

Gibson Energy Inc.

Condensed Consolidated Financial Statements
September 30, 2015 and 2014
(in thousands of Canadian dollars)

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 36,335	\$ 131,911
Trade and other receivables (note 5)	419,624	641,283
Inventories (note 6)	119,367	154,937
Income taxes receivable	25,442	12,100
Prepaid expenses and other assets	25,648	24,366
Net investment in finance leases	999	908
Total current assets.....	<u>627,415</u>	<u>965,505</u>
Non-current assets		
Property, plant and equipment (note 7).....	1,720,696	1,494,569
Long-term prepaid expenses and other assets (note 8).....	4,146	39,778
Net investment in finance leases	93,667	94,387
Deferred income tax assets.....	3,532	3,532
Intangible assets	182,726	191,537
Goodwill.....	835,743	783,721
Total non-current assets	<u>2,840,510</u>	<u>2,607,524</u>
Total assets	<u>\$ 3,467,925</u>	<u>\$ 3,573,029</u>
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 9).....	\$ 422,419	\$ 581,463
Dividends payable.....	40,361	37,346
Deferred revenue	11,805	19,042
Income taxes payable	4,636	122
Total current liabilities	<u>479,221</u>	<u>637,973</u>
Non-current liabilities		
Long-term debt (note 10)	1,266,145	1,165,368
Provisions (note 11)	148,897	136,347
Other long-term liabilities (note 12).....	13,266	14,810
Deferred income tax liabilities	172,384	191,351
Total non-current liabilities	<u>1,600,692</u>	<u>1,507,876</u>
Total liabilities	<u>2,079,913</u>	<u>2,145,849</u>
Equity		
Share capital (note 13)	1,672,198	1,634,001
Contributed surplus	29,378	23,841
Accumulated other comprehensive income.....	199,184	93,011
Deficit.....	(512,748)	(323,673)
Total equity	<u>1,388,012</u>	<u>1,427,180</u>
Total liabilities and equity	<u>\$ 3,467,925</u>	<u>\$ 3,573,029</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue (note 14)	\$ 1,348,990	\$ 2,360,007	\$ 4,315,759	\$ 6,597,064
Cost of sales (note 16 and 17)	1,310,879	2,294,804	4,197,856	6,392,727
Gross profit	38,111	65,203	117,903	204,337
General and administrative expenses (note 16 and 17)	20,060	13,805	53,338	40,107
Other operating income	(10,743)	(3,078)	(20,837)	(7,919)
Income from operating activities	28,794	54,476	85,402	172,149
Interest expense	19,471	18,774	60,139	47,767
Interest income	(20)	(225)	(523)	(274)
Foreign exchange loss on long-term debt (note 10)	50,600	18,939	88,620	18,959
Income (loss) before income taxes	(41,257)	16,988	(62,834)	105,697
Income tax provision (recovery) (note 15)	(62)	8,446	5,602	27,162
Net income (loss)	\$ (41,195)	\$ 8,542	\$ (68,436)	\$ 78,535
Earnings (loss) per share (note 13)				
Basic	\$ (0.33)	\$ 0.07	\$ (0.54)	\$ 0.64
Diluted	\$ (0.33)	\$ 0.07	\$ (0.54)	\$ 0.63

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (41,195)	\$ 8,542	\$ (68,436)	\$ 78,535
Other comprehensive income				
Items that may be reclassified subsequently to consolidated statement of operations:				
Exchange differences of translating foreign operations	53,240	32,306	106,173	34,629
Other comprehensive income , net of tax	53,240	32,306	106,173	34,629
Comprehensive income	\$ 12,045	\$ 40,848	\$ 37,737	\$ 113,164

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity
Balance – January 1, 2014	\$ 1,585,145	\$ 16,130	\$ 33,879	\$ (266,520)	\$ 1,368,634
Net income	-	-	-	78,535	78,535
Other comprehensive income, net of tax	-	-	34,629	-	34,629
Comprehensive income	-	-	34,629	78,535	113,164
Employee share options:					
Stock based compensation	-	10,150	-	-	10,150
Proceeds from exercise of stock options	5,942	-	-	-	5,942
Reclassification of contributed surplus on exercise of stock option and other stock awards	6,072	(6,072)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	27,497	-	-	-	27,497
Dividends on common shares (\$0.30 per common share)	-	-	-	(111,226)	(111,226)
Balance – September 30, 2014	<u>\$ 1,624,656</u>	<u>\$ 20,208</u>	<u>\$ 68,508</u>	<u>\$ (299,211)</u>	<u>\$ 1,414,161</u>
Balance – January 1, 2015	\$ 1,634,001	\$ 23,841	\$ 93,011	\$ (323,673)	\$ 1,427,180
Net loss	-	-	-	(68,436)	(68,436)
Other comprehensive income, net of tax	-	-	106,173	-	106,173
Comprehensive income	-	-	106,173	(68,436)	37,737
Employee share options:					
Stock based compensation	-	14,717	-	-	14,717
Proceeds from exercise of stock options	61	-	-	-	61
Reclassification of contributed surplus on exercise of stock option and other stock awards	9,180	(9,180)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	28,956	-	-	-	28,956
Dividends on common shares (\$0.32 per common share)	-	-	-	(120,639)	(120,639)
Balance – September 30, 2015	<u>\$ 1,672,198</u>	<u>\$ 29,378</u>	<u>\$ 199,184</u>	<u>\$ (512,748)</u>	<u>\$ 1,388,012</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash provided by (used in)				
Operating activities				
Income from operating activities	\$ 28,794	\$ 54,476	\$ 85,402	\$ 172,149
Items not affecting cash				
Depreciation of property, plant and equipment (note 7)...	45,942	39,261	138,001	110,302
Amortization of intangible assets	15,068	14,249	43,386	41,285
Stock based compensation.....	5,135	3,642	14,717	10,150
Gain on sale of assets	(994)	(373)	(2,165)	(1,905)
Other	2,669	(1,139)	2,872	(4,867)
Net loss (gain) on fair value movement of financial instruments (note 16)	82	1,960	3,217	(885)
Changes in items of working capital				
Trade and other receivables.....	89,050	(100,022)	243,766	(49,714)
Inventories.....	6,359	14,363	39,383	(42,441)
Other current assets	(11,625)	(8,873)	(686)	(1,024)
Trade payables and accrued charges	(122,654)	22,272	(172,131)	19,143
Deferred revenue	2,968	1,877	(7,263)	8,055
Income taxes.....	(8,959)	(12,910)	(42,602)	(61,023)
Cash provided by operating activities	51,835	28,783	345,897	199,225
Investing activities				
Purchase of property, plant and equipment.....	(84,616)	(93,402)	(257,448)	(249,571)
Purchase of intangible assets.....	(5,324)	(6,700)	(15,079)	(14,147)
Acquisitions (note 4)	(32,458)	(99,754)	(43,989)	(131,196)
Proceeds from sale of assets.....	1,954	948	4,805	4,179
Cash used in investing activities	(120,444)	(198,908)	(311,711)	(390,735)
Financing activities				
Payment of shareholder dividends	(40,198)	(37,064)	(117,625)	(107,583)
Proceeds from dividend reinvestment plan and stock dividend programs	10,627	9,100	28,956	27,497
Interest paid.....	(41,360)	(29,468)	(83,790)	(61,129)
Interest received	20	246	513	294
Proceeds from exercise of stock options.....	61	3,137	61	5,942
Proceeds from long-term debt.....	-	-	-	358,595
Payment of debt issue and financing costs.....	-	(1,710)	-	(6,540)
Net proceeds on settlement of financial instruments not affecting operating activities (note 16).....	-	-	36,582	582
Proceeds from credit facilities.....	9,918	-	9,918	463,601
Repayment of credit facilities	(9,918)	-	(9,918)	(463,494)
Repayment of finance lease liabilities.....	(102)	(102)	(411)	(377)
Cash provided by (used in) financing activities	(70,952)	(55,861)	(135,714)	217,388
Effect of exchange rate on cash and cash equivalents.....	4,558	3,208	5,952	2,215
Net increase (decrease) in cash and cash equivalents	(135,003)	(222,778)	(95,576)	28,093
Cash and cash equivalents – beginning of period.....	171,338	348,053	131,911	97,182
Cash and cash equivalents – end of period	\$ 36,335	\$ 125,275	\$ 36,335	\$ 125,275

See accompanying notes

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

1 General Information

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

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

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, as set out in IAS 34, “Interim Financial Reporting”. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on November 3, 2015.

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

3 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the condensed consolidated financial statements.
- IAS 19, Employee benefits (“IAS 19”), has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. This amendment did not have a material impact on the condensed consolidated financial statements.

4 Business Combinations

Littlehawk Enterprises Ltd (“Littlehawk”)

On February 1, 2015, the Company acquired all of the issued and outstanding common shares of Littlehawk for total cash consideration of \$11.5 million. Littlehawk is a private Canadian company which operates hydrovac units that specialize in hydro excavation, pressure testing and water hauling for the construction and energy industries.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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

	Fair Value
Trade and other receivables.....	\$ 1,784
Inventories.....	128
Prepaid and other assets	57
Property, plant and equipment	8,123
Goodwill ⁽¹⁾	1,533
Intangible assets ⁽²⁾	1,754
Other long-term assets.....	48
Trade payables and accrued charges	(505)
Deferred income tax liabilities	(1,391)
Net assets acquired.....	<u>\$ 11,531</u>

The total consideration includes contingent consideration of \$0.6 million that the Company has recorded as it expects that the specified targets will be achieved.

(1) The goodwill arising on the acquisition is not deductible for tax purposes.

(2) Consists of customer relationships of \$0.1 million and non-compete agreements of \$1.6 million.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company's existing Truck Transportation segment. The goodwill for this acquisition is allocated to the Truck Transportation segment.

The fair value of trade receivables is \$1.8 million, which approximates its gross contractual amount.

Ross Eriksmoen, Inc, GWCC, LLC, Frontier Ventures, LLC (collectively doing business as "T&R Transport")

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of T&R Transport for total cash consideration of \$34.9 million, subject to the final purchase price adjustments. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region of North Dakota.

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

	Fair Value
Trade and other receivables.....	\$ 8,501
Inventories.....	619
Prepaid and other assets	67
Property, plant and equipment	22,578
Goodwill ⁽¹⁾	6,226
Intangible assets ⁽²⁾	3,133
Trade payables and accrued charges	(6,197)
Net assets acquired.....	<u>\$ 34,927</u>

The total consideration includes contingent consideration of \$6.2 million that the Company has recorded as it expects that the specified targets will be achieved.

(1) The goodwill arising on the acquisition is deductible for tax purposes.

(2) Consists of customer relationships of \$1.3 million and non-compete agreements of \$1.8 million.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company's existing Environmental Services segment. The goodwill for this acquisition is allocated to the Environmental Services segment.

The fair value of trade receivables is \$8.5 million, which approximates its gross contractual amount.

The initial accounting for the acquisition is provisional pending the final assessment of working capital and the final valuation of property, plant and equipment and intangible assets. At September 30, 2015, the Company expects to receive approximately \$3.7 million of the consideration paid during the three months ended September 30, 2015 upon settlement of the escrow.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Additional Information

If the Littlehawk and T&R Transport acquisitions had occurred on January 1, 2015, the Company estimates that it would have reported combined revenue of \$4,346.4 million and net loss before income taxes of \$61.8 million for the nine months ended September 30, 2015. From the date of the acquisitions were completed to September 30, 2015, the acquisitions contributed revenue of \$16.4 million and income before tax of \$0.1 million.

5 Trade and other receivables

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Trade receivables	\$ 390,807	\$ 599,546
Allowance for doubtful accounts	<u>(2,100)</u>	<u>(4,678)</u>
Trade receivables - net	388,707	594,868
Risk management assets (note 16)	7,828	18,702
Deposits held as collateral.....	249	898
Broker accounts receivable	1,941	4,554
Indirect taxes receivable.....	11,525	15,377
Other	9,374	6,884
	<u>\$ 419,624</u>	<u>\$ 641,283</u>

6 Inventories

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Crude oil.....	\$ 51,793	\$ 68,883
Diluent.....	2,134	2,889
Asphalt	6,885	15,922
Natural gas liquids	33,647	41,230
Wellsite fluids and distillate	7,616	11,727
Spare parts and other.....	<u>17,292</u>	<u>14,286</u>
	<u>\$ 119,367</u>	<u>\$ 154,937</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

7 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2015	\$ 159,631	\$ 137,434	\$ 430,153	\$ 454,493	\$ 668,425	\$ 200,400	\$ 2,050,536
Additions	3,803	3,389	4,179	23,199	56,322	192,268	283,160
Disposals	(898)	-	(102)	(8,745)	(1,385)	-	(11,130)
Acquisitions through business combinations (note 4)	5,741	-	-	6,773	18,187	-	30,701
Reclassifications	2,109	24,118	37,629	-	17,626	(81,482)	-
Change in decommissioning provision (note 11)	-	2,403	2,830	-	5,657	-	10,890
Effect of movements in exchange rates	2,808	-	1,436	32,304	25,253	6,356	68,157
At September 30, 2015	<u>\$ 173,194</u>	<u>\$ 167,344</u>	<u>\$ 476,125</u>	<u>\$ 508,024</u>	<u>\$ 790,085</u>	<u>\$ 317,542</u>	<u>\$ 2,432,314</u>

Accumulated depreciation and impairment:

At January 1, 2015	\$ 25,599	\$ 52,652	\$ 78,211	\$ 184,624	\$ 214,881	\$ -	\$ 555,967
Depreciation	3,971	7,693	16,000	46,408	63,929	-	138,001
Disposals	(11)	-	(42)	(6,978)	(946)	-	(7,977)
Effect of movements in exchange rates	25	-	31	16,294	9,277	-	25,627
At September 30, 2015	<u>\$ 29,584</u>	<u>\$ 60,345</u>	<u>\$ 94,200</u>	<u>\$ 240,348</u>	<u>\$ 287,141</u>	<u>\$ -</u>	<u>\$ 711,618</u>

Carrying amounts:

At January 1, 2015	\$ 134,032	\$ 84,782	\$ 351,942	\$ 269,869	\$ 453,544	\$ 200,400	\$ 1,494,569
At September 30, 2015	\$ 143,610	\$ 106,999	\$ 381,925	\$ 267,676	\$ 502,944	\$ 317,542	\$ 1,720,696

Additions to property, plant and equipment include capitalization of interest of \$3.4 million and \$1.9 million in the three months ended September 30, 2015 and 2014, respectively. Additions to property, plant and equipment include capitalization of interest of \$8.1 million and \$5.4 million in the nine months ended September 30, 2015 and 2014, respectively.

8 Long-term prepaid expenses and other assets

	September 30, 2015	December 31, 2014
Long-term prepaid expenses	\$ 395	\$ 371
Risk management assets (note 16)	136	34,855
Defined benefit plan assets	899	989
Other assets	2,716	3,563
Total	<u>\$ 4,146</u>	<u>\$ 39,778</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

9 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Trade payables	\$ 330,586	\$ 445,670
Accrued compensation charges.....	27,536	43,988
Indirect taxes payable	3,986	3,157
Risk management liabilities (note 16).....	7,893	18,135
Broker accounts payable	-	183
Defined benefit plan obligations	757	757
Interest payable	17,648	36,892
Due to Hunting.....	8,585	8,999
Other	25,428	23,682
	<u>\$ 422,419</u>	<u>\$ 581,463</u>

10 Loans and borrowings

Revolving Credit Facility

The Company has established an unsecured revolving credit facility of up to \$500.0 million (the “Revolving Credit Facility”), with a maturity date of August 15, 2020, the proceeds of which are available to provide financing for working capital and other general corporate purposes. The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. In addition, the Company established new three bilateral demand letter of credit facilities totaling \$150.0 million.

The Revolving Credit Facility contains certain covenants including financial covenants requiring the Company to maintain ratios of maximum senior debt leverage ratio of 4.0 to 1.0 until June 30, 2017 and 3.5 to 1.0 thereafter, maximum total debt leverage ratio of 4.0 to 1.0 and minimum interest coverage ratio of 2.5 to 1.0. As at September 30, 2015, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company has no amounts drawn against the Revolving Credit Facility as at September 30, 2015. The Company had issued letters of credit totalling \$33.7 million and \$57.5 million as at September 30, 2015 and December 31, 2014, respectively.

Long-term debt

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
U.S. \$550.0 million 6.75% Notes due July 15, 2021.....	\$ 736,670	\$ 638,055
\$250.0 million 7.00% Notes due July 15, 2020.....	250,000	250,000
\$300.0 million 5.375% Notes due July 15, 2022.....	300,000	300,000
Unamortized issue discount and debt issue costs	(20,525)	(22,687)
Long-term debt.....	<u>\$ 1,266,145</u>	<u>\$ 1,165,368</u>

The Company’s long-term debt contains non-financial covenants and customary events of default clauses. As of September 30, 2015 and December 31, 2014, the Company was in compliance with all of its covenants. As at September 30, 2015 and December 31, 2014, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,245.1 million and \$1,193.6 million, respectively.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Foreign exchange loss on movement in exchange rates on U.S. dollar long-term debt.....	\$ 50,600	\$ 29,260	\$ 98,615	\$ 30,385
Gain on financial instruments relating to long-term debt (note 16)	-	(10,321)	(9,995)	(11,426)
Foreign exchange (gain) loss on long-term debt...	\$ 50,600	\$ 18,939	\$ 88,620	\$ 18,959

11 Provisions

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

	Nine months ended September 30, 2015	Year ended December 31, 2014
Opening balance.....	\$ 136,347	\$ 91,424
Settlements	(2,649)	(4,462)
Assumed in a business combination.....	-	824
Additions.....	2,048	4,152
Change in estimated future cash flows.....	2,240	14,584
Change in discount rate.....	6,602	25,903
Unwinding of discount.....	2,422	2,898
Effect of changes in foreign exchange rates.....	1,887	1,024
Closing balance.....	\$ 148,897	\$ 136,347

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.2% at September 30, 2015 and December 31, 2014. The provision is expected to be settled up to 40 years into the future.

12 Other long-term liabilities

	September 30, 2015	December 31, 2014
Defined benefit plan obligations	\$ 5,836	\$ 5,939
Risk management liabilities (note 16).....	2,691	8,269
Other.....	4,739	602
	\$ 13,266	\$ 14,810

13 Share capital

	Number of shares	Share Capital
At January 1, 2015	124,488,545	\$ 1,634,001
Issuance of common shares in connection with the exercise of stock options	7,000	61
Issuance of common shares in connection with the equity incentive plan	408,640	-
Reclassification of contributed surplus on exercise of stock options and other stock awards.....	-	9,180
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	1,222,805	28,956
At September 30, 2015.....	126,126,990	\$ 1,672,198

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Share based payments

A summary of activity under the equity incentive plan is as follows:

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)	Number of Shares		
Balance at January 1, 2015.....	2,485,215	\$ 23.33	544,753	628,959	146,786
Granted.....	818,334	\$ 25.32	333,469	533,729	95,118
Exercised and released for common shares.....	(7,000)	\$ 8.64	(238,943)	(105,663)	(64,501)
Forfeited.....	(8,077)	\$ 26.44	(34,561)	(43,806)	-
Balance at September 30, 2015.	<u>3,288,472</u>	<u>\$ 23.85</u>	<u>604,718</u>	<u>1,013,219</u>	<u>177,403</u>
Vested	<u>1,508,069</u>	<u>\$ 20.40</u>	<u>106,890</u>	<u>-</u>	<u>20,818</u>

At September 30, 2015, awards available to grant under the equity incentive plan were approximately 7.5 million.

Per share amounts

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Weighted average common shares outstanding - basic	126,028	123,883	125,492	123,313
Dilutive effect of:				
Stock options and other awards	-	2,304	-	2,049
Weighted average common shares outstanding - Diluted	<u>126,028</u>	<u>126,187</u>	<u>125,492</u>	<u>125,362</u>

The dilutive effect of 2.1 and 2.0 million stock options and other awards for the three and nine months ended September 30, 2015 has not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss per share.

14 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Products	\$ 1,132,863	\$ 2,081,057	\$ 3,652,423	\$ 5,815,104
Services.....	216,127	278,950	663,336	781,960
	<u>\$ 1,348,990</u>	<u>\$ 2,360,007</u>	<u>\$ 4,315,759</u>	<u>\$ 6,597,064</u>

15 Income tax provision (recovery)

The income tax provision (recovery) included in the condensed consolidated statement of operations is classified as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Current	\$ 12,833	\$ 9,235	\$ 33,975	\$ 35,077
Deferred	(12,895)	(789)	(28,373)	(7,915)
Income tax provision (recovery)	<u>\$ (62)</u>	<u>\$ 8,446</u>	<u>\$ 5,602</u>	<u>\$ 27,162</u>
Effective income tax rate	<u>0.2%</u>	<u>49.7%</u>	<u>(8.9%)</u>	<u>25.7%</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

16 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 668	\$ 1,814	\$ 4,850	\$ 490
Commodity swaps.....	6,788	4,323	13,847	16,928
Commodity options.....	467	39	-	-
Equity swaps	-	3,794	-	-
Foreign currency forwards	25	614	34,860	717
Foreign currency options	16	-	-	8,269
Total.....	<u>\$ 7,964</u>	<u>\$ 10,584</u>	<u>\$ 53,557</u>	<u>\$ 26,404</u>
Less non-current portion:				
Commodity futures	136	-	-	-
Equity swaps.....	-	2,691	-	-
Foreign currency forwards.....	-	-	34,855	-
Foreign currency options	-	-	-	8,269
	<u>136</u>	<u>2,691</u>	<u>34,855</u>	<u>8,269</u>
Current portion.....	<u>\$ 7,828</u>	<u>\$ 7,893</u>	<u>\$ 18,702</u>	<u>\$ 18,135</u>

At December 31, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars on a notional amount of U.S.\$250.0 million at a weighted average rate of \$1.0242 for U.S.\$1.00 expiring on September 15, 2017 and the Company had also sold U.S. dollar options at a strike price of \$1.295 for U.S.\$1.00 on a notional amount of U.S.\$250.0 million. During the nine months ended September 30, 2015, the Company received cash of \$53.3 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.\$250.0 million. Additionally, the Company paid cash of \$16.7 million to settle U.S. dollar options for a notional amount of U.S. \$250.0 million.

During the nine months ended September 30, 2015, the Company entered into equity swap contracts to help manage equity price and dilution exposure to shares that it issues under its stock based compensation programs. At September 30, 2015, the Company had entered into equity swaps on a total of 550,000 notional common shares, at an initial price of \$23.65 per share for settlement over a three year period.

The fair value of financial instrument contracts by fair value hierarchy at September 30, 2015 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	\$ 6,788	\$ -	\$ 6,788	\$ -
Commodity futures	688	688	-	-
Commodity options	467	-	467	-
Foreign currency options.....	16	-	16	-
Foreign currency forward contracts.....	25	-	25	-
Total assets	<u>\$ 7,964</u>	<u>\$ 688</u>	<u>\$ 7,296</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity swaps	\$ 4,323	\$ -	\$ 4,323	\$ -
Commodity futures	1,814	1,814	-	-
Commodity options	39	-	39	-
Equity swaps.....	3,794	3,794	-	-
Foreign currency forward contracts.....	614	-	614	-
Total liabilities.....	<u>\$ 10,584</u>	<u>\$ 5,608</u>	<u>\$ 4,976</u>	<u>\$ -</u>

Gibson Energy Inc.

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The fair value of financial instrument contracts at December 31, 2014 was:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets from financial instrument contracts				
Commodity futures	\$ 4,850	\$ 4,850	\$ -	\$ -
Commodity swaps	13,847	-	13,847	-
Foreign currency forwards.....	34,860	-	34,860	-
Foreign currency options	-	-	-	-
Total assets	\$ 53,557	\$ 4,850	\$ 48,707	\$ -
Liabilities from financial instrument contracts				
Commodity futures	\$ 490	\$ 490	\$ -	\$ -
Commodity swaps	16,928	-	16,928	-
Foreign currency forwards.....	717	-	717	-
Foreign currency options	8,269	-	8,269	-
Total liabilities.....	\$ 26,404	\$ 490	\$ 25,914	\$ -

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

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cost of sales	\$ (3,093)	\$ 1,960	\$ (577)	\$ (885)
General and administrative	3,175	-	3,794	-
Foreign exchange gain on long-term debt (note 10)	-	(10,321)	(9,995)	(11,426)
	<u>\$ 82</u>	<u>\$ (8,361)</u>	<u>\$ (6,778)</u>	<u>\$ (12,311)</u>

Sensitivity

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

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
U.S. dollar forwards and options		
Favorable 5% change	\$ 2,101	\$ 5,229
Unfavorable 5% change	(2,293)	(5,428)
U.S. dollar long-term debt forwards and the related options		
Favorable 5% change	\$ -	\$ 16,754
Unfavorable 5% change	-	(16,754)

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

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Crude oil and NGL related prices		
Favorable 15% change	\$ 7,286	\$ 8,219
Unfavorable 15% change	(5,997)	(7,209)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

If the Company's share price increased or decreased by 10%, the impact on net income and equity would be as follows:

	September 30,	
	2015	2014
Equity Swaps		
Favorable 10% change	\$ 674	\$ -
Unfavorable 10% change	(674)	-

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at September 30, 2015. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding risk management liabilities and accrued interest	\$ 396,878	\$ -	\$ -	\$ 396,878
Dividend payable	40,361	-	-	40,361
Long-term debt	-	-	1,286,670	1,286,670
Interest payment on long-term debt	83,350	333,401	232,884	649,635
Commodity futures	1,814	-	-	1,814
Commodity swaps	4,323	-	-	4,323
Commodity options	39	-	-	39
Equity swap	1,103	2,691	-	3,794
Foreign currency forwards	614	-	-	614
	<u>\$ 528,482</u>	<u>\$ 336,092</u>	<u>\$ 1,519,554</u>	<u>\$ 2,384,128</u>

17 Employee salaries and benefits

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Employee salaries and benefits	\$ 84,411	\$ 79,291	\$ 249,237	\$ 229,211

Employee salaries and benefits have been expensed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cost of sales	\$ 74,243	\$ 70,805	\$ 218,672	\$ 204,715
General and administrative	10,168	8,486	30,565	24,496
	<u>\$ 84,411</u>	<u>\$ 79,291</u>	<u>\$ 249,237</u>	<u>\$ 229,211</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

18 Segmental information

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

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

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

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

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

Processing and Wellsite Fluids includes the refining of crude oil and marketing of a variety of products, including road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, oil based mud product and tops.

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

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

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

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

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended September 30, 2015	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external	\$ 31,960	\$ 86,302	\$ 94,423	\$ 140,517	\$ 92,809	\$ 902,979	\$ -	\$ 1,348,990
Revenue - inter- segmental	14,668	5,632	12,113	28,338	21,416	168,136	-	250,303
Revenue – external and inter-segmental.....	46,628	91,934	106,536	168,855	114,225	1,071,115	-	1,599,293
Segment profit	34,194	14,215	11,431	19,095	17,249	6,018	-	102,202
Depreciation of property, plant and equipment	9,747	17,718	10,114	4,033	3,711	56	563	45,942
Amortization of intangible assets	341	6,521	3,313	2,277	1,248	173	1,195	15,068
General and administrative and other	-	-	-	-	-	-	8,397	8,397
Stock based compensation	-	-	-	-	-	-	5,135	5,135
Corporate foreign exchange loss	-	-	-	-	-	-	(1,134)	(1,134)
Interest expense	-	-	-	-	-	-	19,471	19,471
Interest income	-	-	-	-	-	-	(20)	(20)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	50,600	50,600
Income tax recovery	-	-	-	-	-	-	(62)	(62)
Net income (loss).....	\$ 24,106	\$ (10,024)	\$ (1,996)	\$ 12,785	\$ 12,290	\$ 5,789	\$ (84,145)	\$ (41,195)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended September 30, 2014	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external	\$ 25,319	\$ 104,184	\$ 122,159	\$ 263,592	\$ 135,145	\$ 1,709,608	\$ -	\$2,360,007
Revenue - inter- segmental	16,299	27,006	16,865	39,449	49,341	289,332	-	438,292
Revenue – external and inter-segmental.....	41,618	131,190	139,024	303,041	184,486	1,998,940	-	2,798,299
Segment profit	31,082	28,522	20,518	13,183	14,263	12,296	-	119,864
Depreciation of property, plant and equipment	7,905	13,755	9,351	4,447	3,190	67	546	39,261
Amortization of intangible assets	521	6,264	3,219	2,237	1,246	113	649	14,249
General and administrative	-	-	-	-	-	-	8,968	8,968
Stock based compensation	-	-	-	-	-	-	3,642	3,642
Corporate foreign exchange gain	-	-	-	-	-	-	(732)	(732)
Interest expense	-	-	-	-	-	-	18,774	18,774
Interest income	-	-	-	-	-	-	(225)	(225)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	18,939	18,939
Income tax provision	-	-	-	-	-	-	8,446	8,446
Net income	\$ 22,656	\$ 8,503	\$ 7,948	\$ 6,499	\$ 9,827	\$ 12,116	\$ (59,007)	\$ 8,542

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Nine months ended September 30, 2015	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external	\$ 95,482	\$ 230,968	\$ 308,080	\$ 585,293	\$ 233,484	\$ 2,862,452	\$ -	\$ 4,315,759
Revenue - inter- segmental	39,344	21,771	40,393	101,345	78,963	530,340	-	812,156
Revenue – external and inter-segmental.....	134,826	252,739	348,473	686,638	312,447	3,392,792	-	5,127,915
Segment profit	102,418	45,857	41,122	63,688	30,163	23,411	-	306,659
Depreciation of property, plant and equipment	29,300	52,689	31,152	12,251	10,659	194	1,756	138,001
Amortization of intangible assets	1,014	18,153	9,921	6,723	3,742	517	3,316	43,386
General and administrative and other	-	-	-	-	-	-	28,779	28,779
Stock based compensation	-	-	-	-	-	-	14,717	14,717
Corporate foreign exchange gain	-	-	-	-	-	-	(3,626)	(3,626)
Interest expense	-	-	-	-	-	-	60,139	60,139
Interest income	-	-	-	-	-	-	(523)	(523)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	88,620	88,620
Income tax provision	-	-	-	-	-	-	5,602	5,602
Net income (loss).....	\$ 72,104	\$ (24,985)	\$ 49	\$ 44,714	\$ 15,762	\$ 22,700	\$ (198,780)	\$ (68,436)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Nine months ended September 30, 2014	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Corporate & other reconciling balances	Total
Statement of operations								
Revenue - external	\$ 66,982	\$ 269,276	\$ 368,497	\$ 847,128	\$ 349,124	\$ 4,696,057	\$ -	\$ 6,597,064
Revenue - inter- segmental	46,900	46,692	45,141	122,348	156,416	806,128	-	1,223,625
Revenue - external and inter-segmental.....	113,882	315,968	413,638	969,476	505,540	5,502,185	-	7,820,689
Segment profit	82,504	72,176	60,435	54,747	36,868	50,848	-	357,578
Depreciation of property, plant and equipment	22,059	39,751	27,464	10,203	9,003	201	1,621	110,302
Amortization of intangible assets	1,564	18,601	9,709	5,286	3,738	452	1,935	41,285
General and administrative	-	-	-	-	-	-	26,401	26,401
Stock based compensation	-	-	-	-	-	-	10,150	10,150
Corporate foreign exchange gain	-	-	-	-	-	-	(2,709)	(2,709)
Interest expense	-	-	-	-	-	-	47,767	47,767
Interest income	-	-	-	-	-	-	(274)	(274)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	18,959	18,959
Income tax provision	-	-	-	-	-	-	27,162	27,162
Net income	\$ 58,881	\$ 13,824	\$ 23,262	\$ 39,258	\$ 24,127	\$ 50,195	\$ (131,012)	\$ 78,535

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

	Nine months ended September 30, 2015		Nine months ended September 30, 2014	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Terminals and Pipelines.....	\$ 182,289	\$ 1,670	\$ 156,786	\$ 1,376
Environmental Services.....	64,469	3,665	61,195	1,182
Truck Transportation.....	38,749	4,233	26,083	2,410
Propane & NGL Marketing & Distribution.....	7,373	30	92,620	13,397
Processing & Wellsite Fluids	18,473	3	10,546	63
Corporate & other.....	3,403	7,969	9,043	8,504
	\$ 314,756	\$ 17,570	\$ 356,273	\$ 26,932

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Geographic Data

Based on the location of the end user, approximately 19% and 19% of revenue was to customers in the United States for the three and nine months ended September 30, 2015, respectively, and approximately 17% and 18% for the three and nine months ended September 30, 2014, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 28% and 27% in the United States at both September 30, 2015 and December 31, 2014.

19 Subsequent Events

On November 3, 2015, the Board declared a quarterly dividend of \$0.32 per common share for the three months ended December 31, 2015 on its outstanding common shares. The dividend is payable on January 15, 2016 to shareholders of record at the close of business on December 31, 2015.