River Marketing Ltd., a corporation incorporated under the Business Corporations Act;

"**Environmental Laws**" has the meaning attributed thereto under the heading "Risk Factors – Safety and Environment";

"**Indenture**" has the meaning attributed thereto under the heading "Risk Factors – Nature of the Series 2 Debentures";

"**Pioneer**" means Pioneer Energy LP, a limited partnership formed under the laws of the Province of Ontario;

"**Pioneer Acquisition**" means the acquisition of the Pioneer Energy Business;

"**Pioneer Acquisition Agreement**" means the definitive agreement between Parkland and the Vendors to acquire the Pioneer Energy Business entered into on September 17, 2014, as amended or supplemented from time to time;

"**Pioneer Energy Business**" means the assets of the Vendors;

"**Senior Indebtedness**" means the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness, liabilities and obligations of the Corporation (whether outstanding as at the date of the Indenture or thereafter created, incurred, assumed or guaranteed), other than (i) indebtedness evidenced by the Series 2 Debentures, and (ii) all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be pari passu with, or subordinate in right of payment to, the Series 2 Debentures;

"**Senior Note Indentures**" means, collectively, the trust indenture dated May 29, 2014 governing the terms of the 5.50% Senior Notes and the trust indenture dated November 21, 2014 governing the terms of the 6.00% Senior Notes;

"**Senior Notes**" meaning, collectively, the 5.50% Senior Notes and the 6.00% Senior Notes;

"**Series 1 Debentures**" means the $97.75 million aggregate principal amount of 6.50% series 1 convertible unsecured subordinated debentures of the Corporation which matured on November 30, 2014;

"**Series 2 Debentures**" means the outstanding $45 million aggregate principal amount of 5.75% series 2 convertible unsecured subordinated debentures of the Corporation;

"**Shareholders**" means the holders of Common Shares;

"**Shell**" means Shell Canada Products, a partnership formed under the laws of Alberta;

"**Sparling's**" means Sparling's Propane Co. Limited, a corporation incorporated under the laws of the Province of Ontario;

"**SPF Energy**" means SPF Energy, Inc., a corporation incorporated under the laws of North Dakota;

"**Trustee**" means the trustee for the Series 2 Debentures appointed from time to time under the terms of the Indenture;

"**TSX**" means the Toronto Stock Exchange; and

"Vendors" means Pioneer Petroleums Holding Limited Partnership, Pioneer, Pioneer Petroleums Transport Inc., Pioneer Fuels Inc., Pioneer Energy Management Inc., Pioneer Petroleums Holding Inc., 668086 N.B. Limited and 3269344 Nova Scotia Limited.

CAUTIONARY STATEMENT REGARDING FORWARD – LOOKING INFORMATION

Certain information contained herein is forward-looking. Many of these statements can be identified by words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, forward-looking statements included in this Annual Information Form include, without limitation, statements with respect to Parkland's:

- 2015 fiscal year;
- information technology;
- corporate goals and future endeavors;
- social and environmental initiatives;
- growth of its business and operations;
- completion of various projects;
- integration of acquired assets; and
- demand for its products and services.

The forward-looking information contained herein is based upon certain assumptions and factors such as historical trends, current conditions and expected future developments, which the Corporation believes are reasonably accurate at the time of preparing this Annual Information Form. However, the forward-looking information contained herein involves numerous assumptions and known and unknown factors and risks, both general and specific, that could cause actual results to vary materially from those anticipated, including, without limitation:

- factors and risks associated with retail pricing and margins;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- marketing competition;
- environmental impact;
- credit granting
- interest rate fluctuation; and
- availability of capital and operating funds.

Readers are cautioned that the foregoing list of factors is not exhaustive and that additional information on these and other factors that could affect the Corporation's operations or financial results is discussed in this Annual Information Form and the Corporation's management discussion and analysis on file with Canadian securities regulatory authorities and available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com or the Corporation's website at www.parkland.ca.

Consequently, all of the forward-looking information in this Annual Information Form and any document referred to herein, is expressly qualified by this cautionary statement. There is no representation by Parkland and there can be no assurance that actual results achieved will be the same in whole or in part as those set out in the forward-looking information contained herein. Readers are therefore cautioned not to place undue reliance on such forward-looking information. The forward-looking information contained herein is made as of the date hereof and, unless otherwise required by law, Parkland does not undertake any obligation to update publicly or to revise any of such forward-looking information, whether as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

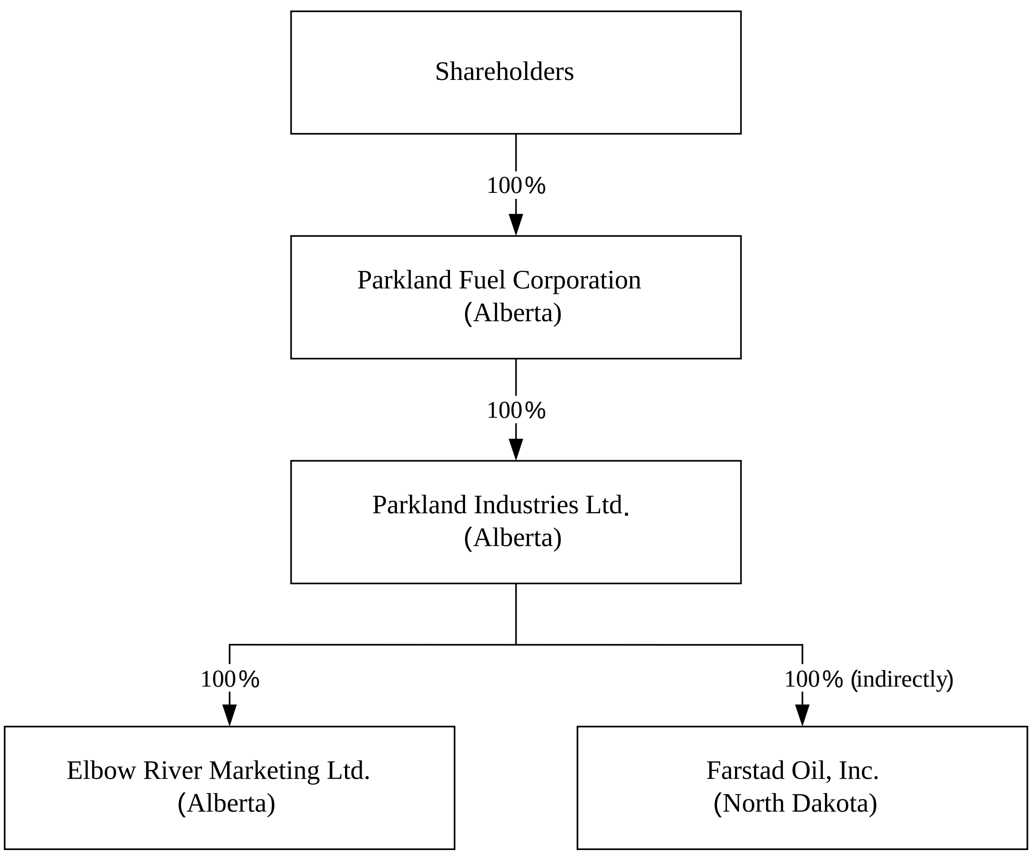
Parkland Fuel Corporation

The Corporation was incorporated on March 9, 2010 under the Business Corporations Act for the purpose of participating in a corporate reorganization implemented effective December 31, 2010 under Section 193 of the Business Corporations Act, wherein the predecessor public entity to the Corporation, reorganized from an income fund into a corporate structure. The Common Shares commenced trading on the TSX on January 7, 2011, under the trading symbol "PKI".

The Corporation is authorized to issue an unlimited number of Common Shares and preferred shares in series. The registered office of the Corporation is located at Suite 4500, Bankers Hall East, 855-2nd Street SW, Calgary, AB T2P 4K7, and the head office of the Corporation is located at Suite 100, Riverside Office Plaza, 4919-59th Street, Red Deer, Alberta, T4N 6C9. Currently, the Corporation has three material subsidiaries: (i) its operating entity Parkland Industries Ltd., which is a wholly-owned subsidiary of the Corporation; (ii) Elbow River, which is a wholly-owned subsidiary of Parkland Industries Ltd.; and (iii) Farstad Oil, Inc., a North Dakota corporation, which is a wholly-owned subsidiary of SPF Energy, which is an indirect wholly-owned subsidiary of Parkland Industries Ltd. Both Parkland Industries Ltd. and Elbow River are incorporated under the Business Corporations Act.

Organizational Structure of the Corporation

The following diagram sets forth the organizational structure of the Corporation and its material subsidiaries as of the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation itself and through its subsidiary entities carries on the Business. The Corporation maintains a number of different business units to track the various areas of the Business. This segregation enables the various operating managers to focus on particular business areas for which they are responsible and provides unique offerings to customers under the various brand names.

Three Year History

2014

On January 8, 2014, Parkland closed the transaction to acquire SPF Energy, the parent company of Farstad Oil Inc. and Superpumper Inc. The acquisition of SPF Energy added approximately 1.2 billion litres of refined petroleum product annually to Parkland's capacity, and expanded Parkland's operations to North Dakota, Montana, Minnesota, South Dakota and Wyoming. SPF Energy services more than 200 independent gasoline stations, 60 of which are branded sites. SPF Energy also has trans-loading facilities and approximately 40,000 barrels of bulk storage in Minot, North Dakota.

On April 2, 2014, Parkland closed its acquisition of 12 Chevron-branded service stations in northern British Columbia. The acquisition strengthened Parkland's brand portfolio and allowed Parkland the opportunity to grow through the Chevron brand.

On May 29, 2014, Parkland closed its private placement of the 5.50% Senior Notes. The net proceeds of the offering were used to repay a portion of Parkland's indebtedness under the Credit Facility and for general corporate purposes. See "Description of Capital Structure – Indebtedness – 5.50% Senior Notes".

On September 17, 2014, Parkland announced that it entered into the Pioneer Acquisition Agreement to acquire the Pioneer Energy Business. The Pioneer Acquisition provides an opportunity for Parkland to grow in the Ontario and Manitoba retail market place and aligns with Parkland's overarching supply strategy. Parkland and Pioneer have been, and presently are in the process of, obtaining the requisite consents and approvals as contemplated by the Pioneer Acquisition Agreement to close the Pioneer Acquisition, most of which have been obtained or are expected to be received during the first half of 2015. See "Risk Factors – Pioneer Acquisition".

On November 21, 2014, Parkland announced the closing of its private placement of the 6.00% Senior Notes. The net proceeds of the offering are expected to be used by Parkland to fund a portion of the purchase price for the Pioneer Energy Business. In the unlikely event that the Pioneer Acquisition is not completed, the net proceeds of the 6.00% Senior Notes are expected to be used by Parkland to repay amounts drawn on the Credit Facility and for general corporate purposes, including, without limitation, to fund its working capital requirements and potential future acquisitions. See "Description of Capital Structure – Indebtedness – 6.00% Senior Notes".

2013

Parkland acquired the assets of Elbow River Limited Partnership from AvenEx Energy Corporation on February 15, 2013. Elbow River is a North American transporter, supplier and marketer of petroleum products including liquefied petroleum gases (butane, propane, and condensate), crude oil, heavy fuel oil, and a growing portfolio of refined fuel and bio-fuel products. Elbow River also has rail car logistics capabilities, managing a fleet in excess of 2,000 rail cars as at December 31, 2014 (approximately 1,300 rail cars at the time of acquisition). Elbow River leverages a network of relationships to match purchase and sales contracts, employing a risk adverse approach to marketing while implementing their strategy of geographic arbitrage.

Operating in the petroleum products marketing sector for 30 years has provided Elbow River with the expertise and logistical capabilities to respond to emerging opportunities.

Within Elbow River, there are three business segments: the Liquefied Petroleum Gasoline business, which includes the marketing, transportation and supply of propane, butane and natural gas liquids ("**NGLs**"); the fuel oil business which includes, the marketing, transportation and supply of crude oil, heavy fuel oils, diesel and asphalt; and the renewable fuels business, which primarily includes the marketing, transportation and supply of ethanol.

Suppliers to Elbow River are generally major oil and gas companies in Canada and the United States. Elbow River pays for and takes title of the product, and arranges and pays for transportation and delivery, mainly by rail tank cars. The product prices are normally determined by the spot market price. Elbow River typically has low product risk as the delivery price is generally fixed at the time Elbow River takes title.

On April 2, 2013, Parkland acquired Sparling's which delivers more than 120 million litres of propane annually to approximately 25,000 Ontario customers, and has contributed to the ongoing development of Parkland's propane distribution opportunities nation-wide.

On May 2, 2013, Parkland acquired the assets of Québec based Transmontaigne Marketing Canada Inc. ("**TMCI**"), providing Parkland the ability to lease terminal storage through Can Term Canadian Terminals Inc. in Montreal and Québec City. TMCI brings more than 500 million litres annually of low margin wholesale fuel volumes in Ontario and Québec to the Parkland family, and provides a supply platform to support growth in Québec. TMCI also introduced a new supply partner to Parkland, which enhances Parkland's supply options in Eastern Canada. TMCI now operates under the name Les Pétroles Parkland.

In the second quarter of 2013, Parkland launched an on-site fleet refueling and fuel management service which delivers fuel directly to customer equipment, provides online access to fuel reports and supplies customers with fuel volume and cost information flow to each vehicle or piece of equipment. This service saves our customers time and money by eliminating fuel storage need at their site and avoiding travel time to fuel stations. It is also anticipated to enhance our customers' fuel management information resulting in better cost control.

Also in the second quarter of 2013, Parkland signed a branded retail marketer agreement with Chevron Canada Limited with respect to British Columbia, bringing an ability to offer to retailers a major refiner brand in regions of British Columbia previously lacking this brand.

2012

On September 30, 2012, Parkland completed its conversion of its refinery storage in Bowden, Alberta into a rail and highway transportation terminal with a 220,000 barrel fuel storage capacity. The terminal has enhanced Parkland's supply options.

On November 2, 2012, Parkland purchased Magnum Oil, a Shell lubricants distributor based in Manitoba, adding approximately 2 million litres annually in direct sales volumes, and 4 million litres annually in Shell delivered business.

Changes expected in 2015

Parkland expects that the remaining approvals and consents required in order to close the Pioneer Acquisition will be obtained in the first half of 2015. Once this transaction has closed, Parkland will begin the process of integrating Pioneer's network of 393 gas stations into the Parkland network. See "Risk Factors – Pioneer

Acquisition". Parkland also expects to close its acquisition of 11 Chevron-branded serviced stations in British Columbia in the second quarter of 2015, following this acquisition, Parkland will have a total of 33 Chevron branded service stations in its network.

DESCRIPTION OF THE BUSINESS OF THE CORPORATION

Introduction

Parkland is one of North America's fastest growing independent marketers of fuel and petroleum products and its vision is to become the largest independent petroleum marketer in the markets it serves. Parkland delivers gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. Parkland's mission is to be the partner of choice for its customers and suppliers, and its does this by building lasting relationships through outstanding service, reliability, safety and professionalism. Parkland is unique in its ability to provide customers with dependable access to fuel and petroleum products, utilizing a portfolio of supply relationships, storage infrastructure and third party rail and highway carriers to protect our customers from supply disruptions.

Parkland endeavours to realize its vision and mission every day by:

- fueling communities through local operators who make it their priority to build lasting relationships with their customers; and

- delivering measurably superior customer service by being responsive, accurate and accountable to customers every day.

Parkland delivers value to communities and customers by striving to ensure they have dependable access to high quality fuel and petroleum products at a fair price. This is important for communities that depend on fuels for their heat and their everyday lives.

Parkland delivers value to refiners by assisting them in managing their downstream marketing channels, simplifying their billing and collections through a consolidated customer base, growing their business and promoting their brands.

Parkland endeavors to capture value in each step of the value chain, connecting refiners to communities, and communities to the petroleum products they need to heat their homes, fuel their industries and drive their economies.

Core Capabilities

While Parkland's reach extends across Canada and the Northern tier of the United States, its service is local. Parkland has evolved over more than 50 years to become a company dedicated to downstream fuel marketing.

Parkland's core capabilities include:

- a North American supply and distribution reach and scope that allows it to identify opportunities between markets that other independents may not recognize or be able to capitalize on;

- a diverse portfolio of regional markets and products that protect it against the risk of competitive, operational and environmental disruptions in any one market;

- the scale to have a dedicated supply team, which allows Parkland to secure economic benefit from its supply portfolio;

- supply security through a portfolio of contracts with eight established refiners; and

- distribution channels that provide a balanced sales portfolio of gasoline, diesel and propane that affords Parkland with a competitive supply advantage.

Operating Segments

Parkland's business is split into five segments for the purpose of reporting: Retail Fuels, Commercial Fuels, SPF Energy, Wholesale, Supply and Distribution and Corporate.

Retail Fuels Segment

Parkland Retail Fuels supplies and supports a network of 682 retail gas stations in Canada. It owns two proprietary brands; Fas Gas Plus and Race Trac, and is a branded wholesaler for Esso and Chevron. Parkland's multi-brand strategy is intended to service a number of fuel market niches.

- **Chevron –** The Chevron branded wholesaler agreement provides Parkland with the opportunity to offer Chevron's premium brand to Parkland's owned or leased network and to independent dealers.
- **Esso –** The Esso branded wholesaler agreement provides Parkland with the opportunity to offer Esso's nationally recognized brand to Parkland's owned or leased network and to independent dealers.
- **Fas Gas Plus –** Fas Gas Plus is a community focused independent brand that brings consumers an urban offering into non-urban markets through a large, well-merchandised convenience store, a strong loyalty program and knowledgeable and friendly retailer operators and dealers. Parkland's strategy is to continue to maximize penetration of this brand throughout its traditional non-urban markets by acquiring new sites and modernizing and maintaining existing sites to the highest of Parkland's standards.
- **Race Trac –** Race Trac is designed for the dealer entrepreneur who wants to operate independently in the marketplace but not be restricted by the standards of Parkland's other brand offerings. Parkland has focused on enhancing the brand value of Race Trac. This brand is positioned for locations or markets where the Fas Gas Plus, Chevron or Esso brands are not suited and is a complementary offering within Parkland's brand portfolio.
- **Other –** In most cases, "Other" represents brands that are being migrated to Parkland's primary brand offerings over time.

<u>Business Models</u>

Parkland Retail Fuels operates under the following business models:

- **Company Owned Retailer Operated –** These sites are either owned or leased by Parkland and operated and managed on its behalf by independent entrepreneurs (retailers). Parkland owns the fuel inventory and maintains control of the retail selling price at the pumps; the retailer owns the convenience store inventory. Parkland pays the retailer a "cents per litre" commission on the fuel sales and collects from the retailer a fixed rent for the facilities plus a percentage rent on the convenience store sales.

- **Dealer Owned Dealer Operated –** These sites are either owned or leased by a dealer. Parkland secures a long-term fuel supply contract with the dealer, usually five years or longer. Over the term of the agreement, Parkland supplies fuel to the dealer based on independently published rack prices that can fluctuate daily. The dealer owns the fuel inventory and maintains control of the retail selling price at the pumps.

<u>Canadian Site Counts by Brand, Business Model and Geography</u>

Operating Model	Fas Gas Plus	Race Trac	Esso	Chevron	Other	Total
Dealer operated	89	86	331	4	29	539
Retailer operated	97	3	25	17	1	143
Total	**186**	**89**	**356**	**21**	**30**	**682**

Province	Retailer Operated	Dealer Operated	Total
Alberta	70	194	264
British Columbia	28	86	114
Manitoba	12	9	21
New Brunswick		3	3
Nova Scotia		2	2
Northwest Territories		3	3
Ontario	2	143	145
Prince Edward Island		4	4
Saskatchewan	31	90	121
Yukon Territories		5	5
Total	**143**	**539**	**682**

This segment accounted for approximately 23.4% of fuel and petroleum product revenue for the year ended December 31, 2014 compared with 31.0% in the same period of 2013 and approximately 19.6% of gross profit in 2014 compared with 20.0% in 2013.

Fuel volume decreased by 0.8% or 13 million litres in 2014 compared to 2013. The addition of the new service stations, primarily Chevron-branded, in the second quarter added 26 million litres in 2014. This was offset by dealer volume shortfalls, primarily in Eastern Canada, reflective of competitive market conditions. Parkland's retail business is seasonal, reflecting increased travel during the summer months. In general, the second and third quarters are the busiest periods for Parkland Retail Fuels.

Commercial Fuels Segment

Parkland Commercial Fuels delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, and other related products and services to commercial, industrial and residential customers in Canada through an extensive delivery network.

The family of brands in this segment includes: Bluewave Energy; Columbia Fuels; Sparling's Propane; and Island Petroleum.

Parkland Commercial Fuels' customer base is diverse, operating across a broad cross-section of industries and geographies across Canada including: oil and gas industry participants; residential propane and heating fuel customers; construction; mining; forestry; fishing; as well as local and inter-regional transportation.

This segment accounted for approximately 20.3% and 62.3% of fuel and petroleum product revenue and non-fuel revenue, respectively, for the year ended December 31, 2014 compared with 26.3% and 78.6%, respectively, in the same period of 2013.

The business of Parkland Commercial Fuels is seasonal, reflecting fluctuations in heating requirements through the year and industry activity that can be more active in the winter than in the summer. In general, the first and fourth quarters are the busiest periods for Parkland Commercial Fuels. Because collection is not immediate in most commercial transactions, during the first and fourth quarters (periods of higher commercial fuel sales) receivables in Parkland Commercial Fuels tend to build up and then diminish in the second and third quarters as the accounts are collected.

Canadian Site Counts by Business Offering and Geography

Province	Cardlock	Branch	Branch & Cardlock	Lube Distribution Centre	Total
Alberta	9	7	12	2	30
British Columbia	16	10	11	1	38
Manitoba				1	1
New Brunswick			1		1
Nova Scotia	3	8	4	1	16
Northwest Territories			2		2
Ontario	1	12	7		20
Prince Edward Island	10	2			12
Saskatchewan		1	1		2
Yukon			1		1
Total	**39**	**40**	**39**	**5**	**123**

In 2014, Parkland Commercial Fuels' fuel volume increased by 1.3% or 20 million litres compared to 2013. Sparling's added an incremental propane volume of 61 million litres in 2014, which was partially offset by unseasonably warmer weather, delayed and reduced oilfield activity and the elimination of low-margin and poor credit customers.

SPF Energy Segment

SPF Energy was acquired by Parkland on January 8, 2014. SPF Energy is an independent fuel marketer headquartered in Minot, North Dakota. SPF Energy supplies and distributes refined petroleum products throughout North Dakota, Montana, Minnesota, South Dakota and Wyoming. With the addition of SPF Energy, Parkland has an expandable platform for growth in the Northwest United States and export opportunities for excess refined product in Western Canada. Additionally, this acquisition enhances the supply capabilities leveraging Parkland's rail assets.

SPF Energy operations are conducted from the following divisions:

- **Wholesale** – responsible for managing SPF Energy's fuel supply contracts, purchasing fuel from suppliers, distribution through third party rail and highway carriers as well as serving wholesale customers. SPF Energy has 40,000 barrels of terminal storage capacity in Minot, North Dakota and supplies fuel to retailers, small resellers and commercial operators. SPF Energy owns a fleet of 75 trucks which deliver wholesale fuels and commercial lubricants to its customers.

- **Retail** – operates and services a network of retail service stations. SPF Energy owns and operates a proprietary brand: "Superpumper". SPF Energy is also a branded wholesaler for: Cenex; Conoco; Exxon; Shell; Sinclair; and Tesoro within the United States. SPF Energy operates service stations under the following business models:

    - Dealer Owned/Operated: Dealers own or lease their own sites and enter into a contract with SPF Energy for fuel supply, the rights to a brand offering and a point-of-sale system. These relationships are normally long-term wholesale agreements with relatively stable margins. This division supplies a number of multi-site dealer chains and approximately 60 direct customers under the dealer operated model.
    - SPF Energy Owned/Operated – SPF Energy owns 16 Superpumper sites and operates these sites directly by SPF Energy employees, often co-branded with a major refinery brand in the forecourt.

- **Lubricants** – SPF Energy delivers lubricants to commercial, industrial and wholesale customers through an extensive delivery network.

This segment accounted for approximately 14.4% and 19.4% of fuel and petroleum product revenue and non-fuel revenue, respectively, for the year ended December 31, 2014.

In 2014, the sales and operating revenue of $1.1 billion consisted of $1.0 billion (92.1%) of fuel revenue and $87.3 million (7.9%) of non-fuel revenue. Total fuel revenue and volumes were strong in 2014 due to wholesale customer growth as well as increased fuel margins. Total non-fuel revenue in 2014 also saw steady growth in lubricant volumes and margins as well as strong convenience store sales.

Fuel volume of 1.2 billion litres in 2014 was comprised of 1.1 billion litres from SPF Energy's Wholesale division and the remaining 94 million litres from the Retail division.

Wholesale, Supply and Distribution Segment

Parkland's Wholesale, Supply and Distribution division manages fuel supply by contracting and purchasing fuel from refiners and other suppliers, distributing through third party rail and highway carriers, storing fuel in owned and leased facilities and serving wholesale and reseller customers in Canada and in the United States. Wholesale, Supply and Distribution products are marketed via the "Parkland", "Les Pétroles Parkland" and "Elbow River Marketing" brands.

Contracts – Parkland maintains fuel supply contracts with multiple oil refiners and wholesale and trading suppliers. This diversity of supply, plus the availability of storage in the prairies and Eastern Canada allows the Corporation to obtain fuel at competitive prices and enhances fuel supply security for Parkland owned sites and for all Parkland customers.

Purchases – Parkland Supply sources fuel from third party suppliers and sells to Parkland's selling segments, Retail, Commercial, Wholesale and SPF Energy, at an arm's length transfer price. Distribution provides transportation services to the Retail and Commercial divisions at an arm's length transfer price. Parkland utilizes its rail car fleet of more than 2,000 rail cars as at December 31, 2014 (including Elbow River) and leverages its network of North American relationships with a view to match purchase and sales contracts and execute on its strategy of geographic arbitrage.

Storage – Parkland's Bowden, Alberta terminal has 220,000 barrels of storage capacity. Parkland has storage capacity of 285,000 barrels in Québec and an additional 277,000 barrels of storage capacity throughout North America.

This segment accounted for approximately 41.9% and 13.6% of fuel and petroleum product revenue and non-fuel revenue, respectively, for the year ended December 31, 2014 compared with 42.7% and 16.3%, respectively, in the same period of 2013.

Sales and operating revenue in 2014 increased by 30.2% or $702.1 million to $3.0 billion compared to $2.3 billion in 2013, driven by the volume growth described, a proportion of higher value commodities, partially offset by lower commodity prices.

In 2014, fuel volume increased by 29.8% or 1.0 billion litres to 4.4 billion litres (net of inter-segment sales) compared to 3.4 billion litres in 2013. Strong volume growth was experienced in all fuel product groups including propane and butane (232 million litres) and crude products (194 million litres). The addition of refined products at Elbow River in mid-2013 led to a 322 million litre increase in volume in 2014. The full year impact of the acquisition of the assets acquired from TMCI on May 13, 2013 added 255 million litres in 2014. Propane and butane volumes were also very strong in 2014 due to the ability to successfully capture geographic arbitrage opportunities. Volume was positively affected by strong asphalt and fuel oil activity.

Corporate Segment

The corporate segment includes centralized administrative services and expenses, incurred to support operations, but which are not specifically allocated to Parkland's businesses.

In 2014, the corporate segment reported $5.9 million of lower expenses to $38.1 million compared to $44.0 million in 2013. Growth focused expenses such as increased staff and building leases to accommodate expansion as well as business system infrastructure were offset by the absence of the $9.8 million environmental legal cost provision recorded in the fourth quarter of 2013.

Social and Environmental Policies

Being active in local communities differentiates Parkland from its competition. Parkland's corporate responsibility focus is supporting the communities where we operate by increasing access to essential services. In 2014, Parkland made donations of approximately $900,000 to local causes.

In 2014, Parkland piloted a program that aims to support employee led initiatives within the communities they live and work. Parkland will donate to charities and not-for-profit organizations on behalf of employees to a predefined maximum.

The most effective way for Parkland to make donations is in the form of fuel. For example, Fas Gas Plus supports the Alberta Cancer Foundation's Digital Mammography Screening Program as its Official Fuel Supplier. The service is delivered through two mobile screening trailers equipped with high quality mammography screening devices that provide services to women in over 100 rural communities across Alberta to aid in the early detection of breast cancer.

Parkland is also a long-term supporter of the Ronald McDonald House Central Alberta (the "**House**"). Fas Gas Plus is the Presenting Sponsor of the Freeze the House Charity Bonspiel. The bonspiel provides support to the annual operating costs of the House and the 11,000 central Alberta families visiting the Red Deer Regional Hospital each year that require care.

Parkland is continuously working towards reducing the impact of its fuel operations on the environment. To this end, Parkland is working to reduce accidents, injuries, and environmental mishaps. When mishaps do occur, Parkland is committed to doing the right thing, and restoring the environment to the state it was in prior to the event. See "Supplemental Operational Information – Environmental Initiatives."

Supplemental Operational Information

Capital Expenditures

During 2014, the Corporation expended $50.1 million in capital investments, of which $18.5 million was classified maintenance capital and $31.6 million was classified as growth capital and intangibles.

Employees

As at December 31, 2014, Parkland had approximately 1,700 active full and part-time employees.

Environmental Initiatives

Parkland is committed to ensuring a safe working environment that protects employees, customers and the environment. Parkland complies with all applicable federal, provincial and local health, safety and environmental requirements in communities in which we operate. The Parkland Environmental Management System ("**EMS**") includes programs that enable Parkland in reducing environmental impacts while increasing operating and cost efficiency. The EMS also assists Parkland to address its regulatory obligations in a systematic and cost-effective manner. EMS goals include the following: improve environmental performance, enhance compliance, reduce pollution, conserve resources, increase efficiency/reduce costs, enhance employee morale, enhance image with customers, markets, the general public, regulators, lenders and investors, and enhance employee awareness of environmental issues and responsibilities. The cost of Parkland's EMS programs for 2014 was approximately $4.5 million, and is expected to increase proportionate to Parkland expected growth in future years. As Parklands EMS programs continue to develop and become integrated into operations, it is expected they will have a positive impact on Parkland's competitive condition. Parkland's EMS programs include the following:

- Regulatory Compliance – Operations are routinely reviewed to ensure compliance with industry standards and regulations. Parkland receives an annual Certificate of Recognition ("**COR**") for employers who develop health, safety and environmental programs that meet established standards. The COR is issued by Alberta Jobs, Skills, Training and Labor and is co-signed by Certifying Partners.

- Emergency Response & Preparedness – Emergency response plans are in force at Parkland facilities. This program involves coordination with facilities to secure emergency supplies and equipment and to ensure scheduling and completion of drills and training exercises. Overall goals of this program are to ensure that Parkland facilities and personnel are prepared and trained to address emergency situations and to maintain compliance with COR audit requirements.

- Chemical Release Management – This program serves to track, analyze, prepare for and minimize severity associated with spill incidents. It involves spill incident tracking and severity ranking, as well as employee training. Training methods consist of onsite classroom and field exercises, tabletop mock incident exercises and online training. A regimen of ongoing monitoring is in place at all Parkland locations. This includes daily reconciliation of inventory balances and installation of on-site test wells at all retail stations. The overall goal of this initiative is to foster a preventative approach to spill incidents and to ensure all Parkland employees have adequate training to respond confidently to minimize impacts where possible in the event of a release.

- Property Stewardship – This program involves documentation of the formal corporate processes and procedures associated with physical condition assessment, risk ranking and reduction, management, and determination and reporting of Asset Retirement Obligation information relating to environmental aspects of Parkland properties. The overall goals of this program are to clarify roles and responsibilities and monitor ongoing regulatory compliance activities relating to environmental aspects of acquisition, maintenance and divestiture of Parkland properties. The program includes key performance metrics for overall network condition. A remediation program is managed by experienced Parkland professional technical personnel and involves retention of professional environmental consultants that satisfy Parkland's comprehensive procurement pre-qualification protocols. Parkland has a long-term tank replacement program in place that follows a schedule of replacement of aging equipment with new industry-standard technology.

- Transportation – Parkland maintains an Idle Smart initiative primarily focussed on reduction of airborne emissions from Parkland fleet vehicles. The initiative involves specification and communication of the requirements for managing vehicle idling, roles, and responsibilities. Success with this endeavour shall reduce overall fueling and maintenance operating costs related to engine idling.

- Waste Management – The impact of the use and disposal of resources on our local and global environment is recognized by Parkland and Parkland is committed to reducing this impact through the waste management program. This program is a systematic approach to understanding our waste and identifying and prioritizing viable opportunities to reduce waste outputs and resource inputs. The program strives for continuous improvement and staff engagement to support company-wide initiatives. Specific initiatives include paper use reduction practices and community-supported recycling programs.

- Water Management – Parkland’s effluent management initiative involves compiling a comprehensive list of all oil/water separators and improvement of the process and procedures to ensure infrastructure is satisfactorily maintained and documented accordingly. The overall goals of this initiative are to ensure corporate records are complete relating to the location and condition of all oil/water separator-related infrastructure, and to collaborate with facility Managers to ensure compliance with related regulation.

Rail Risk Mitigation

Parkland has focused its attention on mitigating its exposure to various business risks in connection with its rail operations. Parkland's Enterprise Risk Management ("**ERM**") program targets strategic risk areas to determine additional prevention or mitigation plans that can be undertaken to either reduce risk or enable opportunities to be realized. The rail portion of the ERM program focuses on several areas in order to achieve these results, these areas include, but are not limited to: maintaining an suitable insurance program, classifying products and testing procedures, developing and communicating emergency response plans, monitoring regulatory developments and required fleet upgrades, contract administration and legal support. In 2014, Parkland made significant progress in updating emergency response plans and insurance programs. In 2015, Parkland will be focused on fleet upgrades pursuant to regulatory requirements and testing its product classification and documentation procedures. In addition to the foregoing, Parkland is a plan participant with Emergency Response Assistance Canada ("**ERAC**"), a non-profit corporation created by industry stakeholders to provide emergency response for liquefied petroleum gas and flammable liquid related incidents; emergency response services are provided by LPG Emergency Response Corp pursuant to the ERAC plan.

Technology and Integration

Parkland is continuing to enhance and mature business processes and technology to support growth with the following objectives:

- introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes including, for example, inventory management; and

- complete the integration of the acquired companies by merging systems where appropriate, implementing and enhancing processes, controls and operations.

Competitive Conditions Overview

In Canada, the retail and wholesale marketing of gasoline is dominated by major national and international integrated oil companies (the "**majors**"). These companies are also involved in the exploration for and production of oil and gas and the refining business. During the 1990's the majors consolidated and rationalized their retail operations in western Canada, focusing on larger sites with convenience stores in urban markets. Competition in these markets is strong between the majors and some independents and successful retail operations are often matched by competitors located at adjacent corners of the same intersections. Conversely, the Corporation prefers operations outside of urban markets where the competition generally has a lesser presence. Sales volumes per site in these markets are typically lower than in larger centres, however, sites outside of urban markets typically yield higher average "per litre" margins and can be profitable with lower sales volumes than are required in urban markets.

The transportation fuels marketing industry is susceptible to pricing pressures related to the balance of available supply and consumer demand. The western Canadian market, which is Parkland's largest market area, is relatively inaccessible to product supply from outside the region due to its geography, and transportation fuels are therefore refined in western Canada. This generally provides for more balanced market conditions.

Significant participants in the market occupied by the Corporation include co-operative associations, smaller chains and independent operators. Major grocery chains and "big box" retailers have also entered the retail fuels business in an attempt to increase their in-store traffic; however, they are primarily in urban centres.

Strategy and Competitive Advantages

The Parkland Retail Fuels division focuses primarily on owning, operating and supplying stations outside of urban markets. The Corporation focuses on being a low cost operator, and its brand, reputation for value and its transportation and supply arrangements have provided a base for profitability.

The Parkland Commercial Fuels division serves customers in a variety of industries. This business, which has grown substantially through acquisitions, provides market diversification and counter-seasonal earnings to our original base retail business.

In 2013, Parkland added additional product terminal capacity in the eastern Canadian supply orbit by contracting 120,000 barrels of storage capacity in Montreal and 165,000 barrels of terminal storage in Québec City. Wholesale, Supply and Distribution manages the storage infrastructure portfolio to enhance both the supply security of Parkland's operations, and the operations of its customers.

Parkland also markets fuel, petroleum products and refined product. Elbow River is a North American transporter, supplier and marketer of petroleum products including liquefied petroleum gases (butane, propane, and condensate), crude oil, heavy fuel oil, and a growing portfolio of refined fuel and bio-fuel products. Elbow River has differentiated itself in this space through their rail car logistics capabilities, managing a fleet of more than 2,000 rail cars as at December 31, 2014. Its strategy of geographic arbitrage leverages a strong network of relationships to match purchase and sales contracts. Elbow River's risk adverse approach to marketing, which combines expertise and logistical capabilities to rapidly respond to emerging opportunities, has allowed them to establish a record of profitability.

Through SPF Energy, Parkland supplies and distributes approximately 1.2 billion litres of gasoline and distillates through a set of wholesale, commercial and retail business channels that are very similar to Parkland's Canadian operations. SPF Energy's retail network includes more than 200 independent gasoline stations in the northern tier of the United States, 60 of which are branded stations that include nationally recognized names such as Cenex, Conoco, Exxon, Shell, Tesoro and Sinclair. SPF also owns and operates 16 Superpumper convenience stores in three U.S. states and rail trans-loading facilities and approximately 40,000 barrels of refined product storage in Minot, North Dakota.

RISK FACTORS

The following is a summary of certain factors affecting Parkland's business. The folliwng information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjuction with, the detailed information appearing elsewhere in this Annual Information Form and Parkland's management's discussion and analysis for the most recently completed annual and interim periods which can be accessed at www.sedar.com. The holders from time to time of Common Shares and potential holders of Common Shares should carefully consider the inforamation contained herein and, in particular, the following risk factors.

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.

Difficult market conditions for commercial fuel services 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 the wholesale business, which typically would only share in a portion of any market erosion. However, there can be no assurances that such mitigation efforts will be adequate, in whole or in part and such market conditions may materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

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 retailers 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 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, prospects, results of operations and/or financial condition.

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

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

Parkland's fuel and petroleum product revenue are a significant component of total revenue. Domestic wholesale petroleum, crude oil, NGL markets display significant volatility. Parkland is susceptible to interruptions in supply and changes in relative market pricing of crude oil and NGLs that drive customer demand. 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 fuel and petroleum product 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 product 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 fuel and petroleum product volume, adjusted 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 oil sands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volume 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. Wholesale, Supply and Distribution sales and volume are driven by the opportunity to market variations in pricing of crude oil and NGLs between geographical regions and markets. Changes in pricing and relative pricing of crude oil and NGLs impact the net earnings of Wholesale, Supply and Distribution. Pipeline availability in various markets will impact the ability of Wholesale, Supply and Distribution to profitably serve customers in those markets.

Credit

The Corporation grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. In the event such entities fail to meet their contractual obligations to the Corporation, such failures may materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Safety and Environmental

Parkland is subject to hazards and risks inherent in its operations and the industries that we service. Such risks include, but are not limited to, equipment failures, vehicle accidents, human error, accidental release of harmful substances, explosions, fires and natural disasters. These risks expose Parkland to potential liability for personal injury, loss of life, business interruption, property damage or destruction and pollution and other environmental damages under applicable Canadian federal, provincial, territorial and municipal safety and environmental laws and regulations (collectively, "**Environmental Laws**"). Applicable Environmental Laws may also require that Parkland's operations, and certain properties associated with Parkland's operations, be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such Environmental Laws may require significant expenditures by Parkland, including expenditures to ensure compliance with new Environmental Laws.

Parkland has safety policies, which include training and monitoring programs, in place to mitigate certain of these risks and to be prepared in the event Parkland experiences any such occurrences. Parkland has also obtained insurance in accordance with industry practice in an effort to address and mitigate such risks and also have operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. Although the Corporation has a comprehensive insurance program in effect, there can be no assurance that the potential liabilities will not exceed the applicable coverage limits under its insurance policies. Consistent with industry practice, not all hazards and risks 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. Liability for uninsured risks could significantly increase expenses and the occurrence of a significant event for which

Parkland is not fully insured could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Parkland is committed to ensuring a safe working environment that protects its employees, customers and the environment. As part of this commitment, Parkland has an established Health, Safety & Environment ("**HSE**") program that includes comprehensive policies and procedures designed to manage and mitigate HSE risks. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees representing all areas of Parkland's business.

In 2014, Parkland launched its "Drive to Zero" program with the objective to achieve zero injuries and zero serious incidents. As part of this program, Parkland recently completed enhanced safety leadership training for senior leaders across the organization. On February 19, 2015 Parkland recorded a safety milestone whereby the Corporation went a full year without a lost time injury.

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. Furthermore, 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 products until a new source of supply can be secured. Such a disruption may have a material negative impact on Parkland's revenue, 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 strives to mitigate this risk by maintaining a diverse supply portfolio to include substantial volume from each of its major suppliers and growing to a level of annual sales volume that will offer potential suppliers a compelling share of the fuel supply business in the markets the Corporation serves. However, there can be no certainty that such mitigation efforts will be adequate, in whole or in part.

Economic Conditions

Parkland's business is subject to a number of general economic factors, many of which are out of the Corporation's control, which may materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition. These include recessionary economic cycles and downturns in the business cycles of the industries in which our customers conduct business, as well as downturns in the principal regional economies where operations are located.

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 can adversely affect the Corporation's revenue, profitability and ability to pay dividends.

Parkland services a number of different industries and its business, financial condition and results of operations are directly and indirectly affected by the economic conditions which affect such sectors. In particular:

- The Corporation serves the farm trade and this sector is subject to weather variation and commodity price fluctuation, which consequently can impact Parkland's business, financial condition and results of operations and the demand for Parkland's products by customers operating within this sector.

- The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of the Corporation's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacting communities in primary exploration regions in Alberta and northern British Columbia, which consequently can impact Parkland's business, financial condition and results of operations and the demand for Parkland's products by customers operating within this sector. Any decline in exploration activity in the oil production sector reduces the demand for propane and related products, which consequently can impact Parkland's business, financial condition and results of operations and the demand for Parkland's products by customers operating within this sector.

- Forestry has been a volatile industry in recent years and is susceptible to international pricing and demand for the product, which consequently can impact Parkland's business, financial condition and results of operations and the demand for Parkland's products by customers operating within this sector.

- Mining is susceptible to variations in commodity prices. The Corporation's fuel customers include several mines producing different metals and their demand for fuel may decline, which consequently can impact Parkland's business, financial condition and results of operations and the demand for Parkland's products by customers operating within this sector.

Regional Economic Conditions

The Corporation'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 the Corporation 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 the Corporation's market areas. Some of the Corporation's sites are located in markets which are more severely affected by weak economic conditions.

Weather

The Corporation's sales volume and profitability are subject to weather influences, especially winter temperatures. The Corporation’s sales volumes and profitability can see increased volatility due to abnormal weather patterns. The Corporation's heating oil and propane sales are greatest in the winter months but can decline if winter temperatures are warmer than normal. The Corporation 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 fertilizer sales in the Corporation's commercial business group.

Dependence on Key Personnel

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

Climate Change

The Corporation 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, which may negatively affect the financial condition of the Corporation.

Effective Internal Controls

Effective internal controls are necessary for the Corporation to provide reliable financial reports, manage the Corporation's risk exposure and to help prevent fraud. Although the Corporation undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could impact the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in the Corporation's financial statements and reduce the trading price of the Common Shares.

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 certainty that such mitigation efforts will be successful, in whole or in part, in any or all circumstances. The conversion and upgrade of electronic systems could also result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

Debt Service

Amounts paid in respect of interest on long-term debt will reduce Parkland's net income. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service. Parkland is exposed to fluctuations in short-term Canadian interest rates as a result of the use of a floating debt rate under its Credit Agreement. Although management believes the Credit Facility will be sufficient to meet our immediate requirements, there can be no assurance that the amount will be adequate to satisfy future financial obligations or that additional funds will be able to be obtained.

Parkland's lenders have been provided with security over all or substantially all of the Corporation's assets. Additionally, if the Corporation becomes unable to pay its debt service or otherwise commits an event of default under the Credit Agreement, a lender may foreclose on or sell the Corporation's assets or enforce or realize upon any guarantee or share pledge. Similarly, upon the occurrence of an event of default under the Indenture or the Senior Note Indentures, the outstanding principal and accrued interest on the Debentures and Senior Notes may become immediately due and payable. If amounts outstanding under the Credit Agreement, the Indenture or the Senior Note Indentures were to be accelerated, or if Parkland was unable to borrow under the Credit Agreement, Parkland could become insolvent or be forced into insolvency proceedings.

Debt Agreements

The Credit Agreement and the Senior Note Indentures limit, among other things, Parkland's ability and the ability to:

- incur or guarantee additional debt or other obligations, issue certain equity securities or enter into sale and leaseback transactions;
- pay dividends on shares or repurchase shares, redeem subordinated debt or make other restricted payments;
- incur dividend or other payment restrictions affecting certain subsidiaries;
- issue equity securities of subsidiaries;
- change the nature of Parkland's business or operations in any material respect;
- make certain investments or acquisitions;
- create liens on Parkland's assets;
- enter into transactions with affiliates;
- consolidate, merge or transfer all or substantially all of Parkland's assets; and
- transfer or sell assets, including shares of subsidiaries.

The Credit Agreement also requires Parkland, and future credit agreements may require Parkland, to maintain specified financial ratios and satisfy specified financial tests. Parkland's ability to meet these financial ratios and tests can be affected by events beyond Parkland's control, and Parkland may be unable to meet those tests.

As a result of these covenants, Parkland's ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and the Corporation may be prevented from engaging in transactions that might otherwise be considered beneficial to Parkland. The breach of any of these covenants could result in an event of default under the Credit Agreement, the Indenture or the Senior Note Indentures or any future credit agreements. Under the Credit Agreement, Parkland's failure to pay certain amounts when due to other creditors, or the acceleration of such other indebtedness, would also result in an event of default. Upon the occurrence of an event of default under the Credit Agreement or future credit agreements, the lenders could elect to stop lending to Parkland or declare all amounts outstanding under such credit facilities to be immediately due and payable. Similarly, upon the occurrence of an event of default under the Senior Note Indentures, the outstanding principal and accrued interest on the Senior Notes may become immediately due and payable. If amounts outstanding under such credit agreements and the Senior Note Indentures were to be accelerated, or if we were not able to borrow under the Credit Agreement, we could become insolvent or be forced into insolvency proceedings.

Risk of Pending and Future Legal Proceedings

Alleged failure by Parkland to comply with laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of the renewal of permits and licenses by governmental authorities. In addition, governmental authorities as well as third parties may claim that Parkland is liable for environmental damages. In addition, Parkland may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against Parkland, the loss of a significant permit or other approval or the imposition of a significant fine or penalty may materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition. Litigation is expensive, time consuming and may divert management's attention away from the operation of the Business.

Government Legislation

Parkland operates in highly regulated jurisdictions. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavourable tax assessments. The implementation of new regulations or the modification of existing regulations could impact the profitability of the Corporation. Transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could negatively affect profitability of the Corporation.

Bowden Terminal Operating Permit

Parkland's terminal at Bowden, Alberta has operated as a toll-based petrochemical processing site and fuel storage site. The Corporation 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 the Corporation loses its permit to operate the facility, or if the terms and conditions of the permit are significantly amended by an applicable regulatory authority during the term of the permit, such event may materially and adversely affect Parkland's business, prospects, and results of operations and/or financial condition.

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

Future Capital Needs

Parkland may find it necessary in the future to obtain additional debt or equity financing to support Parkland's ongoing operations, undertake capital expenditures, finance expansion, develop new services, respond to competitive pressures, acquire complementary businesses, repay existing or future indebtedness or take advantage of unanticipated opportunities. There can be no assurance that such additional funding, if needed, will be available on terms acceptable to Parkland, or at all, and any volatility or uncertainty in the credit markets in the future may increase costs associated with issuing debt. If adequate funds are not available on acceptable terms, Parkland may be unable to develop or enhance its business, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on its business, financial conditions and operating results. In addition, in the event that Parkland's activities are financed partially or wholly with debt, such debt levels may exceed industry standards and the level of Parkland's indebtedness from time to time could impair Parkland's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Credit Ratings

Credit ratings affect Parkland's financing costs, liquidity and operations over the long term and are intended as an independent measure of the credit quality of long-term debt. Credit ratings affect Parkland's ability to obtain short and long-term financing and the cost of this financing, and Parkland's ability to engage in certain business activities cost-effectively.

Credit ratings may not reflect all risks associated with an investment in any of Parkland's securities. The credit ratings applied to the Senior Notes are an assessment by the relevant ratings agency of Parkland's ability to pay its obligations as of the respective dates the ratings are assigned. The credit ratings may not reflect the potential impact of risks related to structure, market or other factors discussed herein on the value of the notes. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The credit ratings accorded to the Senior Notes are not a recommendation to purchase, hold or sell any of the Senior Notes, because ratings do not comment as to market price or suitability for a particular investor. There cannot be any assurance that any credit rating assigned to any of the Senior Notes will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency. A lowering or withdrawal of such rating may have an adverse effect on the market value of the Senior Notes. In addition, real or anticipated changes in credit ratings can affect the cost at which Parkland can access public or private debt markets.

Credit Markets and Ability to Pay

The ability of Parkland to make scheduled payments on or refinance its debt obligations or access financing depends on Parkland’s financial condition and operating performance, which are subject to a number of factors beyond Parkland’s control. Volatility in the credit markets in the future may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks or affect Parkland's ability, or the ability of third parties it seeks to do business with, to access those markets. In addition, should there be volatility or uncertainty in the capital markets in the future, access to financing may be uncertain, which may have an adverse effect on the industry in which Parkland operates and its business, including future operating results. Parkland may be unable to maintain a level of cash flows from operating activities sufficient to permit Parkland to pay the principal, premium, if any, and interest on its indebtedness.

If Parkland's cash flows and capital resources are insufficient to fund its debt service obligations, Parkland could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness, including the Senior Notes. Parkland may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow Parkland to meet its scheduled debt service obligations. The Credit Agreement and the Senior Note Indentures will restrict Parkland's ability to dispose of assets and use the proceeds from those dispositions and may also restrict Parkland's ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. Parkland may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Parkland's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect Parkland's business, results of operations, financial condition and its ability to satisfy its obligations under its indebtedness.

Growth

Parkland's growth strategy may place significant demands on its financial, operational and management resources. Parkland has been active in growth oriented activities in the past and in order to continue growth in the future, Parkland will need to add administrative, management and other personnel, and make additional investments in operations and systems. Parkland may not be able to find and train qualified personnel, or do so on a timely basis or expand operations and systems to the extent, and in the time, required. The success of expansion and growth generally is dependent upon timing, the size and quality of opportunities, the ability to integrate complementary businesses, available debt capacity and market conditions. There can be no guarantee that Parkland will be successful in its plans or the method chosen to expand its operations, or that such expansion will be a financial success.

Reputation

There is the potential for negative impacts that could result in the deterioration of the Corporation's reputation with key customers and suppliers. Reputational risk is inherent in every business decision and any decision that reduces the Corporation's reputation could have a material adverse effect on the Corporation's business, financial condition and future prospects.

Acquisition Strategy

Parkland's growth strategy will depend, in part, on acquiring other fuel distributors or complementary businesses which it may be unable to do profitably or at all. The success of this acquisition strategy will depend, in part, on Parkland's ability to:

- identify suitable businesses;
- negotiate the purchase of those businesses (or investment in the businesses) on acceptable terms;
- complete the transactions within the expected time frame;
- fund the transaction;
- obtain necessary regulatory, other approvals or required consents of third parties within the expected time frame;
- improve the results of operations of the businesses that it buys and successfully integrate the operations with Parkland; and
- avoid or overcome any concerns expressed by regulators, including competition law concerns.

Parkland may fail to properly complete any or all of these steps and may also experience other impediments to its strategy. Parkland may not be able to find appropriate acquisition candidates, acquire those candidates, obtain necessary permits, obtain required third party consents or integrate the acquired businesses effectively or profitably.

Other companies may also be seeking to acquire similar businesses, including companies that may have greater financial resources than Parkland. Increased competition may reduce the number of acquisition targets available and may lead to unfavourable terms as part of any acquisition, including high purchase prices. If acquisition candidates are unavailable or too costly, Parkland may need to change its business strategy as it relates to acquisitions.

Parkland's increased size means that government regulators, such as competition law regulators in Canada, may examine its acquisitions more closely. These regulators may object to certain purchases or place conditions on them that would limit their benefit to Parkland.

If Parkland is unsuccessful in implementing its acquisition strategy for the reasons discussed above or otherwise, its financial condition and results of operations could be materially adversely affected. Even if Parkland is able to make acquisitions on advantageous terms and is able to integrate them successfully into its operations and organization, some acquisitions may not fulfill Parkland's strategy in a given market due to factors that Parkland cannot control, such as market position or customer base. As a result, potential benefits or synergies associated with any acquisition could be negatively impacted.

Integration of Businesses into Parkland's Operations

A substantial part of Parkland's growth has been through acquisitions. The integration of businesses acquired may result in significant challenges and depend, in part, upon timely, efficient and successful execution of post-acquisition strategies. Parkland may be unable to accomplish integrations smoothly or without significant expenditures. There can be no certainty that Parkland will be able to integrate the operations of each of the acquired businesses successfully. Any limitation of Parkland to successfully integrate the operations of the acquisitions, including, but not limited to, information technology and financial reporting systems, could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition and/or interfere with operations and reduce operating margins.

Potential Liabilities from Acquisitions

In pursuing acquisitions, Parkland conducts due diligence on the business or assets being acquired and seeks detailed representations and warranties respecting the business or assets being acquired. Despite such efforts, there can be no assurance that Parkland will not become subject to undisclosed liabilities as a result of acquisitions. In addition, liabilities may exist which were not discovered during the due diligence process prior to completing the acquisition. This failure to discover potential liabilities may be due to various factors, such as failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with laws. If this occurs, Parkland may be responsible for such liabilities which could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Possible Volatility of Market Price for the Corporation’s Securities

The market price of Parkland's securities may be subject to significant fluctuations in response to variations in results of operations and other factors. Developments affecting Parkland's customers, including national and international economic conditions, could also have a significant impact on the market price of Parkland's securities. In addition, the stock market can experience price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies including Parkland. Therefore, as a result of these fluctuations, which are beyond Parkland's control, the price of the Common Shares or the Debentures could be affected which may have indirect consequences, such as a possible take-over or other business combination.

Sales of Additional Common Shares

Parkland may issue additional Common Shares in the future to finance certain capital expenditures, including acquisitions. Parkland is permitted to issue an unlimited number of additional Common Shares without the approval of the Shareholders. Any issuance of Common Shares may have a dilutive effect on the Shareholders. Parkland may also issue preferred shares in one or more series for which the Board of Directors has the sole discretion to determine the number issued and the rights, privileges, restrictions and conditions attached to such shares.

Nature of the Series 2 Debentures

Parkland has listed for trading on the TSX the Series 2 Debentures. There can be no assurance that an active trading market will develop or be sustained. The Series 2 Debentures are subordinate to Senior Indebtedness and to any indebtedness of creditors of Parkland. The Debentures are also effectively subordinate to claims of creditors of Parkland's subsidiaries except to the extent Parkland is a creditor of such subsidiaries ranking at least pari passu with such other creditors. The indenture governing the terms of the Series 2 Debentures (the "**Indenture**") does not limit the ability of Parkland to incur additional debt or liabilities (including Senior Indebtedness) or to make payments of dividends, except in certain circumstances and does not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving Parkland.

Parkland may redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares and the Debentures are convertible into Common Shares at any time at the option of the holder of the Debentures. Accordingly, holders of Common Shares may suffer dilution.

Nature of Senior Notes

The Senior Notes are direct senior unsecured obligations of Parkland and rank pari passu with all other existing and future Senior Indebtedness of Parkland and senior in right of payment to any future subordinated Indebtedness of Parkland. The Senior Notes are effectively subordinated to all secured indebtedness of Parkland, to the extent of the value of the assets securing such secured indebtedness and structurally subordinated in right to payment of all indebtedness and other liabilities, including trade payables, of Parkland's non-Guarantor Subsidiaries. Accordingly, if Parkland is involved in any bankruptcy, dissolution, liquidation, reorganization or other insolvency proceeding, the secured indebtedness holders would be paid before the holders of Senior Notes receive any amounts due under the notes to the extent of the value of the assets securing the secured indebtedness. In such an event, a holder of Senior Notes may not be able to recover any principal or interest due to it under the Senior Notes.

Lack of Market for Senior Notes

The Senior Notes are not listed on any exchange and Parkland does not intend to apply for a listing of either the 5.50% Senior Notes or the 6.00% Senior Notes. Accordingly, holders of Senior Notes may not be able to resell the Senior Notes. This may affect the pricing of the Senior Notes in any secondary market, the transparency and availability of trading prices and the liquidity of the Senior Notes. There can be no assurance that a secondary market for the Senior Notes will develop or, if a secondary market does develop, that it will provide holders of the Senior Notes with liquidity for their investment or that it will continue until the maturity date of the Senior Notes. The market price and value of the Senior Notes may be affected by changes in general market conditions, fluctuations in the market for equity and debt securities, and numerous other factors beyond Parkland's control. Prevailing interest rates will affect the market price or value of the Senior Notes. Generally, the market price or value of the Senior Notes will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline. Fluctuations in interest rates may also impact Parkland's borrowing costs, which may adversely affect Parkland’s creditworthiness.

Calamitous Events

Calamitous events, such as terrorist attacks, technological attacks, escalation of military activity, or domestic and global trade disruption may have significant effects on general economic conditions, consumer confidence, consumer spending, travel, and tourism, all of which could have a material adverse effect on the Corporation. Strategic targets, such as energy-related assets, may be at greater risk of possible future attacks than other targets within the geographic area that the Corporation operates. It is possible that any of these events could occur and have a material adverse effect on the Corporation's business, financial condition and future prospects.

Transportation

Parkland's products are transported and supplied using a variety of methods and Parkland may be subject to any interruptions or restrictions to such transportation which may limit Parkland's ability to deliver Parkland's products and could have a material adverse effect on the Corporation's business, results of operations or prospects. In addition, the delivery of Parkland's products by railcar through Elbow River may be impacted by service delays, inclement weather or derailment. Parkland's products or railcars may be involved in a derailment or incident that results in legal liability or reputational harm. In addition, recent amendments to the *Transportation of Dangerous Goods Regulations*, SOR/2001-286, by the Canadian government impose new safety standards, and update certain existing safety standards, relating to the transportation of dangerous goods by rail car including, but not limited to, upgraded safety standards for rail tank cars, new emergency response assistance plans and more rigorous classification testing requirements for certain products including petroleum crude oil. These amendments may increase Parkland's overall cost of business and the economics associated with rail transportation. Further, the introduction of new laws or regulations related to the transportation of products by rail may also adversely affect Parkland's ability to deliver Parkland's products by rail or the economics associated with rail transportation.

Any such interruptions, restrictions, delays, adverse weather, derailment, incident or the impact, or coming into force, of new regulations affecting any of the methods of transportation utilized by Parkland could adversely affect Parkland’s ability to deliver its products, the economics associated with certain methods of transportation (including by rail) and/or materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Pioneer Acquisition

Competition Act Approval

The Pioneer Acquisition is subject to certain conditions that may be outside the control of Parkland, including, without limitation, the receipt of an advance ruling certificate or a "no action letter" from the Commissioner of Competition under the *Competition Act* (the "**Competition Act Approval**"). As a condition of obtaining the Competition Act Approval, Parkland may be required to agree to dispose of certain of its assets or assets that comprise a portion of the Pioneer Energy Business or agree to another remedy (including a behavioral remedy), which remedies may adversely affect Parkland's ability to achieve the anticipated benefits of the Pioneer Acquisition and financial projections related thereto and timing of closing of the Pioneer Acquisition. There can also be no assurance that the Competition Bureau will not seek to challenge the Pioneer Acquisition under the *Competition Act*.

Parkland may, as a condition of obtaining the Competition Act Approval, be required to agree to divest certain of its assets or the assets that comprise a portion of the Pioneer Energy Business or agree to another remedy (including a behavioral remedy) which may exceed remedies contemplated in the Pioneer Acquisition Agreement.

Parkland and the Vendors have agreed to certain steps in furtherance of obtaining the Competition Act Approval however, there can be no assurance that these conditions will be satisfied, or that the Pioneer Acquisition will be completed on the proposed terms, within the expected timeframe, or at all.

Closing of the Pioneer Acquisition

The Pioneer Acquisition is subject to other commercial risks that it may not close on the terms negotiated or at all. Conditions to closing include, among others, the following: delivery by the parties of certificates in respect of the accuracy of representations and warranties and performance of covenants, the receipt of all required approvals (including the Competition Act Approval. See "Competition Act Approval") and those of third parties required in order for certain of the assets that comprise the Pioneer Energy Business (including, without limitation, the commercial business of Pioneer) to be transferred to Parkland and the absence of a material adverse effect with respect to the Pioneer Energy Business. The Pioneer Acquisition Agreement does not contain a financing condition in favour of the Corporation. If the Pioneer Acquisition is not completed, the Corporation will have incurred significant costs associated therewith.

Failure to Realize the Anticipated Benefits of the Pioneer Acquisition

Achieving the benefits of the Pioneer Acquisition depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, including the operating expense reductions. The integration of the Pioneer Energy Business requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships. Furthermore, as mentioned above the Pioneer Acquisition is subject to Competition Act Approval. See "Competition Act Approval". These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the Pioneer Acquisition and financial projections related thereto.

Elbow River

General

With respect to Elbow River, energy marketing operations expose the Corporation to the risk of trading losses and liquidity constraints, such losses or liquidity constraints may materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Products

With respect to Elbow River, historically, overall demand from non-automotive end use applications has been stable. However, weather conditions and general economic conditions affect market volumes. Weather influences the demand for product primarily for heating uses. Inventory is accumulated during the summer months for delivery to customers during the winter heating season. The cost of inventory may be higher or lower than market prices at the time of sale and can impact profitability. Over the long term, Elbow River's business will depend, in part, on the level of demand for NGLs and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand. The Corporation cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and NGLs.

Reliance on Principal Customers and Operators

In connection with Elbow River, the Corporation relies on several significant customers to carry on business within its Elbow River marketing business. If for any reason these parties are unable to perform their obligations under the various agreements with Elbow River, Parkland's business, prospects, results of operations and/or financial condition could be materially and adversely affected.

Third Party Credit Risk

In connection with Elbow River, poor credit conditions in the industry and of joint venture partners may impact a partner's willingness to participate and potentially delay results until the Corporation finds a suitable alternative partner.

Hedging

Elbow River uses hedging transactions in order to mitigate the risk associated with its marketing transactions. In many circumstances, purchase and sale contracts are not perfectly matched as they are entered into at different times and at different values. In all Elbow River's businesses, margins can vary significantly from period to period and volatility in the markets for these products may cause distortions in financial results from period to period that are not replicable. There is no guarantee that hedging and other efforts to manage the marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. As well, by Elbow River hedging its commodity price exposure, it may forego the benefits that may otherwise be experienced if commodity prices were to increase.

Variations in Foreign Exchange Rates

Elbow River takes on foreign exchange risk with respect to its purchase and sale of commodities and with respect to its U.S. investments. Commodity prices are often quoted in U.S. dollars and the price paid and received by it for these commodities is therefore affected by the Canadian – U.S. exchange rate which may fluctuate over time and such fluctuations could have an adverse effect on Elbow River's financial condition.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there remains a credit risk associated with counterparties with which the Corporation partners or contracts with.

Regulatory

Elbow River operates in highly regulated jurisdictions with complex taxation environments. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavourable tax assessments.

Foreign Operations

Elbow River is actively involved in U.S. markets, in which it makes a significant percentage of its sales and purchases. Elbow River's significant reliance on these markets means that it is subject to downturns in the U.S. economy, weather patterns in the U.S., protectionist actions by U.S. legislators and other political developments, all of which could have an adverse impact on Elbow River's financial results.

Seasonality

The level of activity in Elbow River's NGLs trading business is influenced by seasonal weather patterns of the industry. Inventory is accumulated during the summer months for delivery to customers during the winter heating season. The fourth quarters and first quarters are typically higher volume months with the second and third quarters typically being lower volume/revenue quarters.

SPF Energy

Cost of Compliance with U.S. Laws and Regulations

SPF Energy is subject to numerous United States federal, state and local provisions regulating Parkland's business and operations and it incurs and expects to incur significant capital and operating expenses to comply with these laws and regulations. SPF Energy may be unable to pass on those expenses to customers without experiencing volume and margin losses.

SPF Energy has established reserves for the future cost of known compliance obligations, such as remediation of identified environmental impacts. However, these reserves may prove inadequate to meet its actual liability. Moreover, amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of currently unknown compliance issues may require it to make material expenditures or subject it to liabilities that it currently does not anticipate. Furthermore, SPF Energy's failure to comply with applicable laws and regulations could subject it to administrative penalties and injunctive relief, civil remedies, including fines and injunctions, and recalls of its products.

SPF Energy currently maintains, and may in the future maintain, hedges to manage the price risks associated with its commercial operations. These transactions typically take place on the New York Mercantile Exchange, Inc. ("**CME**"). Parkland's hedging transactions and activities are subject to the rules and regulations of the CME and the Commodity Futures Trading Commission ("**CFTC**"). Both the CME and the CFTC have broad powers to review required records, investigate and enforce compliance and to punish noncompliance by entities subject to its jurisdiction. The failure to comply with such rules and regulations could lead to restrictions on SPF Energy's trading activities or subject it to enforcement action by the CFTC or a disciplinary action by the CME, which could lead to substantial sanctions.

Increasing Environmental Laws and Regulations

SPF Energy's operations are subject to U.S. federal, state and local laws and regulations regulating product quality specifications and other environmental matters. The trend in environmental regulation is towards more restrictions and limitations on activities that may affect the environment over time. SPF Energy's business may be adversely affected by increased costs and liabilities resulting from such stricter laws and regulations.

Regulations Impacting Retail Operations Business

SPF Energy's retail operations are subject to extensive federal and state laws and regulations, including those relating to the protection of the environment, waste management, discharge of hazardous materials, pollution prevention, as well as laws and regulations relating to public safety and health. Certain of these laws and regulations may require assessment or remediation efforts. Retail operations with underground storage tanks are subject to federal and state regulations and legislation. Compliance with existing and future environmental laws regulating underground storage tanks may require significant capital expenditures and increased operating and maintenance costs. The operation of underground storage tanks also poses certain other risks, including damages associated with soil and groundwater contamination. Leaks from underground storage tanks which may occur at one or more of Parkland's gas stations may impact soil or groundwater and could result in fines or civil liability for SPF Energy. SPF Energy may be required to make material expenditures to modify operations, perform site cleanups or curtail operations.

Brand Erosion

SPF Energy services more than 200 independent gasoline stations, 60 of which carry a major's brand. Erosion of the value of these brands could have a negative impact on Parkland's gasoline sales, which may cause SPF Energy to be less profitable.

Regulations Impacting Terminal Operations

The risk of substantial environmental costs and liabilities is inherent in terminal operations, and SPF Energy may incur substantial environmental costs and liabilities. SPF Energy's terminal operations involving the receipt, storage and redelivery of petroleum products are subject to stringent federal, state and local laws and regulations governing the discharge of materials into the environment, or otherwise relating to the protection of the environment, operational safety and related matters. Compliance with these laws and regulations increases SPF Energy's overall cost of business, including its capital costs to maintain and upgrade equipment and facilities.

Various governmental authorities, including the U.S. Environmental Protection Agency, have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including fines, injunctions or both. Joint and several liability may be incurred, without regard to fault or the legality of the original conduct, under federal and state environmental laws for the remediation of contaminated areas at SPF Energy's facilities and those where SPF Energy does business. Private parties, including the owners of properties located near SPF Energy's terminal facilities and those with whom SPF Energy does business, also may have the right to pursue legal actions against it to enforce compliance with environmental laws, as well as seek damages for personal injury or property damage.

Regulations Governing Product Specifications

Various federal, state and local government agencies have the authority to prescribe specific product quality specifications to the sale of commodities. SPF Energy's business includes such commodities. Changes in product quality specifications, such as reduced sulfur content in refined petroleum products, or other more stringent requirements for fuels, could reduce its ability to procure product and its sales volume, require it to incur additional handling costs and/or require the expenditure of capital. For instance, different product specifications for different markets could require additional storage. If SPF Energy is unable to procure product or recover these costs through increased sales, it may not be able to meet its contractual obligations. Failure to comply with these regulations could result in substantial penalties.

Convenience Store Merchandise Inventory Suppliers

SPF Energy purchases convenience store merchandise inventory from a small number of suppliers for its owned and operated convenience stores. A change of merchandise suppliers, a disruption in supply or a significant change in SPF Energy's relationships with its principal merchandise suppliers could have an adverse effect on SPF Energy's financial condition and results of operations.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The mandate of the Audit Committee (the "**Audit Committee Mandate**") of the Corporation is set forth in Appendix 1 of this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is a standing committee appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities with respect to financial reporting by the Corporation. The Audit Committee of the Corporation currently consists of three members, all of whom are independent and financially literate in accordance with the definitions in National Instrument 52-110 *Audit Committees*. The relevant education and experience of each Audit Committee member is outlined below.

Ron Rogers

Mr. Rogers has over 35 years of experience in various financial and operating positions with Ernst & Young LLP, Warrington Inc., the Crown Management Board of Saskatchewan, Moore Corporation and Shaw Communications Inc. He received his Bachelor of Commerce degree from St. Mary's University with concentrations on philosophy, economics and accounting and subsequently earned his Chartered Accountancy with Ernst & Young LLP. He has also attended post graduate seminars at North Western and Harvard Universities. Mr. Rogers is currently a member of the board of each of Corus Entertainment (Chairman of Audit Committee and member of the Executive Committee) and Transforce Inc. (Chairman of Audit Committee). Mr. Rogers previously served on the boards of the Brick Furniture Company and Pizza Pizza Royalty Fund. His community involvement has included such organizations as the Mississauga General Hospital Board, the Calgary division of the United Way Executive Board, the Festival of Trees Executive Committee for the Alberta Children's Hospital, the Juvenile Diabetes Research Foundation and the Calgary Stampede Compensation and Pension Committee. Mr. Rogers has served on the Board of Directors since September 15, 2006 and is Chairman of the Audit Committee.

Jim Pantelidis

Mr. Pantelidis has over 30 years of experience in the petroleum industry. Mr. Pantelidis has been chairman and director of EnerCare Inc. since 2002. He also serves on the board of each of Rona Inc. (Chairman of the Human Resources and Compensation Committee and member of the Development Committee); Industrial Alliance Insurance and Financial Services Inc. (Chairman of the Investment Committee and member of the Human Resources and Compensation Committee); and Intertape Polymer Group Inc. (member of the Audit Committee). From 2002 to 2006 Mr. Pantelidis was on the Board of FisherCast Global Corporation and served as Chairman and Chief Executive Officer from 2004 to 2006. Mr. Pantelidis also previously served on the board of Equinox Minerals Limited (Chairman of the Human Resources and Compensation Committee and member of the Audit Committee). Mr. Pantelidis has a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University. Mr. Pantelidis has served on the Board of Directors since September 7, 1999 and he is Chairman of the Board of Directors and a member of the Audit Committee. He also serves as Chair of the Supply and Business Development Advisory Committee

Domenic Pilla

Mr. Pilla served as the President of Shoppers Drug Mart Corporation, a subsidiary of Loblaw Companies Limited, and served as a Director of Loblaws Companies Limited from April 1, 2014 until January 9, 2015. Mr. Pilla served as Chief Executive Officer and sat on the Board of Directors of Shoppers Drug Mart Corporation from November 1, 2011 until March 31, 2014. He also serves on the board of Domtar Corporation (member of the Human Resources and Compensation Committee). Mr. Pilla brings nearly 30 years of leadership experience in the health care and retailing sectors to the Corporation. Prior to his current roles, from January 2001 to October 2011, Mr. Pilla led McKesson Canada (a wholly-owned subsidiary of McKesson Corporation), serving as Executive Vice-President and Chief Operating Officer, before being appointed President in January 2007. Mr. Pilla has also served as President of Canadian Operations of RNG Group Inc., a privately owned Toronto-based company. As well, during an 18-year tenure with Petro-Canada, Mr. Pilla held a number of senior positions in distribution, sales, and retail, including Vice-President of the Central Region. Mr. Pilla graduated from McGill University with a Bachelor of Engineering in Chemical Engineering.

Mr. Pilla was appointed to the Audit Committee on January 5, 2015 and replaced Mr. Dinning who served as a member of the Audit Committee prior to the annual general meeting of the Corporation held on May 6, 2014. Prior to the date of Mr. Dinning's departure from the Board to the date of Mr. Pilla's appointment to the Audit Committee, the Corporation undertook an extensive external search to identify an additional Board member having the requisite education, experience and financial literacy to act not only as a member of the Board but also as a member of the Audit Committee. During the period commencing on May 6, 2014 and ending on the date that Mr. Pilla was appointed to the Audit Committee, the Audit Committee was comprised of Mssrs. Rogers and Pantelidis.

Pre-approval Policies and Procedures

Under the Audit Committee Mandate, the Audit Committee is required to approve the terms of the engagement and the compensation to be paid to the external auditor of the Corporation. In addition, the Audit Committee is required to review and pre-approve non-audit services provided by the external auditor as required by National Instrument 52-110 *Audit Committees*.

Audit Fees

PricewaterhouseCoopers LLP were first appointed auditors of a predecessor to the Corporation in 2004. PricewaterhouseCoopers LLP billed the Corporation for audit services rendered for the year ended December 31, 2014 an aggregate amount of $586,980 and an aggregate amount of $691,000 for the year ended December 31, 2013.

Audit Related Fees

PricewaterhouseCoopers LLP billed the Corporation for reviews of the Corporation's quarterly reports an aggregate amount of $232,230 for 2014 and an aggregate amount of $186,000 for 2013.

Tax Fees

PricewaterhouseCoopers LLP billed the Corporation for reviews and advice on the income tax provisions in the Corporation's quarterly and year end reports and advice relating to the acquisitions an aggregate amount of $423,356 for 2014 and $498,000 for 2013.

All Other Fees

In 2014, PricewaterhouseCoopers LLP billed the Corporation $88,069 for assistance with National Instrument 52-109F1 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109F1**") testing, $131,988 for involvement with issuance of senior unsecured notes, $160,968 for advice related to the acquisition of Pioneer Energy, $192,154 for IT project management support, $17,560 for Canadian Public Accountability Board fees and $15,902 for a variety of other services.

In 2013, PricewaterhouseCoopers LLP billed the Corporation $82,000 for assistance with NI 52-109F1 testing and Canadian Securities Administrator' advice, $86,000 for advice relating to the acquisition of Elbow River, $129,000 for advice relating to the acquisition of Sparling's, $10,000 for Canadian Public Accountability Board fees, and $143,000 for a variety of other services.

DIVIDENDS

Dividends Paid by the Corporation and Dividend Policy

In December 2010, the Corporation announced its intention to pay a monthly dividend of $0.085 per Common Share, equivalent to $1.02 per Common Share annually. Since such time, commencing in January 2011 through February 2013; the Corporation declared and paid a monthly dividend of $0.085 per Common Share. The Corporation increased its monthly dividend to $0.0867 per Common Share equivalent to $1.04 per Common Share annually and declared and paid dividends of such amount from March 2013 through February 2014. The Corporation increased its monthly dividend to $0.0883 per Common Share equivalent to $1.06 per Common Share annually and declared and paid dividends of such amount from March 2014 through December 2014.

The declaration of dividends is at the sole discretion of the Board of Directors and the amount of dividends declared by the Corporation and the frequency of payment thereof, if any, may vary from time to time as a consequence of a number of factors, including, without limitation, retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, capital expenditure requirements, operating costs and compliance with any restrictions on the declaration and payment of dividends contained in any agreement to which Parkland is a party from time to time (including, without limitation, the Credit Agreement, the Senior Note Indentures and the Indenture) and the satisfaction of the liquidity and solvency tests imposed by the Business Corporations Act for the declaration and payment of dividends.

Dividend Reinvestment Plan

In 2011, the Corporation established a Premium Dividend™ and Dividend Reinvestment Plan (the "**Plan**"). Shareholders who wish to participate in the Plan have access to the following options:

- The Premium Dividend™ – Paid in cash, this provides eligible Shareholders with a 2% cash premium on top of their regular cash dividend; or

- Dividend Reinvestment – Shareholders receive a 5% discount on Common Shares purchased through the Plan.

Shareholders interested in participating in either of these options can find out more at Parkland's website: www.parkland.ca. A copy of the enrolment form is available from Computershare Trust Company of Canada ("**Computershare**") through their website at www.computershare.com or by calling 1-800-564-6253, or from Parkland through its website at www.parkland.ca or by calling 403-357-6400.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The authorized capital of the Corporation consists of an unlimited number of Common Shares and preferred shares issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of the Corporation which comprise the share capital of the Corporation.

Common Shares

As at March 20, 2015, there were 82,910,687 Common Shares issued and outstanding.

Each Common Share entitles the holder to receive notice of and to attend all meetings of the Shareholders and to one vote at such meetings. The holders of Common Shares will be, at the discretion of the Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors on the Common Shares. The holders of Common Shares will be entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution, bankruptcy or winding-up of the Corporation or other distribution of its assets among its shareholders for the purpose of winding-up its affairs.

Shareholder Rights Plan

At the annual general meeting held in 2014, Shareholders approved an ordinary resolution confirming the adoption of a shareholder rights plan (the "**Rights Plan**") dated as of March 18, 2014 between Parkland and Computershare, as rights agent. The objectives of the Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any take-over bid or similar proposal to acquire Common Shares. The Rights Plan provides the Board of Directors and the Shareholders with more time to fully consider any unsolicited take-over bid for Parkland without undue pressure, to allow the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge.

The Rights Plan is not intended to prevent a take-over of Parkland, to secure continuance of current management or the directors in office, or to deter fair offers for the Common Shares. The Rights Plan may, however, increase the price paid by a potential offeror to obtain control of Parkland and may discourage certain transactions.

The Rights Plan does not affect in any way Parkland's financial condition. The initial issuance of the rights will not dilute the Common Shares and will not affect reported earnings or cash flow per share until the rights separate from the underlying Common Shares and become exercisable. The Rights Plan will not lessen or affect the duty of the Board of Directors to give due and proper consideration to any offer that is made and to act honestly, in good faith, and in the best interests of Parkland and its Shareholders. The Rights Plan is designed to provide the directors with the means to negotiate with an offeror and with sufficient time to seek out and identify alternative transactions on behalf of the Shareholders.

A copy of the agreement between the Corporation and Computershare, as rights agent, establishing the Shareholder Rights Plan is available on SEDAR at www.sedar.com.

Preferred Shares

As at March 20, 2015, there were no preferred shares of the Corporation issued and outstanding.

The preferred shares of the Corporation are issuable in one or more series. The Board of Directors is empowered to fix the number of preferred shares and the rights, privileges, restrictions and conditions to be attached to the preferred shares of each series. In connection with the Arrangement, as a result of Parkland's discussions with certain proxy advisory firms, Parkland agreed to limit the number of preferred shares that may be authorized for issuance at any given time to a maximum of 5,000,000.

Indebtedness

Series 1 Debentures

The Series 1 Debentures were originally issued on December 1, 2009 with an aggregate principal amount of $97.8 million. During the year ended December 31, 2014, $85.0 million aggregate principal amount of Series 1 Debentures were tendered by the holders thereof for conversion, at the option of the holder thereof, into Common Shares at a price of $14.60 per Common Share or cash in accordance with their terms. During 2014, Parkland issued 5.8 million Common Shares and paid $0.6 million in cash pursuant to such conversions. On November 30, 2014, the Series 1 Debentures matured in accordance with their terms and, in aggregate, Parkland issued 6,655,594 Common Shares as a result of conversions of the Series 1 Debentures; fractional shares were paid out in cash equivalents.

Series 2 Debentures

General

The Series 2 Debentures were originally issued in the aggregate principal amount of $45,000,000 and bear interest at 5.75% per annum, which is payable, subject to any applicable withholding tax, semi-annually in arrears on November 30 and May 31 in each year. The maturity date is December 31, 2015.

Conversion Privilege

The Series 2 Debentures are convertible at the holder's option into fully paid, non-assessable and freely tradable Common Shares at any time prior to the close of business on the earlier of December 31, 2015 and the business day immediately preceding the date specified by the Corporation for redemption of the Series 2 Debentures, at the conversion price of $18.00 per Common Share, being a conversion rate of approximately 54.7945 Common Shares for each $1,000 principal amount of Series 2 Debentures.

During 2014, $872,000 in Series 2 Debentures were converted and fractional Common Shares were paid in cash. In aggregate, 50,266 Common Shares have been issued as a result of the conversion of Series 2 Debentures. As at December 31, 2014, $44.1 million principal amount of Series 2 Debentures remains outstanding.

Redemption and Purchase

The Series 2 Debentures were not redeemable before December 31, 2013, except in certain limited circumstances as set forth in the Indenture. The Series 2 Debentures were redeemable on or after December 31, 2013 and prior to December 31, 2014, but only if the current market price of the Common Shares on the date on which the notice of redemption was given is not less than 125% of the conversion price, and may be redeemed on or after December 31, 2014, and before maturity, in each case at a redemption price of $1,000 per Series 2 Debenture plus accrued and unpaid interest thereon, if any, in whole or in part from time to time at the option of the Corporation on not more than 60 days and not less than 30 days prior notice.

Payment upon Redemption or Maturity

On redemption or at maturity, the Corporation will repay the indebtedness represented by the Series 2 Debentures by paying to the Trustee an amount equal to the aggregate redemption price of the outstanding Series 2 Debentures which are to be redeemed or the principal amount of the outstanding Series 2 Debentures which have matured, as the case may be, together with accrued and unpaid interest thereon. The Corporation may, at its option, provided certain conditions are satisfied, elect to satisfy its obligation to pay the redemption price of the Series 2 Debentures which are to be redeemed or the principal amount of the Series 2 Debentures which have matured, as the case may be, by issuing freely tradable Common Shares to the holders of Series 2 Debentures. Any accrued and unpaid interest thereon will be paid in cash.

Subordination

The payment of the principal of, premium (if any) and interest on, the Series 2 Debentures will be subordinated and postponed in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation including indebtedness to trade and other creditors of the Corporation. The Series 2 Debentures will also be effectively subordinate to claims of creditors of the Corporation's subsidiaries except to the extent the Corporation is a creditor of such subsidiaries ranking at least pari passu with such other creditors. In particular, the Series 2 Debentures will be subordinate in right of payment to the prior payment of the Corporation's indebtedness pursuant to its Credit Facility.

Interest Payment Option

Provided that there is no event of default, the Corporation may elect, subject to regulatory approval, from time to time to satisfy its obligation to pay all or any part of the interest on the Series 2 Debentures by delivering sufficient Common Shares to the Trustee to satisfy all or any part, as the case may be, of such interest accordance with the Indenture. If such an election is made, the sole right of a holder of Series 2 Debentures in respect of interest will be to receive cash from the Computershare, in its capacity as trustee, out of the proceeds of the sale of Common Shares (plus any amount received by the Trustee from the Corporation attributable to any fractional Common Shares) in full satisfaction of the interest, and the holder of Series 2 Debentures will have no further recourse to the Corporation in respect of the interest.

Events of Default

The Indenture provides that an event of default in respect of the Series 2 Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Series 2 Debentures: (a) failure for 10 days to pay interest on such Series 2 Debentures when due; (b) failure to pay principal of such Series 2 Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (c) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given specifying such default and requiring the Corporation to rectify the same; or (d) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy and insolvency laws. If an event of default has occurred and is continuing, the Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of the Series 2 Debentures then outstanding, declare the principal of and interest on all outstanding Series 2 Debentures to be immediately due and payable. In certain cases, the holder of more than 50% of the principal amount of such Series Debentures then outstanding may, on behalf of the holders of all such Series 2 Debentures, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

5.50% Senior Notes

General

On May 29, 2014, the Corporation issued $200,000,000 aggregate principal amount of 5.50% senior notes (the "**5.50% Senior Notes**") with a final maturity date of May 28, 2021. The 5.50% Senior Notes are direct senior unsecured obligations of the Corporation and rank pari passu in right of payment with all other existing and future senior indebtedness of the Corporation. The 5.50% Senior Notes bear interest at the rate of 5.50% per annum, payable semi-annually in arrears on May 28 and November 28 of each year.

Redemption

At any time prior to May 28, 2017, the Corporation may on any one or more occasions redeem up to an aggregate of 35% of the aggregate principal amount of 5.50% Senior Notes, upon not less than 30 days' nor more than 60 days' notice, at a redemption price of 105.50% of the aggregate principal amount of 5.50% Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more equity offerings; provided that: (i) at least 65% of the aggregate principal amount of 5.50% Senior Notes remains outstanding immediately after the occurrence of such redemption; and (ii) each such redemption occurs within 90 days of the date of the closing of the related equity offering.

At any time prior to May 28, 2017, the Corporation may on any one or more occasions redeem all or a part of the 5.50% Senior Notes, upon not less than 30 days' nor more than 60 days' notice, at the make-whole price which is equal to the greater of (a) the Canada yield price (as defined in the indenture governing the 5.50% Senior Notes) and (b) 101% of the aggregate principal amount of the 5.50% Senior Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Except pursuant to the preceding paragraphs, the 5.50% Senior Notes are not redeemable at the Corporation's option prior to May 28, 2017.

On or after May 28, 2017, the Corporation may, on any one or more occasions, redeem all or a part of the 5.50% Senior Notes upon not less than 30 days' nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 5.50% Senior Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 28, of the years indicated below:

Redemption Year	**Redemption Price**
2017	104.125%
2018	102.750%
2019	101.375%
2020 and thereafter	100.000%

Change of Control

Upon the occurrence of a change of control (as defined in the indenture governing the 5.50% Senior Notes), the holders may require the Corporation to repurchase such holder's notes, in whole or in part, at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

6.00% Senior Notes

General

On November 21, 2014, the Corporation issued $200,000,000 aggregate principal amount of 6.00% senior notes (the "**6.00% Senior Notes**") with a final maturity date of November 21, 2022. The 6.00% Senior Notes are direct senior unsecured obligations of the Corporation and rank pari passu in right of payment with all other existing and future senior indebtedness of the Corporation. The 6.00% Senior Notes bear interest at the rate of 6.00% per annum, payable semi-annually in arrears on May 21 and November 21 of each year.

Redemption

At any time prior to November 21, 2017, the Corporation may on any one or more occasions redeem up to an aggregate of 35% of the aggregate principal amount of 6.00% Senior Notes, upon not less than 30 days' nor more than 60 days' notice, at a redemption price of 106.00% of the aggregate principal amount of 6.00% Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more equity offerings; provided that: (i) at least 65% of the aggregate principal amount of 6.00% Senior Notes remains outstanding immediately after the occurrence of such redemption; and (ii) each such redemption occurs within 90 days of the date of the closing of the related equity offering.

At any time prior to November 21, 2017, the Corporation may on any one or more occasions redeem all or a part of the 6.00% Senior Notes, upon not less than 30 days' nor more than 60 days' notice, at the make-whole price which is equal to the greater of (a) the Canada yield price (as defined in the indenture governing the 6.00% Senior Notes) and (b) 101% of the aggregate principal amount of the 6.00% Senior Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption.

Except pursuant to the preceding paragraphs, the 6.00% Senior Notes are not redeemable at the Corporation's option prior to November 21, 2017.

On or after November 21, 2017, the Corporation may, on any one or more occasions, redeem all or a part of the 6.00% Senior Notes upon not less than 30 days' nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, on the 6.00% Senior Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on November 21, of the years indicated below:

Redemption Year	**Redemption Price**
2017	104.500%
2018	103.000%
2019	101.500%
2020 and thereafter	100.000%

Change of Control

Upon the occurrence of a change of control (as defined in the indenture governing the 6.00% Senior Notes), the holders may require the Corporation to repurchase such holder's notes, in whole or in part, at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

Credit Agreement

The following is a summary of the material terms of the credit facilities available pursuant to the Credit Agreement:

Amount and Term

The credit facilities are made up of a maximum amount of C$320,000,000 credit facility with a provision for an increase in the facility of up to C$200,000,000 and a maximum amount of USD$30,000,000 credit facility. The maturity date of the credit facilities is June 30, 2018, with an option on the part of Parkland Industries Ltd. ("**Parkland Industries**") to request that the lenders extend, at their discretion, the facilities to a new maturity date not to exceed four years from the date of the extension request.

Letters of Credit

Letters of credit are available in Canadian or U.S. dollars under the credit facilities in an aggregate amount not to exceed C$100,000,000 and USD$10,000,000.

Interest Rates and Fees

The interest rate on loans that are denominated in U.S. dollars will, at Parkland Industries', Elbow River's or Parkland (U.S.) Financing Corp.'s option, be either a margin over a U.S. base rate or a margin over LIBOR. The interest rate on loans denominated in Canadian dollars will, at Parkland Industries', Elbow River's or Parkland (U.S.) Financing Corp.'s option, be either a margin over the Canadian prime rate or a margin over the bankers' acceptance rate; such margins will be based on the then applicable ratio of total funded debt to EBITDA (the "**Margin Ratio**").

The credit facilities also provide for (a) a standby fee for each lender calculated on the unused amount of its commitment at a percentage based on the applicable Margin Ratio; (b) an issuance fee on the outstanding amount of the letters of credit equal to the margin applicable to LIBOR loans (subject to reduction in fees for non-financial letters of credit); and (c) an acceptance fee to be paid upon the acceptance of a lender of a bankers' acceptance at a percentage based on the applicable Margin Ratio.

Repayment

The credit facilities contain a requirement that they be repaid in full on June 30, 2018, subject to the optional extension referenced above.

Guarantees and Security

Parkland Industries, Elbow River, Parkland (U.S.) Financing Corp., the Corporation and the material subsidiaries of the Corporation have each pledged substantially all of their respective assets, secured by a perfected first priority lien, subject to certain encumbrances, as security for their obligations to the agent and the lenders under the Credit Facility. In addition, the Corporation and its material subsidiaries have each guaranteed the obligations of Parkland Industries, Elbow River and Parkland (U.S.) Financing Corp. to the agent and lenders under the Credit Facility.

Certain Covenants and Events of Default

Subject to certain exceptions, the Credit Agreement contains a number of covenants that, among other things, restrict Parkland Industries', Elbow River's and Parkland (U.S.) Financing Corp.'s (and, in certain cases, the Corporation's, Parkland Industries', Elbow River's and Parkland (U.S.) Financing Corp.'s subsidiaries' and the Corporation's material subsidiaries') ability to: change the nature of their business or operations in any material respect; create liens on their assets; liquidate, dissolve or wind up; transfer or sell assets, including shares of subsidiaries; incur debt other than in limited circumstances; make certain investments over a certain limit; grant certain guarantees or other forms of financial assistance; pay dividends on shares, repurchase shares, repay debt or make other restricted payments; enter into hedges other than in limited circumstances; enter into transactions with affiliates; consolidate, merge or transfer all or substantially all of their assets; make certain acquisitions over a certain limit; change their fiscal year; amend the Series 2 Debentures or the Senior Notes; and use drawdowns to repay principal under the Series 2 Debentures or the Senior Notes.

The Credit Agreement contains customary affirmative covenants and events of default.

The Credit Agreement also requires Parkland Industries, Elbow River and Parkland (U.S.) Financing Corp. to maintain specified financial ratios and satisfy specified financial tests.

Credit Ratings

The Senior Notes are rated BB- from Standard & Poor's Rating Services, a division of McGraw-Hill Companies ("**S&P**") and BB from DBRS Limited ("**DBRS**").

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BB- is the fifth highest of ten major categories. According to the S&P rating system, an obligor with debt securities rated BB- is less vulnerable to nonpayment than other speculative issues, however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

DBRS rates long-term debt instruments by rating categories ranging from "AAA" to "D", which represents the range from highest to lowest quality of such securities rated. All rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. A rating of BB is characterized by DBRS to be speculative and non-investment grade credit quality, where the capacity for the payment of financial obligations is uncertain and vulnerable to future events. The BB category is the fifth highest of ten available rating categories.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issuer of securities. The credit ratings accorded to the notes are not recommendations to purchase, hold or sell such securities inasmuch as such ratings are not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. A revision or withdrawal of a credit rating could have a material adverse effect on the pricing or liquidity of the notes in the secondary markets, should such markets develop. Parkland undertakes no obligation to maintain the ratings or to advise holders of the Senior Notes of any change in ratings. Each agency's rating should be evaluated independently of any other agency's rating. See "Risk Factors".

MARKET FOR SECURITIES

Trading Price and Volume of Common Shares

The Common Shares are listed for trading on the TSX and trade under the symbol "**PKI**". The following table sets forth the price range and trading volumes for the Common Shares that traded on the TSX, as reported by TSX Historical Data Access, on a monthly basis for each month of the most recently completed financial year:

Month	High	Low	Volume Traded
January	$18.60	$17.40	4,504,693
February	$19.66	$17.67	3,823,314
March	$21.99	$19.44	7,538,173
April	$21.79	$20.05	4,694,936
May	$21.61	$19.92	5,976,352
June	$21.81	$20.44	3,297,645
July	$21.04	$20.12	3,219,224
August	$20.71	$18.31	3,912,416
September	$23.46	$19.91	6,032,082
October	$22.05	$19.29	5,319,262
November	$22.65	$20.55	4,471,964
December	$22.20	$19.51	6,274,199

Prior to their maturity on November 30, 2014, the Series 1 Debentures were listed on the TSX and traded under the symbol "**PKI.DB**". Please note that the debentures were denominated in $1,000 while the prices and volumes below reflect par values (per $100). The following table sets forth the price range and trading volumes for the Series 1 Debentures that traded on the TSX, as reported by TSX Historical Data Access, on a monthly basis for each month of the most recently completed financial year:

Date	High	Low	Volume Traded
January	$124.75	$120.00	94,000
February	$135.00	$124.50	427,000
March	$150.00	$135.00	1,216,000
April	$148.00	$137.99	3,618,000
May	$147.70	$136.02	613,000
June	$148.58	$146.00	158,000
July	$143.00	$139.50	1,356,000
August	$142.00	$135.00	316,000
September	$160.15	$137.74	531,000
October	$151.50	$138.70	985,000
November	$154.29	$140.00	3,834,000

The Series 2 Debentures are listed on the TSX and trade under the symbol "**PKI.DB.A**". Please note that the Series 2 Debentures are denominated in $1,000 while the prices and volumes below reflect par values (per $100). The following table sets forth the price range and trading volume for the Series 2 Debentures that traded on the TSX, as reported by TSX Historical Data Access, on a monthly basis for each month of the most recently completed financial year:

Date	High	Low	Volume Traded
January	$109.02	$106.50	304,000
February	$113.00	$107.00	505,000
March	$123.00	$112.90	2,066,000
April	$122.00	$114.50	1,029,000
May	$120.12	$113.50	468,000
June	$121.00	$117.00	467,000
July	$117.50	$115.00	264,000
August	$116.00	$113.00	272,000
September	$130.20	$112.03	1,331,000
October	$119.75	$112.00	985,000
November	$124.00	$115.39	427,000
December	$123.92	$116.99	498,000

PRIOR SALES

On May 29, 2014, the Corporation issued $200,000,000 aggregate principal amount of 5.50% Senior Notes. On November 21, 2014, the Corporation issued $200,000,000 aggregate principal amount of 6.00% Senior Notes. See "Description of Capital Structure – Indebtedness – 5.50% Senior Notes" and "Description of Capital Structure – Indebtedness – 6.00% Senior Notes".

DIRECTORS AND OFFICERS

Directors

The following table sets forth the name, jurisdiction of residence, committee memberships, principal occupations or employment for the preceding five years and the date of first being appointed as a director of Parkland for each of the directors of the Corporation as at January 5, 2015. The term of each director will expire at the end of the next annual meeting of Shareholders or when their successors are duly elected or appointed.

Name and Jurisdiction of Residence	Principal Occupation During the Five Preceding Years	Director of Parkland Since
John F. Bechtold(1)(2) Montreal, Québec, Canada	Retired. Vice President of Western Canada Oil and Gas for Petro-Canada prior to retirement in 2000.	August 10, 2006
Lisa Colnett(1) Toronto, Ontario, Canada	Retired. Interim Human Resources Executive of Silver Standard Resources Inc. from April, 2014 – August, 2014. Senior Vice President, Human Resources and Corporate Services of Kinross Gold from November, 2008 to October 2013.	May 8, 2014
Robert B. Espey (5)(6) Calgary, Alberta, Canada	President and Chief Executive Officer of Parkland since May 1, 2011. President and Chief Operating Officer of Parkland from March 15, 2011 to April 30, 2011. Chief Operating Officer of Parkland from January, 2010 to March, 2011. Vice President of Retail Markets of Parkland from November, 2008 to December, 2009. President and Chief Executive Officer of FisherCast Global Corporation from June 2008 to August 2008. Mr. Espey was Executive Vice President of FisherCast Global Corporation prior thereto.	May 12, 2011
Alain Ferland(1)(2)(7) Montreal, Québec, Canada	Retired. President of EFFA Management Inc. and President and Chief Executive Officer of TORR Canada Inc. prior thereto.	June 22, 1999
James Pantelidis(2)(3)(8) Toronto, Ontario, Canada	Retired. President of JP & Associates, and Chief Executive Officer of FisherCast Global Corporation prior thereto.	September 7, 1999
Domenic Pilla(3) Toronto, Ontario, Canada	Retired. President of Shoppers Drug Mart Corporation, a subsidiary of Loblaw Companies Limited from April 1, 2014 to January 9, 2015. Chief Executive Officer of Shoppers Drug Mart Corporation from November 1, 2011 until March 31, 2014.	January 5, 2015
Ron Rogers(3) Calgary, Alberta, Canada	Retired. Senior Vice President and Chief Financial Officer of Shaw Communications prior to retirement in 2004.	September 15, 2006
David A. Spencer(1) (10) Calgary, Alberta,	Partner with Bennett Jones LLP	May 5, 2005

Canada

Notes:

(1) Member of the Compensation and Corporate Governance Committee. Chair of the Compensation and Corporate Governance Committee is Mr. Ferland.

(2) Member of the Supply and Business Development Advisory Committee. Chair of the Supply and Business Development Advisory Committee is Mr. Pantelidis.

(3) Member of the Audit Committee. Chair of the Audit Committee is Mr. Rogers. Parkland is required under applicable securities regulations to have an Audit Committee. Domenic Pilla was added to the Audit Committee after his appointment to Parkland's board on January 5th, 2015.

(4) The members of the Audit Committee have been determined to be financially literate. The education and experience of each Audit Committee member is detailed at page 23 herein under the heading Audit Committee Information.

(5) Mr. Espey is President and Chief Executive Officer of each Parkland entity.

(6) Mr. Espey, prior to November 10, 2008 was President and CEO of FisherCast Global Corporation. Mr. Espey was an officer of FisherCast when it filed for protection on June 4, 2008 under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") and became President and Chief Executive Officer during the period of protection. Pursuant to a CCAA order issued on August 20, 2008, the assets of FisherCast were sold and the proceeds of such sale were distributed. Mr. Espey resigned as President and Chief Executive Officer of FisherCast on August 27, 2008. FisherCast Global Corporation became bankrupt on August 28, 2010.

(7) Mr. Ferland has resigned from the Board of Directors effective March 19, 2015.

(8) Mr. Pantelidis is Chairman of the Board of Directors.

(9) Mr. Spencer is a partner with Bennett Jones LLP, Parkland's legal counsel.

Officers and Senior Management

Name and Jurisdiction of Residence	Principal Occupation During the Five Preceding Years
Robert B. Espey (1) Calgary, Alberta, Canada	President and Chief Executive Officer since May 2011. President and Chief Operating Officer of Parkland from March 15, 2011 to April 30, 2011. Chief Operating Officer of Parkland from January 2010 to March 2011. Vice President of Retail Markets of Parkland from November 2008 to December 2009. President and Chief Executive Officer of FisherCast Global Corporation from June 2008 to August 20, 2008. Mr. Espey was Executive Vice President of FisherCast Global Corporation prior thereto.
Michael S. H. McMillan Toronto, Ontario, Canada	Chief Financial Officer since February 11, 2015. Vice President and Treasurer of Parkland from December 2011 to February 2015. Director, Business Development of Parkland from June 2011 to December 2011. Controller, Retail Markets, Parkland, December 2009 to June 2011. Vice President, Professional Services, for a private consulting firm prior thereto.
Donna J. Strating Red Deer, Alberta, Canada	Vice President, IT and Chief Information Officer since April 2010. Chief Operating Officer for Acrodex Inc. prior thereto. Chief Information Officer for Alberta Health Services prior thereto.
Andrew Cruickshank Calgary, Alberta, Canada	Vice President, Finance since June 2010. Vice President, Finance for UFA Cooperative Limited prior thereto.
Jane E. Savage Calgary, Alberta, Canada	Vice President, Wholesale, Supply and Distribution since April 4, 2011. President of Savage Consulting and President and CEO of the Canadian Independent Petroleum Marketers Association prior thereto.
Kendall W. Waiting Cochrane, Alberta, Canada	General Counsel and Corporate Secretary since February 11, 2015. Director, Legal and Corporate Services from July 2011 to February 2015. General Counsel and Corporate Secretary of Value Creation Inc. prior thereto.
C. Peter Kilty Sylvan Lake, Alberta, Canada	Vice President, Retail of Parkland since April 2012. Senior Vice President, Dealer Relations, Canadian Tire Corporation from July 2006 to April 2012. President, Canadian Tire Petroleum from November 2000 to June 2006.
Irfhan A. Rawji Calgary, Alberta, Canada	Vice President, Strategy and Corporate Development since March 2013. Director, Onex Corporation from May 2011 to March 2013. Principal, Birch Hill Equity Partners Management Inc. from July 2009 to March 2011. Vice President, Birch Hill Equity Partners Management Inc. from July 2006 to July 2009.

Paul Lapensée Mount Royal, Québec, Canada	Vice President, Commercial Fuels and Health, Safety and Environment since March 2014. Director, Effenco Inc. since September 2013. Director, GCS Médical since July 2012. President, Alta Vista Consultants Inc. from October 2007 to March 2014. Lecturer, HEC Montreal from March 2011 to March 2014. Director, Avjet Holding Inc. from December 2010 to April 2013. Director, Bluewave Energy Limited Partnership from December 2007 to January 2010.

The following table sets forth the name, jurisdiction of residence, positions and offices held with Parkland and principal occupations or employment for the preceding five years of each of the officers and senior management of Parkland.

Note:

(1) Robert B. Espey, prior to November 10, 2008 was President and CEO of FisherCast Global Corporation. Mr. Espey was an officer of FisherCast when it filed for protection on June 4, 2008 under the CCAA and became President and Chief Executive Officer during the period of protection. Pursuant to a CCAA order issued on August 20, 2008, the assets of FisherCast were sold and the proceeds of such sale were distributed. Mr. Espey resigned as President and Chief Executive Officer of FisherCast on August 27, 2008. FisherCast Global Corporation became bankrupt on August 28, 2010.

As of March 20, 2015, the directors and senior management of Parkland, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 570,000 Common Shares, representing approximately 0.69% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation, is as at the date hereof or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation (an "**order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Corporate Bankruptcies

To the knowledge of the Corporation, other than as set forth in the notes to the tables under the heading "*Directors and Officers*", no director, executive officer or controlling securityholder of the Corporation is, as of the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

To the knowledge of the Corporation, no director, executive officer or controlling securityholder of the Corporation has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Corporation, no director, executive officer or controlling securityholder of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Certain of the directors and officers of the Corporation are engaged in, and may continue to be engaged in, other activities in the industries in which the Corporation operates from time to time. As a result of these and other activities, certain directors and officers of the Corporation may become subject to conflicts of interest from time to time. The Business Corporations Act provides that in the event that an officer or director is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such officer or director shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the Business Corporations Act. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the Business Corporations Act.

As of the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation.

MATERIAL CONTRACTS

The only material contract entered into by the Corporation during the most recently completed financial year, or before the most recently completed financial year that is still in effect, other than in the ordinary course of business, is the Credit Agreement. See "Description of Capital Structure – Indebtedness – Credit Agreement".

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar for the Common Shares and the Debentures is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

INTERESTS OF EXPERTS

Our independent auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have issued an independent auditor's report in respect of our consolidated financial statements. PricewaterhouseCoopers LLP has advised that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Alberta.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not aware of any material legal proceedings or regulatory actions to which the Corporation is or was a party or in respect of which any of the Corporation's property is or was the subject of, nor are any such proceedings known by the Corporation to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any of the directors and executive officers of Parkland, or any known associate or affiliate of any such person, or, to the best knowledge of the directors and executive officers of the Corporation, of any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares or any known associate or affiliate of any such person, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

ADDITIONAL INFORMATION

Additional information concerning the Corporation is available through the Internet on SEDAR which may be accessed at www.sedar.com. Copies of such information may also be obtained without charge, on the Corporation's website at www.parkland.ca or by request to the Corporate Secretary, at the Calgary office of the Corporation at Suite 5101, 333-96th Avenue NE, Alberta, Canada T3K 0S3 by telephone at (403) 567-2500; and by facsimile at (403) 567-2599.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in the information circular for Parkland's most recent annual meeting of security holders that involved the election of directors. Additional financial information is provided in Parkland's annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2014. Copies of such documents are filed and available on SEDAR at www.sedar.com and may be obtained in the manner set forth above.

APPENDIX 1

MANDATE OF THE AUDIT COMMITTEE

1. Overall Purpose / Objective

The Audit Committee is appointed by the Board of Directors of Parkland (the "**Corporation**") to assist the Board in discharging its oversight responsibilities. The Audit Committee will oversee the financial reporting process with a goal of ensuring the balance, transparency and integrity of published financial information of Parkland. The Audit Committee will also review: the effectiveness of Parkland's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process including recommending the appointment and assessing the performance of the external auditor of Parkland; the Corporation's process for monitoring compliance with laws and regulations affecting financial reporting.

Parkland will comply with the policies and procedures overseen or reviewed by the Audit Committee and use their best efforts to ensure that these policies and procedures are implemented.

In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, management and the external auditors. To perform his or her role effectively, each Audit Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Audit Committee's responsibilities and of the Corporation's business operations and risks.

The members of the Audit Committee will be financially literate and independent as defined by National Instrument 52-110.

Although the Audit Committee has the powers and responsibilities set forth in this Mandate, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity nor are they experts in performing other tasks they are called on to perform by this Mandate. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles ("**GAAP**") and applicable rules and regulations. These are the responsibilities of management and the external auditor.

2. Authority

The Board authorizes the Audit Committee, within the scope of its responsibilities, to:

(a) Perform activities within the scope of this Mandate;

(b) Engage and compensate independent counsel and other advisers as it deems necessary to carry out its duties;

(c) Ensure the attendance of Corporate Officers at meetings as appropriate;

(d) Request and gain access to members of management, employees and relevant information to perform this Mandate;

(e) Establish procedures for dealing with the confidential, anonymous submissions by employees of the Corporation regarding accounting, internal control or auditing matters;

(f) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters;

(g) Approve the appointment, compensation, retention and annual scope of work of the external auditor;

(h) Approve all engagement fees and terms as well as reviewing policies for the provision of audit and non-audit services by the external auditors and the pre-approval of such non-audit work as required by National Instrument 52-110; and

(i) Communicate directly with the internal and external auditors.

3. Organization

Membership

(a) The Board of Directors will appoint the Audit Committee members and the Chair of the Audit Committee.

(b) The Audit Committee will comprise at least three members and all members will be independent within the meaning set forth in National Instrument 52-110 Audit Committees as amended from time to time, non-executive Directors of the Corporation.

(c) A quorum for any meeting of the Audit Committee will be two members.

(d) Each member should have skills and experience appropriate to the Corporation's business.

(e) Members will be appointed for a one year term of office.

(f) Each member of the Audit Committee shall be financially literate within the meaning set forth under National Instrument 52-110.

(g) A member of the Audit Committee shall *ipso facto* cease to be a member of the Audit Committee upon ceasing to be a director of the Corporation.

Meetings

(a) Only Audit Committee members are entitled to attend meetings. The Audit Committee may invite such other persons to its meetings as it deems necessary.

(b) The external auditors will be invited to make presentations to the Audit Committee as appropriate.

(c) Meetings will be held not less than four times a year and should correspond with the Corporation's financial reporting cycle.

(d) Other meetings may be convened as required by the Audit Committee or the external auditors.

(e) The secretary of the Audit Committee will circulate the agenda and supporting documentation to the Audit Committee members at a reasonable period in advance of each meeting.

(f) The secretary of the Audit Committee will circulate the minutes of meetings to members of the Board, members of the Audit Committee, and where appropriate to the external auditors.

(g) At least one member of the Audit Committee will attend the Board meeting at which the financial statements are approved.

(h) Members of the Audit Committee should make every attempt to be available for every meeting of the Audit Committee in person or by conference call.

(i) The Audit Committee may call a meeting with outside legal counsel if it is deemed necessary.

(j) The Audit Committee will meet with the external auditor without management present at each meeting of the Audit Committee that the external auditor attends. Even if this meeting is only to determine that there are no issues that need to be discussed without management.

(k) The Audit Committee shall meet with the external auditors at least quarterly and otherwise as it deems appropriate to consider any matter that the Audit Committee or the external auditors determine should be brought to the attention of the Board or shareholders.

4. Roles and Responsibilities

The Audit Committee will:

Internal control

(a) Have oversight responsibility for management reporting on internal controls;

(b) Review with the external auditors of the Corporation the adequacy of internal control procedures and management information systems and make inquiries to management of the Corporation and the external auditors of the Corporation about significant risks and exposures to the Corporation that may have a material adverse impact on the Corporation's financial statements and about the efforts of the management of the Corporation to mitigate such risks and exposures;

(c) Review recommendations made by the external auditors; and

(d) Monitor policies and procedures relating to directors' and officers' expenses and the reimbursement thereof and relating to any perquisites paid to directors and officers.

Financial Reporting

(a) Gain an understanding of the current areas of greatest financial and internal control risk and of how these are being managed;

(b) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports;

(c) Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements MD&A, and relevant news releases or announcements and any other financial information related to the Corporation to be provided to shareholders prior to their release;

(d) Recommend for approval to the Board the Corporation's audited annual and interim financial statements, related management's discussion and analysis and earnings news releases;

(e) Meet with management and the external auditors to review the financial statements and the key accounting policies and judgments;

(f) Review with the external auditors of the Corporation and/or management of the Corporation the results of the annual audit, and make appropriate recommendations to the Board having regard to, among other things:

    (i) the financial statements;

    (ii) management's discussion and analysis and related financial disclosure contained in continuous disclosure documents;

    (iii) significant changes, if any, to the initial audit plan;

    (iv) accounting and reporting decisions relating to significant current year events and transactions;

    (v) the management letter, if any, outlining the external auditors' findings and recommendations, together with management's response, with respect to internal controls and accounting procedures; and

    (vi) any other matters relating to the conduct of the audit, including such other matters which should be communicated to the Committee under generally accepted auditing standards.

(g) Review significant adjustments, material unadjusted differences, significant disagreements with management and critical accounting policies and practices and the Corporation's responses to these queries; and

(h) Ensure its compliance with all of the applicable requirements of National Instrument 52-110 and for reporting any non-compliance with such requirements to the Board, including the reasons for such non-compliance.

Annual Operating and Capital Budgets

(a) Review the annual operating and capital budgets and recommend approval to the Board.

Compliance with Laws and Regulations

(a) Review the effectiveness of the system for monitoring compliance with laws and regulations;

(b) Obtain regular updates from management regarding compliance matters that may have a material impact on the Corporation's financial statements or compliance policies;

(c) Review the reports of management on regulatory compliance matters related to the business of the Corporation in the preparation of the financial statements; and

(d) Review the findings of material reports by regulatory agencies.

Working with Auditors

(a) Advise the external auditors of their accountability to the Audit Committee and the Board as representatives of the shareholders of the Corporation to whom the external auditors are ultimately accountable. The external auditors of the Corporation shall report directly to the Audit Committee;

(b) Review the professional qualification of the auditors, including background and experience of partner and auditing personnel;

(c) Ensure compliance by the Corporation's external auditors with the requirements set forth in National Instrument 52-108 Auditor Oversight;

(d) Ensure that the Corporation's external auditors are participants in good standing with the Canadian Public Accountability Board ("**CPAB**") and participate in the oversight programs established by the CPAB from time to time and that the external auditors have complied with any restrictions or sanctions imposed by the CPAB as of the date of the applicable auditor's report relating to the Corporation's annual audited financial statements;

(e) Obtain from the external auditors of the Corporation a formal written statement describing in detail all of the relationships between the external auditors and the Corporation, determine whether the non-audit services performed by the external auditors during the year have impacted their independence, ensure that no relationship between the external auditors and the Corporation exists which may affect the independence of the external auditors and take appropriate action to ensure the independence of the external auditors;

(f) Review on an annual basis the performance of the external auditors and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditors;

(g) Review all correspondence and memoranda relating to all audit and non-audit engagements provided by external auditors in relation to the Corporation's present circumstances and changes in regulatory and other requirements;

(h) Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information;

(i) Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and appropriately acted on;

(j) Discuss with the external auditor the appropriateness of the accounting policies applied in the Corporation's financial reports and/or any significant changes to the Corporation's accounting policies, principles or practices;

(k) Meet separately with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed privately. Ensure the auditors have access to the Chair of the Audit Committee when required;

(l) Review policies for the provision of non-audit services by the external auditors and, if required, the pre-approval of such non-audit work;

(m) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;

(n) Review management's proposed internal control plan for the coming year and ensure that there is appropriate co-ordination with the external auditor; and

(o) Perform all other functions required of Audit Committees by applicable regulatory authorities in connection with the termination or resignation of an auditor;

Reporting Responsibilities

(a) Regularly update the Board about Audit Committee activities and make appropriate recommendations;

(b) Ensure the Board is aware of matters brought to the attention of the Audit Committee that may significantly impact on the financial condition or affairs of the Corporation;

(c) Prepare any reports required by regulations on the Audit Committee's Mandate and activities to be included in the section on Corporate Governance in the Annual Report; and

(d) Review the disclosure contained in the Corporation's annual information form as required by Form 52-110F1 Audit Committee Information Required in an AIF attached to National Instrument 52-110. If management of the Corporation solicits proxies from shareholders of the Corporation for the purpose of recommending persons to be elected as directors of the Corporation, the Audit Committee shall be responsible for ensuring that the Corporation's information circular includes a cross-reference to the sections in the Corporation's annual information form that contain the information required by Form 52-110F1 Audit Committee Information Required in an AIF.

(e) Ensure the preparation and filing of each annual certificate in Form 52-109F1 and each interim certificate in Form 52-109F2 to be signed by each of the Chief Executive Officer and Chief Financial Officer of the Corporation in accordance with the requirements set forth under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings as amended from time to time;

(f) Ensure that management of the Corporation establishes and maintains disclosure controls and procedures for the Corporation that are designed to provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to management of the Corporation by others within those entities, particularly during the period in which the annual filings or interim filings are being prepared and that management of the Corporation establishes and maintains internal control over financial reporting for the Corporation that has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's generally accepted accounting principles. In respect of annual filings only, the Audit Committee is also responsible for ensuring that management of the Corporation evaluates the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by the annual filings and has caused the Corporation to disclose in the annual management's discussion and analysis its conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation. The terms "annual filings," "interim filings," "disclosure controls and procedures" and "internal control over financial reporting" shall have the meanings set forth under National Instrument 52-109; and

(g) Monitor any changes in the Corporation's internal control over financial reporting and for ensuring that any change that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting is disclosed in the Corporation's annual management's discussion and analysis.

Evaluating Performance

(a) Evaluate the Audit Committee's own performance, both of individual members and collectively, on an annual basis; and

(b) Assess the achievements of the duties of the Audit Committee specified in the Mandate and report the findings to the Board.

5. Review of the Audit Committee Mandate

The Compensation and Corporate Governance Committee, with input by all Board members and management, will review these terms of reference at least annually or, where circumstances warrant, at such shorter intervals as is necessary, to determine if further additions, deletions or other amendments are required.