



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 and 2019



Gibson Energy Inc.
Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	As at	
	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	\$ 45,746	\$ 47,231
Trade and other receivables	379,721	428,892
Inventories	101,461	137,168
Income taxes receivable	-	8,592
Prepaid and other assets	9,352	6,227
Net investment in finance leases	8,453	7,476
Assets held for sale (note 15)	19,556	49,394
Total current assets	564,289	684,980
Non-current assets		
Property, plant and equipment (note 4)	1,679,191	1,558,762
Right-of-use assets	79,407	95,485
Long-term prepaid and other assets	1,714	2,757
Net investment in finance leases	174,374	181,074
Investment in equity accounted investees (note 5)	112,462	20,519
Deferred income tax assets	37,847	38,869
Intangible assets	35,241	33,597
Goodwill (note 6)	361,544	360,647
Total non-current assets	2,481,780	2,291,710
Total assets	\$ 3,046,069	\$ 2,976,690
Liabilities		
Current liabilities		
Trade payables and accrued charges	\$ 391,704	\$ 432,067
Income tax payable	9,871	-
Dividends payable	49,742	48,073
Contract liabilities	63,907	66,147
Lease liabilities – current portion	34,194	36,308
Convertible debentures (note 13)	96,812	-
Liabilities related to assets held for sale	-	6,569
Total current liabilities	646,230	589,164
Non-current liabilities		
Long-term debt (note 7)	1,236,604	1,148,707
Lease liabilities – non-current portion	82,078	95,500
Convertible debentures	-	95,129
Provisions (note 8)	245,726	197,002
Other long-term liabilities	6,623	6,169
Deferred income tax liabilities	88,858	84,409
Total non-current liabilities	1,659,889	1,626,916
Total liabilities	\$ 2,306,119	\$ 2,216,080
Equity		
Share capital (note 9)	1,985,876	1,973,827
Contributed surplus	49,760	46,316
Accumulated other comprehensive income	36,747	32,594
Convertible debentures	7,023	7,023
Deficit	(1,339,456)	(1,299,150)
Total equity	739,950	760,610
Total liabilities and equity	\$ 3,046,069	\$ 2,976,690

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Continuing operations				
Revenue (note 12)	\$ 1,364,213	\$ 1,993,440	\$ 3,617,377	\$ 5,669,762
Cost of sales	<u>1,290,924</u>	<u>1,900,918</u>	<u>3,351,295</u>	<u>5,416,684</u>
Gross profit.....	73,289	92,522	266,082	253,078
General and administrative expenses	15,322	6,601	49,518	41,789
Other operating expense (income).....	840	(1,154)	(5,349)	(4,774)
Operating Income.....	<u>57,127</u>	<u>87,075</u>	<u>221,913</u>	<u>216,063</u>
Finance costs, net (note 7)	<u>38,063</u>	<u>23,444</u>	<u>80,726</u>	<u>60,918</u>
Income before income taxes	19,064	63,631	141,187	155,145
Income tax expense (note 10)	<u>1,514</u>	<u>18,106</u>	<u>32,320</u>	<u>16,250</u>
Net income from continuing operations	17,550	45,525	108,867	138,895
Net income from discontinued operations, after tax	-	2,794	-	8,510
Net income	<u>\$ 17,550</u>	<u>\$ 48,319</u>	<u>\$ 108,867</u>	<u>\$ 147,405</u>
Earnings per share				
Basic earnings per share from continuing operations	\$ 0.12	\$ 0.31	\$ 0.74	\$ 0.96
Basic earnings per share from discontinued operations....	-	0.02	-	0.05
Basic earnings per share	<u>\$ 0.12</u>	<u>\$ 0.33</u>	<u>\$ 0.74</u>	<u>\$ 1.01</u>
Diluted earnings per share from continuing operations....	\$ 0.11	\$ 0.30	\$ 0.73	\$ 0.94
Diluted earnings per share from discontinued operations	-	0.02	-	0.05
Diluted earnings per share.....	<u>\$ 0.11</u>	<u>\$ 0.32</u>	<u>\$ 0.73</u>	<u>\$ 0.99</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.**Condensed Consolidated Statements of Comprehensive Income**

(tabular amounts in thousands of Canadian dollars)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income	<u>\$ 17,550</u>	<u>\$ 48,319</u>	<u>\$ 108,867</u>	<u>\$ 147,405</u>
Other comprehensive (loss) income				
Exchange differences of translating foreign operations	<u>(3,546)</u>	<u>1,203</u>	<u>4,153</u>	<u>(5,267)</u>
Other comprehensive (loss) income, net of tax	<u>(3,546)</u>	<u>1,203</u>	<u>4,153</u>	<u>(5,267)</u>
Comprehensive income	<u>\$ 14,004</u>	<u>\$ 49,522</u>	<u>\$ 113,020</u>	<u>\$ 142,138</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 9)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2019	\$ 1,955,146	\$ 44,461	\$ 41,650	\$ 7,023	\$(1,290,050)	\$ 758,230
Net income	-	-	-	-	147,405	147,405
Other comprehensive loss, net of tax.....	-	-	(5,267)	-	-	(5,267)
Comprehensive (loss) income.....	-	-	(5,267)	-	147,405	142,138
Exercise of debentures conversion option ..	70	-	-	-	-	70
Stock based compensation.....	-	14,574	-	-	-	14,574
Proceeds from exercise of stock options.....	1,245	-	-	-	-	1,245
Reclassification of contributed surplus on issuance of awards under equity incentive plan	14,142	(14,142)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(143,928)	(143,928)
Balance – September 30, 2019	<u>\$1,970,603</u>	<u>\$ 44,893</u>	<u>\$ 36,383</u>	<u>\$ 7,023</u>	<u>\$(1,286,573)</u>	<u>\$ 772,329</u>
Balance – January 1, 2020	\$1,973,827	\$ 46,316	\$ 32,594	\$ 7,023	\$(1,299,150)	\$ 760,610
Net income	-	-	-	-	108,867	108,867
Other comprehensive income, net of tax....	-	-	4,153	-	-	4,153
Comprehensive income	-	-	4,153	-	108,867	113,020
Exercise of debentures conversion option ..	559	-	-	-	-	559
Stock based compensation.....	-	13,525	-	-	-	13,525
Excess deferred tax on equity settled awards.....	115	367	-	-	-	482
Proceeds from exercise of stock options.....	927	-	-	-	-	927
Reclassification of contributed surplus on issuance of awards under equity incentive plan	10,448	(10,448)	-	-	-	-
Dividends on common shares (\$0.34 per common share)	-	-	-	-	(149,173)	(149,173)
Balance – September 30, 2020	<u>\$1,985,876</u>	<u>\$ 49,760</u>	<u>\$ 36,747</u>	<u>\$ 7,023</u>	<u>\$(1,339,456)</u>	<u>\$ 739,950</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flows from operating activities				
Net income from continuing operations.....	\$ 17,550	\$ 45,525	\$ 108,867	\$ 138,895
Adjustments for non-cash items (note 15)	75,606	67,478	255,382	197,688
Changes in items of working capital (note 15)	13,694	121,462	55,444	6,303
Income tax payment, net	(778)	(3,134)	(5,082)	(86,401)
Cash provided by operating activities from continuing operations.	106,072	231,331	414,611	256,485
Cash provided by operating activities from discontinued operations	-	-	-	6,465
Net cash provided by operating activities	106,072	231,331	414,611	262,950
Cash flows from investing activities				
Purchase of property, plant and equipment	(49,679)	(107,674)	(170,419)	(189,435)
Deferred consideration paid on prior period acquisition.....	-	(39,551)	-	(39,551)
Purchase of intangible assets.....	(1,802)	(49)	(6,660)	(2,325)
Investment in equity accounted investees (Note 5)	(35,600)	-	(88,184)	-
Proceeds from sale of assets held for sale, net (note 15)	1,057	-	31,366	48,359
Proceeds from sale of assets.....	-	522	-	2,512
Net cash used in investing activities from continuing operations ...	(86,024)	(146,752)	(233,897)	(180,440)
Net cash provided by investing activities from discontinued operations	-	65,410	-	68,558
Net cash used in investing activities	(86,024)	(81,342)	(233,897)	(111,882)
Cash flows from financing activities				
Payment of shareholder dividends	(49,720)	(47,980)	(147,504)	(143,622)
Interest paid, net.....	(28,897)	(27,715)	(59,121)	(60,075)
Proceeds from exercise of stock options	280	366	927	1,245
Finance lease payments	(10,179)	(10,562)	(34,203)	(35,091)
Proceeds from issuance of long-term debt, net of issuance costs (note 7)	645,451	496,500	645,451	496,500
Repayment of long-term debt, net of cost (note 7)	(623,628)	-	(623,628)	-
Draws (repayment) of credit facilities, net	15,002	(280,000)	35,001	(150,000)
Cash (used in) provided by financing activities from continuing operations	(51,691)	130,609	(183,077)	108,957
Cash used in financing activities from discontinued operations.....	-	-	-	(847)
Cash (used in) and provided by financing activities	(51,691)	130,609	(183,077)	108,110
Net (decrease) increase in cash and cash equivalents	(31,643)	280,598	(2,363)	259,178
Effect of exchange rate on cash and cash equivalents	(229)	(3,739)	878	(5,627)
Cash and cash equivalents – beginning	77,618	71,993	47,231	95,301
Cash and cash equivalents – ending	\$ 45,746	\$ 348,852	\$ 45,746	\$ 348,852

See accompanying notes to the condensed consolidated financial statements

See note 15 for supplemental disclosures

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

1 Description of the business and segmented disclosure

Gibson Energy Inc. (the “Company” or “Gibson”) was incorporated pursuant to the Business Corporations Act (Alberta) on April 11, 2011. The Company is incorporated in Alberta and domiciled in Canada. The address of the Company’s principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada. The Company’s common shares are traded on the Toronto Stock Exchange under the symbol “GEI”.

Gibson is an oil Infrastructure company with our principal businesses consisting of the storage, optimization, processing, and gathering of crude oil and refined products.

The Company’s reportable segments are:

- (1) **Infrastructure**, which includes a network of oil infrastructure assets that include oil terminals, rail loading and unloading facilities, gathering pipelines, a crude oil processing facility, and other small terminals. The primary facilities within this segment include the Hardisty and Edmonton Terminals, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; an infrastructure position located in the United States (“U.S.”); and a crude oil processing facility in Moose Jaw, Saskatchewan (the “Moose Jaw Facility”). The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring period.
- (2) **Marketing**, which is involved in the purchasing, selling, storing and optimizing of hydrocarbon products as part of supplying the Moose Jaw Facility and marketing its refined products as well as helping to drive volumes through the Company’s key infrastructure assets. The Marketing segment also engages in optimization opportunities which are typically location, quality and time-based. The hydrocarbon products include crude oil, natural gas liquids, and road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil and an oil-based mud product. The Marketing segment sources the majority of its hydrocarbon products from Western Canada as well as the Permian basin and markets those products throughout Canada and the U.S. During the first quarter of 2019, the Company renamed its Wholesale reportable segment as Marketing and realigned its U.S. Trucking and Transportation assets into the Marketing reportable segment. The Moose Jaw Facility business is impacted by certain seasonality of operations specific to the oil and gas industry.

This reporting structure provides a direct connection between the Company’s operations, the services it provides to customers and the ongoing strategic direction of the Company. These reportable 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. The Company has aggregated certain operating segments into the above noted reportable segments through examination of the Company’s performance which is based on the similarity of the goods and services provided and economic characteristics exhibited by these operating segments.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company’s condensed consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended September 30, 2020

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 75,253	\$ 1,288,960	\$ 1,364,213
Inter-segmental	<u>41,007</u>	<u>4,559</u>	<u>45,566</u>
External and inter-segmental	<u>116,260</u>	<u>1,293,519</u>	<u>1,409,779</u>
Segment profit ⁽¹⁾	<u>\$ 93,267</u>	<u>\$ 23,437</u>	<u>\$ 116,704</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			33,177
Depreciation of right-of-use assets.....			9,532
Amortization and impairment of intangible assets			1,705
General and administrative			7,947
Stock based compensation			4,683
Corporate foreign exchange loss			2,531
Debt extinguishment costs			23,628
Interest expense, net			<u>14,437</u>
Net income from continuing operations before income tax			19,064
Income tax expense.....			<u>1,514</u>
Net income from operations			<u>\$ 17,550</u>

Three months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 67,511	\$ 1,925,929	\$ 1,993,440
Inter-segmental	<u>36,618</u>	<u>74,590</u>	<u>111,208</u>
External and inter-segmental	<u>104,129</u>	<u>2,000,519</u>	<u>2,104,648</u>
Segment profit ⁽¹⁾	<u>\$ 81,527</u>	<u>\$ 49,690</u>	<u>\$ 131,217</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			27,827
Depreciation of right-of-use assets.....			9,721
Amortization and impairment of intangible assets			3,329
General and administrative			(2,652)
Stock based compensation			4,749
Corporate foreign exchange gain.....			1,086
Debt extinguishment costs			5,342
Interest expense, net			<u>18,184</u>
Net income from continuing operations before income tax			63,631
Income tax expense.....			<u>18,106</u>
Net income from continuing operations			45,525
Net income from discontinued operations, after tax			<u>2,794</u>
Net income from operations			<u>\$ 48,319</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Nine months ended September 30, 2020

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 227,578	\$ 3,389,799	\$ 3,617,377
Inter-segmental	121,528	12,897	134,425
External and inter-segmental	<u>349,106</u>	<u>3,402,696</u>	<u>3,751,802</u>
Segment profit ⁽¹⁾	<u>\$ 281,185</u>	<u>\$ 103,517</u>	<u>\$ 384,702</u>
Corporate & other reconciling items			
Depreciation of property, plant and equipment.....			90,580
Depreciation of right-of-use assets.....			28,705
Amortization of intangible assets			5,571
General and administrative			25,245
Stock based compensation			15,418
Corporate foreign exchange gain			(2,732)
Debt extinguishment costs			29,832
Interest expense, net			50,896
Net income from continuing operations before income tax			141,187
Income tax expense.....			32,320
Net income from operations			<u>\$ 108,867</u>

Nine months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 194,261	\$ 5,475,501	\$ 5,669,762
Inter-segmental	106,963	307,395	414,358
External and inter-segmental	<u>301,224</u>	<u>5,782,896</u>	<u>6,084,120</u>
Segment profit	<u>\$ 213,463</u>	<u>\$ 148,772</u>	<u>\$ 362,235</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment.....			78,812
Depreciation of right-of-use assets.....			30,123
Amortization and impairment of intangible assets			9,447
General and administrative			18,568
Stock based compensation			9,541
Corporate foreign exchange loss			2,465
Debt Extinguishment costs			6,057
Interest expense, net			54,821
Gain on sale of assets held for sale.....			(2,744)
Net income from continuing operations before income tax			155,145
Income tax recovery			16,250
Net income from continuing operations			138,895
Net income from discontinued operations, after tax			8,510
Net income from operations			<u>\$ 147,405</u>

(1) During the three and nine months ended September 30, 2020 the Company recorded \$0.2 million and \$26.7 million (September 30, 2019 – three months \$1.2 million; nine months \$4.2 million) within the Marketing segment as a result of a write-down of inventories to net realizable value. These were recognized as an expense during the applicable periods and included in cost of sales in the condensed consolidated statements of operations.

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Notes to Condensed Consolidated Financial Statements

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

The breakdown of additions to property, plant and equipment, investment in equity accounted investees and intangible assets, including acquisitions through business combinations, by reportable segments are as follows:

	Nine months ended September 30			
	2020		2019	
	Property, plant and equipment and equity investments	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure.....	\$ 257,824	\$ 1,341	\$ 193,446	\$ 2
Marketing.....	-	4,229	570	735
Corporate.....	852	1,573	976	1,247
	<u>\$ 258,676</u>	<u>\$ 7,143</u>	<u>\$ 194,992</u>	<u>\$ 1,984</u>

Other Geographic Data

The Company's non-current assets, excluding investment in finance leases, investment in equity accounted investees and deferred tax assets, are primarily concentrated in Canada with \$212.7 million and \$145.2 million in the United States as at September 30, 2020 and December 31, 2019, respectively.

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 consolidated financial statements for the year ended December 31, 2019, 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 2, 2020. These condensed consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation 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 Estimation uncertainties and changes in accounting policies and disclosures

Estimation uncertainties

Coronavirus ("COVID-19") and volatility in the oil and gas industry

The preparation of these condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates. Specifically, the current COVID-19 global health pandemic is significantly impacting the global economy including demand for hydrocarbon products. This demand destruction has had a significant impact on global energy markets and has resulted in a significant drop in crude based commodity prices. The full extent and impact of the COVID-19 pandemic is unknown at this time and to date has resulted in significant volatility in financial markets and a slowdown in economic activity, as well as significant volatility in commodity prices.

During the three and nine months ended September 30, 2020, the Company has evaluated the impacts of these events on these condensed consolidated financial statements and the results of its assessment and any material impacts noted on the recognition or disclosure of assets and liabilities is included in the relevant notes as follows:

- Long-term assets: As at March 31, 2020, certain triggers for impairment indicators resulted in performing select impairment tests. Refer to note 3 in the Q1 2020 condensed financial statements for further details on key assumptions and estimates used in the impairment test. However, no impairment charges were recorded during the period. In addition, no triggers were

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Notes to Condensed Consolidated Financial Statements

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

noted for the right-of-use assets, equity investment or net investment in finance lease. As at September 30, 2020 the Company did not have any triggers for impairment indicators and accordingly no impairment tests were performed (see note 6).

- Inventory: As at March 31, 2020, inventory balances were written down to the lower of cost and net realizable value as referenced in note 1 in the Q1 2020 condensed financial statements. As at September 30, 2020 inventory balances were reviewed to determine the lower of cost and net realizable value. This review resulted in an immaterial write-down as at September 30, 2020.
- Credit risk and liquidity: As at March 31, 2020 and September 30, 2020, the Company assessed the impacts of these events on its credit risk and liquidity disclosures and provide an un update on how it managed to address these risks as detailed in note 13.

Changes in accounting policies and disclosures

A. New interpretations 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.

- IFRS 3 – Business Combinations (“IFRS 3”), has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020 and applied prospectively. The Company assessed the impact of this amendment and has determined that there is currently no impact on its financial statements. However, going forward, more business acquisitions will likely qualify for assets purchases rather than business combinations.

B. New standards and interpretations issued but not yet adopted

- IAS 1 – Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.
- The annual improvements process addresses issues in the 2018-2020 reporting cycles including changes to IFRS 9, Financial Instruments, IFRS 1, First Time Adoption of IFRS, IFRS 16, Leases, and IAS 41, Biological Assets. These improvements are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.
- IAS 37 – Provisions (“IAS 37”), has been amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.
- IAS 16 – Property, Plant and Equipment (“IAS 16”), has been amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These improvements are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

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Notes to Condensed Consolidated Financial Statements

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

4 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant and Equipment	Work in Progress	Total
Cost:							
At January 1, 2020	\$ 125,414	\$ 413,590	\$ 727,660	\$ 3,328	\$ 779,760	\$ 110,343	\$ 2,160,095
Additions	1,593	15,650	12,373	10	16,243	125,123	170,992
Disposals	-	-	-	(2,686)	-	-	(2,686)
Reclassifications.....	1,998	14,552	7,294	-	22,380	(46,224)	-
Change in decommissioning provision (note 8).....	-	9,642	20,056	-	12,868	-	42,566
Transferred (to) from held for sale.....	(6,064)	-	5,097	46,262	(19)	-	45,276
Effect of movements in exchange rates.....	102	1,508	192	1,348	800	(282)	3,668
At September 30, 2020.....	<u>\$ 123,043</u>	<u>\$ 454,942</u>	<u>\$ 772,672</u>	<u>\$ 48,262</u>	<u>\$832,032</u>	<u>\$188,960</u>	<u>\$2,419,911</u>

Accumulated depreciation and impairment:

At January 1, 2020	\$ 22,923	\$ 106,125	\$ 154,506	\$ 2,076	\$ 315,703	\$ -	\$ 601,333
Depreciation	3,664	15,679	22,125	2,549	46,563	-	90,580
Disposals	-	-	-	(2,557)	-	-	(2,557)
Transferred (to) from held for sale.....	(135)	-	1,663	41,382	6,624	-	49,534
Effect of movements in exchange rates.....	3	(29)	96	1,190	570	-	1,830
At September 30, 2020.....	<u>\$ 26,455</u>	<u>\$ 121,775</u>	<u>\$ 178,390</u>	<u>\$ 44,640</u>	<u>\$ 369,460</u>	<u>\$ -</u>	<u>\$ 740,720</u>

Carrying amounts:

At January 1, 2020	\$ 102,491	\$ 307,465	\$ 573,154	\$ 1,252	\$ 464,057	\$ 110,343	\$ 1,558,762
At September 30, 2020.....	\$ 96,588	\$ 333,167	\$ 594,282	\$ 3,622	\$ 462,572	\$ 188,960	\$ 1,679,191

Additions to property, plant and equipment include capitalization of interest of \$0.8 million and \$2.4 million and \$1.2 million and \$3.9 million for the three and nine months ended September 30, 2020 and 2019, respectively. Amounts in relation to tanks are under operating lease arrangements. Refer to note 3 and 6 for details on impairment test and key assumptions used for long term assets included in certain operating segments, triggered by the change in economic environment during the nine months ended September 30, 2020.

5 Investment in equity accounted investees

	Ownership interest at September 30, 2020	Investment in equity accounted investee at September 30, 2020
Hardisty Energy Terminal Limited Partnership.....	50%	\$ 88,184
Zenith Energy Terminals Joliet Holdings LLC	36%	24,278
Total		<u>\$ 112,462</u>

On April 9, 2020, the Company entered into an arrangement to acquire a 50% interest in the Hardisty Energy Terminal Limited Partnership ("HET") for the purpose of constructing and operating a Diluent Recovery Unit ("DRU") adjacent to the Company's Hardisty Terminal. HET is jointly owned by US Development Group, LLC (through a wholly-owned affiliate, collectively "USD") and the Company, with each party owning a 50% interest. The project is currently in the construction phase and is expected to be placed in service by middle of 2021. The arrangement is considered a joint venture and is accounted for using the equity method.

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The investment of \$88.2 million represents the capital contributions made by the Company in the second and third quarters of 2020 for the construction of the DRU.

On October 21, 2019, the Company acquired a 36% interest in Zenith Energy Terminals Holding LLC ("Zenith") for \$21.3 million (USD\$16.3 million). The investment in Zenith is accounted for using the equity method. Zenith owns and operates a crude-by-rail and storage terminal and a pipeline connection to a common carrier crude oil pipeline in Joliet, Illinois.

6 Goodwill

The changes in the carrying amount of goodwill are as follows:

	As at,	
	September 30, 2020	December 31, 2019
Opening balance	\$ 360,647	\$ 362,348
Effect of changes in foreign exchange rates	897	(1,701)
Closing balance	<u>\$ 361,544</u>	<u>\$ 360,647</u>

As at September 30, 2020 the Company did not have any triggers for impairment indicators and accordingly no impairment tests were performed.

As at March 31, 2020 as a result of the deterioration of certain economic indicators related to the COVID-19 pandemic and the reduction in global crude oil prices, the Company carried out an impairment test with respect to goodwill, property plant and equipment and intangible assets related to its U.S. Pipelines and Refined Product operating segments. There were no triggers noted for remainder of the operating segments.

Key assumptions used in Q1 2020 impairment test

To calculate the recoverable amount, management uses the higher of the fair value less costs of disposal (FVLCD) and its value in use (VIU). The recoverable amount was determined using either a discounted cash flow approach, an earnings multiple approach, or market based approach. The Company references Board approved budgets and cash flow forecasts, trailing twelve-month (TTM) earnings before interest, taxes, depreciation and amortization and impairment (EBITDA), implied multiples and appropriate discount rates in the valuation calculations. The implied multiple is calculated by utilizing multiples of comparable public companies by operating segment. To determine fair value, an implied forward multiple was applied to the relevant operating segment's budgeted EBITDA less corporate expenses. In calculating fair value for the Refined Product operating segment, the Company used an implied forward multiple. Cash flows were projected based on past experience, actual operating results and the 2020 budget.

Consistent with year-end, the recoverable amount of the U.S Pipelines segment was determined by discounting the updated forecasted future cash flows generated from continued use of the operating segments due to absence of historical periodic results. The model calculated the present value of the estimated future earnings of the above stated operating segments. Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	U.S. Pipelines
Pre- tax discount rate.....	10.5%
Terminal value growth rate.....	1.0%

- (i) Cash flows were projected based on past experience, actual operating results and the five-year business plan.
- (ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate after the forecast period, considering historic performance and future economic forecasts.

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- (iii) Each operating segment discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The fair value of the U.S. Pipelines and Refined Product operating segments was categorized as Level 3 fair value based on the unobservable inputs.

The Refined Product and U.S. Pipelines operating segment recoverable amounts were greater than their carrying value, including goodwill.

7 Loans and borrowings

The Company had \$95.0 million and \$60.0 million drawn on its unsecured revolving credit facility (“Revolving Credit Facility”) as of September 30, 2020 and December 31, 2019, respectively, and had issued letters of credit totaling \$35.0 million and \$36.9 million under its bilateral demand letter of credit facilities as at September 30, 2020 and December 31, 2019, respectively.

On February 14, 2020, the Company amended its Revolving Credit Facility to increase the capacity from \$560.0 million to \$750.0 million, and amongst other things extended the maturity date from March 2024 to February 2025.

Long-term debt

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Revolving Credit Facility, due February 2025	\$ 95,000	\$ 60,000
\$500 million 3.6% Senior Unsecured Notes due September 17, 2029 (“2029 Notes”)	500,000	500,000
\$325 million 2.45% Senior Unsecured Notes due July 14, 2025 (“2025 Notes”)	325,000	-
\$325 million 2.85% Senior Unsecured Notes due July 14, 2027 (“2027 Notes”)	325,000	-
\$600 million 5.25% Senior Unsecured Notes due July 15, 2024 (“2024 Notes”)	-	600,000
Unamortized issue discount and debt issue costs	(8,396)	(11,293)
Total debt	<u>\$ 1,236,604</u>	<u>\$ 1,148,707</u>

The Company is required to meet certain specific and customary affirmative and negative financial covenants under its Revolving Credit Facility, 2025, 2027 and 2029 Notes, including the maintenance of certain financial ratios as noted above. As of September 30, 2020 and December 31, 2019, the Company was in compliance with all of its covenants.

On July 14, 2020, the Company completed the issuance of \$650.0 million of Senior Unsecured Medium Term Notes consisting of \$325.0 million of 2.45% notes with a maturity date of July 14, 2025 and \$325 million of 2.85% notes with a maturity date of July 14, 2027. The fixed coupon is payable semi-annually, on January and July 14 for both the 2025 and 2027 Notes.

On July 22, 2020, the Company redeemed all of the 2024 Notes carrying a coupon rate of 5.25% at a redemption price of \$1,039.38 per \$1,000 principal amount plus accrued and unpaid interest of \$1.02 per \$1,000 principal amount. During the three and nine months ended September 30, 2020 the Company incurred debt extinguishment costs related to the acceleration of unamortized debt issue costs on 2024 Notes of \$23.6 million and \$29.8 million (September 30, 2019 – three months \$5.3 million; nine months \$6.1 million).

The Indentures governing the terms of the 2025, 2027 and 2029 Notes, including the supplemental indenture thereto, contain certain redemption options whereby the Company can redeem all or part of the 2025, 2027 and 2029 Notes at prices set forth in the applicable Indenture from proceeds of an equity offering or on the dates specified in the Indentures. In addition, the holders of the 2025, 2027 and 2029 Notes have the right to require the Company to redeem the 2025, 2027 and 2029 Notes at the redemption prices set forth in the respective indebtedness in the event of a change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the applicable Indenture. These options are considered to be embedded derivatives and are determined to be immaterial as at September 30, 2020.

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The components of finance costs are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest expense	\$ 14,030	\$ 18,601	\$ 49,502	\$ 55,975
Capitalized interest	(790)	(1,238)	(2,375)	(3,972)
Interest expense, finance lease	1,240	1,434	3,979	3,902
Interest income.....	(45)	(695)	(212)	(1,044)
Debt extinguishment costs	23,628	5,342	29,832	6,057
Total finance cost, net	\$ 38,063	\$ 23,444	\$ 80,726	\$ 60,918

8 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:

	As at,	
	September 30, 2020	December 31, 2019
Opening balance.....	\$ 197,002	\$ 162,811
Settlements	(2,670)	(5,023)
Additions	14,885	28,310
Change in estimated future cash flows	-	(16,000)
Change in discount rate (September 30, 2020 – 1.1%, December 31, 2019 – 1.7%)	30,054	27,167
Unwinding of discount	2,072	3,325
Transfer from (to) liabilities held for sale	4,222	(3,332)
Effect of changes in foreign exchange rates.....	161	(256)
Closing balance.....	\$ 245,726	\$ 197,002

9 Share capital

Common Shares – Issued and Outstanding

	Common Shares	
	Number of Common shares	Amount
At January 1, 2020.....	145,675,481	\$ 1,973,827
Proceeds on exercise of stock options	44,535	927
Exercise of debentures conversion option.....	25,818	559
Excess deferred tax on equity settled awards.....	-	115
Reclassification of contributed surplus on issuance of awards under equity incentive plans	552,939	10,448
At September 30, 2020	146,298,773	\$ 1,985,876

On August 27, 2020, the Company announced the initiation of a Normal Course Issuer Bid (“NCIB”) enabling the Company to purchase and cancel up to 10%, or 11,765,180, of the public float for the issued and outstanding common shares through August 31, 2021 in accordance with the applicable rules and policies of the TSX and applicable securities laws. As of September 30, 2020, the Company has not purchased any shares under the NCIB.

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Share based compensation

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, 2020.....	2,014,943	\$ 19.81	618,274	682,601	457,578
Granted	65,000	17.53	551,147	551,163	129,855
Exercised	(44,535)	20.83	(296,951)	(219,219)	(36,770)
Forfeited and expired.....	(94,140)	26.53	(35,892)	(38,372)	-
Balance at September 30, 2020	<u>1,941,268</u>	<u>19.38</u>	<u>836,578</u>	<u>976,173</u>	<u>550,663</u>
Vested	<u>1,410,793</u>	<u>\$ 18.38</u>	<u>-</u>	<u>-</u>	<u>550,663</u>

Per share amounts

The following table shows the number of shares used in the calculation of earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Weighted average common shares outstanding - Basic....	146,269,904	145,455,071	146,092,008	145,154,963
Dilutive effect of:				
Stock options and other awards	<u>2,725,679</u>	<u>2,323,494</u>	<u>2,565,141</u>	<u>2,408,008</u>
Weighted average common shares outstanding - Diluted	<u>148,995,583</u>	<u>147,778,565</u>	<u>148,657,149</u>	<u>147,562,971</u>

The dilutive effect of 2.7 million and 2.6 million (September 30, 2019 – three months 2.3 million; nine months 2.4 million) stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and nine months ended September 30, 2020 have been included in the determination of the weighted average number of common shares outstanding for continuing operations. The impact of 0.7 million and 0.1 million (2019 – three months 0.5 million; nine months 1.1 million) stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income from continuing operations per share.

10 Income tax expense (recovery)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current	\$ 2,194	\$ 7,800	\$ 25,633	\$ 12,145
Deferred	<u>(680)</u>	<u>10,306</u>	<u>6,687</u>	<u>4,105</u>
	<u>\$ 1,514</u>	<u>\$ 18,106</u>	<u>\$ 32,320</u>	<u>\$ 16,250</u>
Effective income tax rate.....	7.9%	28.4%	22.9%	10.5%

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11 Employee salaries and benefits

Employee salaries and benefits have been expensed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cost of sales.....	\$ 13,354	\$ 19,070	\$ 50,474	\$ 53,568
General and administrative	10,754	(4,956)	33,164	10,056
	<u>\$ 24,108</u>	<u>\$ 14,114</u>	<u>\$ 83,638</u>	<u>\$ 63,624</u>

12 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue from contracts with customers recognized at a point in time	\$ 1,288,302	\$ 1,925,329	\$ 3,387,647	\$ 5,470,821
Revenue from contracts with customers recognized over time	32,939	41,696	101,799	115,259
Total Revenue from contracts with customers..	1,321,241	1,967,025	3,489,446	5,586,080
Total Revenue from lease arrangements.....	42,972	26,415	127,931	83,682
	<u>\$ 1,364,213</u>	<u>\$ 1,993,440</u>	<u>\$ 3,617,377</u>	<u>\$ 5,669,762</u>

Disaggregation of revenue from contracts with customers are as follows:

Three months ended September 30, 2020

	Infrastructure	Marketing	Total
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 16,310	\$ -	\$ 16,310
Rail	15,478	-	15,478
Other.....	465	-	465
External Product Revenue			
Crude, diluent and other products	-	795,702	795,702
Refined products	-	26,529	26,529
Total revenue – Canada	<u>\$ 32,253</u>	<u>\$ 822,231</u>	<u>\$ 854,484</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 28	\$ 658	\$ 686
External Product Revenue			
Crude, diluent and other products	-	417,378	417,378
Refined products	-	48,693	48,693
Total revenue – U.S.	<u>28</u>	<u>466,729</u>	<u>466,757</u>
Total Revenue from contracts with customers	<u>\$ 32,281</u>	<u>\$ 1,288,960</u>	<u>\$1,321,241</u>

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Nine months ended September 30, 2020**

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 49,229	\$ -	\$ 49,229
Rail	48,516	-	48,516
Other.....	1,732	-	1,732
External Product Revenue			
Crude, diluent and other products	-	2,195,367	2,195,367
Refined products	-	43,634	43,634
Total revenue – Canada	<u>\$ 99,477</u>	<u>\$ 2,239,001</u>	<u>\$ 2,338,478</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 170	\$ 2,152	\$ 2,322
External Product Revenue			
Crude, diluent and other products	-	979,930	979,930
Refined products	-	168,716	168,716
Total revenue – U.S.	<u>170</u>	<u>1,150,798</u>	<u>1,150,968</u>
Total Revenue from contracts with customers	<u>\$ 99,647</u>	<u>\$ 3,389,799</u>	<u>\$ 3,489,446</u>

Three months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 27,387	\$ -	\$ 27,387
Rail	12,660	-	12,660
Other.....	947	-	947
External Product Revenue			
Crude, diluent and other products	-	1,339,797	1,339,797
Refined products	-	37,694	37,694
Total revenue – Canada	<u>\$ 40,994</u>	<u>\$ 1,377,491</u>	<u>\$1,418,485</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 102	\$ 600	\$ 702
External Product Revenue			
Crude, diluent and other products	-	458,114	458,114
Refined products	-	89,724	89,724
Total revenue – U.S.	<u>102</u>	<u>548,438</u>	<u>548,540</u>
Total Revenue from contracts with customers	<u>\$ 41,096</u>	<u>\$ 1,925,929</u>	<u>\$1,967,025</u>

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Nine months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 70,655	\$ -	\$ 70,655
Rail	33,348	-	33,348
Other.....	5,014	-	5,014
External Product Revenue			
Crude, diluent and other products	-	4,063,762	4,063,762
Refined products	-	80,814	80,814
Other.....	1,108	-	1,108
Total revenue – Canada	<u>\$ 110,125</u>	<u>\$4,144,576</u>	<u>\$ 4,254,701</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 454	\$ 5,788	\$ 6,242
External Product Revenue			
Crude, diluent and other products	-	1,092,698	1,092,698
Refined products	-	232,439	232,439
Total revenue – U.S.	<u>454</u>	<u>1,330,925</u>	<u>1,331,379</u>
Total Revenue from contracts with customers	<u>\$ 110,579</u>	<u>\$ 5,475,501</u>	<u>\$ 5,586,080</u>

13 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	<u>September 30,</u> <u>2020</u>		<u>December 31,</u> <u>2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Commodity futures	\$ 149	\$ 2,305	\$ 1,069	\$ 700
Commodity swaps.....	539	90	1,119	1,212
WTI differential futures.....	1,233	1,389	1,042	92
Foreign currency forwards	117	341	1,419	171
Total	<u>\$ 2,038</u>	<u>\$ 4,125</u>	<u>\$ 4,649</u>	<u>\$ 2,175</u>
Less non-current portion:				
Commodity swaps.....	-	-	(15)	(81)
Current portion	<u>\$ 2,038</u>	<u>\$ 4,125</u>	<u>\$ 4,634</u>	<u>\$ 2,094</u>

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The fair value of financial instrument contracts by fair value hierarchy at September 30, 2020 was:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets from financial instrument contracts				
Commodity futures.....	\$ 149	\$ 149	\$ -	\$ -
Commodity swaps	539	-	539	-
WTI differential futures	1,233	1,233	-	-
Foreign currency forward	117	-	117	-
Total assets	<u>\$ 2,038</u>	<u>\$ 1,382</u>	<u>\$ 656</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures.....	\$ 2,305	\$ 2,305	\$ -	\$ -
Commodity swaps	90	-	90	-
WTI differential futures	1,389	1,389	-	-
Foreign currency forwards	341	-	341	-
Total liabilities	<u>\$ 4,125</u>	<u>\$ 3,694</u>	<u>\$ 431</u>	<u>\$ -</u>

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2019 was:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets from financial instrument contracts				
Commodity futures.....	\$ 1,069	\$ 1,069	\$ -	\$ -
Commodity swaps	1,119	-	1,119	-
WTI differential futures	1,042	1,042	-	-
Foreign currency forwards	1,419	-	1,419	-
Total assets	<u>\$ 4,649</u>	<u>\$ 2,111</u>	<u>\$ 2,538</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures.....	\$ 700	\$ 700	\$ -	\$ -
Commodity swaps	1,212	-	1,212	-
WTI differential futures	92	92	-	-
Foreign currency forwards	171	-	171	-
Total liabilities	<u>\$ 2,175</u>	<u>\$ 792</u>	<u>\$ 1,383</u>	<u>\$ -</u>

The impact of the movement in the fair value of financial instruments has been recognized as a gain/(loss) in the condensed consolidated statement of operations as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 10,594	\$ 12,246	\$ (4,744)	\$ 8,976
Stock based compensation	-	-	-	6,496
	<u>\$ 10,594</u>	<u>\$ 12,246</u>	<u>\$ (4,744)</u>	<u>\$ 15,472</u>

As at September 30, 2020 and December 31, 2019, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,305.8 million and \$1,195.6 million, respectively.

As at September 30, 2020 and December 31, 2019, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was \$107.4 million and \$125.3 million, respectively.

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Sensitivity

U.S. Dollar Forwards and Options

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>2020</u>	<u>2019</u>
Favorable 5% change.....	\$ 2,573	\$ 2,512
Unfavorable 5% change.....	2,573	(2,512)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options.

The impact of translating the net assets of the Company's U.S operations into Canadian dollars is excluded from this sensitivity analysis.

Crude oil and NGL related prices

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>2020</u>	<u>2019</u>
Favorable 15% change.....	\$ 8,734	\$ 7,203
Unfavorable 15% change.....	8,734	(7,203)

Credit Risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company actively monitors the financial strength of its customers and, in select cases, has tightened credit terms to minimize the risk of default on trade receivables. The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company does not usually require collateral in respect of trade and other receivables. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. The provision is based on an individual account-by-account analysis and prior credit history. The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is low. The counterparties are generally major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies.

In order to appropriately address the credit risk in light of the recent market impacts from the COVID-19 pandemic and the reduction in crude oil prices, the Company completed a comprehensive analysis in accordance with the policy noted above. As a result of this analysis, certain immaterial accounts receivable balances were deemed uncollectible and were written-off as at September 30, 2020. As at September 30, 2020, 1% (December 31, 2019 – 3%) of net trade receivables were 30 days past the due date but not considered impaired. The maximum exposure to credit risk related to the trade receivables is their carrying value which was \$366.4 million as at September 30, 2020, of which the majority was classified as current. Furthermore, the Company reassessed certain assumptions included within its expected credit loss model as noted earlier. This reassessment resulted in an immaterial increase in the expected credit loss provision. The Company's cash equivalents are placed in time

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deposits with investment grade international banks and financial institutions, which resulted in no material changes to the exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Cash and cash equivalents and the Revolving Credit Facility are available and are expected to be available to satisfy the Company's short and long-term requirements. As at September 30, 2020, the Company had a Revolving Credit Facility of \$750.0 million and two bilateral demand letter of credit facilities totaling \$150.0 million. At September 30, 2020 \$95.0 million (December 31, 2019 - \$60.0 million) was drawn against the Revolving Credit Facility and the Company had outstanding issued letters of credit of \$35.0 million (December 31, 2019 - \$36.9 million). Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at September 30, 2020. 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 three years	Between three and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	\$ 381,778	\$ -	\$ -	\$ -	\$ 381,778
Dividend payable	49,742	-	-	-	49,742
Long-term and current debt	-	-	325,000	825,000	1,150,000
Credit facilities	-	-	95,000	-	95,000
Debentures (debt and equity component)	99,331	-	-	-	99,331
Interest on long-term debt and Debentures	39,804	70,450	69,123	88,981	268,358
Financial instruments	4,125	-	-	-	4,125
Lease liabilities	38,172	50,181	25,678	11,238	125,269
	<u>\$ 612,952</u>	<u>\$ 120,631</u>	<u>\$ 514,801</u>	<u>\$ 925,219</u>	<u>\$ 2,173,603</u>

The Debentures are due for repayment and conversion within the next twelve months, and as a result, the long-term liability portion of the Debentures have been classified as a current liability as at September 30, 2020.

14 Subsequent Events

On November 2, 2020, the Board declared a quarterly dividend of \$0.34 per common share for the third quarter on its outstanding common shares. The dividend is payable on January 15, 2021 to shareholders of record at the close of business on December 31, 2020.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

15 Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flows from operating activities				
Net income from continuing operations.....	\$ 17,550	\$ 45,525	\$ 108,867	\$ 138,895
Adjustments for non-cash items:.....				
Finance costs, net (note 6)	38,063	23,444	80,726	60,918
Income tax expense (note 10)	1,514	18,106	32,320	16,250
Depreciation and impairment of property, plant and equipment (note 4)	33,177	27,827	90,580	78,812
Depreciation on right-of-use assets.....	9,532	9,721	28,705	30,049
Amortization and impairment of intangible assets	1,705	3,329	5,571	9,447
Stock based compensation	4,683	4,749	15,418	9,541
Share of loss (profit) from equity accounted investees.....	661	-	(3,371)	-
Gain on sale of property, plant and equipment	(911)	(779)	(868)	(873)
Provisions	1,175	-	2,373	15,289
Other	(3,399)	(6,673)	(816)	(12,769)
Net (gain) loss on fair value movement of financial instruments (note 13).....	(10,594)	(12,246)	4,744	(8,976)
Subtotal of adjustments.....	75,606	67,478	255,382	197,688
Changes in items of working capital				
Trade and other receivables	(46,065)	25,043	61,589	(219,567)
Inventories	14,497	7,692	37,036	(34,100)
Other current assets	(1,265)	36,792	2,109	(92)
Trade payables and accrued charges	27,226	6,141	(42,527)	203,091
Contract liabilities.....	19,301	45,794	(2,763)	56,971
Subtotal of changes in items of working capital	13,694	121,462	55,444	6,303
Income taxes payment, net	(778)	(3,134)	(5,082)	(86,401)
Cash provided by operating activities from continuing operations .	106,072	231,331	414,611	256,485
Cash provided by operating activities from discontinued operations	-	-	-	6,465
Net cash provided by operating activities	\$ 106,072	\$ 231,331	\$ 414,611	\$ 262,950

Proceeds on sale of held for sale assets

During the nine months ended September 30, 2020 the Company received proceeds of \$30.0 million on completion of the sale of the Edmonton building.