

Gibson Energy Inc.

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

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	June 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 171,338	\$ 131,911
Trade and other receivables (note 5)	489,366	641,283
Inventories (note 6)	123,561	154,937
Income taxes receivable	25,206	12,100
Prepaid expenses and other assets	13,682	24,366
Net investment in finance leases	956	908
Total current assets.....	<u>824,109</u>	<u>965,505</u>
Non-current assets		
Property, plant and equipment (note 7).....	1,594,641	1,494,569
Long-term prepaid expenses and other assets (note 8).....	4,436	39,778
Net investment in finance leases	93,927	94,387
Deferred income tax assets.....	3,532	3,532
Intangible assets	183,077	191,537
Goodwill.....	806,573	783,721
Total non-current assets	<u>2,686,186</u>	<u>2,607,524</u>
Total assets	<u>\$ 3,510,295</u>	<u>\$ 3,573,029</u>
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 9).....	\$ 518,322	\$ 581,463
Dividends payable.....	40,198	37,346
Deferred revenue	8,837	19,042
Income taxes payable	790	122
Total current liabilities	<u>568,147</u>	<u>637,973</u>
Non-current liabilities		
Long-term debt (note 10)	1,214,811	1,165,368
Provisions (note 11)	138,151	136,347
Other long-term liabilities (note 12).....	7,516	14,810
Deferred income tax liabilities	181,165	191,351
Total non-current liabilities	<u>1,541,643</u>	<u>1,507,876</u>
Total liabilities	<u>2,109,790</u>	<u>2,145,849</u>
Equity		
Share capital (note 13)	1,661,254	1,634,001
Contributed surplus	24,499	23,841
Accumulated other comprehensive income.....	145,944	93,011
Deficit.....	(431,192)	(323,673)
Total equity	<u>1,400,505</u>	<u>1,427,180</u>
Total liabilities and equity	<u>\$ 3,510,295</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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue (note 14)	\$ 1,574,427	\$ 2,126,365	\$ 2,966,769	\$ 4,237,057
Cost of sales (note 16 and 17)	1,553,670	2,082,466	2,886,977	4,097,923
Gross profit	20,757	43,899	79,792	139,134
General and administrative expenses (note 16 and 17)	18,655	13,676	33,278	26,302
Other operating loss (income)	1,209	(242)	(10,094)	(4,841)
Income from operating activities	893	30,465	56,608	117,673
Interest expense	20,206	15,331	40,668	28,993
Interest income	(421)	(30)	(503)	(49)
Foreign exchange loss (gain) on long-term debt (note 10)	(11,495)	(10,039)	38,020	20
Income (loss) before income taxes	(7,397)	25,203	(21,577)	88,709
Income tax (recovery) provision (note 15)	(656)	1,365	5,664	18,716
Net income (loss)	\$ (6,741)	\$ 23,838	\$ (27,241)	\$ 69,993
Earnings (loss) per share (note 13)				
Basic	\$ (0.05)	\$ 0.19	\$ (0.22)	\$ 0.57
Diluted	\$ (0.05)	\$ 0.19	\$ (0.22)	\$ 0.56

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income (Loss)

(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$ (6,741)	\$ 23,838	\$ (27,241)	\$ 69,993
Other comprehensive income (loss)				
Items that may be reclassified subsequently to consolidated statement of operations:				
Exchange differences of translating foreign operations	(12,519)	(23,162)	52,933	2,323
Other comprehensive income (loss) , net of tax	(12,519)	(23,162)	52,933	2,323
Comprehensive income (loss)	\$ (19,260)	\$ 676	\$ 25,692	\$ 72,316

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 (loss)	Deficit	Total equity
Balance – January 1, 2014	\$ 1,585,145	\$ 16,130	\$ 33,879	\$ (266,520)	\$ 1,368,634
Net income	-	-	-	69,993	69,993
Other comprehensive income, net of tax	-	-	2,323	-	2,323
Comprehensive income	-	-	2,323	69,993	72,316
Employee share options:					
Stock based compensation	-	6,508	-	-	6,508
Proceeds from exercise of stock options	2,805	-	-	-	2,805
Reclassification of contributed surplus on exercise of stock option and other stock awards	4,767	(4,767)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	18,397	-	-	-	18,397
Dividends on common shares (\$0.30 per common share)	-	-	-	(73,978)	(73,978)
Balance – June 30, 2014	<u>\$ 1,611,114</u>	<u>\$ 17,871</u>	<u>\$ 36,202</u>	<u>\$ (270,505)</u>	<u>\$ 1,394,682</u>
Balance – January 1, 2015	\$ 1,634,001	\$ 23,841	\$ 93,011	\$ (323,673)	\$ 1,427,180
Net loss				(27,241)	(27,241)
Other comprehensive income, net of tax			52,933	-	52,933
Comprehensive income			52,933	(27,241)	25,692
Employee share options:					
Stock based compensation	-	9,582	-	-	9,582
Reclassification of contributed surplus on exercise of stock option and other stock awards	8,924	(8,924)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	18,329	-	-	-	18,329
Dividends on common shares (\$0.32 per common share)	-	-	-	(80,278)	(80,278)
Balance – June 30, 2015	<u>\$ 1,661,254</u>	<u>\$ 24,499</u>	<u>\$ 145,944</u>	<u>\$ (431,192)</u>	<u>\$ 1,400,505</u>

See accompanying notes

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Cash provided by (used in)				
Operating activities				
Income from operating activities	\$ 893	\$ 30,465	\$ 56,608	\$ 117,673
Items not affecting cash				
Depreciation of property, plant and equipment (note 7)...	47,902	35,797	92,059	71,041
Amortization of intangible assets	14,105	13,467	28,318	27,036
Stock based compensation.....	5,116	3,380	9,582	6,508
Gain on sale of assets	(243)	(1,061)	(1,171)	(1,532)
Other	322	(2,883)	203	(3,728)
Net loss (gain) on fair value movement of financial instruments (note 16)	7,206	(622)	3,135	(2,845)
Changes in items of working capital				
Trade and other receivables.....	(50,999)	58,394	154,716	50,308
Inventories.....	(1,842)	(7,662)	33,024	(56,804)
Other current assets	11,958	1,873	10,939	7,849
Trade payables and accrued charges	99,922	4,146	(49,477)	(3,129)
Deferred revenue	(2,730)	8,659	(10,231)	6,178
Income taxes.....	(22,614)	(16,431)	(33,643)	(48,113)
Cash provided by operating activities	108,996	127,522	294,062	170,442
Investing activities				
Purchase of property, plant and equipment.....	(71,045)	(73,383)	(172,832)	(156,169)
Purchase of intangible assets.....	(3,782)	(4,079)	(9,755)	(7,447)
Acquisition (note 4)	(2,538)	-	(11,531)	(31,442)
Proceeds from sale of assets.....	881	2,061	2,851	3,231
Cash used in investing activities	(76,484)	(75,401)	(191,267)	(191,827)
Financing activities				
Payment of shareholder dividends	(40,081)	(36,914)	(77,427)	(70,519)
Proceeds from dividend reinvestment plan and stock dividend programs	10,117	9,576	18,329	18,397
Interest paid.....	(1,070)	(1,105)	(42,430)	(31,661)
Interest received	421	29	493	48
Proceeds from exercise of stock options.....	-	1,228	-	2,805
Proceeds from long-term debt.....	-	358,595	-	358,595
Payment of debt issue and financing costs.....	-	(4,830)	-	(4,830)
Net proceeds on settlement of financial instruments not affecting operating activities (note 16).....	-	582	36,582	582
Proceeds from credit facilities.....	-	246,349	-	463,601
Repayment of credit facilities	-	(341,353)	-	(463,494)
Repayment of finance lease liabilities.....	(170)	(122)	(309)	(275)
Cash provided by (used in) financing activities	(30,783)	232,035	(64,762)	273,249
Effect of exchange rate on cash and cash equivalents.....	(2,936)	(1,882)	1,394	(993)
Net increase (decrease) in cash and cash equivalents	(1,207)	282,274	39,427	250,871
Cash and cash equivalents – beginning of period.....	172,545	65,779	131,911	97,182
Cash and cash equivalents – end of period	\$ 171,338	\$ 348,053	\$ 171,338	\$ 348,053

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 August 6, 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:

	<u>Fair Value</u>
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.

5 Trade and other receivables

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Trade receivables	\$ 473,365	\$ 599,546
Allowance for doubtful accounts	(2,395)	(4,678)
Trade receivables - net	470,970	594,868
Risk management assets (note 16)	4,752	18,702
Deposits held as collateral.....	249	898
Broker accounts receivable	1,950	4,554
Indirect taxes receivable.....	5,952	15,377
Other	5,513	6,884
	<u>\$ 489,336</u>	<u>\$ 641,283</u>

6 Inventories

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Crude oil.....	\$ 59,557	\$ 68,883
Diluent.....	2,796	2,889
Asphalt	15,848	15,922
Natural gas liquids	21,660	41,230
Wellsite fluids and distillate	7,505	11,727
Spare parts and other.....	16,195	14,286
	<u>\$ 123,561</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	1,016	3,720	3,672	10,347	37,110	107,905	163,770
Disposals	(759)	-	(68)	(4,286)	(331)	-	(5,444)
Acquisitions through business combinations (note 4)	1,250	-	-	6,773	100	-	8,123
Reclassifications	197	22,497	35,730	-	6,049	(64,473)	-
Change in decommissioning provision (note 11)	-	103	100	-	867	-	1,070
Effect of movements in exchange rates	1,090	-	656	16,220	12,110	2,185	32,261
At June 30, 2015	<u>\$ 162,425</u>	<u>\$ 163,754</u>	<u>\$ 470,243</u>	<u>\$ 483,547</u>	<u>\$ 724,330</u>	<u>\$ 246,017</u>	<u>\$ 2,250,316</u>
Accumulated depreciation and impairment:							
At January 1, 2015	\$ 25,599	\$ 52,652	\$ 78,211	\$ 184,624	\$ 214,881	\$ -	\$ 555,967
Depreciation	2,326	5,227	11,395	30,699	42,412	-	92,059
Disposals	-	-	(27)	(3,471)	(276)	-	(3,774)
Effect of movements in exchange rates	99	-	135	6,974	4,215	-	11,423
At June 30, 2015	<u>\$ 28,024</u>	<u>\$ 57,879</u>	<u>\$ 89,714</u>	<u>\$ 218,826</u>	<u>\$ 261,232</u>	<u>\$ -</u>	<u>\$ 655,675</u>

Carrying amounts:

At January 1, 2015	\$ 134,032	\$ 84,782	\$ 351,942	\$ 269,869	\$ 453,544	\$ 200,400	\$ 1,494,569
At June 30, 2015	134,401	105,875	380,529	264,721	463,098	246,017	1,594,641

Additions to property, plant and equipment include capitalization of interest of \$2.5 million and \$2.0 million in the three months ended June 30, 2015 and 2014, respectively. Additions to property, plant and equipment include capitalization of interest of \$4.7 million and \$3.4 million in the six months ended June 30, 2015 and 2014, respectively.

8 Long-term prepaid expenses and other assets

	June 30, 2015	December 31, 2014
Long-term prepaid expenses	\$ 359	\$ 371
Risk management assets (note 16)	-	34,855
Defined benefit plan assets	929	989
Other assets	3,148	3,462
Total	<u>\$ 4,436</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>June 30, 2015</u>	<u>December 31, 2014</u>
Trade payables	\$ 416,213	\$ 445,670
Accrued compensation charges.....	23,863	43,988
Indirect taxes payable	3,845	3,157
Risk management liabilities (note 16).....	6,867	18,135
Broker accounts payable	-	183
Defined benefit plan obligations	757	757
Interest payable	36,812	36,892
Due to Hunting.....	8,585	8,999
Other	21,380	23,682
	<u>\$ 518,322</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, 2019, 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.

The Revolving Credit Facility contains certain covenants including financial covenants requiring the Company to maintain ratios of maximum senior debt leverage ratio of 3.5:1.0, maximum total debt leverage ratio of 4.0:1.0 and minimum interest coverage ratio of 2.5:1.0. As at June 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 June 30, 2015. The Company had issued letters of credit totalling \$38.6 million and \$57.5 million as at June 30, 2015 and December 31, 2014, respectively.

In July 2015, the Company amended certain terms of its Revolving Credit Facility. These amendments include, among other items, an extension of the term of the facility from August 15, 2019 to August 15, 2020, and to increase the maximum consolidated senior debt to EBITDA ratio from 3.5 to 1.0 to 4.0 to 1.0 until June 30, 2017. In addition, the Company established new bilateral demand letter of credit facilities totaling \$150.0 million with three of the Company’s existing lenders.

Long-term debt

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
U.S. \$550.0 million 6.75% Notes due July 15, 2021.....	\$ 686,070	\$ 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	(21,259)	(22,687)
Long-term debt: non-current portion.....	<u>\$ 1,214,811</u>	<u>\$ 1,165,368</u>

The Company’s long-term debt contain non-financial covenants and customary events of default clauses. As of June 30, 2015 and December 31, 2014, the Company was in compliance with all of its covenants. As at June 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 \$1,281.2 million and \$1,193.6 million, respectively.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

(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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Foreign exchange loss (gain) on movement in exchange rates on U.S. dollar long-term debt..	\$ (11,495)	\$ (19,725)	\$ 48,015	\$ 1,125
Loss (gain) on financial instruments relating to long-term debt (note 16)	-	9,686	(9,995)	(1,105)
Foreign exchange (gain) loss on long-term debt...	\$ (11,495)	\$ (10,039)	\$ 38,020	\$ 20

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:

	Six months ended June 30, 2015	Year ended December 31, 2014
Opening balance.....	\$ 136,347	\$ 91,424
Settlements	(1,765)	(4,462)
Assumed in a business combination.....	-	824
Additions.....	-	4,152
Change in estimated future cash flows.....	1,032	14,584
Change in discount rate.....	38	25,903
Unwinding of discount.....	1,589	2,898
Effect of changes in foreign exchange rates.....	910	1,024
Closing balance.....	\$ 138,151	\$ 136,347

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.3% at June 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

	June 30, 2015	December 31, 2014
Defined benefit plan obligations	\$ 5,836	\$ 5,939
Risk management liabilities (note 16).....	439	8,269
Other.....	1,241	602
	\$ 7,516	\$ 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 equity incentive plan	399,980	-
Reclassification of contributed surplus on exercise of stock options and other stock awards.....	-	8,924
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	735,574	18,329
At June 30, 2015	125,624,099	\$ 1,661,254

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.....	800,517	26.80	323,201	515,980	85,047
Exercised and released for common shares.....	-	-	(234,450)	(101,497)	(64,501)
Forfeited.....	-	-	(20,298)	(25,135)	-
Balance at June 30, 2015.....	<u>3,285,732</u>	<u>\$ 23.83</u>	<u>613,206</u>	<u>1,018,307</u>	<u>167,332</u>
Vested	<u>1,490,221</u>	<u>\$ 20.29</u>	<u>106,929</u>	<u>-</u>	<u>16,706</u>

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

Per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Weighted average common shares outstanding - basic	125,549	123,401	125,222	123,023
Dilutive effect of:				
Stock options and other awards	-	2,224	-	1,922
Weighted average common shares outstanding - Diluted	<u>125,549</u>	<u>125,625</u>	<u>125,222</u>	<u>124,945</u>

The dilutive effect of 2.2 and 2.0 million stock options and other awards for the three and six months ended June 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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Products	\$ 1,356,629	\$ 1,875,879	\$ 2,519,560	\$ 3,734,047
Services.....	217,798	250,486	447,209	503,010
	<u>\$ 1,574,427</u>	<u>\$ 2,126,365</u>	<u>\$ 2,966,769</u>	<u>\$ 4,237,057</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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Current	\$ 7,000	\$ 5,652	\$ 21,142	\$ 25,842
Deferred	(7,656)	(4,287)	(15,478)	(7,126)
Income tax (recovery) provision	<u>\$ (656)</u>	<u>\$ 1,365</u>	<u>\$ 5,664</u>	<u>\$ 18,716</u>
Effective income tax rate	<u>8.9%</u>	<u>5.4%</u>	<u>(26.3%)</u>	<u>21.1%</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:

	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 227	\$ 318	\$ 4,850	\$ 490
Commodity swaps.....	4,296	5,455	13,847	16,928
Commodity options.....	218	35	-	-
Equity swaps	-	619	-	-
Foreign currency forwards	-	879	34,860	717
Foreign currency options	11	-	-	8,269
Total.....	<u>\$ 4,752</u>	<u>\$ 7,306</u>	<u>\$ 53,557</u>	<u>\$ 26,404</u>
Less non-current portion:				
Equity swaps	-	(439)	-	-
Foreign currency forwards	-	-	34,855	-
Foreign currency options	-	-	-	8,269
	-	-	34,855	8,269
Current portion.....	<u>\$ 4,752</u>	<u>\$ 6,867</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 six months ended June 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 six months ended June 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 June 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 June 30, 2015 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	\$ 4,296	\$ -	\$ 4,296	\$ -
Commodity futures	227	227	-	-
Commodity options	218	-	218	-
Foreign currency options	11	-	11	-
Total assets	<u>\$ 4,752</u>	<u>\$ 227</u>	<u>\$ 4,525</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity swaps	\$ 5,455	\$ -	\$ 5,455	\$ -
Commodity futures	318	318	-	-
Commodity options	35	-	35	-
Equity swaps.....	619	619	-	-
Foreign currency options	-	-	-	-
Foreign currency forward contracts	879	-	879	-
Total liabilities.....	<u>\$ 7,306</u>	<u>\$ 937</u>	<u>\$ 6,369</u>	<u>\$ -</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cost of sales	\$ 5,338	\$ (622)	\$ 2,516	\$ (2,845)
General and administrative	1,868	-	619	-
Foreign exchange (gain) loss on long-term debt (note 10)	-	9,686	(9,995)	(1,105)
	<u>\$ 7,206</u>	<u>\$ 9,064</u>	<u>\$ (6,860)</u>	<u>\$ (3,950)</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>June 30,</u>	
	<u>2015</u>	<u>2014</u>
U.S. dollar forwards and options		
Favorable 5% change	\$ 3,116	\$ 4,313
Unfavorable 5% change	(3,069)	(4,384)
U.S. dollar long-term debt forwards and the related options		
Favorable 5% change	\$ -	\$ 15,902
Unfavorable 5% change	-	(15,902)

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>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Crude oil and NGL related prices		
Favorable 15% change	\$ 4,679	\$ 7,927
Unfavorable 15% change	(3,682)	(7,789)

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:

	June 30,	
	2015	2014
Equity Swaps		
Favorable 10% change	\$ 908	\$ -
Unfavorable 10% change	(908)	-

Set out below is maturity analyses of certain of the Company's financial contractual obligations as at June 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	\$ 474,643	\$ -	\$ -	\$ 474,643
Dividend payable	40,198	-	-	40,198
Long-term debt	-	-	1,236,070	1,236,070
Interest payment on long-term debt	79,935	319,738	222,773	622,446
Commodity swaps	5,455	-	-	5,455
Commodity futures	318	-	-	318
Commodity options	35	-	-	35
Equity swap	180	439	-	619
Foreign currency options	-	-	-	-
Foreign currency forwards	879	-	-	879
	<u>\$ 601,643</u>	<u>\$ 320,177</u>	<u>\$ 1,458,843</u>	<u>\$ 2,380,663</u>

17 Employee salaries and benefits

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Employee salaries and benefits	\$ 81,093	\$ 73,622	\$ 164,825	\$ 149,920

Employee salaries and benefits have been expensed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Cost of sales	\$ 70,735	\$ 65,625	\$ 144,428	\$ 133,910
General and administrative	10,358	7,997	20,397	16,010
	<u>\$ 81,093</u>	<u>\$ 73,622</u>	<u>\$ 164,825</u>	<u>\$ 149,920</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 treating, water 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 June 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	\$ 33,076	\$ 70,033	\$ 99,098	\$ 188,414	\$ 75,038	\$1,108,768	\$ -	\$1,574,427
Revenue - inter- segmental	12,877	6,368	12,685	35,149	30,774	192,171	-	290,024
Revenue – external and inter-segmental.....	45,953	76,401	111,783	223,563	105,812	1,300,939	-	1,864,451
Segment profit	35,824	15,054	13,147	6,259	5,120	6,267	-	81,671
Depreciation of property, plant and equipment	10,035	18,778	10,704	4,107	3,595	69	614	47,902
Amortization of intangible assets	338	5,750	3,352	2,142	1,247	173	1,103	14,105
General and administrative	-	-	-	-	-	-	11,822	11,822
Stock based compensation	-	-	-	-	-	-	5,116	5,116
Corporate foreign exchange loss	-	-	-	-	-	-	1,833	1,833
Interest expense	-	-	-	-	-	-	20,206	20,206
Interest income	-	-	-	-	-	-	(421)	(421)
Foreign exchange gain on long-term debt....	-	-	-	-	-	-	(11,495)	(11,495)
Income tax recovery	-	-	-	-	-	-	(656)	(656)
Net income (loss).....	\$ 25,451	\$ (9,474)	\$ (909)	\$ 10	\$ 278	\$ 6,025	\$ (28,122)	\$ (6,741)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended June 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	\$ 20,227	\$ 83,668	\$ 125,227	\$ 221,965	\$ 101,813	\$1,573,465	\$ -	\$2,126,365
Revenue - inter- segmental	14,903	9,441	11,893	41,926	43,995	301,450	-	423,608
Revenue – external and inter-segmental.....	35,130	93,109	137,120	263,891	145,808	1,874,915	-	2,549,973
Segment profit	24,691	21,675	20,033	7,159	5,521	12,775	-	91,854
Depreciation of property, plant and equipment	7,029	13,112	8,992	3,085	2,973	67	539	35,797
Amortization of intangible assets	521	6,128	3,241	1,519	1,246	169	643	13,467
General and administrative	-	-	-	-	-	-	9,114	9,114
Stock based compensation	-	-	-	-	-	-	3,380	3,380
Corporate foreign exchange gain	-	-	-	-	-	-	(369)	(369)
Interest expense	-	-	-	-	-	-	15,331	15,331
Interest income	-	-	-	-	-	-	(30)	(30)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	(10,039)	(10,039)
Income tax provision	-	-	-	-	-	-	1,365	1,365
Net income	\$ 17,141	\$ 2,435	\$ 7,800	\$ 2,555	\$ 1,302	\$ 12,539	\$ (19,934)	\$ 23,838

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Six months ended June 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	\$ 63,522	\$ 144,666	\$ 213,657	\$ 444,776	\$ 140,675	\$ 1,959,473	\$ -	\$ 2,966,769
Revenue - inter- segmental	24,676	16,139	28,280	73,007	57,547	362,204	-	561,853
Revenue – external and inter-segmental.....	88,198	160,805	241,937	517,783	198,222	2,321,677	-	3,528,622
Segment profit	68,224	31,642	29,691	44,593	12,914	17,393	-	204,457
Depreciation of property, plant and equipment	19,553	34,971	21,037	8,218	6,948	138	1,194	92,059
Amortization of intangible assets	673	11,632	6,608	4,446	2,494	344	2,121	28,318
General and administrative	-	-	-	-	-	-	20,382	20,382
Stock based compensation	-	-	-	-	-	-	9,582	9,582
Corporate foreign exchange gain	-	-	-	-	-	-	(2,492)	(2,492)
Interest expense	-	-	-	-	-	-	40,668	40,668
Interest income	-	-	-	-	-	-	(503)	(503)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	38,020	38,020
Income tax provision	-	-	-	-	-	-	5,664	5,664
Net income (loss).....	\$ 47,998	\$ (14,961)	\$ 2,046	\$ 31,929	\$ 3,472	\$ 16,911	\$ (114,636)	\$ (27,241)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Six months ended June 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	\$ 41,663	\$ 165,092	\$ 246,338	\$ 583,536	\$ 213,979	\$2,986,449	\$ -	\$4,237,057
Revenue - inter- segmental	30,601	19,686	28,276	82,899	107,075	516,796	-	785,333
Revenue – external and inter-segmental.....	72,264	184,778	274,614	666,435	321,054	3,503,245	-	5,022,390
Segment profit	51,422	43,654	39,917	41,564	22,605	38,552	-	237,714
Depreciation of property, plant and equipment	14,154	25,996	18,113	5,756	5,813	134	1,075	71,041
Amortization of intangible assets	1,043	12,337	6,490	3,049	2,492	339	1,286	27,036
General and administrative	-	-	-	-	-	-	17,433	17,433
Stock based compensation	-	-	-	-	-	-	6,508	6,508
Corporate foreign exchange gain	-	-	-	-	-	-	(1,977)	(1,977)
Interest expense	-	-	-	-	-	-	28,993	28,993
Interest income	-	-	-	-	-	-	(49)	(49)
Foreign exchange loss on long-term debt....	-	-	-	-	-	-	20	20
Income tax provision	-	-	-	-	-	-	18,716	18,716
Net income	\$ 36,225	\$ 5,321	\$ 15,314	\$ 32,759	\$ 14,300	\$ 38,079	\$ (72,005)	\$ 69,993

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

	Six months ended June 30, 2015		Six months ended June 30, 2014	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Terminals and Pipelines.....	\$ 100,559	\$ 1,164	\$ 102,388	\$ 862
Environmental Services	30,946	304	33,139	1,011
Truck Transportation	22,675	3,318	19,478	1,466
Propane & NGL Marketing & Distribution.....	3,652	39	25,702	6,193
Processing & Wellsite Fluids	11,934	7	5,465	-
Corporate & other.....	2,127	6,256	5,460	3,575
	<u>\$ 171,893</u>	<u>\$ 11,088</u>	<u>\$ 191,632</u>	<u>\$ 13,107</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Geographic Data

Based on the location of the end user, approximately 17% and 18% of revenue was to customers in the United States for the three and six months ended June 30, 2015, respectively, and approximately 16% and 18% for the three and six months ended June 30, 2014, respectively.

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

19 Subsequent Events

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of Ross Eriksmoen, Inc, GWCC, LLC, and Frontier Ventures, LLC (collectively doing business as "T&R Transport") for approximately \$35.0 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. The initial accounting for the acquisition is in the preliminary stages and will be based on the acquisition date balance sheet at July 1, 2015 as well as determining fair value of identifiable assets acquired and liabilities assumed on the acquisition date.

On August 6, 2015, the Board declared a quarterly dividend of \$0.32 per common share for the three months ended September 30, 2015 on its outstanding common shares. The dividend is payable on October 16, 2015 to shareholders of record at the close of business on September 30, 2015. Additionally, the Board has suspended, until further notice, Gibsons' Dividend Reinvestment Plan and Stock Dividend Program commencing with the Company's next quarterly dividend, payable on October 16, 2015. Shareholders currently enrolled in Gibsons' Dividend Reinvestment Plan and Stock Dividend Program will now receive cash dividends.