

GIBSON ENERGY

2021 REPORT TO SHAREHOLDERS, MANAGEMENT'S DISCUSSION AND ANALYSIS AND ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2021

TSX:GEI





IN THIS REPORT

Management's Discussion
and Analysis

Annual Financial Statements



GIBSONENERGY.COM





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MANAGEMENT'S DISCUSSION & ANALYSIS

2021 YEAR END REPORT

TSX:GEI



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Basis of Presentation

The following MD&A was prepared and approved by the Board of Gibson Energy Inc. (“we”, “our”, “us”, “Gibson”, “Gibson Energy” or the “Company”) as of February 22, 2022 and should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the years ended December 31, 2021 and 2020, which were prepared under International Financial Reporting Standards as issued by the International Accounting Standards Board, also referred to as GAAP. Amounts are stated in thousands of Canadian dollars except volumes and per share data, unless otherwise noted. Additional information about Gibson, including our AIF for the year ended December 31, 2021 is available on our SEDAR profile at www.sedar.com and on our website at www.gibsonenergy.com. This MD&A contains forward-looking statements and specified financial measures and readers are cautioned that this MD&A should be read in conjunction with the Company’s disclosures under “Forward-Looking Information and Advisory Statement” and “Specified Financial Measures”. For a list of common terms or abbreviations used in this MD&A, refer to “Terms and abbreviations”.

Specified Financial Measures

The Company has identified certain specified financial measures that management believes provide meaningful information in assessing the Company’s underlying performance. Readers are cautioned that these measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Refer to the “Specified Financial Measures” section of this MD&A for a list and description, including reconciliations to the most directly comparable GAAP measures, of such measures.

BUSINESS OVERVIEW

Gibson is a Canadian-based liquids infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of liquids and refined products. Headquartered in Calgary, Alberta, the Company's operations are focused around its core terminal assets located at Hardisty and Edmonton, Alberta, and also include the Moose Jaw Facility and an infrastructure position in the United States.

CONSOLIDATED FINANCIAL RESULTS

(\$ thousands, except where noted)	Three months ended December 31,			Years ended December 31,		
	2021	2020	Change	2021	2020	Change
Revenue	2,119,027	1,320,689	798,338	7,211,148	4,938,066	2,273,082
Segment Profit ⁽³⁾	120,667	84,345	36,322	475,196	469,047	6,149
Adjusted EBITDA ^(1,2)	103,762	81,888	21,874	445,218	444,915	303
Net income	43,917	12,442	31,475	145,053	121,309	23,744
Cash flow from operating activities	3,186	44,940	(41,754)	216,806	459,551	(242,745)
Distributable cash flow ⁽¹⁾	64,396	54,096	10,300	291,073	298,888	(7,815)
Growth capital including equity investments ⁽⁴⁾	38,489	60,807	(22,318)	153,797	308,944	(155,147)
Dividends declared	51,319	49,494	1,825	205,154	198,667	6,487
Trailing twelve months – As at December 31,						
	2021	2020	Change			
Ratios						
Net debt to adjusted EBITDA ratio ⁽⁵⁾	3.2	2.8	0.4			
Debt to capitalization ratio	50%	46%	4%			
Interest coverage ratio	10.9	8.6	2.3			
Dividend payout ratio ⁽⁵⁾	70%	66%	4%			
Years ended December 31,						
	2021	2020	2019			
Revenue	7,211,148	4,938,066	7,336,322			
Net income	145,053	121,309	176,339			
Basic income per share (\$/share)	0.99	0.83	1.21			
Diluted income per share (\$/share)	0.97	0.82	1.19			
Dividends (\$/share)	1.40	1.36	1.32			
As at December 31,						
	2021	2020	2019			
Total assets	3,431,760	3,067,160	2,976,690			
Total non-current liabilities	1,991,126	1,856,236	1,626,916			

(1) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

(2) Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been restated to conform to this new presentation. See "Specified Financial Measures" section of this MD&A for the definition and reconciliations of adjusted EBITDA

(3) Total segment profit is a total of segments measure. See the "Specified Financial Measures" section of this MD&A for more information.

(4) Growth capital including equity investments is a supplementary financial measure. See the "Specified Financial Measures" section of this MD&A for more information.

(5) Net debt to adjusted EBITDA ratio and dividend payout ratio are non-GAAP financial ratios. See the "Specified Financial Measures" section of this MD&A for more information on each non-GAAP financial ratio.

2021 REVIEW

- Revenue of \$7,211.1 million increased by \$2,273.1 million for the year ended December 31, 2021 compared to \$4,938.1 million for the year ended December 31, 2020, primarily due to higher commodity prices and volumes increasing the contribution from the Marketing segment.
- Segment profit of \$475.2 million increased by \$6.1 million for the year ended December 31, 2021 compared to \$469.0 million for the year ended December 31, 2020. The change was due to an increase in Infrastructure segment profit of \$59.5 million, primarily driven by the contribution from additional tankage at Hardisty that was placed into service in the fourth quarter of 2020, contribution from the DRU commencing operations during the third quarter of 2021 and the receipt of a one-time payment for the present value of the remaining term of a rail loading contract during the current year. This was largely offset by a decrease in Marketing segment profit of \$53.4 million, primarily due to significant opportunities created by volatility in crude oil differentials in the first half of 2020.
- Adjusted EBITDA of \$445.2 million increased by \$0.3 million for the year ended December 31, 2021 compared to \$444.9 million for the year ended December 31, 2020. The factors identified above impacted adjusted EBITDA, as well as slightly lower general and administrative expenses in the prior year as a result of certain credits recognized.
- Net income of \$145.1 million increased by \$23.7 million for the year ended December 31, 2021 compared to \$121.3 million for the year ended December 31, 2020, primarily due to higher debt extinguishment costs incurred in the prior year.
- Cash flow from operating activities of \$216.8 million decreased by \$242.7 million for the year ended December 31, 2021 compared to \$459.6 million for the year ended December 31, 2020, primarily due to changes in working capital items, as well as the factors described above.
- Distributable cash flow of \$291.1 million decreased by \$7.8 million, for the year ended December 31, 2021 compared to \$298.9 million for the year ended December 31, 2020, a result of the factors described above impacting adjusted EBITDA, as well as higher income tax expense and lower lease payments in 2021. This resulted in a dividend payout ratio of 70% for the year ended December 31, 2021.
- Growth capital expenditures including equity investments was \$153.8 million for the year ended December 31, 2021, primarily directed towards completing the construction of the DRU and various infrastructure projects at the Edmonton Terminal.
- Net debt to adjusted EBITDA ratio of 3.2x as at December 31, 2021, an increase of 0.4x, compared to 2.8x as at December 31, 2020, primarily due to increase in net debt. Long-term debt as at December 31, 2021 was \$1,660.6 million (December 31, 2020 - \$1,449.5 million).
- The Company declared annual dividends of \$1.40 per common share for the year ended December 31, 2021 compared to \$1.36 per common share for the year ended December 31, 2020. Total dividends declared for the year ended December 31, 2021 were \$205.2 million, compared to \$198.7 million for the year ended December 31, 2020.
- On March 31, 2021, the Company entered into a long-term agreement with Suncor Energy Inc. for services at the Edmonton Terminal and the related sanction of a biofuels blending project on a fixed-fee basis and a 25-year term to facilitate the storage, blending and transportation of renewable diesel.
- On August 3, 2021, the Company announced the sanction of new tankage at its Edmonton Terminal, with an investment grade counterparty.
- On August 26, 2021, the Company announced the renewal of the Company's normal course issuer bid for an additional one-year period, until August 31, 2022, allowing the repurchase and cancellation of up to 10% or 11,715,229 of the issued and outstanding common shares.
- On September 13, 2021, the Company announced the addition of Ms. Juliana Lam to the Company's Board.
- On October 14, 2021, the Company announced its 2050 net zero carbon commitment, and announced an "AAA" rating from MSCI ESG Ratings, being the only company in MSCI ESG Ratings' Oil & Gas Refining, Marketing, Transportation and Storage sector in North America to receive this leadership rating.
- On December 6, 2021, the Company announced its 2022 growth capital expenditure target of approximately \$150 million with an additional allocation of between \$25 million and \$30 million in replacement capital expenditures.
- During the third quarter, the DRU commenced operations and on December 14, 2021 the Company announced the DRU was fully in-service operating at or above its nameplate capacity of 50,000 barrels per day.

SUBSEQUENT EVENTS

- On January 11, 2022, the Company announced the addition of Ms. Heidi Dutton to the Company's Board.
- On February 22, 2022, the Board declared a quarterly dividend of \$0.37 per common share, an increase of \$0.02 per common share, for the first quarter on its outstanding common shares. The common share dividend is payable on April 14, 2022 to shareholders of record at the close of business on March 31, 2022.

RESULTS OF OPERATIONS AND TRENDS IMPACTING THE BUSINESS

Gibson regularly evaluates its long-range strategic plan in order to assess the implications of emerging macroeconomic, societal, political and industry trends, and how these trends have the potential to affect Gibson's business and prospects over the short-term and the medium to long-term. Management has identified the primary risk factors that could have a material impact on the financial results and operations of the Company. Such risk factors are described in the "Risk Factors" section of this MD&A and are also included in the AIF. The Company's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described within the "Forward-Looking Information and Advisory Statement" section of this MD&A. This MD&A contains forward-looking statements based on Company's current expectations, estimates, projections and assumptions. This information is provided to assist readers in understanding the Company's future plans and expectations and may not be appropriate for other purposes.

The Company's senior management evaluates segment performance based on a variety of measures depending on the segment being evaluated, including segment profit, segment revenue and volumes. The Company defines segment profit as revenue less cost of sales (excluding depreciation, amortization and impairment charges) and operating expenses. Segment profit also includes the Company's share of equity pick up from equity accounted investees. Segment revenue presented in the tables below include inter-segment revenue, as this is considered more indicative of the level of each segment's activity. Profit by segment excludes depreciation, amortization, accretion, impairment charges, stock-based compensation, and corporate expenses such as income taxes, interest and general and administrative expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items, as one of the Company's important measures of segment performance. The exclusion of depreciation, amortization and impairment expense could be viewed as limiting the usefulness of segment profit as a performance measure because it does not take into account, in current periods, the implied reduction in value of the Company's capital assets (such as, tanks, pipelines and connections, and plant and equipment) caused by use, aging and wear and tear. Repair and maintenance expenditures that do not extend the useful life, improve the efficiency or expand the operating capacity of the Company's capital assets are charged to operating expense as incurred. Adjusted EBITDA is a non-GAAP measure that, as described in "Specified Financial Measures", adjusts for certain non-cash items that are not reflective of ongoing operations while still being included in the segment profit.

The Company's segment analysis involves an element of judgment relating to the allocations between segments. Inter-segment sales, cost of sales and operating expenses are eliminated on consolidation. Transactions between segments and within segments are valued at prevailing market rates. The Company believes that the estimates with respect to these allocations and rates are reasonable.

The following is a discussion of the Company's segmented results of operations for the three months and years ended December 31, 2021 and 2020:

INFRASTRUCTURE

The Infrastructure segment is comprised of a network of liquids infrastructure assets that include crude 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 crude oil and refined products out of the WCSB; the DRU which is located adjacent to the Hardisty Terminal; gathering pipelines which are connected to the Hardisty Terminal; an infrastructure position located in the U.S.; and the Moose Jaw Facility, which is impacted by maintenance turnarounds occurring within the spring every few years.

The Company is responding to the energy transition and evaluating strategic opportunities including advancing select projects and investing in new technologies. Desire for low carbon alternatives by customers, increasing competition and changes in demand could have an impact on the nature of services offered as the Company executes on those plans. Also, the infrastructure segment primarily derives revenue from stable long-term take-or-pay agreements with investment grade counterparties, such trends could also impact Company's ability to renew or renegotiate these contracts and may impact operational and financial results of the Infrastructure segment.

The following table sets forth the operating results from the Company's Infrastructure segment for the three months and years ended December 31, 2021 and 2020:

(\$ thousands, except volumes)	Three months ended December 31,			Years ended December 31,		
	2021	2020	Change	2021	2020	Change
Volumes (in thousands of bbls)	129,318	108,833	20,485	467,295	408,427	58,868
Revenue	126,781	116,214	10,567	519,762	465,320	54,442
Operating expenses & other ⁽¹⁾	21,474	22,975	(1,501)	85,833	90,896	(5,063)
Segment profit	105,307	93,239	12,068	433,929	374,424	59,505
Adjusted EBITDA ^(2,3)	105,921	93,742	12,179	436,480	373,755	62,725

(1) Includes the Company's share of equity pick up from equity accounted investees.

(2) Adjusted EBITDA is a non-GAAP financial measure. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

(3) Effective Q1 2021, the Company updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been represented to conform to this new presentation. See "Specified Financial Measures" section of this MD&A for the definition and reconciliations of adjusted EBITDA.

Operational performance

In the three months and year ended December 31, 2021, compared to the three months and year ended December 31, 2020:

Infrastructure volumes increased by 20.5 million barrels or 19%, and 58.9 million barrels or 14%, largely attributable to the addition of 1.5 million barrels of additional tankage at Hardisty that was placed into service in the fourth quarter of 2020 as well as additional throughput by certain customers at Hardisty.

Financial performance

In the three months and year ended December 31, 2021 compared to three months and year ended December 31, 2020:

Revenue increased by \$10.6 million or 9% and \$54.4 million or 12%, primarily driven by the contribution of additional tankage at Hardisty that was placed into service in the fourth quarter of 2020 and a \$19.9 million payment for the present value of the remaining term of a rail loading contract in the second quarter of 2021, partly offset by reduced revenue for the remainder of the year as a result of the early payout of the rail loading contract.

Operating expenses and other decreased by \$1.5 million and \$5.1 million primarily driven by increased equity pickup from the Company's equity investments, and the reversal of an accrual in the first quarter of 2021 pertaining to a regulatory matter.

Primarily as a result of the factors discussed above, adjusted EBITDA and segment profit increased by \$12.2 million and \$12.1 million in the three month period and \$62.7 million and \$59.5 million for the annual period.

MARKETING

The Marketing segment involves 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, road asphalt, roofing flux, frac oils, light and heavy straight run distillates 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.

The Marketing segment is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets and/or hydrocarbon qualities. These risks are managed by purchasing and selling products at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, swaps, futures, options and other hedging instruments. Fair values of these derivative contracts fluctuate depending on the commodity prices and can impact segment profits in the form of realized or unrealized gains and losses, often offset by physical inventories, that can change significantly period over period. The Company manages its risk exposure by balancing purchases and sales when practicable to lock-in margins; however, at certain times the Company may have unbalanced purchases and sales. For more information about the risks associated with our use of financial instruments please refer to "Quantitative and Qualitative Disclosures about Market Risks" and "Risk Factors" within this document and the AIF.

Canadian road asphalt activity, related to refined products, is affected by the impact of weather conditions on road construction. Road

asphalt demand typically peaks during the summer months when most of the road construction activity in Canada takes place. In the off-peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent primarily on well drilling activities, normally the busiest in the winter in the Canadian market. Demand for NGLs is also highest in the colder months of the year.

(\$, except where noted)	Three months ended December 31,			Years ended December 31,		
	2021	2020	Change	2021	2020	Change
WTI average price (\$USD/bbl)	77.19	42.66	34.53	67.92	39.40	28.52
WCS average differential (\$USD/bbl)	14.64	9.30	5.34	13.05	12.60	0.45
Average foreign exchange rates (\$CAD/\$USD)	1.26	1.30	(0.04)	1.26	1.34	(0.08)

The following table sets forth operating results from the Company's Marketing segment for the three months and year ended December 31, 2021 and 2020:

(\$ thousands, except volumes)	Three months ended December 31,			Years ended December 31,		
	2021	2020	Change	2021	2020	Change
Volumes (in thousands of bbls)	52,797	40,892	11,905	210,475	159,748	50,727
Revenue	2,087,825	1,262,729	825,096	6,963,581	4,665,425	2,298,156
Cost of sales and other expenses	2,072,465	1,271,623	800,842	6,922,314	4,570,802	2,351,512
Segment profit (loss)	15,360	(8,894)	24,254	41,267	94,623	(53,356)
Adjusted EBITDA ^(1,2)	5,677	(4,020)	9,697	43,219	104,241	(61,022)

1) Adjusted EBITDA is a non-GAAP financial measure. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

2) Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been represented to conform to this new presentation. See "Specified Financial Measures" section of the MD&A for this definition and reconciliations of adjusted EBITDA.

Operational performance

In the three months and year ended December 31, 2021, compared to the three months and year ended December 31, 2020:

Marketing volumes increased by 11.9 million barrels or 29% and 50.7 million barrels or 32%, due to higher activity from the Canadian Crude Marketing business as part of engaging in certain location, time, and quality-based opportunities and higher refined product volumes due to both market optimization strategies employed by the Company as well as higher demand for certain products in the current periods.

Financial performance

In the three months and year ended December 31, 2021, compared to the three months and year ended December 31, 2020:

Revenue increased by \$825.1 million or 65% and \$2,298.2 million or 49%, and cost of sales and other expenses increased by \$800.8 million or 63% and \$2,351.5 million or 51%. The increases were largely due to higher average prices for crude oil, refined and other products, coupled with higher volumes during the current periods as noted above.

Adjusted EBITDA increased by \$9.7 million or 241% and decreased by \$61.0 million or 59%. The increase in the three month period was primarily driven by improved location, time and quality based opportunities for Crude Marketing in the current period. The decrease for the annual period was primarily due to the prior period benefitting from significant opportunities created by volatility in crude oil differentials in the first half of 2020 for the Crude Marketing business.

Segment profit increased by \$24.3 million or 273% and decreased by \$53.4 million or 56%, due to the same factors as adjusted EBITDA, as well as the effect of unrealized gains and losses on financial instruments in the respective periods.

EXPENSES

(\$ thousands)	Three months ended December 31,			Years ended December 31,		
	2021	2020	Change	2021	2020	Change
General and administrative	7,836	7,834	2	34,481	33,081	1,400
Depreciation and impairment	32,264	33,477	(1,213)	136,068	124,057	12,011
Right-of-use depreciation	6,531	9,257	(2,726)	29,123	37,962	(8,839)
Amortization and impairment	2,460	1,832	628	8,670	7,403	1,267
Stock-based compensation	5,235	5,726	(491)	23,335	21,144	2,191
Foreign exchange loss/(gain)	566	1,034	(468)	938	(1,698)	2,636
Debt extinguishment costs	-	2,001	(2,001)	-	31,833	(31,833)
Net interest expense	14,961	13,691	1,270	61,344	64,587	(3,243)
Income tax expense / (recovery)	6,897	(2,951)	9,848	36,184	29,369	6,815

In the three months and year ended December 31, 2021, compared to the three months and year ended December 31, 2020:

General and administrative, excluding depreciation and amortization

General and administrative expenses stayed consistent for the three month period and increased by \$1.4 million for the year ended. The year over year increase was primarily due to credits recorded in the comparative periods associated with a transition service agreement relating to the Canadian Truck Transportation business sale.

Depreciation and impairment

Depreciation and impairment expense decreased by \$1.2 million for the three month period primarily due a revision in decommissioning estimates for select assets during the year. Depreciation and impairment expense increased \$12.0 million for the year ended period primarily due to an impairment charge of \$11.5 million recorded in the second quarter of 2021 in relation to certain non-performing assets as well as the impact of 1.5 million barrels of additional tankage placed in service in the fourth quarter of 2020.

Right-of-use asset depreciation

Right-of-use asset depreciation decreased by \$2.7 million and \$8.8 million, primarily due to reductions in the value of rail car leases, due to leases expiring or being renewed at reduced rates.

Amortization and impairment

Amortization and impairment expense was relatively consistent for the three month period and increased by \$1.3 million for the year ended period. The year over year increase was primarily due to additional technology assets being placed in service during the year.

Stock-based compensation

Stock-based compensation expense was relatively consistent for the three month period and increased by \$2.2 million for the year ended period. The year over year increase was primarily due to higher PSUs issued as a result of an increase in the PSU performance factor and the increase of the Company's share price in the first quarter of the year.

Foreign exchange loss/(gain) not affecting segment profit

For the three months and year ended periods foreign exchange loss/(gain) not affecting segment profit decreased due to the net movements of the exchange rates during the respective periods.

Debt extinguishment costs

There were no debt extinguishment costs incurred in the current year. For the prior periods, the debt extinguishment costs related to the early redemption premium paid on the retirement of senior unsecured notes.

Net interest expense

Net interest expense increased by \$1.2 million for the three month period, primarily due to reduced capitalization of interest based on the stage of construction of the Company's projects and increased draws on the Company's Revolving Credit Facility. For the year ended period, the net interest expense decreased by \$3.2 million, primarily due to lower interest rates on long-term debt as a result of refinancing efforts undertaken by the Company in prior periods.

Income tax expense / (recovery)

For the three month period, income taxes increased with deferred income tax expense of \$3.0 million and current income tax expense of \$3.9 million, compared to a deferred tax expense of \$2.4 million and current tax recovery of \$5.3 million. For the year ended period, income taxes increased with deferred income tax expense of \$11.1 million and current income tax expense of \$25.0 million, compared to a deferred tax expense of \$9.0 million and current tax expense of \$20.3 million. The increase in income taxes for both the three month period and the year ended period was primarily due to an increase in taxable income.

The effective tax rate was 13.6% and 20.0% during the three months and year ended periods, compared to negative 31.1% and 19.5%. The change in the three month ended period was primarily due to recoveries booked in 2020 for a tax rate adjustment related to the Alberta Job Creation Tax Cut.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Company's quarterly results for each of the last eight quarters:

(\$ thousands, except per share amounts)	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	2,119,027	1,807,633	1,674,756	1,609,732	1,320,689	1,364,213	794,474	1,458,690
Net income	43,917	35,996	32,363	32,777	12,442	17,550	41,314	50,003
Adjusted EBITDA ^(1,2)	103,762	110,716	127,678	103,062	81,888	100,825	144,516	117,686
Earnings per share								
Basic (\$/share)	0.30	0.25	0.22	0.22	0.09	0.12	0.28	0.34
Diluted (\$/share)	0.29	0.24	0.22	0.22	0.08	0.11	0.28	0.34

1) Adjusted EBITDA is a non-GAAP financial measure. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

2) Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been restated to conform to this new presentation. See "Specified Financial Measures" section of this MD&A for the definition and reconciliations of adjusted EBITDA.

For more details on the specific factors driving the periodic movements, refer to the "Results of Operations and Trends Impacting the Business" section of this MD&A. The following identifies the key drivers in segment profitability over the last eight quarters:

Infrastructure – The Infrastructure segment has progressively commissioned new storage capacity and related infrastructure, typically underpinned by long-term, take-or-pay contracts. Select significant drivers over the past eight quarters include:

- The DRU commenced operations in the third quarter of 2021
- The Company received a payment for the present value of the remaining term of a rail loading contract in the second quarter of 2021
- 1.5 million barrels of additional tankage that was placed into service at Hardisty in the fourth quarter of 2020
- The Gibson's terminal, located at Wink, Texas, U.S., that was placed into service in the third quarter of 2020

Marketing – The Marketing segment's activities, including its location, quality and time-based strategies as well as the sale of refined products, are highly impacted by various factors that often fluctuate quarter over quarter. While certain of these variables, including exposure to the underlying commodity prices, are actively managed, the specific profit drivers for the Marketing segment generally vary from period to period. Crude Marketing was able to find certain opportunities in the volatile market environment immediately following the onset of COVID-19. More recently, the opportunities and margins available to both Crude Marketing and Moose Jaw Refined Products have been more limited.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

Liquidity Sources

(\$ thousands)	Coupon Rate	Maturity	December 31, 2021	December 31, 2020
Revolving Credit Facility	floating	2026	270,000	60,000
Senior unsecured notes	2.45%	2025	325,000	325,000
Senior unsecured notes	2.85%	2027	325,000	325,000
Senior unsecured notes	3.60%	2029	500,000	500,000
Unsecured hybrid notes ⁽¹⁾	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(9,391)	(10,519)
Total debt outstanding			1,660,609	1,449,481
Lease liability (includes current and long-term portion)			81,779	102,742
Cash and cash equivalents			(62,688)	(53,676)
			1,679,700	1,498,547
Total share capital			1,997,255	1,977,104
Total capital			3,676,955	3,475,651

(1) The unsecured hybrid notes are included in the above total capital calculation in accordance with the Company's view of its capital structure which includes shareholders' equity and long-term debt, and lease liabilities. The unsecured hybrid notes and associated interest payments are excluded from the definition of consolidated debt for the purposes of debt to capitalization as well as the consolidated interest coverage covenant ratios.

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures on growth opportunities, its working capital needs and its dividend. In addition, the Company must service its debt, including interest payments. The Company expects to source funds required to service its debt from cash and cash equivalents, cash flow from operations, its Revolving Credit Facility and by accessing capital markets. The Company currently anticipates its cash flow from operations, the majority of which is derived from long-term take-or-pay contracts, to be sufficient to meet its operating obligations, fund capital expenditures and pay its dividend. As a result of taking a disciplined and proactive approach, the Company has successfully extended the maturity of its debt portfolio and reduced the weighted average borrowing cost. The nature of the uncertainties created by the COVID-19 pandemic improved throughout 2021 with the continued success of regional vaccination programs, however, the Company's ability to access financing in the capital markets could still be adversely impacted. Refer to "Risk Factors" in this document and the AIF for more information. The Company continues to monitor the situation and remains satisfied that its disciplined approach employed with respect to its capital structure is appropriate given the characteristics and operations of the underlying asset base.

The Company may adjust its capital structure as a result of changes in current or expected economic and/or market conditions or its underlying business. Adjustments to the capital structure may result in refinancing or renegotiating its existing debt, issuance of new debt, issuance of equity or hybrid securities and the repurchase of shares. As at December 31, 2021 the Company has a normal course issuer bid on the TSX, which expires August 31, 2022, under which the Company repurchased no shares during the year.

Revolving Credit Facility

The Revolving Credit Facility is available to provide financing for working capital, fund capital expenditures and other general corporate purposes. In the second quarter of 2021, the Company extended the maturity date of the Revolving Credit Facility from February 2025 to April 2026 and, among other amendments, adjusted its pricing mechanism to include sustainability linked terms.

The Revolving Credit Facility permits letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate, as the case may be, plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's credit rating and relative performance to selected ESG targets. The Company must pay standby fees on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest.

As at December 31, 2021, the Company had a cash balance of \$62.7 million and had the ability to utilize borrowings under the Revolving Credit Facility of \$480.0 million. In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$35.0 million (December 31, 2020 - \$34.7 million).

Senior unsecured notes

The senior unsecured notes carrying a fixed 2.45% per annum coupon rate have semi-annual interest payment dates of January and July 14 and a maturity date of July 14, 2025.

The senior unsecured notes carrying a fixed 2.85% per annum coupon rate have semi-annual interest payment dates of January and July 14 and a maturity date of July 14, 2027.

The senior unsecured notes carrying a fixed 3.60% per annum coupon rate have semi-annual interest payment dates of March and September 17 and a maturity date of September 17, 2029.

The indenture(s) governing the terms of the Company's senior unsecured notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the senior unsecured notes at such prices and on such dates as set forth therein. In addition, the holders of the notes have the right to require the Company to repurchase the notes at the purchase prices set forth in the applicable indenture in the event of a change of control triggering event, being both a change in control of the Company or a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

Unsecured hybrid notes

The unsecured hybrid notes currently carrying a 5.25% per annum coupon rate have a maturity date of December 22, 2080. Interest is payable semi-annually on June 22 and December 22 of each year the notes are outstanding from December 22, 2020 to, but excluding, December 22, 2030. From, and including, December 22, 2030, during each Interest Reset Period (as defined in the applicable indenture) during which the notes are outstanding, the interest rate on the unsecured hybrid notes will be reset at a fixed rate per annum equal to the 5-Year Government of Canada Yield on the business day prior to such Interest Reset Date (as defined in the applicable indenture) plus, (i) for the period from, and including, December 22, 2030 to, but not including, December 22, 2050, 4.715% and (ii) for the period from, and including, December 22, 2050 to, but not including, the maturity date, 5.465% in each case, to be reset by the Calculation Agent (as defined in the applicable indenture) on each Interest Reset Date and with the interest during such period payable in arrears, in equal semi-annual payments on June 22 and December 22 in each year.

The indenture governing the terms of the unsecured hybrid notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the unsecured hybrid notes at such prices and on such dates as set forth therein. In addition, the holders of the unsecured hybrid notes have the right to require the Company to repurchase the unsecured hybrid notes at the purchase prices set forth in the applicable indenture in the event of a change in control triggering event, being both a change of control of the Company or a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

The unsecured hybrid notes receive a 50% equity treatment by the Company's rating agencies, under certain conditions.

Cash Flow Summary

The Company's operating cash flow is generally impacted by the overall profitability and working capital requirements within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently implement the Company's growth strategy and manage costs.

The following table summarizes the Company's sources and uses of funds from operations for the years ended December 31, 2021 and 2020:

Statement of cash flows (\$ thousands)	Years ended December 31,		
	2021	2020	Change
Cash inflow (outflow):			
Operating activities	216,806	459,551	(242,745)
Investing activities	(127,060)	(303,954)	176,894
Financing activities	(82,955)	(149,399)	66,444
Net change in cash and cash equivalents	6,791	6,198	593

Cash inflow from operating activities

Cash inflow from operating activities was \$216.8 million for the year ended December 31, 2021, compared to \$459.6 million in the year ended December 31, 2020. The changes were driven by the following:

- Cash outflow from changes in working capital of \$183.1 million in the year ended December 31, 2021, compared to cash inflow of \$27.3 million in the prior year. The change was primarily driven by changes in items of working capital balances, largely related to increasing commodity prices throughout 2021 and the impact of higher inventory levels held in storage; and
- Higher income tax installments paid in the year ended December 31, 2021 compared to prior year by \$21.5 million.

Cash inflow and outflow from operating activities and working capital requirements for the Marketing segment are strongly influenced by the amount of inventory purchased and subsequently held in storage, as well as by the commodity prices at which inventory is bought and sold. Commodity prices and inventory demand fluctuate over the course of the year in relation to general market forces and seasonal demand for certain products, and, accordingly, working capital requirements related to inventory also fluctuate with changes in commodity prices and demand. The primary drivers of working capital requirements are the collection of amounts related to sales of products such as crude oil, asphalt and other products and fees for services associated with the Company's Infrastructure segment. Offsetting these collections are payments for purchases of crude oil and other products, primarily within the Marketing segment, and other expenses. Historically, the Marketing segment has been the most variable with respect to generating cash flows and working capital due to the impact of crude oil price levels and the volatility that price changes and crude oil grade basis changes have on the cash flows and working capital requirements of this segment (refer to "Results of Operations and Trends Impacting the Business" section for more details).

Cash outflow from investing activities

Cash outflow from investing activities was \$127.1 million in the year ended December 31, 2021, compared to \$304.0 million in the year ended December 31, 2020 and consists primarily of capital expenditures related to the construction of infrastructure at the Hardisty and Edmonton Terminals, and contributions to our equity investment to fund construction of the DRU. The period over period decrease primarily resulted from the relative stage of construction on each of these projects and the decrease in the growth capital budget for 2021, relative to 2020. For a summary of capital expenditures, see the "Capital Expenditures and Equity Investments" discussion included in this MD&A.

Cash outflow from financing activities

Cash outflow from financing activities was \$83.0 million in the year ended December 31, 2021 compared to \$149.4 million in the year ended December 31, 2020. The net decrease of \$66.4 million was primarily related to the Company's draws on the Revolving Credit Facility of \$210.0 million in the current year compared to the net proceeds receiving from refinancing activity in the prior year of \$173.0 million. Furthermore, when compared to the prior annual period, there was a reduction in the Company's interest payments of \$7.8 million, lease payments of \$9.3 million and share repurchases under the Company's normal course issuer bid of \$18.6 million. This was partially offset by higher aggregate dividends paid in the current year of \$6.1 million.

Credit Ratings and Covenants

The Company's ability to access debt in the capital markets depends, in part, on the credit ratings determined by rating agencies for the Company's debt. A downgrade could increase the interest rates applicable to borrowings under the Revolving Credit Facility or increase the interest rate applicable on any new or restructured debt issuances. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Rating agencies will regularly evaluate our financial strength. A credit rating downgrade could impair the Company's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets in the future and increase the costs of borrowing. The Company's senior unsecured notes are rated, on a solicited basis, by DBRS Limited as 'BBB (low)' and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, as 'BBB-'. For a fulsome discussion of credit ratings, and their impact on the Company, refer to the AIF.

The Company is also required to meet certain specific and customary affirmative and negative financial covenants under its Revolving Credit Facility, senior unsecured notes and unsecured hybrid notes, including the maintenance of certain financial ratios, requiring the Company to maintain a total consolidated debt to capitalization ratio not greater than 65% as well as to maintain a minimum consolidated interest coverage ratio of no less than 2.5 to 1.0. The consolidated total debt to capitalization ratio represents the ratio

of all debt obligations on the financial statements to total capitalization (total debt plus total shareholders' equity, including certain adjustments). The consolidated interest coverage ratio represents the ratio of Consolidated EBITDA (as defined by the Revolving Credit Facility) to consolidated cash interest expense calculated in accordance with the Revolving Credit Facility.

As at December 31, 2021, the Company was in compliance with the financial ratios with the total consolidated debt to capitalization ratio at 50% and the consolidated interest coverage ratio at 10.9 to 1.0. The covenant tests used for debt purposes excludes all of the unsecured hybrid notes, and the interest thereon, in the calculation. An event of default resulting from a breach of a financial covenant may result, at the option of the lenders holding a majority of the indebtedness, in an acceleration of the repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The senior unsecured notes, unsecured hybrid notes and Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. They also contain customary events of default, including defaults based on bankruptcy and insolvency, non-payment of principal, interest and fees when due, breach of covenants, change in control and material inaccuracy of representations and warranties, subject to specified grace periods.

As at December 31, 2021, the Company was in compliance with all existing covenants under the senior unsecured notes, unsecured hybrid notes and Revolving Credit Facility.

For additional information regarding these financial covenants or definitions refer to various debt agreements available on our SEDAR profile at www.sedar.com.

Dividends

The Company is currently paying quarterly dividends to holders of its common shares. The amount and timing of any future dividends payable by the Company will be at the discretion of the Board and established on the basis of, among other items, the Company's earnings, funding requirements for operations, the satisfaction of a solvency calculation, and the terms of the Company's debt agreements and indentures. In addition, in connection with Company's prior practice, after each fiscal year end the Board will formally review the annual dividend amount. During the year ended December 31, 2021, the Board declared dividends of \$1.40 per common share.

Contractual Obligations and Contingencies

The following table presents the Company's obligations, and commitments to make future payments under contracts and contingent commitments as at December 31, 2021:

(\$ thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	1,670,000	-	-	595,000	1,075,000
Interest payments on long-term debt	994,123	48,350	96,700	85,420	763,653
Lease and other commitments ⁽¹⁾	87,091	30,299	38,018	16,643	2,131
Total contractual obligations	2,751,214	78,649	134,718	697,063	1,840,784

(1) Lease and other commitments relate to office leases, rail cars, vehicles, field buildings, and various equipment leases.

The Company had provisions associated with site restoration on the retirement of assets and environmental costs of \$180.3 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks".

Contingencies

The Company is involved in various claims and actions arising in the course of operations and is subject to various legal actions and exposures. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable, and the amount can be reasonably estimated. The Company believes it has made adequate provisions for such legal claims. Although the outcome of these claims is uncertain, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or operational results. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. While fully supportable in the Company's view, some of these positions if challenged, may not be fully sustained on review.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated decommissioning obligations and environmental remediation. Estimates of decommissioning obligations and environmental remediation costs can change significantly based on such factors as operating experience and changes in legislation and regulations.

CAPITAL EXPENDITURES AND EQUITY INVESTMENTS

	Year ended December 31, 2021
(\$ thousands)	
Infrastructure	118,484
Marketing	2,308
Corporate and other projects	3,795
Growth capital ⁽¹⁾	124,587
Equity investments	29,210
Replacement capital ⁽¹⁾	22,600
Total	176,397

(1) Growth capital and replacement capital are supplementary financial measures. See the "Specified Financial Measures" section of this MD&A for information on each supplementary financial measure.

The Company continues to invest capital primarily in expanding and augmenting existing terminals and associated infrastructure at the Hardisty Terminal, the Edmonton Terminal and in the U.S., along with the completion of the construction of the DRU. The Company also continues to engage in numerous commercial discussions for additional infrastructure. Growth capital expenditures reflect projects intended to improve the Company's profitability directly or indirectly. The following represents key activities with respect to major growth projects during the year ended December 31, 2021:

- HET commenced operations of the DRU, which is under a long-term take-or-pay contract.
- The Company began construction on the previously announced biofuels blending project at the Edmonton Terminal to facilitate the storage, blending and transportation of renewable diesel, with the project intended to be in-service in the second quarter of 2022. The project is currently expected to be completed on time and on budget.
- The Company began preliminary work on the previously announced 435,000-barrel tank at our Edmonton Terminal, under a long-term, take-or-pay contract with a new investment grade customer, expected to be placed in-service in 2023. The project is currently expected to be completed on time and on budget.

Corporate and other projects represent spending on information technology initiatives at the corporate and business unit level.

Replacement capital expenditures intend to keep the Company's existing infrastructure reliably and safely operating. These expenditures include replacement of existing infrastructure, maintenance work which extends the economic life, scheduled tank and pipeline inspections.

2022 planned capital expenditures

On December 6, 2021, the Company announced its 2022 growth capital expenditure target of approximately \$150 million with an additional allocation of between \$25 million and \$30 million in replacement capital expenditures. While the Company anticipates that these planned capital expenditures will occur, certain capital projects are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control and could impact the Company's ability to complete such activities as planned.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, provided that the number of preferred shares that may be issued and outstanding at any time shall be limited to a number equal to not more than 20% of the number of issued and outstanding common shares at the time of issuance of any preferred share. As at December 31, 2021, there were 146.6 million common shares outstanding and no preferred shares outstanding. In addition, under the

Company's equity incentive plan, there were an aggregate of 2.4 million restricted share units, performance share units and deferred share units outstanding and 1.8 million stock options outstanding as at December 31, 2021.

As at December 31, 2021, common share awards available to grant under the equity incentive plan were approximately 4.6 million.

As at February 18, 2022, 146.6 million common shares, 2.5 million restricted share units, performance share units and deferred share units and 1.8 million stock options were outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is involved in various commodity related marketing activities that are intended to enhance the Company's operations and increase profitability. These activities often create exposure to price risk between the time contracted volumes are purchased and sold and to foreign exchange risk when contracts are in different currencies (Canadian dollar versus U.S. dollar). The Company is also exposed to various market risks, including volatility in (i) crude oil, refined products, natural gas and NGL prices, (ii) interest rates, and (iii) currency exchange rates. The Company utilizes various derivative instruments from time to time to manage commodity price, interest rate, currency exchange rate, and, in certain circumstances, to realize incremental margin during volatile market conditions. The Company's commodity trading and risk management policies and procedures are designed to establish and manage to an approved level of risk. The Company has a Commodity Risk Management Committee that has direct responsibility to oversee the Company's risk policies, trading controls and procedures. Additionally, certain aspects of corporate risk management are handled within the Risk Management Group. The Company's approved strategies are intended to mitigate risks that are inherent in the Company's Marketing business. To hedge the risks discussed above, the Company engages in risk management activities that the Company categorizes by the risks the Company is hedging and by the physical product that is creating the risk. The following discussion addresses each category of risk.

Commodity Price Risk. The Company typically hedges its exposure to price fluctuations with respect to crude oil, refined products, natural gas, differentials and NGLs, and expected purchases and sales of these commodities (relating primarily to crude oil, roofing flux and purchases of NGL). The derivative instruments utilized consist primarily of futures and option contracts traded on the New York Mercantile Exchange, the Intercontinental Exchange and over-the-counter transactions. The Company's policy is to transact only in commodity derivative products for which the Company physically transacts, and to structure the Company's hedging activities so that price fluctuations for those products do not materially affect the net cash the Company ultimately receives from its commodity related marketing activities.

Although the Company generally seeks to maintain a position that is substantially balanced within the Company's various commodity purchase and sales activities, the Company may experience net unbalanced positions as a result of a strategy to take advantage of anticipated market opportunities and/or production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions.

The intent of the Company's risk management strategy is to hedge the Company's margin. However, the Company has not designated nor attempted to qualify for hedge accounting. Thus, changes in the fair values of the Company's derivatives are recognized in earnings and result in greater potential for earnings volatility.

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil, differentials and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change in crude oil and NGL prices would increase the Company's net income by \$21.2 million and \$12.2 million as of December 31, 2021 and 2020. A 15% unfavorable change in crude oil and NGL prices would decrease the Company's net income by \$21.2 million and \$12.2 million as of December 31, 2021 and 2020. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risk. The Company's long-term debt, excluding the Revolving Credit Facility, accrues interest at fixed interest rates and accordingly, changes in market interest rates do not expose the Company to future interest cash outflow variability. At December 31, 2021, the Company had \$270.0 million drawn under the Revolving Credit Facility which is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either the Canadian Prime Rate, U.S. LIBOR, U.S. Base Rate or Canadian Bankers' Acceptance Rate, plus an applicable margin based on the Company's total leverage ratio. A 1% increase or decrease in interest rates would, based on current rates and balances, decrease or increase the Company's net income by \$2.7 million (as at December 31, 2020 – \$0.6 million).

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenue and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e. revenue and expenses are approximately matched), but, where appropriate, are covered using forward exchange contracts or currency swaps. All of the foreign currency forward exchange contracts including currency swaps entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. The Company expects to continue to enter into financial derivatives, primarily forward contracts and currency swaps, to reduce foreign exchange volatility.

As at December 31, 2021, the Company had no U.S. dollar denominated debt as part of its draw on its Revolving Credit Facility.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements, or the Infrastructure or Marketing segments individually. The Company's critical accounting policies and estimates are as follows:

Recoverability of asset carrying values: The Company tests annually whether goodwill of an operating segment has suffered any impairment, in accordance with the Company's accounting policy. The recoverable amounts of the operating segments are determined based on the higher of value in use ("VIU") and fair value less costs of disposal ("FVLCD") calculations that require the use of estimates. The Company also assesses whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Any impairment charges booked against the goodwill or other assets are recorded outside the segment profit measure, therefore do not impact either the Infrastructure segment profit or the Marketing segment profit.

In the impairment analysis of the Company's assets, some of the key assumptions used are budgeted earnings before interest, taxes, depreciation and amortization less corporate expenses ("EBITDA") which involves estimating revenue growth rates, future commodity prices, expected margins, expected sales volumes, cost structures, multiples of comparable public companies of the operating segment, terminal value and discount rates.

These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Income tax: Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are included in interest expense. Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs. Income tax expense do not impact either the Infrastructure segment profit or the Marketing segment profit.

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Joint arrangements

The determination of joint control requires judgment about the influence the Company has over the financial and operating decisions of an arrangement and the extent of the benefits it obtains based on the facts and circumstances of the arrangement during the reporting period. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Ownership percentage alone may not be a determinant of joint control. The Company's joint arrangements are primarily within the infrastructure business, and therefore impacts the Infrastructure segment profit.

Once joint control has been determined, the arrangement is classified as a joint venture or a joint operation, depending on the rights and obligations of the parties to the agreement.

Provisions and accrued liabilities: The Company uses estimates to record liabilities for obligations associated with site restoration on the retirement of assets and environmental costs, taxes, potential legal claims and other accruals and liabilities.

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. During the year ended December 31, 2021, the Company adjusted the estimated expenditure for decommissioning of its Moose Jaw Refinery due to a reduction in expected cash outflows required to extinguish the Company's obligation, as disclosed in note 16 to the consolidated financial statements.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for several years, the amount recognized is the present value of the estimated future expenditure. Estimated future expenditure is based on all known facts at the time and an assessment of the ultimate outcome. Several factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology.

Other provisions and accrued liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or accrued liability would result in a charge or credit to net income in the period in which the change occurs.

ACCOUNTING POLICIES

Initial adoption of accounting policies

New and amended standards adopted by the Company:

During the year ended December 31, 2021, there were no new or amended IFRS standards adopted by the Company.

New and amended standards and interpretations issued but not yet adopted:

The Company has assessed the impact of the following amendments to the standards and interpretations applicable for future periods and do not expect these to have a material impact on the Company's consolidated financial statements at the adoption date:

- 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, 2023;
- 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;

- 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; and
- 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 continues to assess the impact of the following amendment:

- IAS 12 – Income Taxes (“IAS 12”), has been amended to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under NI 52-109, the Company’s Chief Executive Officer and Chief Financial Officer have evaluated the design and operation of the Company’s DC&P, as such term is defined in NI 52-109, as at December 31, 2021. The Chief Executive Officer and Chief Financial Officer are also responsible for establishing and maintaining the Company’s ICFR, as such term is defined in NI 52-109. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and compliance with GAAP. The Company’s Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design and operational effectiveness of such controls as at December 31, 2021.

Based on the evaluation of the design and operating effectiveness of the Company’s DC&P and ICFR, the Chief Executive Officer and the Chief Financial Officer concluded that the Company’s DC&P and ICFR were effective as at December 31, 2021. There have been no changes in ICFR that occurred during the period beginning January 1, 2021 and ending on December 31, 2021 that has materially affected or is reasonably likely to materially affect the Company’s ICFR.

SPECIFIED FINANCIAL MEASURES

The Company uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP. NI 52-112 prescribes disclosure requirements that apply to non-GAAP financial measures, non-GAAP ratios, supplementary financial measures, capital management measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Company’s operations. The non-GAAP financial measures used by the Company are adjusted EBITDA and distributable cash flow. Management considers these to be important supplemental measures of the Company’s performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income, cash flow from operating activities, segment profit, gross profit or other measures of financial results determined in accordance with GAAP as an indication of the Company’s performance.

Noted below is the additional information about the composition of these non-GAAP financial measures, including the quantitative reconciliation, as required by NI 52-112:

a) Adjusted EBITDA

Adjusted EBITDA helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Company's operations. Adjusted EBITDA is defined as earnings before net interest, tax, depreciation, amortization and impairment charges, and specific non-cash charges, including but not limited to unrealized gain/loss on derivative financial instruments, stock-based compensation, adjustment for equity accounted investees (to remove non-cash charges), and corporate foreign exchange gain/loss. These adjustments are made to exclude non-cash charges and other items that are not reflective of ongoing earning capacity of the operations.

Effective Q1 2021, the Company updated the definition of adjusted EBITDA to remove the corporate foreign exchange gains/losses and interest income, while adding an adjustment for equity accounted investees to remove the depreciation, amortization and other non-cash items that are not reflective of the ongoing earnings capacity of the operations. In accordance with GAAP, certain jointly controlled investments are accounted for using equity method accounting whereby the assets and liabilities of the investment are presented in a single line item in the consolidated balance sheet and net earnings from investments in equity accounted investees are recognized within the infrastructure segment profit or within the gross profit in the statement of operations. Cash contributions and distributions from investments in equity accounted investees represent the Company's share paid and received in the period to and from the investments in equity accounted investees. To assist in understanding and evaluating the performance of these investments, the Company adjusts for its proportionate share of select non-cash expenses, included in equity accounted investees in adjusted EBITDA. Prior period comparative figures have been restated in accordance with the updated definition of adjusted EBITDA set out above.

Noted below is the reconciliation to the most directly comparable GAAP measures of the Company's segmented and consolidated adjusted EBITDA for the three months and years ended December 31, 2021 and 2020:

Three months ended December 31 (\$ thousands)	Infrastructure		Marketing		Corporate & Adjustments		Total	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Segment Profit	105,307	93,239	15,360	(8,894)	-	-	120,667	84,345
Unrealized (gain) loss on derivative financial instruments	-	-	(9,683)	4,874	-	-	(9,683)	4,874
General and administrative	-	-	-	-	(7,836)	(7,834)	(7,836)	(7,834)
Adjustments to share of profit from equity accounted investees	614	503	-	-	-	-	614	503
Adjusted EBITDA ⁽¹⁾	105,921	93,742	5,677	(4,020)	(7,836)	(7,834)	103,762	81,888

Years ended December 31 (\$ thousands)	Infrastructure		Marketing		Corporate & Adjustments		Total	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Segment Profit	433,929	374,424	41,267	94,623	-	-	475,196	469,047
Unrealized loss on derivative financial instruments	-	-	1,952	9,618	-	-	1,952	9,618
General and administrative	-	-	-	-	(34,481)	(33,081)	(34,481)	(33,081)
Adjustments to share of profit from equity accounted investees	2,551	(669)	-	-	-	-	2,551	(669)
Adjusted EBITDA ⁽¹⁾	436,480	373,755	43,219	104,241	(34,481)	(33,081)	445,218	444,915

(1) Adjusted EBITDA for periods prior to March 31, 2021 has been restated on the basis described above.

(\$ thousands)	Three months ended December 31,	
	2021	2020 ⁽¹⁾
Net Income	43,917	12,442
Income tax expense (recovery)	6,897	(2,951)
Depreciation, amortization, and impairment charges	41,255	44,566
Net finance costs	14,961	15,694
Unrealized (gain) loss on derivative financial instruments	(9,683)	4,874
Stock-based compensation	5,235	5,726
Adjustments to share of profit from equity accounted investees	614	503
Corporate foreign exchange loss	566	1,034
Adjusted EBITDA ⁽¹⁾	103,762	81,888

(\$ thousands)	Years ended December 31,	
	2021	2020 ⁽¹⁾
Net Income	145,053	121,309
Income tax expense	36,184	29,369
Depreciation, amortization, and impairment charges	173,861	169,422
Net finance costs	61,344	96,420
Unrealized loss on derivative financial instruments	1,952	9,618
Stock-based compensation	23,335	21,144
Adjustments to share of profit from equity accounted investees	2,551	(669)
Corporate foreign exchange loss (gain)	938	(1,698)
Adjusted EBITDA ⁽¹⁾	445,218	444,915

Noted below are the reconciliation to the most directly comparable GAAP measures for the consolidated Adjusted EBITDA for the past eight quarters:

Consolidated (\$ thousands)	2021				2020 ⁽¹⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Segment Profit	120,667	116,302	123,118	115,109	84,345	116,704	133,887	134,111
Unrealized (gain) / loss on financial instruments	(9,683)	2,249	12,970	(3,584)	4,874	(10,594)	19,600	(4,262)
General and administrative	(7,836)	(9,238)	(8,675)	(8,732)	(7,834)	(7,947)	(8,377)	(8,923)
Adjustments to share of profit from equity accounted investees	614	1,403	265	269	503	2,662	(594)	(3,240)
Adjusted EBITDA ⁽¹⁾	103,762	110,716	127,678	103,062	81,888	100,825	144,516	117,686

(1) Adjusted EBITDA for periods prior to March 31, 2021 has been restated on the basis described above.

Consolidated Adjusted EBITDA (\$ thousands)	2021				2020 ⁽¹⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income	43,917	35,996	32,363	32,777	12,442	17,550	41,314	50,003
Income tax expense (recovery)	6,897	11,018	10,185	8,084	(2,951)	1,514	13,489	17,317
Depreciation, amortization, and impairment charges	41,255	39,425	51,897	41,284	44,566	44,416	40,303	40,137
Net finance costs	14,961	15,612	15,783	14,988	15,694	38,063	23,331	19,332
Unrealized (gain) / loss on derivative financial instruments	(9,683)	2,249	12,970	(3,584)	4,874	(10,594)	19,600	(4,262)
Stock based compensation	5,235	4,864	4,284	8,952	5,726	4,683	4,710	6,025
Adjustments to share of profit from equity accounted investees	614	1,403	265	269	503	2,662	(594)	(3,240)
Corporate foreign exchange loss (gain)	566	149	(69)	292	1,034	2,531	2,363	(7,626)
Adjusted EBITDA ⁽¹⁾	103,762	110,716	127,678	103,062	81,888	100,825	144,516	117,686

(1) Adjusted EBITDA for periods prior to March 31, 2021 has been restated on the basis described above.

b) Distributable Cash Flow

Distributable cash flow is used to assess the level of cash flow generated and to evaluate the adequacy of internally generated cash flow to fund dividends and is frequently used by securities analysts, investors, and other interested parties. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Replacement capital expenditures and lease payments are deducted from distributable cash flow as there is an ongoing requirement to incur these types of expenditures. The Company may deduct or include additional items in its calculation of distributable cash flow. These items would generally, but not necessarily, be items of an unusual, non-recurring, or non-operating in nature. The following is a reconciliation of distributable cash flow from operations to its most directly comparable GAAP measure, cash flow from operating activities:

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Cash flow from operating activities	3,186	44,940	216,806	459,551
Adjustments:				
Changes in non-cash working capital and taxes paid	94,678	31,253	212,825	(19,109)
Replacement capital	(8,399)	(5,069)	(22,600)	(22,751)
Cash interest expense, including capitalized interest	(14,149)	(11,618)	(54,218)	(53,557)
Lease payments	(7,008)	(10,764)	(36,694)	(44,967)
Current income tax	(3,912)	5,354	(25,046)	(20,279)
Distributable cash flow	64,396	54,096	291,073	298,888

NON-GAAP FINANCIAL RATIOS

The Company uses non-GAAP ratios that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. A non-GAAP ratio is a ratio in which at least one component is a non-GAAP financial measure. The Company uses non-GAAP ratios to present aspects of its financial performance or financial position, including dividend payout ratio and net debt to adjusted EBITDA ratio. Noted below is the additional information about the composition of these ratios as required by NI 52-112.

a) Dividend Payout Ratio

Dividend payout ratio is a non-GAAP ratio defined as dividends declared divided by distributable cash flow, on a rolling 12-month basis. This measure is used by securities analysts, investors and others as an indication of the Company's ability to generate cash flows to continue to pay dividends, and the proportion of cash generated that is used to pay dividends to shareholders.

	Years ended December 31,	
	2021	2020
Distributable cash flow	291,073	298,888
Dividends declared	205,154	198,667
Dividend payout ratio	70%	66%

b) Net Debt To Adjusted EBITDA Ratio

Net debt to adjusted EBITDA is a non-GAAP ratio, which uses net debt divided by adjusted EBITDA. The Company, lenders, investors and analysts use this ratio to monitor the Company's capital structure, financing requirements and measuring its ability to cover debt obligations over time. Net debt is not a standardized financial measure under GAAP and may not be comparable with measures disclosed by other companies and is a capital management measure.

Net debt is total borrowings (including 'current and non-current borrowings', and lease liabilities), less unsecured hybrid notes and cash and cash equivalents. Unsecured hybrid notes are excluded as the Company views this as part of its equity.

	Years ended and as at December 31,	
	2021	2020
Long-term debt	1,660,609	1,449,481
Lease liabilities	81,779	102,742
Less: unsecured hybrid debt	(250,000)	(250,000)
Less: cash and cash equivalents	(62,688)	(53,676)
Net debt	1,429,700	1,248,547
Adjusted EBITDA	445,218	444,915
Net debt to adjusted EBITDA ratio	3.2	2.8

Supplementary Financial Measures

A supplementary financial measure is a financial measure that: (a) is not reported in the Company's consolidated financial statements, and (b) is, or is intended to be, reported periodically to represent historical or expected financial performance, financial position, or cash flows. The supplementary financial measures the Company uses are identified below:

- Growth capital expenditures reflect projects intended to improve the Company's profitability directly or indirectly.
- Growth capital including equity investments includes both growth capital, and amounts invested in the Company's equity investments intended to improve the investments profitability directly or indirectly.
- Replacement capital expenditures intend to keep the Company's existing infrastructure reliably and safely operating. These expenditures include replacement of existing infrastructure, maintenance work which extends the economic life, scheduled tank and pipeline inspections.

Capital Management Measures

The financial reporting framework used to prepare the financial statements requires disclosure that help readers assess the Company's capital management objectives, policies, and processes, as set out in IFRS in IAS 1 – Presentation of Financial Statements ("IAS 1"). The Company has its own methods for managing capital and liquidity, and IFRS does not prescribe any particular calculation method. In addition to GAAP measures, the Company uses capital management measures net debt and total capital.

The composition, usefulness and quantitative reconciliation of capital management measures are presented in "Liquidity, Capital Resources and Capital Structure" section of this MD&A and within note 24 of the consolidated financial statements.

Total of Segments Measures

The Company uses the sum of the total segment revenue and the segment profit of its business segments (namely, Infrastructure and Marketing) in the analysis performed under the “Operating results” section within this MD&A. Using this method to analyze results, that is, by reflecting inter-segment revenue and profit within segment metrics, the Company can evaluate the relative performance of each segment on a standalone basis.

The Company defines segment profit as revenue less cost of sales (excluding depreciation, amortization and impairment charges) and operating expenses. Segment profit also includes the Company’s share of equity pick up from equity accounted investees. Profit by segment excludes depreciation, amortization, accretion, impairment charges, stock-based compensation, and corporate expenses such as income taxes, interest and general and administrative expenses, as senior management looks at each period’s earnings before corporate expenses and non-cash items, as one of the Company’s important measures of segment performance. The exclusion of depreciation, amortization and impairment expense could be viewed as limiting the usefulness of segment profit as a performance measure because it does not take into account, in current periods, the implied reduction in value of the Company’s capital assets (such as, tanks, pipelines and connections, and plant and equipment) caused by use, aging and wear and tear. Repair and maintenance expenditures that do not extend the useful life, improve the efficiency or expand the operating capacity of the Company’s capital assets are charged to operating expense as incurred.

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Segment revenue				
Infrastructure	126,781	116,214	519,762	465,320
Marketing	2,087,825	1,262,729	6,963,581	4,665,425
Total segment revenue	2,214,606	1,378,943	7,483,343	5,130,745
Revenue – inter-segmental	(95,579)	(58,254)	(272,195)	(192,679)
Total revenue – external	2,119,027	1,320,689	7,211,148	4,938,066
Segment profit				
Infrastructure	105,307	93,239	433,929	374,424
Marketing	15,360	(8,894)	41,267	94,623
Total segment profit	120,667	84,345	475,196	469,047

(\$ thousands)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Gross Profit	82,197	40,058	304,411	306,140
Depreciation, amortization and impairment	37,431	41,932	162,920	158,138
Gain and loss on sale of assets	822	244	3,189	1,217
Other income	794	-	3,663	2,364
Corporate foreign exchange gains and losses	(577)	2,111	1,013	1,188
Segment profit	120,667	84,345	475,196	469,047

RISK FACTORS

Shareholders and prospective investors should carefully evaluate risk factors noted by the Company before investing in the Company’s securities, as each of these risks may negatively affect the trading price of the Company’s securities, the amount of dividends paid to shareholders and the ability of the Company to fund its debt obligations, including debt obligations under its outstanding notes and any other debt securities that the Company may issue from time to time. For a further discussion of the risks identified in this MD&A, other risks and trends that could affect the Company’s performance and steps the company takes to mitigate these risks, readers are referred to the AIF, which is available on SEDAR at www.sedar.com.

COVID-19 Pandemic

Although mass vaccination and booster programs have been implemented by many jurisdictions and governments at varying levels have begun to lessen or remove restrictions, there can be no certainty that vaccinations and boosters will successfully control the spread or resurgence of COVID-19 and its variants over the long-term. Accordingly, any resurgence or emergence of new variants may have a negative impact on the Company's business or the broader economy.

While high vaccination rates have enabled the reopening of many areas of the economy, governments will continue to closely monitor the spread of COVID-19 and its variants, which may lead to the reintroduction of restrictive measures to counter any successive wave or resurgence of COVID-19 or its variants. Accordingly, the Company's financial and/or operating performance could be materially adversely impacted by way of suspensions, delays or cancellations of the Company's projects, either by its customers or due to broader government directives, slowdowns or stoppages in the performance of projects due to labor shortages, union action and/or high levels of absenteeism, supply chain disruptions and corresponding shortages, increased collection risk from customers, volatility in capital markets, inflation and decreases in customer demand as a result of the impacts of government imposed restrictions, including reduced prices of and global demand for petroleum products caused by travel restrictions and other shut-downs. For a discussion of the risks associated with decreases in the prices of and demand for crude oil and petroleum products, see "Market and Commodity Price Risk" and "Demand for Crude Oil and Petroleum Products".

The partial or complete shut-down of our workplaces, our employees working remotely, and the implementation of enhanced health and safety measures in our workplaces may reduce the efficiency and increase the costs of our operations and may adversely affect the Company's margins, profitability and results. Further, the increased remote access to our information technology systems may heighten the threat of a cyber-security breach. The COVID-19 pandemic, or its long-term impacts, may also increase our exposure to, and magnitude of, each of the risks identified in the "Risk Factors" section of this MD&A and the risk factors described in other documents the Company files from time to time with Canadian securities regulatory authorities, available on SEDAR at www.sedar.com and on the Company's website at www.gibsonenergy.com.

The Company has implemented a business continuity plan and has enacted its emergency response plan to provide centralized, cross-functional, strategic direction during the COVID-19 pandemic. While these measures may partially mitigate the impact of the COVID-19 pandemic, minimize recovery time and reduce business losses, the plans can neither account for nor control all possible events. The COVID-19 pandemic, therefore, may continue to have adverse financial and operational implications for the Company as the situation continues to evolve.

Additionally, the duration and extent of the impact from the COVID-19 pandemic remains uncertain and depends on future developments that cannot be accurately predicted at this time, such as i) the severity, transmission rate and resurgence of the COVID-19 virus or its variants, ii) the timing, extent and effectiveness of containment actions, including the approval, availability, effectiveness, continued uptake and distribution rate of vaccines and boosters, iii) the speed and extent to which normal economic and operating conditions resume and are maintained worldwide, and iv) the impact of these and other factors on our stakeholders, particularly those upon whom we have a major reliance, including our customers, vendors and employees. The COVID-19 pandemic has not yet ended; this situation continues to evolve and future impacts may materialize that are not yet known. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of the pandemic's global economic impact. There are no comparable recent events that provide guidance as to the effect the COVID-19 pandemic may have, and, as a result, the ultimate impact and lasting effects on the Company's business, operations and financial condition, and on the energy industry as whole, are highly uncertain.

Climate Change and ESG Targets and Commitments

As a part of the Company's strategic priority to retain its position as a responsible leader in the energy industry, the Company has committed to various ESG targets, including our goal to achieve net zero Scope 1 and 2 GHG emissions by 2050. To achieve this goal, among others, and to respond to changing market demand, the Company may incur additional costs and invest in new technologies and innovation. It is possible that the return on these investments may be less than the Company expects, which may have an adverse effect on the Company's business, financial condition and reputation. Further, to support our ESG goals, the Company transitioned its principal Revolving Credit Facility into a sustainability-linked Revolving Credit Facility in the second quarter of 2021. As a result, the Company's borrowing costs may increase depending on its ability to achieve certain ESG and sustainability targets.

Generally speaking, Gibson's ESG targets depend significantly on the Company's ability to execute its current business strategy, related milestones and schedules, each of which can be impacted by the numerous risks and uncertainties associated with Gibson's business and the industries in which it operates, as outlined in the other risk factors described in this MD&A.

The Company recognizes that its ability to adapt to and succeed in a lower-carbon economy will be compared against its peers. Investors and stakeholders increasingly compare companies based on ESG-related performance, including climate-related performance. Failure by the Company to achieve its ESG targets, or a perception among key stakeholders that our ESG targets are

insufficient, could adversely affect, among other things, our reputation and our ability to attract capital. The continued focus on climate change by investors may lead to higher costs of capital for Gibson as the pressure to reduce emissions increases. The Company's ability to attract capital may also be adversely impacted if financial institutions and investors incorporate sustainability and ESG considerations as a part of their portfolios or adopt restrictive decarbonization policies.

There is also a risk that some or all of the expected benefits and opportunities of achieving the various ESG targets may fail to materialize, may cost more to achieve or may not occur within the anticipated time periods. In addition, there are risks that the actions taken by the Company in implementing targets and ambitions relating to ESG focus areas may have a negative impact on its existing business and operations and increase capital expenditures, which could have a negative impact on the Company's business, financial condition, results of operations and cash flows.

The Company recognizes that potential climate-related impacts are complex and may impact the Company's entire enterprise, including having physical impacts on our business as a result of an increased likelihood, severity and frequency of extreme weather events, such as drought, severe storms and flooding, caused by climate change. These severe weather events may cause acute and chronic physical impacts on our operations, such as mechanical malfunctions, faulty measurements, and the effects of soil erosion, earth movement and freezing and thawing on our pipeline and other infrastructure. Specifically, certain of our operations are subject to slope stability risks that may be exacerbated by accelerated soil erosion. Any of these physical climate-related impacts may have a material adverse effect on our business, reputation, financial condition, results of operations, and cash flows. For more information relating to the physical risks as a result of climate change and the potential impact on the Company's business, see "*Hazards and Operational Risks*".

Market and Commodity Price Risk

The Company's business includes activities related to product storage, terminalling and hub services. These activities expose the Company to certain risks including that the Company may experience volatility in revenue and impairments related to the book value of stored product, due to the fluctuations in commodity prices. Primarily, the Company enters into contracts to purchase and sell crude oil, NGLs and refined products at floating market prices. The prices of the products that are marketed by the Company are subject to volatility as a result of factors such as seasonal demand changes, extreme weather conditions (including flooding, wind and increased annual levels of rainfall as a result of climate change or otherwise), market inventory levels, general economic conditions, changes in crude oil markets and other factors. The Company manages its risk exposure by balancing purchases and sales to lock-in margins; however, the Company may not be successful in balancing its purchases and sales. Also, in certain situations, a producer or supplier could fail to deliver contracted volumes or could deliver in excess of contracted volumes or a purchaser could purchase less than contracted volumes. Any of these actions could cause the Company's purchases and sales to be unbalanced. While the Company attempts to balance its purchases and sales, if its purchases and sales are unbalanced, the Company will face increased exposure to commodity price risks and could have increased volatility in its operating income and cash flow.

Notwithstanding the Company's management of price and quality risk, marketing margins for commodities can vary and have varied significantly from period to period. This variability could have an adverse effect on the results of the Company.

In particular, since March 2020, the COVID-19 global health pandemic has significantly impacted the global economy, including demand for hydrocarbon products. This demand destruction has had a significant impact on global energy markets and had resulted in a significant drop in crude based commodity prices. Although commodity prices have partially recovered to pre-pandemic levels, financial markets continue to remain volatile impacting overall economic activity as the COVID-19 pandemic continues to progress and new COVID-19 variants emerge. The continued effect the COVID-19 pandemic on the global economy remains uncertain.

Since crude oil margins can be earned by capturing spreads between different qualities of crude oil, the Company's crude oil marketing business is subject to volatility in price differentials between crude oil streams and blending agents. Due to this volatility, the Company's margins and profitability can vary significantly. The Company expects that commodity prices will continue to fluctuate significantly in the future. The Company utilizes financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity prices, as well as interest rates and foreign exchange risks. For example, as NGL and refined product prices are somewhat related to the price of crude oil, crude oil financial contracts are one of the more common price risk management strategies that the Company uses. Also, with respect to crude oil, the Company manages its exposure using WTI based futures, options and swaps. These strategies are subject to basis risk between the prices of crude oil streams, WTI, NGL and refined product values and, therefore, may not fully offset future price movements. Furthermore, there is no guarantee that these strategies and other efforts to manage marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. If the Company utilizes price risk management strategies, the Company may forego the benefits that may otherwise be experienced if commodity prices were to increase. In addition, any non-compliance with the Company's trading policies could result in significantly adverse financial effects. To the extent that the Company engages in these kinds of activities, the Company is also subject to credit risks associated with counterparties with whom the Company has contracts. The Company does not trade financial instruments for speculative purposes.

Demand for Crude Oil and Petroleum Products

Any sustained decrease in demand for crude oil and petroleum products in the markets the Company serves could result in a significant reduction in the volume of products and services that the Company provides and thereby could significantly reduce cash flow and revenue. Factors that could lead to a decrease in market demand include:

- the impact of the COVID-19 (including its variants) pandemic, including government responses related thereto;
- lower demand by consumers for refined products, including asphalt and wellsite fluids, as a result of recession or other adverse economic conditions or due to high prices caused by an increase in the market price of crude oil, which is subject to wide fluctuations in response to changes in global and regional supply over which the Company has no control;
- an increase in fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles, technological advances by manufacturers, governmental or regulatory actions or otherwise;
- provincial, state and federal legislation either already in place or under development, including carbon taxes or equivalents or requiring the inclusion of ethanol and use of biodiesel which may negatively affect the overall demand for crude oil products;
- lower demand by the oil and gas drilling industry for products such as drilling mud additives and for wellsite fluids as a result of legislation regulating hydraulic fracturing;
- the energy transition and global movement towards decarbonization
- consumer ESG and climate-change related targets and initiatives;
- the increasing desirability, affordability and accessibility of new, low-carbon energy sources;
- local and international government incentives, initiatives, policies and regulations;
- technological advances in the production and longevity of alternative energy sources and electric and battery-powered engines; and
- fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdowns.

The Company cannot predict and does not have control over the impact of future economic and political conditions on the energy and petrochemical industries, which, in turn, could affect the demand for crude oil and petroleum products. As a result of decreased demand, the Company may experience a decrease in the Company's margins and profitability.

Pipeline Egress

There are currently large pipeline projects at various stages of development and/or regulatory approval that have the potential to impact the Company over the medium to long-term. Over the long-term, the Company could benefit from incremental egress from the completion of work on various pipeline projects under construction, including those currently under regulatory review. A major egress pipeline is also currently advancing a contracting process which is currently under review by the regulators. Given the uncertainty of the review, at this time, it is uncertain how the outcome will potentially impact how customers utilize the Company's infrastructure and services. In addition, certain pipelines currently in operation are facing challenges at various levels of government and the outcome of these challenges and the impact to the Company cannot be determined at this time. Any future pipeline projects are expected to be subject to similar review, the results of which may negatively impact our business, financial condition, results of operations, reputation and cash flows. The nature and scope of these effects cannot be determined at this time.

Climate Change Legislation

Climate change legislation-related risks are considered by the Company as part of its ongoing risk management processes. The materiality of such risks varies among the business operations of the Company and the jurisdictions in which such operations are conducted. Despite the potential uncertainties and longer time horizon associated with any such risks, the Board and management considers the impacts of climate change legislation over the short-, medium- and long-terms.

In 2018, the Canadian federal government enacted the GGPPA which established a national carbon-pricing regime requiring each province to implement a price on carbon of \$10 per tonne of CO₂e in 2018, escalating by \$10 each year, to an ultimate carbon price of \$50 per tonne of CO₂e in 2022. The Federal Backstop allows provinces some flexibility in structuring their carbon price regimes with cap and trade, carbon tax or output-based pricing systems, all being acceptable methods for implementing such carbon pricing. In December 2020, the Canadian federal government released its plan to accelerate climate action in Canada, titled "A Healthy Environment and a Healthy Economy". The plan proposes an increasing cost on carbon to \$170 per tonne in 2030. To reach that level, the price imposed on carbon will rise from the 2022 rate of \$50 per tonne by \$15 per tonne each year. If this proposal is made into

law, it will have a significant impact on Canadian industry participants, consumers and the Company alike.

To the extent each province implements a carbon pricing system that meets the stringency requirements of the GGPPA, the GGPPA will not apply. However, if such a provincial pricing system is not implemented, or does not meet the stringency requirements of the GGPPA, the Federal Backstop will apply to the extent of such deficiency.

Alberta, Saskatchewan, and Ontario launched constitutional challenges of the Federal Backstop at their respective appellate courts. The Saskatchewan Court of Appeal and the Ontario Court of Appeal found the Federal Backstop to be constitutional, while the Alberta Court of Appeal found the Federal Backstop to be unconstitutional. Appeals of the decisions were heard by the Supreme Court of Canada in September 2020 and on March 25, 2021 the Supreme Court of Canada ruled that the Federal Backstop was in fact constitutional. Accordingly, the Federal Backstop applies to all provinces who do not meet its stringency requirements, which as of December 31, 2021 includes Alberta, Manitoba, Ontario, and Saskatchewan.

Given the Company's operations in Alberta and Saskatchewan, the implementation of the Federal Backstop in these provinces may materially impact the Company's current or future business (including, without limitation, increasing costs of compliance) and could have an adverse effect on the Company's operations, margins, profitability and results. The Supreme Court of Canada's decision to uphold the national carbon tax may influence the regulatory landscape generally, including the introduction of higher carbon pricing, increased energy efficiency standards, energy and emissions reduction targets and promotion of alternative fuel technologies.

Alberta

Prior to 2020, the Federal Backstop did not apply in Alberta as Alberta's Carbon Competitiveness Incentive Regulation applicable to large emitters, paired with the Climate Leadership Regulation which implemented a province-wide carbon tax, met the stringency requirements of the Federal Backstop.

In 2019, the Alberta UCP government made several legislative changes including repealing the Climate Leadership Regulation, thereby eliminating Alberta's carbon tax and replacing the Climate Leadership Regulation with the TIER.

TIER became effective on January 1, 2020 and requires large emitters (facilities that emit 100,000 tonnes or more of CO₂e in 2016 or any subsequent year, or that are otherwise eligible to opt-in to the TIER regime) to reduce their emissions intensity to the lesser of: (i) 10% (incrementally increased by 1% annually) below such facility's historical production-weighted average emissions intensity; or (ii) any high performance benchmarks prescribed by TIER applicable to the production of such facility.

Facilities regulated under TIER have a number of compliance options including physical abatement of emissions, use of emission performance credits, use of emission offsets, the purchase of TIER fund credits, or a combination of the foregoing. Persons responsible for such regulated facilities must file annual compliance reports with the government demonstrating their compliance with TIER's emission intensity reduction requirements and such facilities emitting 1 megatonne (Mt) or more CO₂e will have an additional requirement to file forecasts of anticipated emissions for the following year.

The Alberta government has raised the price of TIER fund credits for 2022 to \$50 per tonne of CO₂e in an effort to satisfy the stringent requirements of the Federal Backstop. However, Alberta's repeal of the provincial carbon tax has resulted in the province's overall carbon pricing regime not meeting the stringency requirements of the Federal Backstop. This resulted in Alberta being added as a "listed province" under the GGPPA such that the federal carbon tax contemplated by the Federal Backstop will be levied on fossil fuels imported into or otherwise consumed within Alberta, other than in respect of TIER-regulated facilities.

While none of the Company's operating facilities in Alberta are considered large emitters under TIER, the Company has voluntarily submitted to TIER regulation in respect of several of its facilities via an "aggregate facility" designation available under TIER. Certain conventional oil and gas facilities which do not satisfy the large emitter criteria under TIER can be aggregated together and be treated as if they were a single aggregate facility. Accordingly, the Company is required to reduce its emission intensity in respect of such aggregate facility in accordance with TIER, but in doing so, has avoided the application of the carbon tax pursuant to the Federal Backstop, in respect of fuels used by such aggregate facility.

Saskatchewan

Like Alberta, Saskatchewan has implemented an output-based pricing system applicable to large emitters pursuant to its MRGGA and related regulations including the MRGGR. Large emitters under the MRGGR are facilities in certain sectors that emit 25,000 or more tonnes of CO₂e per year, and those that emit 10,000 tonnes of CO₂e per year and who opt-in to the MRGGR. Annual emission intensity reduction requirements are specific to the product produced by the applicable regulated facility and increase in stringency over time in prescribed increments. Like Alberta's TIER, persons responsible for such regulated facilities must file annual compliance reports demonstrating their compliance. Compliance options include physical abatement of emissions, using emission offsets, using emission performance credits, purchasing technology fund credits, or a combination of the foregoing.

Saskatchewan has consistently opposed implementation of a carbon tax and the output-based pricing system contemplated by the

MRGGR does not apply to certain industrial sectors. The Federal Backstop applies in Saskatchewan in respect of: (i) electricity generating facilities and natural gas transmission pipelines, in the form of its own output-based pricing system applicable to such facilities that emit 50,000 tonnes or more of CO₂e in a year (with the ability for such facilities that emit 10,000 tonnes of CO₂e or more in an year to opt-in); and (ii) fossil fuels imported into or otherwise consumed within Saskatchewan, in the same manner as how the Federal Backstop's carbon tax is applied in Alberta.

While none of the Company's Saskatchewan facilities are considered large emitters under the MRGGR, it has elected to "opt-in" to the MRGGR in respect of its Moose Jaw Facility. Accordingly, the Company has been required to reduce its emission intensity in respect of such facility in accordance with the MRGGR and, in doing so, has avoided the application of the carbon tax pursuant to the Federal Backstop in respect of fuels used by such facility.

U.S. Regulation

The U.S. Energy Independence and Security Act of 2007 precludes agencies of the U.S. federal government from procuring mobility-related fuels from non-conventional petroleum sources that have lifecycle GHG emissions greater than equivalent conventional fuel. This may have implications for the Company's marketing of some heavy oil and oil sands production in the U.S., but the impact cannot be determined at this time.

USEPA issued an Endangerment Finding in December 2009 providing that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment because emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. USEPA's findings permit the agency to adopt and implement regulations restricting emissions of GHGs under existing provisions of the federal Clean Air Act, including rules which regulate emissions of GHGs. In response to its endangerment finding, the USEPA adopted two sets of rules regarding possible future regulation of GHG emissions under the Clean Air Act. The motor vehicle rule, which became effective in January 2011, purports to limit emissions of GHGs from motor vehicles. The USEPA adopted the stationary source rule (or the "tailoring rule") on May 13, 2010, and it also became effective January 2011.

The "tailoring rule" imposed requirements in two phases on U.S.'s largest emitters of GHGs. On June 23, 2014 the U.S. Supreme Court invalidated a portion of the tailoring rule, however, it essentially held up the USEPA's ability to regulate GHG emissions for certain facilities including those facilities required to obtain a Prevention of Significant Deterioration permit due to the emissions of other regulated pollutants. The U.S. Supreme Court held that stationary sources could not become subject to Prevention of Significant Deterioration or Title V permitting solely by reason of their GHG emissions; however, USEPA may require installation of best available control technology for GHG emissions at sources otherwise subject to the Prevention of Significant Deterioration and Title V programs. Additionally, in September 2009, the USEPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including NGLs fractionators and local natural gas/distribution companies, beginning in 2011 for emissions occurring in 2010. In November 2010, the USEPA expanded its existing GHG reporting rule to include onshore and offshore oil and natural gas production and onshore processing, transmission, storage and distribution facilities, which may include certain of the Company's facilities, beginning in 2012 for emissions occurring in 2011. In addition, the USEPA has continued to adopt GHG regulations for other industries, such as the June 2019 Affordable Clean Energy Rule, establishing emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units. On November 15, 2021 EPA published a proposed a rule that would sharply reduce methane and other air pollution from both new and existing sources in the oil and natural gas industry. The proposal expands and strengthens emissions reduction requirements for new, modified and reconstructed oil and natural gas sources, and would require states to reduce methane emissions from hundreds of thousands of existing sources nationwide for the first time. On December 13, 2021 EPA extended the comment period for the proposed rule to January 31, 2022.

The U.S.'s withdrawal from the Paris Agreement became effective in November 2020; however, the U.S. rejoined the agreement on January 20, 2021, effective February 2021. The USEPA is working on regulations to limit GHG emissions within its existing statutory authority under the Clean Air Act. In addition, more than one-third of the states already have begun implementing legal measures to reduce emissions of GHGs.

On January 28, 2020, House Energy & Commerce Committee members released draft text of the Climate Leadership and Environmental Action for our Nation's Future Act, proposing a new climate plan to ensure the United States achieves net-zero GHG pollution no later than 2050. The Climate Leadership and Environmental Action for our Nation's Future Act proposes sector-specific and economy-wide solutions to address the "climate crisis." Feedback and recommendations from all stakeholders was requested. It was intended for the Climate Leadership and Environmental Action for our Nation's Future Act to be refined via hearings and stakeholder meetings throughout 2020. On January 27, 2021 President Biden issued Executive Orders promising to take aggressive action on climate change. Among other things, such Executive Orders reaffirmed the commitment of the United States to addressing climate change, including the entering into of international agreements on climate change, and enhanced global action on climate change and President Biden adopting a "Whole of Government Approach to the Climate Crisis" approach appointing former governors and mayors to his cabinet and embracing a partnership with state and local governments as well as the private sector to advance climate solutions. On February 9, 2021 the House Committee on Energy & Commerce hosted a subcommittee hearing "Back in Action:

Restoring Federal Climate Leadership" highlighting the Biden Administration's Executive Orders relating to climate change initiatives and soliciting testimony from industry leaders. On March 2, 2021, the House Energy and Commerce Committee introduced H.R.1512 (117), the "Climate Leadership and Environmental Action for our Nation's Future Act" or the "CLEAN Future Act." The committee first unveiled the bill as a discussion draft in January 2020 and after over a year of hearings and stakeholder feedback, the legislation now boasts several new provisions and modifications. The CLEAN Future Act has far-reaching implications for many sectors of the economy. The bill sets a national climate target of net-zero greenhouse-gas (GHG) emissions by 2050. The bill includes a mix of incentives for renewable energy and provisions increasing regulation of non-renewable energy and other emitting industries. It aims to achieve GHG and other emissions reductions through provisions impacting the power sector, the building sector, the automotive sector, ports, manufacturing, oil and gas extraction, waste-management and recycling. The CLEAN Future Act was referred to subcommittee on March 3, 2021.

Congress enacted the bipartisan Infrastructure Investment and Jobs Act (or Bipartisan Infrastructure Law), which includes provisions to enhance the electricity grid, build electric vehicle charging infrastructure, support electric school buses, and develop carbon dioxide capture and sequestration technology. More than \$500 billion dollars' worth of clean energy tax credits, electric vehicle rebates and other climate-smart investment are pending in the Build Back Better Act (BBBA), which cleared the House in November but is stalled in the Senate and is now in the process of being "scaled down", however, the bills provisions related to combatting climate change among others will remain. The BBBA included a \$3.5 billion program to encourage home electrification, including rebates for heat pump water and space heaters that would encourage, but not require, a shift away from natural gas appliances.

In April 2021 President Biden set a new national goal to reduce emissions by 50-52% from 2005 levels by 2030 and formalized that in an updated U.S. nationally-determined contribution (NDC, or climate plan) under the Paris Agreement. President Biden set a goal for 50% of new passenger vehicles sold in 2030 to produce zero emissions and signed an executive order directing federal agencies to purchase 100% zero-emission light-duty vehicles by 2027. The EPA issued a final rule to significantly reduce greenhouse gas emissions from model year 2023-2026 passenger vehicles and will begin work on standards for model year 2027 and later vehicles.

EPA has issued regulations to implement the phase down of hydrofluorocarbons as directed by the American Innovation and Manufacturing Act, which was enacted as part of the fiscal year 2021 appropriations bill. The EPA has also proposed regulations to reduce methane emissions from the oil and gas industry and President Biden helped launch a global methane pledge at the Glasgow Climate Summit, or COP26, under which more than 100 countries have committed to cut their total methane emissions at least 30% by 2030.

A number of U.S. states have formed regional partnerships to regulate emissions of GHGs such as the Transportation and Climate Initiative enacted on December 17, 2019 and involving thirteen jurisdictions in the Northwest and Mid-Atlantic United States. States and local governments continue to enact rules and regulations to reduce use and increase regulation of the oil and gas industry. In 2019, Berkeley, California became the first city to ban the use of natural gas in new buildings. Since then, dozens of urban centers have followed suit, including major cities such as San Jose and New York. At the state level, California's most recent building code update requires new buildings to be wired for all-electric operation and uses heat pumps as the energy efficiency benchmark for heating but does not ban new gas hookups. In her 2022 State of the State policy book, New York Governor Kathy Hochul proposed that all new buildings be required to have zero on-site emissions no later than 2027.

In general, climate change legislation imposes, among other things, costs, restrictions, liabilities and obligations in connection with the handling, use, storage and transportation of crude oil and petroleum products. The complexities of changes in environmental regulations make it difficult to predict the potential future impact to the Company. However, compliance with climate change legislation requires significant expenditures and it is likely that such legislation will materially impact the nature of oil and gas operations, including those carried out by the Company and its customers. In addition, changes to such legislation or future legislation may apply to more facilities over time and result in further regulatory requirements that could affect the Company's business, or the business of its customers. At present, it is not possible to predict the impact such legislation will, or new legislation or regulatory programs could, have on the Company's business, operations and/or finances. Future capital expenditures and operating expenses could continue to increase as a result of, among other things, developments in the Company's business, operations, plans and objectives and changes to existing, or implementation of new and more stringent, climate change legislation. Regulatory focus on other air emissions criteria such as VOC emissions, particulate matter and ground level ozone may also impact the oil and gas sector, particularly the midstream component. Failure to comply with climate change legislation may result in, among other things, the imposition of fines, penalties, environmental protection orders, suspension of operations, and could adversely affect the Company's reputation. The costs of complying with climate change legislation are not presently expected to have a material adverse effect on the Company's operations or financial condition, however, the implementation of new climate change legislation, the modification of existing climate change legislation, changes in climate change policy that seek to promote adaptation to climate change which affect the energy industry generally could reduce demand for crude oil and petroleum products and materially impact the Company's current or future business (including, without limitation, increasing costs of compliance) and could have an adverse effect on the Company's operations, margins, profitability and results.

Risks Related to Climate Change Legislation

The extent and magnitude of any adverse impacts of current or additional programs or regulations beyond reasonably foreseeable requirements cannot be reliably or accurately estimated at this time, in part because certain specific legislative and regulatory requirements have not been finalized and uncertainty exists with respect to the additional measures being considered and the time frames for compliance. Consequently, no assurances can be given that the effect of future climate change legislation will not be significant to the Company. There is also risk that the Company could face claims initiated by third parties relating to climate change or climate change legislation. These claims could, among other things, result in litigation targeted against the Company and the oil and gas industry generally, which may, in turn, have an adverse effect on the Company's operations, margins, profitability and results.

Emerging Climate Change Regulations

Compliance with climate change legislation generally requires significant expenditures and could potentially impact the nature of oil and gas operations, including those of our customers. The increased costs of compliance associated with emerging regulations may also have a direct material impact on the Company's business and financial position. As regulations, including the emerging regulations identified below, change, they may affect the future demand of oil and refined products and, as a result, the ultimate impact and lasting effects on the Company's business, operations and financial condition, and on the energy industry as a whole, are highly uncertain.

Increasing Minimum Price on Carbon

On July 12, 2021, the federal government formally submitted Canada's enhanced Nationally Determined Contribution ("NDC") to the United Nations, committing Canada to cut its GHG emissions by 40-45 percent below 2005 levels by 2030. Canada's NDC submission outlines a series of investments, regulations and measures that the country is taking in pursuit of its ambitious target. It includes input from provincial, territorial and Indigenous partners. The federal government additionally confirmed that the minimum price on carbon pollution will increase by \$15 per tonne each year starting in 2023 through to 2030, and will be \$170 per tonne in 2030. The Federal Backstop will be updated to ensure all provincial and territorial pricing systems are comparable in terms of stringency and effectiveness. Provinces and territories will continue to have the flexibility to implement a system that makes sense for their circumstances as long as they align with the benchmark.

Clean Fuel Regulations

On December 19, 2020, the Government of Canada announced the draft of the *Clean Fuel Regulations*, which is expected to come into force in December 2022. The aim of this regulation is (i) to lower the GHG emissions from various liquid fossil fuels by requiring producers or importers of gasoline, diesel, kerosene, and light and heavy fuel oils ("primary suppliers") to lower the carbon intensity of such fuels; and (ii) provide a framework for primary suppliers and those who voluntarily participate in the compliance credit market to create and trade credits to the extent they avoid lifecycle emissions of such fuels. Notwithstanding that compliance requirements only apply to liquid fuels, the *Clean Fuel Regulations* provide a framework for credit creation applicable to gaseous fuels as well. The regulation sets a baseline carbon intensity for each type of liquid fossil fuel, against which the primary suppliers must make annual carbon intensity reductions. Starting in 2022, each primary supplier must reduce the carbon intensity by the prescribed amount.

Decommissioning, Abandonment and Reclamation Costs

The Company is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of the Company's facilities and pipelines at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of regulatory requirements and environmental conditions at the time of decommissioning, abandonment and reclamation. The Company may, in the future, be required by applicable laws or regulations to establish and fund one or more decommissioning, abandonment and reclamation reserve funds to provide for payment of future decommissioning, abandonment and reclamation costs, which among other things may impact the Company's ability to execute its business plan and service its debt obligations. In addition, such reserves, if established, may not be sufficient to satisfy such future decommissioning, abandonment and reclamation costs and the Company will be responsible for the payment of the balance of such costs.

As of January 2022, there are annual spend requirements for decommissioning, abandonment and reclamation of inactive sites in Alberta which require an amount specified by the regulator to be spent on decommissioning, abandonment and reclamation. Similar requirements will be enacted in Saskatchewan in 2023, which will require the Company to ensure that inactive sites are actively being addressed and, based on the regulator's assessment of the liability associated with any inactive sites, result in mandatory annual spend requirements. These spend requirements are not currently material; however, any increases thereto, may impact the Company's ability to execute its business plan and service its debt obligations, which may adversely affect the Company's business, financial condition and reputation.

Legislative and Regulatory Changes

The Company's industry is highly regulated. There can be no guarantee that laws and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry will not be changed in a manner which directly and adversely affects the Company's business. There can also be no assurance that the laws, regulations or rules governing the Company's customers will not be changed in a manner which adversely affects the Company's customers and, therefore, the Company's business.

In addition, the Company's pipelines and facilities are potentially subject to common carrier and common processor applications and to rate setting by regulatory authorities in the event agreement on fees or tariffs cannot be reached with producers. To the extent that producers believe processing fees or tariffs with respect to pipelines and facilities are too high, they may seek rate relief through regulatory means. If regulations were passed lowering or capping the Company's rates and tariffs, the Company's results of operations and cash flows could be adversely affected.

Petroleum products that the Company stores and transports are sold by the Company's customers for consumption into the public market. Various federal, provincial, state and local agencies have the authority to prescribe specific product quality specifications for commodities sold into the public market. Changes in product quality specifications or blending requirements could reduce the Company's throughput volume, require the Company to incur additional handling costs or require capital expenditures. For instance, different product specifications for different markets impact the fungibility of the products in the Company's system and could require the construction of additional storage. If the Company is unable to recover these costs through increased revenue, the Company's cash flows could be adversely affected. In addition, changes in the quality of the products the Company receives on its petroleum products pipeline system could reduce or eliminate the Company's ability to blend products.

The Company's cross-border activities are subject to additional regulation, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Such regulations include the Short Supply Controls of the Export Administration Act, the Canada-United States-Mexico Agreement, the Toxic Substances Control Act and the Canadian Environmental Protection Act, 1999. Violations of these licensing, tariff and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties.

In addition, local, consumption and income tax laws relating to the Company may be changed in a manner which adversely affects the Company.

Environmental and Health and Safety Regulations

Each of the Company's segments are subject to the risk of incurring substantial costs and liabilities under environmental and health and safety laws and regulations. These costs and liabilities arise under increasingly stringent environmental and health and safety laws, including regulations and governmental enforcement policies and legislation, and as a result of third-party claims for damages to property or persons arising from the Company's operations. Environmental laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental laws and regulations also require that pipelines, facilities and other properties associated with the Company's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Health and safety laws and regulations impose, among other things, requirements designed to ensure the protection of workers and to limit the exposure of persons to certain hazardous substances. In addition, certain types of projects may be required to submit and obtain approval of environmental impact assessments, to obtain and maintain environmental permits and approvals and to implement mitigative measures prior to the implementation of such projects.

Failure to comply with environmental and health and safety laws and regulations, including related permits and approvals, may result in assessment of administrative, civil and criminal penalties, the issuance of regulatory or judicial orders, the imposition of remedial obligations such as clean-up and site restoration requirements, the payment of deposits, liens, the amendment, suspension or revocation of permits and approvals and the potential issuance of injunctions to limit or cease operations. If the Company were unable to recover these costs through increased revenue, the Company's ability to meet its financial obligations could be adversely affected.

Some of the Company's facilities have been used for many years to transport, distribute or store petroleum products. Over time the Company's operations, or operations by the Company's predecessors or third parties not under the Company's control, may have resulted in the disposal or release of hydrocarbons or wastes at or from these properties upon which the facilities are situated along or over pipeline rights-of-way. In addition, some of the Company's facilities are located on or near current or former refining and terminal sites, and there is a risk that contamination is present on those sites or may migrate onto the Company's sites from neighbouring sites. The Company may be subject to strict joint and several liability under a number of these environmental laws and regulations for such disposal and releases of hydrocarbons or wastes or the existence of contamination, even in circumstances where

such activities or conditions were caused by third parties not under the Company's control or were otherwise lawful at the time they occurred.

Further, the transportation of hazardous materials and/or other substances in the Company's pipelines or by truck or rail may result in environmental damage, including accidental releases that may cause death or injuries to humans, damage to third parties and natural resources, and/or result in federal and/or provincial and state civil and/or criminal penalties that could be material to the Company's results of operations and cash flow.

The Company engages in operations which handle hazardous materials. As a result of these and other activities, the Company is subject to a variety of federal, provincial, state, local and foreign laws and regulations relating to the generation, transport, use handling, storage, treatment and exposure to and disposal of these materials, including record keeping, reporting and registration requirements. The Company has incurred and expects to continue to incur expenditures to maintain compliance with environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which the Company is subject could become more stringent or be more stringently enforced in the future. Failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures or remedial actions.

Certain environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and comparable state laws in the U.S., impose joint and several liability, without regard to fault or legality of the operations, on certain categories of persons, including current and prior owners or operators of a facility where there is a release or threatened release of hazardous substances, transporters of hazardous substances and entities that arranged for disposal of the hazardous substances at the site. Under CERCLA, these "responsible persons" may be held jointly and severally liable for the costs of cleaning up the hazardous substances, as well as for damages to natural resources and for the costs of certain health studies, relocation expenses and other response costs.

CERCLA generally exempts "petroleum" from the definition of hazardous substance; however, in the course of the Company's operations, the Company has accepted, handled, transported and/or generated materials that are considered "hazardous substances." Further, hazardous substances or hazardous wastes may have been released at properties owned or leased by the Company now or in the past, or at other locations where these substances or wastes were taken for treatment or disposal. Given the nature of the Company's previously divested environmental services business, it has incurred liabilities under CERCLA or other environmental cleanup laws, at its current or former facilities, adjacent or nearby third-party facilities, or offsite disposal locations. There can be no assurance that the costs associated with future cleanup activities that the Company may be required to conduct or finance will not be material. Additionally, the Company may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Failure to comply with environmental regulations could have an adverse impact on the Company's reputation. There is also risk that the Company could face litigation initiated by third parties relating to climate change or other environmental regulations.

Federal Review of Environmental and Regulatory Processes

In 2016, the Government of Canada commenced a review of federal environmental and regulatory processes under various acts and in February 2018, the Government of Canada proposed the enactment of the *Impact Assessment Act* and the *Canadian Energy Regulator Act* and certain amendments to the *Fisheries Act* and the *Navigation Protection Act*.

The *Impact Assessment Act* came into force in August 2019 and replaced the *Canadian Environmental Assessment Act, 2012*. It established the Impact Assessment Agency of Canada, which leads and coordinates impact assessments for all designated projects. The *Impact Assessment Act* applies to designated projects listed in the Physical Activities Regulations and physical activities designated by the Minister of Environment and Climate Change Canada on an ad hoc basis. The legislation expanded the assessment considerations beyond the environment to expressly include health, economic, social and gender impacts, as well as considerations related to sustainability and Canada's climate change commitments. Increased environmental assessment obligations may create risk of increased costs and project delays and may limit the Company's ability to obtain or renew permits efficiently. The *Canadian Energy Regulator Act* also came into force in August 2019 and replaced the National Energy Board with the Canada Energy Regulator and modified the regulator's role in federal impact assessments.

The amendments to the *Fisheries Act* restored the previous prohibition against harmful alteration, disruption or destruction of fish habitat and the prohibition against causing the death of fish by means other than fishing. The amendments also introduced several new requirements to expand the scope of protection and role of Indigenous groups and interests. The prohibitions against the death of fish, and the harmful alteration, disruption or destruction of fish habitat may result in increased permitting requirements where the Company's operations potentially impact fish or fish habitat. These amendments came into force in August 2019.

The changes to the *Navigation Protection Act*, including its renaming to the *Canadian Navigable Waters Act*, expanded its scope to all

navigable waters, created greater oversight for navigable waters and, consistent with the *Fisheries Act*, introduced requirements to expand the scope of protection and the role of Indigenous groups and interests. The broader application of the *Canadian Navigable Waters Act* may result in increased permitting requirements where the Company's operations potentially impact navigable waters. These amendments came into force in August 2019.

Capital Project Delivery and Success

The Company has had, and will have organic growth projects that require the expenditure of significant amounts of capital. Many of these projects involve numerous regulatory, environmental, commercial, short and long-term weather-related, political and legal uncertainties that will be beyond the Company's control. As these projects are undertaken, required regulatory and other approvals may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, the Company will incur financing costs during the planning and construction phases of its growth projects, but the operating cash flow the Company expects these projects to generate will not materialize until after the projects are completed. These projects may be completed behind schedule or in excess of budgeted cost, including a result of inflation or supply chain disruptions. For example, the Company must compete with other companies for the materials and construction services required to complete these projects, and competition for these materials or services could result in significant delays and/or cost overruns. Any such cost overruns, or unanticipated delays in the completion or commercial development of these projects, could reduce the Company's liquidity. The Company may construct facilities or other assets in anticipation of market demand that dissipates during the intervening period between project conception and delivery to market or never materializes. As a result of these uncertainties, the anticipated benefits associated with the Company's capital projects may not be lower than expected.

Inflation

The Company does not believe that inflation has had a material effect on its business, financial condition or results of operations to date; however, if the Company's development, operation or labour costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through corresponding increases in commodity prices. The Company's inability or failure to do so could harm our business, financial condition and results of operations.

Reputation

The Company relies on its reputation to build and maintain positive relationships with its stakeholders, to recruit and retain staff, and to be a credible, trusted company. Reputational risk is the potential for negative impacts that could result from the deterioration of the Company's reputation with key stakeholders. The potential for harming the Company's corporate reputation exists in every business decision and public interaction, which in turn can negatively impact the Company's business and its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory, environmental and legal risks must all be managed effectively to safeguard the Company's reputation.

With increasing public focus on climate change and GHG emissions, the reputation of oil and gas companies generally may become increasingly unfavourable. There are added social pressures which demand governments and companies work to mitigate the risks associated with climate change, decrease GHG emissions and move towards decarbonization. Specifically, there is a reputational risk in connection with the Company's ability to meet increasing climate reporting and emission reduction expectations from our key stakeholders. While our reputation may be generally negatively impacted in connection with the stigmatization of the energy industry, the Company has been actively preparing and adapting to manage and respond to investors' increasing expectations by proactively setting voluntary GHG and emissions reduction targets, investing in energy efficiency and emissions reduction projects, integrating ESG across the business and tying our borrowing costs and employee compensation to our ESG performance.

Negative impacts from a compromised reputation for any reason could include revenue loss, reduction in customer base and diminution of share price.

Hazards and Operational Risks

The Company's operations are subject to the many hazards inherent in the transportation, storage, processing, treating and distribution of crude oil, NGLs and petroleum products, including:

- adverse weather conditions or extreme events, explosions, fires and accidents, including road and rail accidents;
- damage to the Company's tanker trucks, pipelines, storage tanks, terminals and related equipment;
- ruptures, leaks or releases of crude oil or petroleum products into the environment;
- protests, demonstrations or blockades;
- acts of terrorism or vandalism; and

- other accident or hazards that may occur at or during transport to, or from, commercial or industrial sites.

If any of these events were to occur, the Company could suffer substantial losses because of the resulting impact on the Company's reputation, personal injury or loss of life, severe damage to and destruction of property, equipment, information technology systems, related data and control systems, environmental damage, which may include polluting water, land or air, resulting in regulatory enforcement or curtailment or suspension of the related operations. Mechanical malfunctions, faulty measurement or other errors may also result in significant costs or lost revenue.

Regulatory Approvals

The Company's operations require it to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licenses, permits and other approvals that may be required to conduct its business. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions, including, but not limited to: security deposit obligations, ongoing regulatory oversight of projects, mitigating or avoiding project impacts, habitat assessments and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects and increased costs.

Jointly Owned Facilities

Certain of the Company's facilities are jointly owned with third parties. Approvals must be obtained from such joint owners for proposals to make capital expenditures regarding such facilities. These approvals typically require that a capital expenditure proposal be approved by the owners holding a specified percentage of the ownership interests in the relevant facility. It may not be possible for the Company to obtain the required levels of approval from co-owners of facilities for future proposals for capital expenditures to expand or improve its jointly owned facilities. In addition, agreements for joint ownership often contain restrictions on transfer of an interest in a facility. The most frequent restrictions require a transferor who is proposing to transfer an interest to offer such interest to the other holders of interests in the facility prior to completing the transfer. Such provisions may restrict the Company's ability to transfer its interests in facilities or to acquire partners' interests in facilities and may also restrict the Company's ability to maximize the value of a sale of its interest. Further, should a joint owner become insolvent, the Company may be directed by regulators to assume the joint owner's obligations and may face operational challenges during any insolvency proceedings resulting in additional costs.

As part of the Company's effort to minimize these risks, the Company maintains communication with its co-owners through participation in operating committees and formal decision-making processes. The Company also utilizes its knowledge of industry activity and relationships with other owners to mitigate the risk of uncooperative behavior. However, there is no guarantee that the Company will be able to proceed with its plans for any facilities which are jointly owned.

Capital Markets and Availability of Future Financing

The future development of the Company's business may be dependent on its ability to obtain additional capital including, but not limited to, debt and equity financing. Disruptions in international credit markets and other financial systems and a deterioration of global economic conditions, may cause significant volatility in commodity prices and interest rates at which the Company is able to borrow funds for capital programs. Uncertainty in the global economic situation, including ESG factors, could mean that the Company, along with other oil and gas entities, may face restricted access to capital and increased borrowing costs. Specifically, changing investor priorities and trends, including as a result of climate change, ESG initiatives, the adoption of decarbonization policies and the general stigmatization of the oil and gas industry may limit the Company's ability to attract and access capital. This could have an adverse effect on the Company, as future capital expenditures will be financed out of cash generated from operations and borrowings, and the Company's ability to borrow is dependent on, among other factors, the overall state of the capital markets and investor appetite for investments in the energy industry generally and the Company's securities. The Company's ability to obtain additional capital is dependent on, among other things, investor interest in investments in the energy industry in general and investor interest in its securities. See also "Climate Change and ESG Targets and Commitments".

To the extent that external sources of capital become limited or unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing properties may be impaired, and the business, its financial condition, results of operations and cash flow may be materially adversely affected as a result.

Insurance

The Company currently maintains customary insurance of the types and amounts consistent with prudent industry practice. However, the Company is not fully insured against all risks incidental to the Company's business. The Company is not obliged to maintain any such insurance if it is not available on commercially reasonable terms. There can be no guarantee that such insurance coverage will

be available in the future on commercially reasonable terms or at commercially reasonable rates or that the amounts for which the Company is insured, or the proceeds of such insurance, will compensate the Company fully for the Company's losses. Insurance providers are adjusting to the risks that climate change poses and as a result, our ability to secure necessary or prudent insurance coverage may also be adversely affected in the event that our insurers adopt more restrictive ESG or decarbonization policies. As a result of these policies, premiums and deductibles for some or all of our insurance policies could increase substantially. In some instances, coverage may be reduced or become unavailable. As a result, we may not be able to renew our existing policies, or procure other desirable insurance coverage, either on commercially reasonable terms, or at all.

In addition, the insurance coverage obtained with respect to the Company's business and facilities will be subject to limits and exclusions or limitations on coverage that are considered by management to be reasonable, given the cost of procuring insurance and current operating conditions. There can be no assurance that the insurance proceeds received by the Company in respect of a claim will be sufficient in any particular situation to fully compensate the Company for losses and liabilities suffered. If a significant accident or event occurs that is not fully insured, it could adversely affect the Company's results of operations, financial position or cash flows.

Contract Renegotiation

Some of the Company's contract-based revenue are generated under contracts with terms which allow the customer to reduce or suspend performance under the contract in specified circumstances, such as the occurrence of a catastrophic event to the Company or the customer's operations. The occurrence of an event which results in a material reduction or suspension of the Company's customer's performance could reduce the Company's profitability.

Some of the Company's contracts with third-party customers for services have terms of one year or less. As these contracts expire, they must be extended and renegotiated or replaced. The Company may not be able to extend, renegotiate or replace these contracts when they expire, and the terms of any renegotiated contracts may not be as favorable as the contracts they replace. The Company faces intense competition in its gathering, transportation, terminalling and storage activities. Other providers of crude oil gathering, transportation, terminalling and storage services that are able to supply the Company's customers with those services at a lower price could reduce the Company's ability to compete in this industry. Additionally, the Company may incur substantial costs if modifications to the Company's terminals are required in order to attract substitute customers or provide alternative services. If the Company cannot successfully renew significant contracts, or if the Company must renew them on less favorable terms, or if the Company incurs substantial costs in modifying its terminals, the Company's revenue from these arrangements could decline.

FORWARD-LOOKING INFORMATION AND ADVISORY STATEMENT

Certain statements and information included or referred to in this MD&A constitute forward-looking information (as such term is defined under applicable Canadian securities laws). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking information. The use of any of the words "anticipate", "plan", "continue", "target", "must", "commit", "estimate", "expect", "extend", "remain", "future", "intend", "may", "can", "will", "project", "should", "could", "would", "believe", "predict", "forecast", "long-term", "potential", "possibility" and similar expressions of future outcomes or statements regarding an outlook are intended to identify forward-looking information. Forward-looking information, included or referred to in this MD&A includes, but is not limited to statements with respect to:

- *the effect of the COVID-19 (including its variants) pandemic and governmental responses thereto on the Company's business, operations, financial condition and access to financing;*
- *achieving the targets including but not limited to growth capital expenditure and allocation thereof;*
- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *the Company's projections relating to target segment profit, distributable cash flow, distributable cash flow per share, total cash flow;*
- *leverage ratio, dividend payout ratios and net debt to adjusted EBITDA ratio;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets including the anticipated benefits from the Company's basin strategy;*
- *long-term contracts and the terms, counterparties and impacts thereof;*
- *the evaluation of the Company's strategic plan and the key attributes of the Company's business strategy and strengths;*
- *the Company's ability to execute its current business strategy, related milestones and ability to meet its ESG targets and the associated impacts to the Company's reputation and ability to attract capital;*
- *the effect of the Company's credit rating and relative performance to certain ESG targets on its borrowing costs;*
- *the Company's ability to position itself as a ESG and sustainability leader and integrate the principles of ESG and sustainability into the evaluation and pursuit of the Company's business strategy and commercial opportunities;*

- the Company's ESG targets, including its goal of achieving Net Zero GHG emissions by 2050 and expectations and plans related to its Net Zero by 2050 target pathway and its effectiveness;
- the role of sustainable development in future outcomes related to the economy, the Company's climate goals and value generation for stakeholders;
- the availability of sufficient capital and liquidity for planned growth;
- uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents, and the effect thereof on the Company's financial condition;
- the anticipated benefits and functionality of the DRU;
- the effect of competition in regions of North America, and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;
- the effect of market volatility on the Company's marketing revenue and activities;
- the Company's ability to service its debt and to pay down and retire indebtedness;
- the sufficiency and sources of funding to service the Company's debt, meet its operating obligations, fund capital expenditures and pay dividends;
- the appropriateness of the Company's approach to its capital structure;
- evaluations by credit rating agencies and the results and effects thereof;
- changes to the Company's capital structure, the reasons therefor and the results thereof;
- the adequacy of the Company's provisions for restoration, retirement and environmental costs and legal claims and the materiality thereof;
- the Company's plans for additional strategic acquisitions, capital expenditures or other similar transactions, including the costs, timing and completion thereof;
- the expected cost relative to budget and in-service dates for new storage capacity and new projects being constructed by the Company;
- the Company's planned hedging activities;
- the Company's projections of commodity purchase and sales activities;
- the Company's projections of currency and interest rate fluctuations;
- the Company's projections with respect to the adoption and implementation of new accounting standards and policies, and their impact on the Company's financial statements;
- the sources of the Company's cash flows;
- the Company's normal course issuer bid;
- the realization of anticipated benefits from the implementation of cost saving measures;
- the Company's projections of dividends; and
- the Company's dividend policy.

With respect to forward-looking information contained in this MD&A, assumptions and estimates have been made regarding, among other things:

- the impact of the COVID-19 (including its variants) pandemic, including government responses related thereto on demand for crude oil and petroleum products and the Company's operations generally;
- general economic and industry conditions;
- future growth in world-wide demand for crude oil and petroleum products;
- commodity prices;
- no material defaults by the counterparties to agreements with the Company;
- the Company's ability to obtain qualified and diverse personnel and equipment in a timely and cost-efficient manner or at all;
- the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;
- the energy transition that is underway as the world shifts towards a lower carbon economy and a maintained industry focus on ESG and the impact thereof on the Company;
- the development and performance of technology and new energy efficient products, services and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets and carbon price outlook;
- the Company's relationships with the communities in which we operate;
- climate-related estimates and scenarios and the accuracy thereof, including the cost of compliance with climate change legislation and the impact thereof on the Company;

- the impact of emerging regulations on the nature of oil and gas operations, expenditures in the oil and gas industry, and demand for our products and services;
- changes in credit ratings applicable to the Company;
- the Company's ability to achieve its Sustainability and ESG targets, the timing thereof and the impact thereof on the Company;
- the Company's future investments in new technologies and innovation and the return thereon;
- operating and borrowing costs, including those related to the Company's Sustainability and ESG programs;
- future capital expenditures to be made by the Company, including its ability to place assets into service as currently planned and scheduled;
- the Company's ability to obtain financing for its capital programs on acceptable terms;
- the Company's ability to maintain a strong balance sheet and financial position;
- the Company's future debt levels;
- the impact of increasing competition on the Company;
- the impact of changes in government policies on the Company;
- the ability of the Company and, as applicable, its partner(s), to construct and place assets into service and the associated costs of such projects;
- the Company's ability to generate sufficient cash flow to meet the Company's current and future obligations;
- the Company's dividend policy;
- product supply and demand;
- demand for the services offered by the Company;
- the Company's ability to re-negotiate contracts for its services on terms favorable to the Company;
- the impact of future changes in accounting policies on the Company's consolidated financial statements; and
- the Company's ability to successfully implement the plans and programs disclosed in the Company's strategy.

In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Actual results could differ materially from those anticipated in forward-looking information as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Risk Factors" included in this MD&A. Readers should also refer to "Forward-Looking Information" and "Risk Factors" in the AIF and to the risk factors described in other documents Gibson files from time to time with securities regulatory authorities, available on the Company's profile at www.sedar.com and on the Company's website at www.gibsonenergy.com. No assurance can be given that these expectations will prove to be correct. As such, forward-looking information included or referred to in this MD&A and the Company's other filings with Canadian securities regulatory authorities should not be unduly relied upon. These statements speak only as of the date of this MD&A. Information on, or connected to, the Company's website www.gibsonenergy.com does not form part of this MD&A. The forward-looking information included or referred to in this MD&A are expressly qualified by this cautionary statement and are made as of the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

The forward-looking information included or referred to in this MD&A are expressly qualified by this cautionary statement.

Advisory Statement

Scope 1 emissions are direct emissions from facilities owned and operated by Gibson.

Scope 2 emissions are indirect emissions from the generation of purchased energy for Gibson's owned and operated facilities.

Scope 3 emissions are indirect emissions not included in Scope 1 or Scope 2 that Gibson indirectly impacts in its value chain.

All references in this MD&A to Net Zero include Scope 1 and Scope 2 emissions only and are only inclusive of the equity portion of facilities Gibson owns and operates.

TERMS AND ABBREVIATIONS

AIF: the Company's Annual Information Form for the year ended December 31, 2021

barrel: One barrel of petroleum, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons

the Board: Gibson's Board of Directors

COVID-19: Disease caused by the novel coronavirus that was first identified in December 2019 and subsequent variants

Canadian Crude Marketing: The Company's business which markets crude oil and various other products in Canada

Crude Marketing: The aggregated Canadian Crude Marketing and U.S. Crude Marketing business

DBRS Morningstar: Collectively the companies of DBRS Limited, DBRS Inc., DBRS Ratings Limited and DBRS Ratings GmbH

DC&P: disclosure controls and procedures as defined in *National instrument 52-109 Certification of disclosure in Issuers' Annual and Interim Filings*

DRU: Diluent Recovery Unit, a facility that separates diluent from heavier petroleum stock, owned by the Company's equity accounted for investee Hardisty Energy Terminal LP

ESG: Environmental, Social, Governance

GAAP: International Financial Reporting Standards as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board, also referred to as IFRS

Hardisty Unit Train Facility or HURC Facility: A unit train facility at Hardisty, Alberta, jointly developed with USD Group, that includes an exclusive five-kilometer pipeline connection from the Hardisty Terminal

HET: Hardisty Energy Terminal Limited Partnership. 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

ICFR: Internal Controls over Financial Reporting as defined in *National instrument 52-109 Certification of disclosure in Issuers' Annual and Interim Filings*

IFRS: International Financial Reporting Standards, also referred to as GAAP

L3R: Enbridge Line 3 Replacement Project

MD&A: Management Discussion and Analysis

Moose Jaw Facility: Gibson's heavy crude oil processing facility located at Moose Jaw, Saskatchewan, that produces asphaltic and lighter distillate products that are generally sold into specialized markets

NGL: Natural Gas Liquids, comprised of ethane, propane, butane and natural gasoline.

NI 52-112: National instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure

NI 52-109: National instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings

PSU: performance share units, convertible into common shares in the Company when various performance targets are achieved.

Moose Jaw Refined Products: The Company's business which markets the outputs of the Moose Jaw Facility

Revolving Credit Facility: The Company's \$750 million sustainability linked unsecured revolving credit facility with a maturity date in April 2026

Shareholders: The holders of issued and outstanding common shares from time to time

TMX: Government of Canada's Trans Mountain Pipeline Expansion

TSX: Toronto Stock Exchange

U.S.: United States of America

U.S Crude Marketing: The Company's business which markets crude oil and various other products in the U.S.

USD Group: US Development Group, LLC.

WCSB: Western Canadian Sedimentary Basin

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GIBSON ENERGY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

TSX:GEI





Independent auditor's report

To the Shareholders of Gibson Energy Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill</p> <p><i>Refer to note 3 – Significant accounting policies and note 12 – Goodwill to the consolidated financial statements.</i></p> <p>The Company had goodwill of \$359.9 million as at December 31, 2021. Management performs an impairment assessment annually or more frequently if events or circumstances indicate that the carrying value may be impaired. An impairment assessment is conducted over a group of assets that generate independent cash inflows; management has grouped these cash generating units (CGUs) at the operating segment level for the purpose of the goodwill impairment assessment. An impairment loss is recognized if the carrying amount of an operating segment to which the goodwill relates exceeds its recoverable amount. The recoverable amounts of the operating segments were based on a fair value less cost of disposal method using either a discounted cash flow approach or an earnings multiple approach.</p> <p>Key assumptions used in the discounted cash flow approach included revenue growth rates, terminal value, expected margins and discount rate. Key assumptions used in the earnings multiple approach were budgeted earnings before interest, taxes, depreciation and amortization less corporate expenses (EBITDA) and earnings multiples.</p> <p>We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgment made by management in</p>	<p>Our approach to addressing the matter involved the following procedures, among others:</p> <ul style="list-style-type: none">• Tested the operating effectiveness of internal controls related to the impairment assessment of goodwill.• Evaluated how management determined the recoverable amounts of the operating segments, which included the following:<ul style="list-style-type: none">– Tested the appropriateness of the method and approaches used and the mathematical accuracy of the calculations.– Tested the underlying data used by management in the discounted cash flow approach and the earnings multiple approach.– When an earnings multiple approach was used, tested the reasonableness of the assumptions used by management in determining the budgeted EBITDA by considering (i) the current and past performance of the operating segments, (ii) external market and industry data and (iii) evidence obtained in other areas of the audit.– When a discounted cash flow approach was used, tested the reasonableness of the revenue growth rates and expected margins by considering management's strategic plans approved by the Board, industry growth rates and available third party published economic data.



Key audit matter	How our audit addressed the key audit matter
determining the recoverable amounts of the operating segments, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing the audit procedures. Professionals with skill and knowledge in the field of valuation assisted us in performing our procedures.	<ul style="list-style-type: none">– Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonability of the earnings multiples, discount rate and terminal value.

Other information

Management is responsible for the other information. The other information comprises the document titled Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the document titled 2021 Report to Shareholders, Management's Discussion and Analysis and Annual Financial Statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 22, 2022

Gibson Energy Inc.

Consolidated Balance Sheets

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

		As at December 31,	
	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents		62,688	53,676
Trade and other receivables	5	667,588	333,641
Inventories	6	255,131	163,113
Income taxes receivable	18	4,809	-
Prepaid and other assets		7,340	7,595
Net investment in finance leases	7	8,883	8,454
Assets held for sale		-	18,557
		1,006,439	585,036
Non-current assets			
Property, plant and equipment	8	1,612,636	1,663,649
Right-of-use assets	9	52,582	69,195
Long-term prepaid and other assets		2,065	1,535
Net investment in finance leases	7	163,687	172,466
Investment in equity accounted investees	10	172,715	142,556
Deferred income tax assets	18	27,406	36,820
Intangible assets	11	34,355	35,781
Goodwill	12	359,875	360,122
		2,425,321	2,482,124
Total assets		3,431,760	3,067,160
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges	15	683,708	403,719
Income taxes payable	18	-	1,496
Dividends payable	17	51,319	49,494
Contract liabilities		31,733	45,357
Lease liabilities – current portion	14	29,748	31,208
		796,508	531,274
Non-current liabilities			
Long-term debt	13	1,660,609	1,449,481
Lease liabilities – non-current portion	14	52,031	71,534
Provisions	16	180,270	236,952
Other long-term liabilities		4,061	6,671
Deferred income tax liabilities	18	94,155	91,598
		1,991,126	1,856,236
Total liabilities		2,787,634	2,387,510
Equity			
Share capital	17	1,997,255	1,977,104
Contributed surplus		66,002	61,820
Accumulated other comprehensive income		24,310	24,066
Deficit		(1,443,441)	(1,383,340)
		644,126	679,650
Total liabilities and equity		3,431,760	3,067,160

Commitments and contingencies (note 25)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "James M. Estey"

James M. Estey (Director)

(signed) "Marshall L. McRae"

Marshall L. McRae (Director)

Gibson Energy Inc.**Consolidated Statements of Operations***(Amounts in thousands of Canadian dollars, except per share amounts)*

	<i>Note</i>	Year ended December 31,	
		2021	2020
Revenue	19	7,211,148	4,938,066
Cost of sales	10, 20, 21	6,906,737	4,631,926
Gross profit		304,411	306,140
General and administrative expenses	20, 21, 22	68,812	65,853
Other operating (income) expenses, net		(6,982)	(6,811)
Operating income		242,581	247,098
Finance costs, net	13	61,344	96,420
Income before income taxes		181,237	150,678
Income tax expense	18	36,184	29,369
Net income		145,053	121,309
Earnings per share	17		
Basic earnings per share		0.99	0.83
Diluted earnings per share		0.97	0.82

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.**Consolidated Statements of Comprehensive Income***(Amounts in thousands of Canadian dollars, except per share amounts)*

	Year ended December 31,	
	2021	2020
Net Income	145,053	121,309
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to statement of operations</i>		
Exchange differences from translating foreign operations	(2,912)	(8,363)
<i>Items that will not be reclassified subsequently to statements of operations</i>		
Remeasurements of post-employment benefit obligation, net of tax	3,156	(165)
Other comprehensive income (loss), net of tax	244	(8,528)
Comprehensive income	145,297	112,781

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Changes in Equity

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

	Share capital (note 17)	Contributed surplus	Accumulated other comprehensive income	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2020	1,973,827	46,316	32,594	7,023	(1,299,150)	760,610
Net income	-	-	-	-	121,309	121,309
Other comprehensive loss, net of tax	-	-	(8,528)	-	-	(8,528)
Comprehensive (loss) income	-	-	(8,528)	-	121,309	112,781
Exercise of debentures conversion option	3,515	-	-	-	-	3,515
Share-based compensation	-	18,660	-	-	-	18,660
Tax effect of equity settled awards	117	269	-	-	-	386
Proceeds from exercise of stock options	927	-	-	-	-	927
Reclassification of contributed surplus	10,448	(3,425)	-	(7,023)	-	-
Repurchase of shares under Normal Course Issuer Bid	(11,730)	-	-	-	(6,832)	(18,562)
Dividends on common shares (\$1.36 per common share)	-	-	-	-	(198,667)	(198,667)
Balance – December 31, 2020	1,977,104	61,820	24,066	-	(1,383,340)	679,650
Balance – January 1, 2021	1,977,104	61,820	24,066	-	(1,383,340)	679,650
Net income	-	-	-	-	145,053	145,053
Other comprehensive income, net of tax	-	-	244	-	-	244
Comprehensive income	-	-	244	-	145,053	145,297
Share-based compensation	-	20,905	-	-	-	20,905
Tax effect of equity settled awards	1,172	109	-	-	-	1,281
Proceeds from exercise of stock options	2,147	-	-	-	-	2,147
Reclassification of contributed surplus	16,832	(16,832)	-	-	-	-
Dividends on common shares (\$1.40 per common share)	-	-	-	-	(205,154)	(205,154)
Balance – December 31, 2021	1,997,255	66,002	24,310	-	(1,443,441)	644,126

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Cash Flows

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

	Note	Year ended December 31,	
		2021	2020
Cash flows from operating activities			
Net income		145,053	121,309
Adjustments	27	284,578	319,133
Changes in items of working capital	27	(183,103)	27,286
Income tax payment, net	27	(29,722)	(8,177)
Net cash inflow from operating activities		216,806	459,551
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	8	(117,672)	(215,098)
Investment in equity accounted investees	10	(29,210)	(120,705)
Proceeds from sale of assets		19,822	31,849
Net cash outflow from investing activities		(127,060)	(303,954)
Cash flows from financing activities			
Payment of shareholder dividends		(203,329)	(197,246)
Interest paid, net		(54,751)	(62,534)
Proceeds from exercise of stock options		2,147	927
Repayment of long-term debt, net of cost	13	-	(719,989)
Proceeds from issuance of long-term debt, net of cost	13	(328)	892,972
Lease payments	14	(36,694)	(44,967)
Repurchase of shares under normal course issuer bid	17	-	(18,562)
Draws on credit facility, net	13	210,000	-
Net cash outflow from financing activities		(82,955)	(149,399)
Net increase in cash and cash equivalents		6,791	6,198
Effect of exchange rate on cash and cash equivalents		2,221	247
Cash and cash equivalents – beginning		53,676	47,231
Cash and cash equivalents – end		62,688	53,676

See accompanying notes to the consolidated financial statements

See notes 13, 14 and 17 for reconciliation of movement of financial liabilities and equity.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Note 1 Description of Business and Segmented Disclosure

Gibson Energy Inc. (the "Company") is the ultimate parent company and 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".

The Company had the following principal subsidiaries as at December 31, 2021:

Name	Nature of entity
Gibson (U.S.) Holdco Corp.	Holding Company
Name	Nature of business
Moose Jaw Refinery Partnership	Crude oil processing
Gibson Energy Infrastructure Partnership	Marketing and Infrastructure
Gibson (U.S.) Acquisition Corp.	Marketing and Infrastructure

The Company is a liquids infrastructure company with our principal businesses consisting of storage, optimization, processing, and gathering of crude oil and refined products.

The Company's reportable segments are:

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 Infrastructure segment also includes the Company's share of equity pick up from equity accounted investees. The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring every few years.

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. The Moose Jaw Facility business is impacted by certain seasonality of operations specific to the oil and gas industry and asphalt product demand.

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 revenue 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 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 Consolidated Financial Statements

*(Amounts in thousands of Canadian dollars, except per share amounts)***a) Statement of operations**

Year ended December 31, 2021	Infrastructure	Marketing	Total
Revenue			
External	333,715	6,877,433	7,211,148
Inter-segmental	186,047	86,148	272,195
External and inter-segmental	519,762	6,963,581	7,483,343
Segment profit	433,929	41,267	475,196
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			136,068
Depreciation of right-of-use assets			29,123
Amortization of intangible assets			8,670
General and administrative			34,481
Stock based compensation			23,335
Corporate foreign exchange loss			938
Interest expense, net			61,344
Net income before income tax			181,237
Income tax expense			36,184
Net income			145,053

Statement of operations

Year ended December 31, 2020	Infrastructure	Marketing	Total
Revenue			
External	303,859	4,634,207	4,938,066
Inter-segmental	161,461	31,218	192,679
External and inter-segmental	465,320	4,665,425	5,130,745
Segment profit	374,424	94,623	469,047
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			124,057
Depreciation of right-of-use assets			37,962
Amortization of intangible assets			7,403
General and administrative			33,081
Stock based compensation			21,144
Corporate foreign exchange gain			(1,698)
Debt extinguishment costs			31,833
Interest expense, net			64,587
Net income before income tax			150,678
Income tax expense			29,369
Net income			121,309

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

The breakdown of additions to property, plant and equipment, investment in equity accounted investees and intangible assets by reportable segment is as follows:

Additions	Year ended December 31,	
	2021	2020
Infrastructure	168,152	315,607
Marketing	2,308	12,945
Corporate	5,937	3,142
	176,397	331,694

b) Geographic Data

Based on the location of the end user, approximately \$1,462.4 million and \$1,476.2 million of revenue was from customers in the U.S. for the years ended December 31, 2021 and 2020, respectively.

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 \$220.2 million and \$207.6 million in the U.S. as at December 31, 2021 and 2020, respectively.

Note 2 Basis of Preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 US\$ are to U.S. dollars.

These consolidated financial statements were approved for issuance by the Company's board of directors (the "Board") on February 22, 2022.

Note 3 Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the applicable years presented.

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items that are recorded at fair value on a recurring basis as required by the respective accounting standards.

b) Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries together with its interest in joint arrangements.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases.

Joint arrangements represent activities where the Company has joint control established by a contractual agreement. Joint control requires unanimous consent for the relevant financial and operational decisions. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets. Where the Company has assessed the nature of its joint arrangements to be joint operations, it has recognized its proportionate share of revenue, expenses, assets and liabilities relating to these joint operations. The Company's joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The joint ventures are adjusted thereafter for the post-acquisition change in the Company's share of the equity accounted investment's net assets. The Company's consolidated

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

financial statements include its share of the equity accounted investment's profit or loss and other comprehensive income, until the date that joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. Distributions from investments in equity accounted investees are recognized when received.

Acquisition of an incremental ownership in a joint arrangement where the Company maintains joint control is recorded at cost or fair value if acquired as part of a business combination. Where the Company has a partial disposal, including a deemed disposal, of a joint arrangement and maintains joint control, the resulting gains or losses are recorded in earnings at the time of disposal.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of Company's interest in the investee. Losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

c) Foreign currency translation

The financial statements for each of the Company's subsidiaries and joint operations are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of operations.

d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the consolidated statement of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as general and administrative expenses when incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated statement of operations in the period of acquisition.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in the consolidated statement of operations. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

At the acquisition date, any goodwill acquired is allocated to each of the operating segments expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

e) Intangible assets

Intangible assets are stated at cost, less accumulated amortization and impairment losses.

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives as follows:

Long-term customer contracts.....	6 – 10 years
Technology, software and license	3 – 10 years

The expected useful lives and method of amortization of intangible assets are reviewed on an annual basis and, if necessary, changes in expected useful life are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate carrying value may not be recoverable.

f) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses.

The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditures on major maintenance refits or repairs comprises of the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged to write off the cost of assets, other than assets that are work in progress, using the straight-line method over their expected useful lives.

The useful lives of the Company's property, plant and equipment are as follows:

Buildings	10 – 20 years
Equipment	3 – 20 years
Pipelines and connections.....	8 – 30 years
Tanks	20 – 30 years
Plant	10 – 25 years
Disposal wells	20 – 25 years
Rolling Stock	5 – 13 years

The expected useful lives, method of depreciation and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of operations in the period the item is derecognized.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

g) Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of possible impairment exist. Goodwill is monitored for impairment by management at the operating segment level. The Company also assesses during each reporting period whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include, but are not limited to, changes in the Company's business plans, economic performance of the assets, reduced operational activity, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal (FVLCD) and its value in use (VIU). Impairments are recognized immediately in the consolidated statement of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash generating unit with its recoverable amount, that is, the higher of FVLCD and VIU. VIU is usually determined on the basis of discounted estimated future net cash flows. In determining FVLCD, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss in respect of goodwill is not reversible after it has been recognized. Otherwise an impairment loss may be reversed if a triggering event occurs indicating a change in the recoverable amount. If there is an indication that impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

h) Assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts are expected to be recovered through sale rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- the assets or disposal groups are a major line of business or geographical area of operations;
- the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

The assets or disposal groups that meet these criteria are measured at the lower of the carrying amount and FVLCD with impairments recognized in the consolidated statement of operations, except for deferred tax assets for tax loss carry-forwards to the extent that the realization through future taxable profits is probable. An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal, in accordance with our impairment policy. Non-current assets held for sale are presented separately in current assets and liabilities within the consolidated balance sheet. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated balance sheet is not restated. The results of discontinued operations are shown separately in the consolidated statement of operations and cash flows, and comparative figures are restated.

i) Inventories

Inventories are carried at the lower of cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

j) Leases - lessee

All leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in the consolidated statement of operations.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects exercising that option. These lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

k) Leases - lessor

Leases in contractual arrangements which transfer substantially all the risks and benefits of ownership of property to the lessee are accounted for as finance leases, while all other leases are accounted for as operating leases.

Finance leases are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the consolidated statement of operations as it is earned over the lease term.

l) Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

Decommissioning liabilities

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Actual expenditures incurred are charged against the accumulated liability.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of operations. Other than the unwinding of the discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

Environmental liabilities

Environmental liabilities are recognized when remediation is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure using a risk-free discount rate.

m) Employee benefits

Defined benefit pension plans

The liability recognised in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs or credits are recognised immediately in the consolidated statement of operations.

Defined contribution pension plans

The Company's defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The Company's equity incentive plan allows for the granting of stock options, restricted share units with time based vesting (RSUs) and performance share units (PSUs) with performance based vesting conditions and deferred share units (DSUs) that vest on the date such employee redeems the DSUs after their cessation of employment with the Company.

The fair value of grants made under the employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the consolidated statement of operations with a corresponding impact to contributed surplus.

The fair value of RSUs, PSUs and DSUs is equal to the Company's five day weighted average share price at the date of grant.

The fair value of options is measured by using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on a combination of the historical stock price of the Company and also of comparable companies in the industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada's Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Termination benefits

The Company recognizes termination benefits as an expense when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination.

n) Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are included in interest expense.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Company maintains provisions for uncertain income tax positions using the best estimate of the amount expected to be paid in resolution of the uncertainty. To ensure the adequacy of these provisions, the Company reviews uncertain tax positions at the end of each reporting period to give effect to changes in facts and circumstances and the availability of new information.

o) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer, either at a point in time or over time. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money.

Revenue generated through the provision of services charged through long-term fixed-fee contracts related to midstream infrastructure assets and includes a fixed and/or take-or-pay portion for the use of the midstream infrastructure and a variable portion related to the servicing of volume throughput. The Company accounts for individual services separately if they are distinct, indicated by the fact that they are separately identifiable from other services provided and the customer can benefit from these distinct services. The stand-alone prices on services are determined by the rates listed within the individual contracts related to the service. The Company recognizes revenue over time as services are provided on a monthly basis, consistent with when the services are billed and paid. Long-term take-or-pay contracts, under which shippers are obligated to pay fixed amounts evenly over the contract period regardless of volumes shipped, may contain breakage rights. Breakage amounts are earned by shippers when minimum volume commitments are not utilized during the period but under certain circumstances can be used to offset overages in future periods, subject to expiry periods. The Company recognizes revenue associated with breakage at the earlier of when the breakage volume is shipped, the rights expires or when it is determined that the likelihood that the shipper will utilize the right is remote.

Revenue generated through the purchasing, selling, storing and blending of hydrocarbon products as well as by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities are typically short to long term in accordance with a customer's current product demands which are generally grouped as spot sales where no commitment exists prior to the day of the transaction, term sales where a commitment exists over a period of time for negotiated sales, and evergreen sales where contracts are automatically renewed on a month to month basis. The Company accounts for individual product sales separately if they are distinct, indicated by the fact that they are separately identifiable from other enforceable rights and obligations and the customer can benefit from these distinct services. The stand-alone prices on product sales are determined by the rates listed within market indexes and benchmarks and usually include quality or transportation adjustments. The Company recognizes revenue at a point in time as products are delivered and control of the product has transferred to the customer, consistent with when the products are billed and paid. All payments received before delivery are recorded as a contract liability and are recognized as revenue when delivery occurs, assuming all other criteria are met. Revenue from buy/sell transactions which are monetary transactions containing

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commercial substance is recognized on a gross-basis as separate performance obligation. Revenue from buy/sell transactions of non-monetary exchanges of similar products, which lack commercial substance, are recognized on a net basis.

Revenue generated from the provision of transportation and related services such as hauling services for crude oil within the U.S. are typically short-term in accordance with a customer's current hauling requirements. The Company accounts for individual hauling services separately if they are distinct, indicated by the fact that they are separately identifiable from other hauling services provided and the customer can benefit from these distinct services. The stand-alone prices on services are determined by the rates listed by the Company and are predetermined based on the volume of products serviced. The Company recognizes revenue over time as hauling and transportation services are provided and control of the service transfers to the customer, consistent with when the services are billed and paid.

p) Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, costs related to transportation, inventory write downs and reversals, and gains and losses on derivative financial instruments relating to commodities.

q) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of operations in the period in which they are incurred.

r) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other equity awards were exercised or converted into common shares.

s) Segmental reporting

The Company determines its reportable segments based on the nature of its operations, which is consistent with how the business is managed and results are reported to the chief operating decision maker. Each operating segment also uses a measure of profit and loss that represents segment profit. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

t) Non-derivative financial instruments – recognition and measurement

Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash on hand and short-term deposit, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value and maturity of three months or less from the date of acquisition.

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A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days past the due date) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Financial liabilities

Financial liabilities classified as other liabilities include trade payables and accrued charges, dividends payable, and long-term debt. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement, modification or cancellation of liabilities are recognized in the consolidated statement of operations.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

u) Derivative financial instruments – recognition and measurement

Derivative financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices, share-based compensation and foreign currency, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded immediately in the consolidated statement of operations.

v) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment assessment of non-financial assets

The Company tests annually whether goodwill of an operating segment has suffered any impairment. The recoverable amounts of the operating segments are determined based on the higher of VIU and FVLCD calculations that require the use of estimates. The Company also assesses whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable.

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In the impairment analysis of the Company's assets, some of the key assumptions used are budgeted earnings before interest, taxes, depreciation and amortization less corporate expenses (EBITDA) which involves estimating revenue growth rates, future commodity prices, expected margins, expected sales volumes, cost structures, multiples of comparable public companies of the operating segment, terminal value and discount rates.

These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Provisions

Provisions for decommissioning and environmental remediation are recorded when it is considered probable and the costs can be reasonably estimated. The eventual costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and constructive obligations, the application of new technologies, and the Company's past experience in comparable decommissioning and environmental remediation activities. The Company uses third-party evaluators, where determined necessary, to obtain the estimates of the decommissioning and environmental provision.

ii) Critical judgements in applying the Company's accounting policies

Critical judgements in determining lease terms

The Company uses hindsight in determining the lease term where a contract contains options to extend or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Joint arrangements

The determination of joint control requires judgment about the influence the Company has over the financial and operating decisions of an arrangement and the extent of the benefits it obtains based on the facts and circumstances of the arrangement during the reporting period. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Ownership percentage alone may not be a determinant of joint control. Once joint control has been determined, the arrangement is classified as a joint venture or a joint operation, depending on the rights and obligations of the parties to the agreement.

Investment in finance leases

In determining whether certain of the Company's long-term tank storage arrangements are, or contain, a lease, the Company must use judgement in assessing whether if the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where such rights do not exist, the arrangement is considered a service contract. For those arrangements considered to be a lease, further judgement is required to determine whether if substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company, to appropriately account for the arrangement as a finance or operating lease. These judgements can be significant as to how the Company classifies amounts related to the arrangements as property, plant and equipment or net investment in finance lease on the balance sheet. The Company has determined, based on the terms and conditions of these arrangements, that the substantial risks and rewards to the ownership of certain storage tanks have been transferred to the customer, and accordingly, these storage tanks have been recognized as an investment in finance lease.

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Current and deferred taxation

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in consolidated statement of operations in the period in which the change occurs. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Impact of the coronavirus ("COVID-19") pandemic

The COVID-19 pandemic continues to evolve and despite the governmental responses to control and restrict the spread, it continued to result in disruptions of business operations and an increase in economic uncertainty worldwide. As a result, there remains significant uncertainty as to the extent and duration of the global economic slowdown. This uncertainty has created volatility in asset prices, currency exchange rates and a marked decline in long-term interest rates. Management applied judgment and will continue to assess the situation in determining the impact of the significant uncertainties created by these events and conditions on the carrying amounts of assets and liabilities in the consolidated financial statements.

Note 4 Changes in Accounting Policies and Disclosures

a) New and amended standards adopted by the Company:

During the year ended December 31, 2021, there were no new or amended IFRS standards adopted by the Company. The accounting policies applied herein are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020.

b) New and amended standards and interpretations issued but not yet adopted:

The Company has assessed the impact of the following amendments to the standards and interpretations applicable for future periods and do not expect these to have a material impact on the Company's consolidated financial statements at the adoption date:

- 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, 2023;
- 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;
- 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; and
- 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.

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The Company continues to assess the impact of the following amendment:

- IAS 12 – Income Taxes (“IAS 12”), has been amended to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

Note 5 Trade and Other Receivables

	<i>Note</i>	December 31, 2021	2020
Trade receivables		648,729	320,779
Allowance for doubtful accounts		(262)	(566)
Trade receivables, net		648,467	320,213
Risk management assets	24	4,476	3,279
Indirect taxes receivable		14,008	7,896
Other		637	2,253
		667,588	333,641

	Year ended December 31, 2021	2020
Allowance for doubtful accounts		
Opening balance	(566)	(131)
Additional allowances and adjustments	186	(2,064)
Receivables written off as uncollectible	120	1,628
Effect of changes in foreign exchange rates	(2)	1
Closing balance	(262)	(566)

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*(Amounts in thousands of Canadian dollars, except per share amounts)***Note 6 Inventories**

	December 31, 2021	2020
Crude oil and diluent	188,265	115,809
Asphalt	48,518	20,852
Natural gas liquids	6,246	14,479
Wellsite fluids and distillate	12,102	11,973
	255,131	163,113

The cost of the inventory sold included in cost of sales was \$6,639 million and \$4,380 million for the years ended December 31, 2021 and 2020, respectively.

Within the marketing segment, the Company recorded a gross inventory write-down to its net realizable value of \$22.1 million and \$28.2 million during the years ended December 31, 2021 and 2020, respectively. These were recognized as an expense and included in cost of sales in the consolidated statements of operations.

Note 7 Net Investment in Finance Leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain infrastructure assets owned by the Company. These arrangements are accounted for as finance leases:

	December 31, 2021	2020
Total minimum lease payments receivable	499,939	545,311
Residual value	68,464	68,464
Unearned income	(395,833)	(432,855)
	172,570	180,920
Less: current portion	8,883	8,454
Net investment in finance lease: non-current portion	163,687	172,466

The minimum lease receivables are expected to be as follows:

2022	43,810
2023	34,940
2024	33,035
2025	33,301
2026	33,575
2027 and later	321,278

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Note 8 Property, Plant and Equipment

	<i>Note</i>	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
Cost:							
At January 1, 2021		123,661	482,350	823,871	922,220	80,021	2,432,123
Additions and adjustments		5,155	13,662	12,113	31,596	89,892	152,418
Disposals		(14)	-	(334)	(26,663)	-	(27,011)
Reclassifications		5,560	2,009	2,151	23,613	(33,333)	-
Change in decommissioning provision	16	-	(3,092)	(14,271)	(38,057)	-	(55,420)
Effect of movements in exchange rates		(27)	(684)	(96)	(759)	(181)	(1,747)
At December 31, 2021		134,335	494,245	823,434	911,950	136,399	2,500,363
Accumulated depreciation and impairment:							
At January 1, 2021		27,727	128,640	185,961	426,146	-	768,474
Depreciation and adjustments		7,472	23,096	33,829	80,507	-	144,904
Disposals		(1)	-	(239)	(24,951)	-	(25,191)
Effect of movements in exchange rates		2	11	(11)	(462)	-	(460)
At December 31, 2021		35,200	151,747	219,540	481,240	-	887,727
Carrying amounts:							
At January 1, 2021		95,934	353,710	637,910	496,074	80,021	1,663,649
At December 31, 2021		99,135	342,498	603,894	430,710	136,399	1,612,636
	<i>Note</i>	Land and Buildings	Pipelines and Connections	Tanks	Equipment and Other	Work in Progress	Total
Cost:							
At January 1, 2020		125,414	413,590	727,660	783,088	110,343	2,160,095
Additions and adjustments		1,748	48,770	51,388	51,847	47,530	201,283
Disposals		-	-	(257)	(5,083)	-	(5,340)
Reclassifications		2,685	15,854	20,384	37,254	(76,177)	-
Change in decommissioning provision	16	-	6,278	20,109	10,182	-	36,569
Effect of movements in exchange		(122)	(2,142)	(510)	(1,311)	(1,675)	(5,760)
Transfer from (to) held for sale and disposals, net		(6,064)	-	5,097	46,243	-	45,276
At December 31, 2020		123,661	482,350	823,871	922,220	80,021	2,432,123

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	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
Accumulated depreciation and impairment:						
At January 1, 2020	22,923	106,125	154,506	317,779	-	601,333
Depreciation and adjustments	5,061	22,674	29,936	66,386	-	124,057
Disposals	-	-	(131)	(4,581)	-	(4,712)
Effect of movements in exchange rates	-	(159)	(13)	(566)	-	(738)
Transferred from (to) held for sale and disposals, net	(257)	-	1,663	47,128	-	48,534
At December 31, 2020	27,727	128,640	185,961	426,146	-	768,474
Carrying amounts:						
At January 1, 2020	102,491	307,465	573,154	465,309	110,343	1,558,762
At December 31, 2020	95,934	353,710	637,910	496,074	80,021	1,663,649

Additions to property, plant and equipment include the capitalization of interest of \$1.4 million and \$2.9 million for the years ended December 31, 2021 and 2020, respectively. Amounts in relation to infrastructure assets are under operating lease arrangements.

During the second quarter of 2021, the Company indefinitely suspended certain non-performing assets within its infrastructure segment, resulting in the recording of an impairment charge of \$11.5 million that was included within cost of sales in the consolidated statements of operations.

Note 9 Right-of-use Assets

	Buildings	Rail Cars	Surface Leases and Other	Total
Cost:				
At January 1, 2021	49,500	110,835	12,764	173,099
Additions and adjustments	594	10,446	3,008	14,048
Disposals	(5,326)	(20,471)	(9,770)	(35,567)
Effect of movements in exchange rates	(19)	-	57	38
At December 31, 2021	44,749	100,810	6,059	151,618
Accumulated depreciation and impairment:				
At January 1, 2021	20,352	73,402	10,150	103,904
Depreciation and adjustments	5,298	21,810	3,554	30,662
Disposals	(5,327)	(20,471)	(9,770)	(35,568)
Effect of movements in exchange rates	(1)	-	39	38
At December 31, 2021	20,322	74,741	3,973	99,036
Carrying amounts:				
At January 1, 2021	29,148	37,433	2,614	69,195
At December 31, 2021	24,427	26,069	2,086	52,582

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	Buildings	Rail Cars	Surface Leases and Other	Total
Cost:				
At January 1, 2020	54,553	110,249	11,971	176,773
Additions and adjustments	(1,141)	15,452	638	14,949
Disposals	(3,869)	(14,866)	(71)	(18,806)
Effect of movements in exchange rates	(43)	-	(104)	(147)
Transferred from held for sale and disposals	-	-	330	330
At December 31, 2020	49,500	110,835	12,764	173,099
Accumulated depreciation and impairment:				
At January 1, 2020	15,009	60,808	5,471	81,288
Depreciation and adjustments	5,818	27,460	4,725	38,003
Disposals	(430)	(14,866)	(31)	(15,327)
Effect of movements in exchange rates	(45)	-	(221)	(266)
Transferred from held for sale and disposals	-	-	206	206
At December 31, 2020	20,352	73,402	10,150	103,904
Carrying amounts:				
At January 1, 2020	39,544	49,441	6,500	95,485
At December 31, 2020	29,148	37,433	2,614	69,195

Note 10 Investment in Equity Accounted Investees

	Ownership %	Share of profit (loss), for the period ended		Investment in equity accounted investees at	
		December 31,		December 31,	
		2021	2020	2021	2020
Hardisty Energy Terminal Limited Partnership	50%	5,475	-	151,378	120,705
Zenith Energy Terminals Joliet Holdings LLC	36%	608	2,670	21,337	21,851
		6,083	2,670	172,715	142,556

During 2020, the Company acquired 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. The project began operations during the third quarter of 2021. During the year ended December 31, 2021, the Company contributed \$29.2 million (year ended December 31, 2020 - \$120.7 million) to fund the construction and commissioning of the facility. With the commencement of operations, the Company's share of equity pick up is included within cost of sales on the consolidated statement of operations. For segment reporting purposes, the Company's share of equity pick up is included within the Infrastructure segment profit.

During 2019, the Company acquired a 36% interest in Zenith Energy Terminals Holding LLC ("Zenith"). 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. For segment reporting purposes, the Company's share of equity pick up is included within the Infrastructure segment profit.

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The majority of assets presented below primarily comprise of cash, property, plant and equipment and trade payables.

Noted below is summarized financial information (presented at 100 percent):

Net income and comprehensive income	Period ended December 31,	
	2021	2020
Revenue	31,430	14,280
Cost of sales	6,485	6,898
General and administrative	7,594	1,743
Depreciation and amortization	8,600	3,015
Other income	(3,903)	(4,781)
Net income and comprehensive income	12,654	7,405
Net income and comprehensive income attributable to the Company	6,083	2,670

Balance sheet	December 31,	
	2021	2020
Current assets	32,710	68,379
Non-current assets	346,850	263,061
Current liabilities	26,189	48,959
Non-current liabilities	22,986	12,020

Note 11 Intangible Assets

	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology, Software and License	Total
Cost:						
At January 1, 2021	22,700	57,996	59,774	7,559	74,902	222,931
Additions and adjustments	-	-	-	-	7,441	7,441
Disposals	-	-	-	-	(27,588)	(27,588)
Effect of movements in exchange rates	-	(145)	(428)	(53)	84	(542)
At December 31, 2021	22,700	57,851	59,346	7,506	54,839	202,242
Accumulated amortization and impairment:						
At January 1, 2021	22,700	57,996	44,952	7,559	53,943	187,150
Amortization and adjustments	-	-	1,882	-	6,788	8,670
Disposals	-	-	-	-	(27,520)	(27,520)
Effect of movements in exchange rates	-	(145)	(296)	(53)	81	(413)
At December 31, 2021	22,700	57,851	46,538	7,506	33,292	167,887
Carrying amounts:						
At January 1, 2021	-	-	14,822	-	20,959	35,781
At December 31, 2021	-	-	12,808	-	21,547	34,355

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	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology, Software and License	Total
Cost:						
At January 1, 2020	22,700	52,445	25,445	2,230	71,363	174,183
Additions and adjustments	-	-	-	-	3,396	3,396
Disposals	-	-	-	-	(493)	(493)
Effect of movements in exchange rates	-	(309)	(908)	(113)	(18)	(1,348)
Transferred from held for sale and disposals, net	-	5,860	35,237	5,442	654	47,193
At December 31, 2020	22,700	57,996	59,774	7,559	74,902	222,931
Accumulated amortization and impairment:						
At January 1, 2020	22,700	52,445	8,434	2,230	54,777	140,586
Amortization and adjustments	-	-	2,012	-	(919)	1,093
Disposals	-	-	-	-	(493)	(493)
Effect of movements in exchange rates	-	(309)	(731)	(113)	(21)	(1,174)
Transferred from held for sale and disposals, net	-	5,860	35,237	5,442	599	47,138
At December 31, 2020	22,700	57,996	44,952	7,559	53,943	187,150
Carrying amounts:						
At January 1, 2020	-	-	17,011	-	16,586	33,597
At December 31, 2020	-	-	14,822	-	20,959	35,781

Note 12 Goodwill

Goodwill is monitored for impairment by management at the operating segment level. The following is a summary of goodwill allocated to each operating segment:

	December 31,	
	2021	2020
Terminals	195,662	195,662
U.S. Pipelines	31,641	31,888
Moose Jaw Facility	89,017	89,017
Marketing Canada	43,555	43,555
	359,875	360,122

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2021, \$325.6 million, net of impairment, relates to goodwill recognized on the acquisition of the Company on December 12, 2008.

On November 30, 2021, the Company carried out its annual impairment test with respect to goodwill. For all operating segments the recoverable amount was greater than the carrying value, including goodwill.

Gibson Energy Inc.

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

Key assumptions used in 2021 impairment test

The recoverable amount of the operating segments were based on fair value less cost of disposal method using either a discounted cash flow approach or an earnings multiple approach. The Company references approved budgets and cash flow forecasts, trailing twelve-month 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, historic and implied forward market multiples were applied to each operating segment's budgeted EBITDA less corporate expenses. In calculating fair value for each operating segment, other than U.S. Pipelines, the Company used implied forward market multiples that ranged from 6 to 12. Cash flows were projected based on past experience, actual operating results and the 2022 budget.

The recoverable amount of the U.S. Pipelines segment was determined by discounting the forecasted future cash flows generated from continued use of the operating segments due to absence of sufficient historical 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
Discount rate	10.5%
Terminal value multiple	7x

- (i) Cash flows were projected based on past experience, actual operating results and the long-term business plan.
- (ii) The terminal value multiple is based on management's best estimate of transaction multiples over the longer term.
- (iii) The discount rate reflects the individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The fair value of each operating segment was categorized as Level 3 fair value based on the unobservable inputs.

Note 13 Long-Term Debt

	Coupon Rate	Year of Maturity	December 31, 2021	2020
Unsecured revolving credit facility	floating	2026	270,000	60,000
Senior unsecured notes	2.45%	2025	325,000	325,000
Senior unsecured notes	2.85%	2027	325,000	325,000
Senior unsecured notes	3.60%	2029	500,000	500,000
Unsecured hybrid notes	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(9,391)	(10,519)
Total debt			1,660,609	1,449,481

Unsecured revolving credit facility

The revolving credit facility of \$750.0 million is available to provide financing for working capital, fund capital expenditures and other general corporate purposes. The revolving credit facility permits letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the revolving credit facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate, as the case may be, plus an applicable margin. The applicable margin for borrowings under the revolving credit facility is subject to step up and step down based on the Company's credit rating and relative performance to selected environmental, social and governance targets. The Company must pay standby fees on the unused portion of the revolving credit facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest.

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

During the second quarter of 2021, the Company extended the maturity date of the revolving credit facility from February 2025 to April 2026 and amongst other amendments, adjusted its pricing mechanism to include sustainability linked terms.

As at December 31, 2021, the Company had the ability to utilize borrowings under the revolving credit facility of \$480.0 million. In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$35.0 million (December 31, 2020 – \$34.7 million).

Senior unsecured notes

The senior unsecured notes carrying a fixed 2.45% per annum coupon rate have semi-annual interest payment dates of January and July 14 and a maturity date of July 14, 2025.

The senior unsecured notes carrying a fixed 2.85% per annum coupon rate have semi-annual interest payment dates of January and July 14 and a maturity date of July 14, 2027.

The senior unsecured notes carrying a fixed 3.60% per annum coupon rate have semi-annual interest payment dates of March and September 17 and a maturity date of September 17, 2029.

The indenture(s) governing the terms of the Company's senior unsecured notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the senior unsecured notes at such prices and on such dates as set forth therein. In addition, the holders of the notes have the right to require the Company to repurchase the notes at the purchase prices set forth in the applicable indenture in the event of a change of control triggering event, being both a change in control of the Company or a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

Unsecured hybrid notes

The unsecured hybrid notes currently carrying a 5.25% per annum coupon rate have a maturity date of December 22, 2080. Interest is payable semi-annually on June 22 and December 22 of each year the notes are outstanding from December 22, 2020 to, but excluding, December 22, 2030. From, and including, December 22, 2030, during each Interest Reset Period (as defined in the applicable indenture) during which the notes are outstanding, the interest rate on the 2080 Hybrid Notes will be reset at a fixed rate per annum equal to the 5-Year Government of Canada Yield on the business day prior to such Interest Reset Date (as defined in the applicable indenture) plus, (i) for the period from, and including, December 22, 2030 to, but not including, December 22, 2050, 4.715% and (ii) for the period from, and including, December 22, 2050 to, but not including, the maturity date, 5.465% in each case, to be reset by the Calculation Agent (as defined in the applicable indenture) on each Interest Reset Date and with the interest during such period payable in arrears, in equal semi-annual payments on June 22 and December 22 in each year.

The indenture governing the terms of the unsecured hybrid notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the unsecured hybrid notes at such prices and on such dates as set forth therein. In addition, the holders of the unsecured hybrid notes have the right to require the Company to repurchase the unsecured hybrid notes at the purchase prices set forth in the applicable indenture in the event of a change in control triggering event, being both a change of control of the Company or a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

The unsecured hybrid notes receive a 50% equity treatment by the Company's rating agencies, under certain conditions.

Covenants

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. As at December 31, 2021, the Company was in compliance with all of its covenants.

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The components of finance costs are as follows:

	Note	Year ended December 31,	
		2021	2020
Interest expense		58,838	62,579
Capitalized interest	8	(1,432)	(2,885)
Interest expense, finance lease	14	3,656	5,110
Interest expense/(income)		282	(217)
Accelerated amortization of debt issuance costs		-	31,833
		61,344	96,420

Reconciliation of cash flows arising from financing activities (long-term debt)

	Year ended December 31,	
	2021	2020
Opening balance	1,449,481	1,243,836
Proceeds from issuance of long-term debt, net	209,672	892,972
Repayments	-	(719,989)
Net cash provided by financing activities from financing activities	1,659,153	1,416,819
Deferred financing costs and other	1,456	4,344
Redemption of convertible debentures into common shares	-	(3,515)
Debt extinguishment costs	-	31,833
Closing balance	1,660,609	1,449,481

Note 14 Lease Liabilities

	December 31,	
	2021	2020
Opening balance	102,742	131,808
Additions	12,514	14,974
Disposals	(19)	(3,547)
Interest expense	3,656	5,110
Lease payments	(36,694)	(44,967)
Effect of movements in exchange rates	(420)	(636)
Closing balance	81,779	102,742
Less: current portion	29,748	31,208
Closing balance – non-current portion	52,031	71,534

The Company incurs lease payments related to rail cars, head office facilities, vehicles, equipment, and surface leases. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognised lease liabilities in relation to lease arrangements measured at the present value of the remaining lease payments as at December 31, 2021 at a weighted average borrowing rate of 4.4% (December 31, 2020 – 4.6%).

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Notes to Consolidated Financial Statements

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Note 15 Trade Payables and Accrued charges

Trade payables and accrued charges comprise of the following items:

	<i>Note</i>	December 31, 2021	2020
Trade payables		630,329	339,293
Accrued compensation charges		17,506	21,981
Indirect taxes payable		1,652	1,010
Risk management liabilities	24	11,711	10,154
Interest payable		13,903	13,900
Insurance payable		2,516	3,359
Other		6,091	14,022
		683,708	403,719

Note 16 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:

	<i>Note</i>	December 31, 2021	2020
Opening balance		236,952	197,002
Settlements		(4,135)	(6,270)
Additions		4,979	17,881
Disposals		(139)	(275)
Change in estimated future cash flows	8	(34,478)	-
Change in discount rate	8	(26,118)	22,079
Unwind of discount		3,284	2,708
Transfer from liabilities held for sale		-	4,222
Effect of movements in exchange rates		(75)	(395)
Closing balance		180,270	236,952

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2% of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately \$295 million and \$322.0 million at December 31, 2021 and 2020, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 1.7% and 1.2% at December 31, 2021 and 2020, respectively. The change in the risk-free rate results in an adjustment in cost to the corresponding asset. Changes in the estimated future cash flows above represent revisions made during the year ended December 31, 2021 as a result of the Company's review of the amount of future cash flows to settle decommissioning obligations for select assets. The undiscounted cash flows at the decommissioning are calculated using an estimated timing of economic outflows ranging up to 43 years with the majority estimated at 29 years.

A one percent increase or decrease in the risk-free rate would decrease or increase the provision by \$40 million (December 31, 2020 – \$51.5 million), respectively, with a corresponding adjustment to property, plant and equipment.

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Note 17 Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding-up of the Company. There were no issued and outstanding preferred shares as at December 31, 2021 or 2020. The unsecured hybrid notes include terms which could result in conversion into conversion preference shares.

b) Common Shares – Issued and Outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2021 and 2020.

	Number of Shares	Amount
At January 1, 2020	145,675,481	1,973,827
Issuance in connection with the exercise of stock options	44,535	927
Exercise of debentures conversion option	162,350	3,515
Tax effect of equity settled awards	-	117
Reclassification of contributed surplus on issuance of awards under equity incentive plans	555,635	10,448
Purchase of common shares under Normal Course Issuer Bid ("NCIB")	(866,546)	(11,730)
At December 31, 2020	145,571,455	1,977,104
Issuance in connection with the exercise of stock options	107,405	2,147
Tax effect of equity settled awards	-	1,172
Reclassification of contributed surplus on issuance of awards under equity incentive plans	948,222	16,832
At December 31, 2021	146,627,082	1,997,255

A dividend of \$0.35 per share, declared on November 2, 2021, was paid on January 14, 2022. For the year ended December 31, 2021, the Company declared total dividends of \$1.40 per common share.

Under the NCIB, the Company is permitted to purchase for cancellation up to 10% or 11,715,229 of the public float for the issued and outstanding common shares in accordance with the applicable rules and policies of the TSX and securities laws. During the year ended December 31, 2021, the Company extended its NCIB from August 31, 2021 to August 31, 2022. The Company did not repurchase any common shares during the year ended December 31, 2021.

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*(Amounts in thousands of Canadian dollars, except per share amounts)***c) Per Share Amounts**

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

	Year ended December 31,	
	2021	2020
Weighted average common shares outstanding – Basic	146,344,843	146,120,871
Dilutive effect of stock options and other awards	2,780,715	2,616,653
Weighted average common shares – Diluted	149,125,558	148,737,524

The dilutive effect of 2.8 million (December 31, 2020 – 2.6 million) stock options and other awards for the year ended December 31, 2021 have been included in the determination of the weighted average number of common shares outstanding. The impact of 0.1 million (December 31, 2020 – 0.6 million) for the year ended December 31, 2021, 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 per share.

Note 18 Income Taxes

The major components of income tax are as follows:

	Year ended December 31,	
	2021	2020
Current tax expense	27,548	32,788
Adjustments and true ups in respect of prior years	(2,502)	(12,509)
Total current tax provision	25,046	20,279
Deferred tax expense (recovery)	8,472	(626)
Origination and reversal of temporary differences	2,666	9,716
Total deferred tax expense	11,138	9,090
Net income tax expense	36,184	29,369

The income tax expense differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to income before income taxes. These differences result from the following items:

	Year ended December 31,	
	2021	2020
Income before income tax	181,237	150,678
Statutory income tax rate	23.45%	24.38%
Computed Income tax expense	42,500	36,735
Changes in income tax expense (recovery) resulting from:		
Statutory and other rate differences	(4,996)	(4,678)
Adjustments and true ups in prior years	(1,282)	(2,757)
Others	(38)	69
Net income tax expense	36,184	29,369
Effective income tax rate	19.97%	19.49%

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The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended December 31,	
	2021	2020
Deferred tax assets:		
Deferred tax assets to be settled after more than 12 months	24,300	32,418
Deferred tax assets to be settled within 12 months	3,106	4,402
	27,406	36,820
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	92,996	90,414
Deferred tax liabilities to be settled within 12 months	1,159	1,184
	94,155	91,598
Deferred tax liabilities, net	66,749	54,778

The gross movement on the deferred income tax account is as follows:

	Year ended December 31,	
	2021	2020
Opening balance:	54,778	45,540
Effect of changes in foreign exchange rates	202	470
Income statement expense	11,138	9,090
Tax relating to components of other comprehensive income	631	(322)
Closing balance	66,749	54,778

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

	Non-capital losses carried forward	Asset retirement obligations	Goodwill, Intangibles, and other	Total
Deferred tax assets				
At January 1, 2020	36,918	22,403	22,880	82,201
(Charged) credited to the statement of operations	(401)	2,440	4,061	6,100
Charged to other comprehensive income	-	-	322	322
Effect of changes in foreign exchange rates	(1,661)	(82)	549	(1,194)
At December 31, 2020	34,856	24,761	27,812	87,429
Charged to the statement of operations	(3,366)	(5,238)	(8,577)	(17,181)
Charged to other comprehensive income	-	-	(631)	(631)
Effect of changes in foreign exchange rates	293	20	(371)	(58)
At December 31, 2021	31,783	19,543	18,233	69,559

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	Investments in Equity Accounted Investees	Property, Plant and Equipment and other	Total
Deferred tax liabilities			
At January 1, 2020	-	(127,742)	(127,742)
Credited to the statement of operations	-	(15,190)	(15,190)
Effect of changes in foreign exchange rates	-	725	725
At December 31, 2020	-	(142,207)	(142,207)
(Credited) charged to the statement of operations	(4,407)	10,450	6,043
Effect of changes in foreign exchange rates	-	(144)	(144)
At December 31, 2021	(4,407)	(131,901)	(136,308)

Income tax losses carry forward

At December 31, 2021 and 2020, the Company had losses available to offset income for tax purposes of \$140.0 million and \$147.1 million, respectively. Certain losses arising in taxable years beginning after December 31, 2018 may be carried forward indefinitely with the net operating loss deduction limited to 80% of taxable income which is determined without regard to the deduction. At December 31, 2021, the Company has \$140.0 million of the losses available in the U.S. that expire as follows:

December 31, 2032	1,856
December 31, 2035	18,904
December 31, 2036	59,887
December 31, 2037	12,478
December 31, 2039 and beyond	46,827
	<u>139,952</u>

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries, except for assets held for sale and investments in equity accounted investees, as the Company can control the timing of the reversal of the temporary difference and the reversal is not probable in the foreseeable future. At December 31, 2021, the Company recognized a deferred tax liability of \$4.4 million for its investment in HET.

Note 19 Revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers recognized at a point in time	6,897,328	4,634,398
Revenue from contracts with customers recognized over time	131,908	130,888
Total revenue from contracts with customers	7,029,236	4,765,286
Total revenue from lease arrangements	181,912	172,780
	<u>7,211,148</u>	<u>4,938,066</u>

During the year ended December 31, 2021, the Company recognized \$45.4 million of revenue which were included in the contract liability balance at the beginning of the period (2020 – \$66.1 million).

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Year ended December 31, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	84,446	-	84,446
Rail and other	67,343	-	67,343
External Product Revenue			
Crude, diluent and other products	-	5,290,736	5,290,736
Refined products	-	124,313	124,313
	151,789	5,415,049	5,566,838
U.S.			
External Product Revenue			
Crude, diluent and other products	-	1,155,324	1,155,324
Refined products and other	14	307,060	307,074
	14	1,462,384	1,462,398
Total revenue from contracts with customers	151,803	6,877,433	7,029,236

Year ended December 31, 2020	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	72,052	-	72,052
Rail and other	58,836	-	58,836
External Product Revenue			
Crude, diluent and other products	-	3,075,996	3,075,996
Refined products and other	-	82,140	82,140
	130,888	3,158,136	3,289,024
U.S.			
External Product Revenue			
Crude, diluent and other products	-	1,274,987	1,274,987
Refined products and other	191	201,084	198,534
	191	1,476,071	1,476,262
Total revenue from contracts with customers	131,079	4,634,207	4,765,286

Note 20 Depreciation, Amortization and Impairment

	<i>note</i>	Year ended December 31,	
		2021	2020
Depreciation and impairment of property, plant and equipment	8	136,068	124,057
Depreciation of right-to-use asset	9	29,123	37,962
Amortization and impairment of intangible assets	11	8,670	7,403
		173,861	169,422

Gibson Energy Inc.**Notes to Consolidated Financial Statements***(Amounts in thousands of Canadian dollars, except per share amounts)*

Depreciation, amortization and impairment have been expensed as follows:

	Year ended December 31,	
	2021	2020
Cost of sales	162,919	158,068
General and administrative	10,942	11,354
	173,861	169,422

Note 21 Employee Salaries and Benefits

	Year ended December 31,	
	2021	2020
Salaries and wages	78,839	79,503
Post-employment benefits	3,634	3,631
Share-based compensation	23,335	21,144
Termination costs	1,960	2,879
	107,768	107,157

Employee salaries and benefits have been expensed as follows:

	Year ended December 31,	
	2021	2020
Cost of sales	62,079	63,274
General and administrative	45,689	43,883
	107,768	107,157

Compensation of key management

Key management includes the Company's directors and senior executive officers. Compensation awarded to key management was:

	Year ended December 31,	
	2021	2020
Salaries and wages	6,159	6,362
Post-employment benefits (recovery)	92	90
Share-based compensation	10,846	8,444
Termination costs	-	1,716
	17,097	16,612

Note 22 Share-based Compensation

The Company has established an equity incentive plan which permits the award of stock options, RSUs, PSUs and DSUs for executives, directors, employees and consultants of the Company. Stock options provide the holder with the right to exercise an option to purchase a common share, upon vesting, at a price determined on the date of grant. RSUs give the holder the right to receive, upon vesting, either a common share or a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in the current and prior period are expected to be settled by delivery of common shares and accordingly, were considered an equity-settled award for accounting purposes. Stock options and RSUs granted generally vest equally each year over a three year period. RSUs granted with specific performance criteria are designated as PSUs. PSU's vest at the end of the three year period and depends on the achievement

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of certain performance criteria. DSUs are similar to RSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At December 31, 2021, common share awards available to grant under the equity incentive plan are approximately 4.6 million.

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

	Number of shares	Weighted Average Exercise price (in dollars)
Stock Options		
At January 1, 2020	2,014,943	19.81
Granted	65,000	17.53
Exercised and released for common shares	(44,535)	20.83
Forfeited	(104,099)	26.58
At December 31, 2020	1,931,309	19.35
Granted	62,000	22.18
Exercised and released for common shares	(107,405)	19.99
Forfeited	(76,908)	28.77
At December 31, 2021	1,808,996	19.01
Vested and exercisable at December 31, 2020	1,400,834	18.32
Vested and exercisable at December 31, 2021	1,295,532	17.73

Additional information regarding stock options outstanding as of December 31, 2021 is as follows:

Outstanding			Exercisable		
Number outstanding	Weighted average remaining contractual life (years)	Exercise price (in dollars)	Number outstanding	Weighted average remaining contractual life (years)	Exercise price (in dollars)
96,762	1.2	16.70	96,762	1.2	16.70
1,007,726	0.5	17.09	1,007,726	0.5	17.09
119,454	2.5	18.49	79,458	2.1	18.97
58,000	4.2	22.18	-	-	-
488,716	2.2	22.70	73,248	2.2	22.70
12,677	0.5	23.13	12,677	0.5	23.13
15,532	0.2	25.33	15,532	0.2	25.33
10,129	0.2	26.59	10,129	0.2	26.59
1,808,996	1.2		1,295,532	0.7	

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A summary of RSUs, PSUs and DSUs activity is set forth below:

	Number of units		
	Restricted Share Units	Performance Share Units	Deferred Share Units
At January 1, 2020	618,274	682,601	457,578
Granted	559,933	603,907	164,106
Exercised and released for common shares	(297,633)	(220,255)	(37,747)
Forfeited	(50,134)	(81,634)	-
At December 31, 2020	830,440	984,619	583,937
Granted	399,785	552,500	165,790
Exercised and released for common shares	(402,630)	(526,812)	(18,778)
Forfeited	(71,859)	(74,456)	-
At December 31, 2021	755,736	935,851	730,949
Vested and exercisable at December 31, 2020			583,937
Vested and exercisable at December 31, 2021			730,949

Share-based compensation expense was \$20.9 million and \$18.7 million for the years ended December 31, 2021 and 2020, respectively, and is included in general and administrative expenses.

The fair value of the options granted was estimated at \$4.07 and \$1.65 per option for the year ended December 31, 2021 and 2020. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31,	
	2021	2020
Expected dividend rate	6.1%	9.1%
Expected volatility	41.1%	31.3%
Risk-free interest rate	0.5%	0.5%
Expected life of option (years)	3.0	3.0

The fair value of RSUs, PSUs and DSUs was determined using the five days weighted average stock price prior to the date of grant.

Note 23 Post-retirement Benefits

a) Defined benefit plans

The Company maintains a funded defined benefit pension plan and an unfunded defined benefit other post-retirement benefits plan ("OPRB").

The Company's defined benefit pension plans are funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of the defined benefit pension plan with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2019. The defined benefit plans expose the Company to actuarial risks such as longevity risk, interest rate risk, and market (investment) risk. Based on valuations by the Company's actuaries as at December 31, 2021 and 2020, the status of the defined benefit plans is as follows:

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	Year ended December 31,			
	2021		2020	
	Pension	OPRB	Pension	OPRB
Accrued benefit obligation, January 1	17,255	4,398	16,102	4,650
Current service cost	76	310	65	279
Past service cost	-	-	-	-
Interest cost	416	122	475	157
Benefits paid	(707)	(65)	(718)	(173)
Actuarial (gain) loss	(1,072)	(671)	1,328	(515)
Other	4	-	3	-
Accrued benefit obligation, December 31	15,972	4,094	17,255	4,938
Fair value of pension plan assets, January 1	14,869	-	14,540	-
Interest on plan assets	356	-	427	-
Actual contributions	626	65	46	173
Actual benefits paid	(707)	(65)	(718)	(173)
Actuarial gain	1,414	-	595	-
Other	(33)	-	(21)	-
Fair value of pension plan assets, December 31	16,525	-	14,869	-
Accrued benefit obligation	(15,972)	(4,095)	(17,255)	(4,398)
Fair value of plan assets	16,525	-	14,869	-
Accrued benefit asset (liability) ⁽¹⁾	553	(4,094)	(2,386)	(4,398)

(1) included on balance sheet within other assets and other liabilities

The significant weighted average actuarial assumptions adopted in measuring the Company's defined benefit plan obligation are as follows:

	Year ended December 31,	
	2021	2020
Discount rate	2.9%	2.5%
Rate of compensation increase	3.0%	3.0%

The assumed discount rate has an effect on the amounts reported for the defined benefit plan obligation. A one-percentage point change in the discount rate would have the following impact:

	One % point increase	One % point decrease
Increase/(decrease) in defined benefit plans obligations	(2,485)	3,081

b) Defined contribution pension plans

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was \$2.9 million and \$3.0 million for the year ended December 31, 2021 and 2020, respectively.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Note 24 Financial Instruments, Risk Management and Capital Management

a) Non-Derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease, trade payables and accrued charges, dividends payable and long-term debt.

Cash and cash equivalents, trade and other receivables, trade payables and accrued charges and dividends payable are recorded at amortized cost which approximates fair value due to the short term nature of these instruments.

Long-term debt, including the revolving credit facility, are recorded at amortized cost using the effective interest method of amortization. As at December 31, 2021, the carrying amount of long-term debt was \$1,670.0 million less debt discount and issue costs of \$9.4 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,704.7 million. As at December 31, 2020, the carrying amount of long-term debt was \$1,460.0 million less debt discount and issue costs of \$10.5 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,483.9 million.

Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table provides a summary of the Company's offsetting trade and other receivables and trade payables and accrued charges:

	December 31			
	2021		2020	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	980,772	1,004,066	474,759	482,104
Amount offset	(827,370)	(827,370)	(371,830)	(371,830)
Net amount	153,402	176,696	102,929	110,274

b) Derivative financial instruments (recurring fair value measurements)

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

As at December 31, 2021	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	1,290	1,290	-	-
Commodity swaps	36	36	-	-
WTI differential futures	645	645	-	-
Foreign currency forwards	2,505	-	2,505	-
Financial assets (carried at fair value)	4,476	1,972	2,505	-
Commodity futures	9,410	9,410	-	-
Commodity swaps	264	264	-	-
WTI differential futures	1,282	1,282	-	-
Foreign currency forwards	755	-	755	-
Financial Liabilities (carried at fair value)	11,711	10,956	755	-
Long-term debt (carried at amortized cost)	1,660,609	-	1,704,673	-

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

As at December 31, 2020	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	24	24	-	-
Commodity swaps	1,952	-	1,952	-
WTI differential futures	488	488	-	-
Foreign currency forwards	815	-	815	-
Financial assets (carried at fair value)	3,279	512	2,767	-
Commodity futures	6,645	6,645	-	-
Commodity swaps	1,338	-	1,338	-
WTI differential futures	1,828	1,828	-	-
Foreign currency forwards	343	-	343	-
Financial Liabilities (carried at fair value)	10,154	8,473	1,681	-
Long-term debt (carried at amortized cost)	1,449,481	-	1,483,886	-

The fair value of financial instruments is classified as a non-current asset (long-term prepaid expense and other assets) or liability (other long-term liabilities) if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

The impact of the movement in the fair value of financial instruments has been recognized within cost of sales in the consolidated statements of operations.

i) Commodity financial instruments

The Company enters into futures, options and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil, natural gas liquids and petroleum products.

ii) Foreign currency forward

The Company enters into foreign currency forwards from time to time to manage the foreign currency risk pertaining to future transactions and cash flows denominated in foreign currencies, primarily in US\$.

The value of the Company's derivative financial instruments is determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

The Company used the following techniques to value financial instruments categorized in Level 2:

- The fair value of commodity swaps is calculated as the present value of the estimated future cash flows based on the difference between contract price and commodity price forecast.
- The fair value of foreign currency forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

c) Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As a part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

Gibson Energy Inc.

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

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury and risk management functions are responsible for implementing the policies and providing a centralised service to the Company for identifying, evaluating and monitoring financial risks.

i) Foreign currency risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed by using foreign currency forward contracts and options. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

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:

	December 31,	
	2021	2020
U.S. Dollar Forwards		
Favorable 5% change	11,402	3,936
Unfavorable 5% change	(11,402)	(3,936)

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.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates. A 1% increase or decrease in interest rates would, based on current rates and balances, decrease or increase the Company's net income by \$2.7 million (as at December 31, 2020 – \$0.6 million).

iii) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGLs, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity 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.

	December 31,	
	2021	2020
Crude oil and NGL related prices		
Favorable 15% change	21,155	12,162
Unfavorable 15% change	(21,155)	(12,162)

iv) 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.

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Notes to Consolidated Financial Statements

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

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. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The provision is based on an individual account-by-account analysis and prior credit history.

The carrying amount of the Company's net trade and other receivables represents the maximum counterparty credit exposure, without taking into account any security held. The Company defines current as outstanding accounts receivable under 30 days past due. The Company believes the unimpaired amounts that are past due by greater than 30 days are fully collectible based on historical default rates of customers and assessment of counterparty credit risk through established credit management techniques as discussed above. The following table details the aging of trade and other receivables:

	December 31,	
	2021	2020
Current	662,302	330,072
Past due 31-60 days	1,437	604
Past due over 60 days	3,849	2,965
Total trade and other receivables	667,588	333,641

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.

The Company's cash equivalents are placed in time deposits with investment grade international banks and financial institutions.

v) 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 December 31, 2021, the Company had a revolving credit facility of \$750.0 million and two credit facilities totaling \$150.0 million. As at December 31, 2021, \$270.0 million (December 31, 2020 – \$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, 2020 – \$34.7 million).

The terms of the unsecured senior notes, unsecured hybrid notes and revolving credit facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. As at December 31, 2021 the Company was in compliance with these covenants.

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at December 31, 2021. 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)	658,091	-	-	-	658,091
Dividend payable	51,319	-	-	-	51,319
Long-term debt	-	-	865,000	1,075,000	1,940,000
Interest on long-term debt	48,350	96,700	85,420	763,653	994,123
Financial instruments liabilities	11,711	-	-	-	11,711
Lease liabilities	30,299	38,018	16,643	2,131	87,091
	799,770	134,718	967,063	1,840,784	3,742,335

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

d) Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, lease liabilities and working capital. To maintain or adjust the capital structure, the Company may draw on its revolving credit facility, issue notes or issue equity and/or adjust its operating costs and/or capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet, and lease liabilities) less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the consolidated balance sheet.

	December 31, 2021	2020
Total financial liability borrowings	1,742,388	1,552,223
Less: cash and cash equivalents	(62,688)	(53,676)
Net debt ⁽¹⁾	1,679,700	1,498,547
Total share capital	1,997,255	1,977,104
Total capital	3,676,955	3,475,651

(1) The unsecured hybrid notes are included in the above total capital calculation in accordance with the Company's view of its capital structure which includes shareholders' equity and long-term debt. The unsecured hybrid notes, and associated interest payments are excluded from the definition of consolidated debt for the purposes of debt to capitalization as well as the consolidated interest coverage covenant ratios.

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the revolving credit facility are sufficient to service this debt and support ongoing operations.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Note 25 Commitments and Contingencies

a) Commitments

Lease obligations primarily relate to office leases, rail cars, vehicles, field buildings, various equipment as well as certain commitments related to terminal services arrangements. The minimum payments required under these commitments, net of sub-lease income, are as follows:

2022	49,044
2023	36,659
2024	23,459
2025	12,382
2026 and later	9,842
	<hr/>
	131,386

b) Commitments to Equity Accounted Investees

The Company does not have a current commitment to fund additional construction for its equity investments as at December 31, 2021.

c) Contingencies

The Company is involved in various claims and actions arising in the course of operations and is subject to various legal actions and exposures. Although the outcome of these claims are uncertain, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or operational results. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated decommissioning obligations and environmental remediation. Estimates of decommissioning obligations and environmental remediation costs can change significantly based on such factors such as operating experience and changes in legislation and regulations.

Note 26 Subsequent Events

On February 22, 2022, the Board declared a quarterly dividend of \$0.37 per common share, an increase of \$0.02 per common share, for the first quarter on its outstanding common shares. The dividend is payable on April 14, 2022 to shareholders of record at the close of business on March 31, 2022.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

*(Amounts in thousands of Canadian dollars, except per share amounts)***Note 27 Supplemental Cash Flow Information**

		Year ended December 31,	
	Note	2021	2020
Cash flows from operating activities			
Net income		145,053	121,309
Adjustments:			
Finance costs, net		61,344	96,420
Income tax expense		36,184	29,369
Depreciation and impairment of property, plant and equipment	8	136,068	124,057
Depreciation of right-of-use asset	9	29,123	37,962
Amortization and impairment of intangible assets	11	8,670	7,403
Share-based compensation	22	23,335	21,144
Share of profit from investments in equity accounted investees	10	(6,083)	(2,670)
Distributions from equity accounted investees		4,909	691
Gain on sale of property, plant and equipment	8	(2,942)	(853)
Provisions	16	(168)	3,391
Net loss on fair value movement of financial instruments		1,952	9,618
Other		(7,814)	(7,399)
		284,578	319,133
Changes in items of working capital:			
Trade and other receivables	5	(335,176)	101,351
Inventories	6	(92,113)	(26,361)
Other current assets		8,703	5,569
Trade payables and accrued charges	15	249,062	(32,266)
Contract liabilities		(13,579)	(21,007)
		(183,103)	27,286
Income tax payment, net		(29,722)	(8,177)
Net cash inflow from operating activities		216,806	459,551

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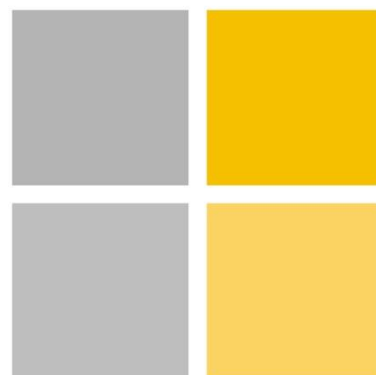
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