



Condensed Consolidated Financial Statements

March 31, 2019 and 2018



Gibson Energy Inc.
Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 68,770	\$ 95,301
Trade and other receivables	448,676	283,816
Inventories	178,844	85,629
Income taxes receivables	6,576	-
Prepaid and other assets.....	11,926	11,618
Net investment in finance leases	1,259	1,156
Assets held for sale (note 4)	135,091	209,438
Total current assets.....	851,142	686,958
Non-current assets		
Property, plant and equipment (note 5)	1,464,731	1,424,211
Right-of-use assets (note 6)	92,772	99,180
Long-term prepaid and other assets	5,453	4,803
Net investment in finance leases	153,814	154,206
Deferred income tax assets.....	35,908	35,874
Intangible assets.....	40,164	41,996
Goodwill	361,633	362,348
Total non-current assets	2,154,475	2,122,618
Total assets	\$ 3,005,617	\$ 2,809,576
Liabilities		
Current liabilities		
Trade payables and accrued charges	\$ 526,433	\$ 365,410
Income taxes payable.....	-	66,083
Dividends payable	47,937	47,704
Contract liabilities	13,153	15,451
Lease liabilities – current portion (note 9).....	30,938	36,200
Liabilities related to assets held for sale (note 4)	36,598	58,813
Total current liabilities	655,059	589,661
Non-current liabilities		
Long-term debt (note 8).....	1,125,038	1,039,578
Lease liabilities – non-current portion (note 9).....	68,419	72,871
Convertible debentures	93,097	92,466
Provisions (note 10)	185,490	162,811
Other long-term liabilities	18,349	16,319
Deferred income tax liabilities	84,012	77,640
Total non-current liabilities	1,574,405	1,461,685
Total liabilities	\$ 2,229,464	\$ 2,051,346
Equity		
Share capital (note 11)	1,966,681	1,955,146
Contributed surplus	39,848	44,461
Accumulated other comprehensive income	38,289	41,650
Convertible debentures	7,023	7,023
Deficit	(1,275,688)	(1,290,050)
Total equity	776,153	758,230
Total liabilities and equity	\$ 3,005,617	\$ 2,809,576

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Operations

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

	Three months ended	
	March 31,	
	2019	2018
		(note 4)
Continuing operations		
Revenue (note 13).....	\$ 1,748,688	\$ 1,687,627
Cost of sales	1,647,071	1,626,626
Gross profit.....	101,617	61,001
General and administrative expenses.....	16,419	17,637
Goodwill impairment	-	1,979
Other operating (income) loss (note 4).....	(1,326)	324
Operating income	86,524	41,061
Finance costs, net (note 8)	17,600	23,187
Income before income taxes	68,924	17,874
Income tax expense (note 7).....	10,247	6,089
Net income from continuing operations	58,677	11,785
Net income (loss) from discontinued operations, after tax (note 4)	3,622	(17,090)
Net income (loss)	\$ 62,299	\$ (5,305)
Earnings (Loss) per share		
Basic earnings per share from continuing operations	\$ 0.41	\$ 0.08
Basic earnings (loss) per share from discontinued operations	0.03	(0.12)
Basic earnings (loss) per share	\$ 0.44	\$ (0.04)
Diluted earnings per share from continuing operations	\$ 0.40	\$ 0.08
Diluted earnings (loss) per share from discontinued operations.....	0.02	(0.12)
Diluted earnings (loss) per share.....	\$ 0.42	\$ (0.04)

See accompanying notes to the condensed consolidated financial statements

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

(tabular amounts in thousands of Canadian dollars)

	Three months ended	
	March 31,	
	2019	2018
		(note 4)
Net income (loss)	\$ 62,299	\$ (5,305)
Other comprehensive (loss) income		
<i>Items that may be reclassified subsequently to statement of operations</i>		
Exchange differences on translating foreign operations	(3,361)	2,354
Other comprehensive income from discontinued operations	-	6,217
Other comprehensive (loss) income, net of tax	(3,361)	8,571
Comprehensive income	\$ 58,938	\$ 3,266

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 11)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2018	\$ 1,932,103	\$ 48,706	\$ 174,186	\$ 7,023	\$(1,250,787)	\$ 911,231
Net loss	-	-	-	-	(5,305)	(5,305)
Other comprehensive income, net of tax....	-	-	8,571	-	-	8,571
Comprehensive income (loss).....	-	-	8,571	-	(5,305)	3,266
Stock based compensation.....	-	1,563	-	-	-	1,563
Reclassification of contributed surplus on issuance of awards under equity incentive plan	11,920	(11,920)	-	-	-	1,563
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(47,472)	(47,472)
Balance – March 31, 2018	<u>\$ 1,944,023</u>	<u>\$ 38,349</u>	<u>\$ 182,757</u>	<u>\$ 7,023</u>	<u>\$(1,303,564)</u>	<u>\$ 868,588</u>
Balance – January 1, 2019	\$ 1,955,146	\$ 44,461	\$ 41,650	\$ 7,023	\$(1,290,050)	\$ 758,230
Net income	-	-	-	-	62,299	62,299
Other comprehensive loss, net of tax.....	-	-	(3,361)	-	-	(3,361)
Comprehensive (loss) income.....	-	-	(3,361)	-	62,299	58,938
Exercise of debentures conversion option ..	40	-	-	-	-	40
Stock based compensation.....	-	6,234	-	-	-	6,234
Proceeds from exercise of stock options.....	648	-	-	-	-	648
Reclassification of contributed surplus on issuance of awards under equity incentive plan	10,847	(10,847)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(47,937)	(47,937)
Balance – March 31, 2019	<u>\$ 1,966,681</u>	<u>\$ 39,848</u>	<u>\$ 38,289</u>	<u>\$ 7,023</u>	<u>\$(1,275,688)</u>	<u>\$ 776,153</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended	
	March 31,	
	2019	2018
		(note 4)
Cash flows from operating activities		
Net income from continuing operations	\$ 58,677	\$ 11,785
Adjustments for non-cash items (note 16)	58,983	74,999
Changes in items of working capital (note 16).....	(52,943)	31,083
Income taxes (paid) refund, net (note 16)	(77,211)	1,267
Cash (used in) provided by operating activities from continuing operations	(12,494)	119,134
Cash provided by discontinued operations	9,192	17,675
Net cash (used in) provided by from operating activities	(3,302)	136,809
Cash flows from investing activities		
Purchase of property, plant and equipment.....	(65,428)	(47,833)
Purchase of intangible assets.....	(1,765)	(897)
Proceeds from sale of assets held for sale, net (note 4).....	48,539	-
Proceeds on sale of assets	1,211	1,420
Cash used in by investing activities from continuing operations.....	(17,443)	(47,310)
Cash provided by (used in) discontinued operations.....	63	(115)
Net cash used in investing activities	(17,380)	(47,425)
Cash flows from financing activities		
Payment of shareholder dividends	(47,704)	(47,257)
Interest paid, net.....	(28,748)	(31,169)
Proceeds from exercise of stock options	648	-
Finance lease payments (note 9)	(13,025)	(14,252)
Proceeds from credit facilities, net	85,000	25,929
Cash used in financing activities from continuing operations	(3,829)	(66,749)
Cash used in financing activities from discontinued operations.....	(489)	(405)
Net cash used in financing activities	(4,318)	(67,154)
Net (decrease) increase in cash and cash equivalents	(25,000)	22,230
Effect of exchange rate on cash and cash equivalents	(1,531)	882
Cash and cash equivalents – beginning of year	95,301	32,138
Cash and cash equivalents – end of year	\$ 68,770	\$ 55,250

See accompanying notes to the condensed consolidated financial statements

See note 16 for supplemental disclosures

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

1 Description of the business and segmented disclosure

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

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

The Company’s reportable segments are:

- (1) **Infrastructure**, which includes a network of oil infrastructure assets that include oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines, a crude oil processing facility, and processing, recovery, and disposal terminals. The primary facilities within this segment include the terminals located at Hardisty and Edmonton, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; an infrastructure position located in the United States (“U.S.”); and a crude oil processing facility in Moose Jaw, Saskatchewan (the “Moose Jaw Facility”). The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring period.
- (2) **Marketing**, during the first quarter of 2019, the Company renamed its Wholesale reportable segment as Marketing and realigned its remaining U.S Trucking and Transportation assets into the Marketing reportable segment. This realignment reflects management’s view of how information of the business is regularly reviewed internally for the purposes of decision making, allocating resources and assessing performance. 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 hydrocarbon products include crude oil, natural gas liquids (“NGLs”), road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil (“CVGO”) and an oil-based mud product. The Marketing segment’s optimization opportunities are typically location, quality and time-based. 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 also includes U.S. truck transportation services in the Permian basin that enable oil production to access fixed midstream infrastructure. The Marketing business is impacted by certain seasonality of operations specific to the oil and gas industry.

This reporting structure provides a direct connection between the Company’s operations, the services it provides to customers and the ongoing strategic direction of the Company. These reportable segments of the Company have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Company has aggregated certain operating segments into the above noted reportable segments through examination of the Company’s performance which is based on the similarity of the goods and services provided and economic characteristics exhibited by these operating segments.

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

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Three months ended March 31, 2019**

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 64,249	\$ 1,684,439	\$ 1,748,688
Inter-segmental	<u>35,262</u>	<u>122,124</u>	<u>157,386</u>
External and inter-segmental	<u>99,511</u>	<u>1,806,563</u>	<u>1,906,074</u>
Segment profit	<u>\$ 74,588</u>	<u>\$ 61,186</u>	<u>\$ 135,774</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			24,386
Depreciation of right-of-use assets.....			9,770
Amortization and impairment of intangible assets			3,059
General and administrative			11,031
Stock based compensation			606
Corporate foreign exchange loss			3,142
Interest expense, net			17,600
Gain on sale of assets held for sale (note 4)			<u>(2,744)</u>
Net income from continuing operations before income tax			68,924
Income tax expense.....			<u>10,247</u>
Net income from continuing operations			58,677
Net income from discontinued operations, after tax (note 4).....			<u>3,622</u>
Net income from operations			<u>\$ 62,299</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended March 31, 2018 ⁽¹⁾

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 59,521	\$ 1,628,106	\$ 1,687,627
Inter-segmental	<u>33,028</u>	<u>154,268</u>	<u>187,296</u>
External and inter-segmental	<u>92,549</u>	<u>1,782,374</u>	<u>1,874,923</u>
Segment profit	<u>\$ 68,581</u>	<u>\$ 26,909</u>	<u>\$ 95,490</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			24,724
Depreciation of right-of-use assets.....			12,105
Amortization and impairment of intangible assets			2,825
Impairment of goodwill			1,979
General and administrative			8,468
Stock based compensation			4,498
Corporate foreign exchange gain			(170)
Interest expense, net			19,358
Foreign exchange loss on long-term debt.....			<u>3,829</u>
Net income from continuing operations before income tax			17,874
Income tax expense.....			<u>6,089</u>
Net income from continuing operations			11,785
Net loss from discontinued operations, after tax (note 4)			<u>(17,090)</u>
Net loss from operations			<u>\$ (5,305)</u>

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

	Three months ended March 31			
	<u>2019</u>		<u>2018 ⁽¹⁾</u>	
	<u>Property, plant and equipment</u>	<u>Intangible Assets</u>	<u>Property, plant and equipment</u>	<u>Intangible Assets</u>
Infrastructure.....	\$ 43,574	\$ -	\$ 28,608	\$ 70
Marketing.....	500	735	485	-
Corporate.....	<u>368</u>	<u>929</u>	<u>496</u>	<u>758</u>
	<u>\$ 44,442</u>	<u>\$ 1,664</u>	<u>\$ 29,589</u>	<u>\$ 828</u>

1. Comparative period segment information was reclassified to reflect the results of continuing operations separately from discontinued operations. See note 4 for further details.

Other Geographic Data

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 6% and 5% in the United States as at March 31, 2019 and December 31, 2018, respectively.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, as set out in IAS 34, “Interim Financial Reporting”. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on May 6, 2019. Certain reclassifications of prior period amounts have been made to conform to the current period presentation due to the presentation of continuing operations separately from discontinued operations as discussed in note 4. These condensed consolidated financial statements are presented in Canadian dollars, the Company’s functional and presentation currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to \$ are to Canadian dollars and references to U.S.\$ are to United States dollars.

3 Changes in accounting policies and disclosures

A. New interpretations and amended standards adopted by the Company

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

- The annual improvements process addresses issues in the 2015-2017 reporting cycles include changes to IFRS 3 – Business combinations, IFRS 11 – Joint arrangements, IAS 12 – Income taxes, and IAS 23 – Borrowing costs. This improvement is effective for periods beginning on or after January 1, 2019. The adoption of these improvements did not have a material impact on the condensed consolidated financial statements.
- IAS 19 – Employee benefits (“IAS 19”), has been amended to (i) require current service cost and net interest for the period after the re-measurement to be determined using the assumptions used for the re-measurement, and (ii) clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment to IAS 19 is effective for the years beginning on or after January 1, 2019. The adoption of this amendment did not have a material impact on the condensed consolidated financial statements.
- IFRIC 23 – Uncertainty over income tax treatments (“IFRIC 23”), has been amended to clarify how the recognition and measurement requirements of IAS 12 – Income taxes, are applied where there is uncertainty over income tax treatments. The amendment to IFRIC 23 is effective for years beginning on or after January 1, 2019. The adoption of this amendment did not have a material impact on its condensed consolidated financial statements.

B. New standards and interpretations issued but not yet adopted

There were no new standards or interpretations issued during the quarter.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

4 Assets and liabilities held for sale, discontinued operations and disposals

As at March 31, 2019, the Canadian Truck Transportation (“TT Canada”) and U.S. Truck Transportation (“TT U.S.”) disposal groups are presented within assets and liabilities held for sale. The TT Canada disposal group is currently presented within discontinued operations, and the TT U.S. disposal group is presented in the Marketing reportable segment.

Assets and liabilities held for sale for all disposal groups comprises of the following:

	March 31, 2019	December 31, 2018
Assets		
Trade and other receivables.....	\$ 31,755	\$ 37,403
Inventories.....	1,019	2,053
Property, plant and equipment.....	92,902	159,540
Right-of-use assets.....	9,005	9,401
Other assets and prepaids.....	410	1,041
Total assets held for sale.....	<u>\$ 135,091</u>	<u>\$ 209,438</u>
Liabilities		
Trade payables and accrued charges.....	\$ 18,922	\$ 20,778
Income taxes payable.....	922	-
Lease liabilities.....	8,266	8,965
Provisions.....	635	21,641
Deferred income tax liabilities.....	7,853	7,429
Total liabilities held for sale.....	<u>\$ 36,598</u>	<u>\$ 58,813</u>

On April 2, 2019, the Company entered into a definitive agreement (the “Truck Transportation Agreement”) and also an additional agreement (the “Asset Purchase Agreement”) with a third party for the sale of the TT Canada disposal group (Refer to note 15).

Non-Core Environmental Services North business

During the three months ended March 31, 2019, the Company sold its Environmental Services North (“ESN”) business for gross proceeds of \$51.8 million and incurred transaction cost of \$3.3 million, which resulted in recognition of a pre-tax gain of \$2.7 million included in other operating income within the continuing operations. Major net assets disposed consists of property, plant and equipment of \$66.0 million, inventory of \$0.7 million, right-of-use assets of \$1.0 million, finance lease liabilities of \$0.8 million and decommissioning provisions of \$21.1 million. This business provided environmental services from a network of midstream infrastructure assets located throughout Western Canada, which were included within the Company’s Infrastructure reportable segment.

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***TT Canada**

The following tables set forth the operating results from discontinued operations:

	Three months ended	
	March 31	
	2019	2018
Revenue – External and inter-segmental	\$ 48,807	\$ 56,544
Revenue – Inter-segmental	4,114	7,552
Revenue – External	44,693	48,992
Cost of sales	39,295	48,648
Gross profit	5,398	344
Finance cost and other income, net	430	(1,057)
Income before income taxes	4,968	1,401
Income tax provision – current	922	933
Income tax provision (recovery) – deferred	424	(571)
Net income from discontinued operations, after tax	\$ 3,622	\$ 1,039

U.S. Environmental Services business

The following table sets forth operating results from discontinued operations:

	Three months	
	ended	
	March 31 ⁽¹⁾	
	2018	
Revenue	\$ 68,868	
Cost of sales	64,482	
Gross profit	4,386	
Finance cost and other income, net	(273)	
Income before income taxes	4,659	
Income tax recovery – current	-	
Income tax provision – deferred	22,788	
Net loss from discontinued operations, after tax	\$ (18,129)	

1. The business was sold effective May 3, 2018.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

5 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2019.....	\$ 91,397	\$ 299,229	\$ 607,012	\$ 64,769	\$ 668,158	\$ 256,906	\$ 1,987,471
Additions.....	-	-	2,847	1,650	271	40,750	45,518
Disposals.....	-	-	(22)	(6,147)	(243)	-	(6,412)
Reclassifications.....	16,364	68,722	39,575	-	31,387	(156,048)	-
Change in decommissioning provision (note 10).....	-	3,649	12,618	-	6,191	-	22,458
Effect of movements in exchange rates.....	(6)	(427)	(128)	(1,525)	(668)	58	(2,696)
Transferred to held for sale (note 4).....	(72)	(58)	-	(843)	(286)	-	(1,259)
At March 31, 2019.....	<u>\$ 107,683</u>	<u>\$ 371,115</u>	<u>\$ 661,902</u>	<u>\$ 57,904</u>	<u>\$ 704,810</u>	<u>\$ 141,666</u>	<u>\$ 2,045,080</u>

Accumulated depreciation and impairment:

At January 1, 2019.....	\$ 19,079	\$ 90,441	\$ 130,601	\$ 44,332	\$ 278,807	\$ -	\$ 563,260
Depreciation.....	768	3,366	6,249	1,559	12,444	-	24,386
Disposals.....	-	-	(22)	(5,777)	(88)	-	(5,887)
Effect of movements in exchange rates.....	(2)	-	(54)	(1,058)	(337)	-	(1,451)
Transferred to held for sale (note 4).....	4,516	-	-	(4,475)	-	-	41
At March 31, 2019.....	<u>\$ 24,361</u>	<u>\$ 93,807</u>	<u>\$ 136,774</u>	<u>\$ 34,581</u>	<u>\$ 290,826</u>	<u>\$ -</u>	<u>\$ 580,349</u>

Carrying amounts:

At January 1, 2019.....	\$ 72,318	\$ 208,788	\$ 476,411	\$ 20,437	\$ 389,351	\$ 256,906	\$ 1,424,211
At March 31, 2019.....	\$ 83,322	\$ 277,308	\$ 525,128	\$ 23,323	\$ 413,984	\$ 141,666	\$ 1,464,731

Additions to property, plant and equipment include capitalization of interest of \$1.8 million and \$2.1 million for the three months ended March 31, 2019 and 2018, respectively. Amounts in relation to tanks are under operating lease arrangements.

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***6 Right-of-use assets**

	Buildings	Rail cars	Surface leases	Other	Total
Cost:					
At January 1, 2019.....	\$ 53,558	\$ 80,886	\$ 1,924	\$ 4,335	\$ 140,703
Additions and adjustments	161	1,326	30	2,518	4,035
Disposals.....	(28)	-	(25)	-	(53)
Transferred to held for sale (note 4)	(31)	-	(49)	(508)	(588)
Effects of movements in exchange rates	(33)	-	(181)	(84)	(298)
At March 31, 2019.....	<u>\$ 53,627</u>	<u>\$ 82,212</u>	<u>\$ 1,699</u>	<u>\$ 6,261</u>	<u>\$ 143,799</u>
Accumulated depreciation:					
At January 1, 2019.....	\$ 7,623	\$ 31,949	\$ 348	\$ 1,603	\$ 41,523
Depreciation	1,920	7,411	28	408	9,767
Disposals.....	(23)	-	(1)	-	(24)
Effects of movements in exchange rates	(14)	-	(204)	(21)	(239)
At March 31, 2019.....	<u>\$ 9,506</u>	<u>\$ 39,360</u>	<u>\$ 171</u>	<u>\$ 1,990</u>	<u>\$ 51,027</u>
Carrying amounts:					
At January 1, 2019.....	\$ 45,935	\$ 48,937	\$ 1,576	\$ 2,732	\$ 99,180
At March 31, 2019.....	\$ 44,121	\$ 42,852	\$ 1,528	\$ 4,271	\$ 92,772

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

7 Income tax provision (recovery)

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

	Three months ended March 31,	
	2019	2018 (note 4)
Current, from continuing operations	\$ 4,542	\$ 6,727
Current, from discontinued operations (Note 4)	922	933
	<u>\$ 5,464</u>	<u>\$ 7,660</u>
Deferred, from continuing operations	\$ 5,705	\$ (638)
Deferred, from discontinued operations (Note 4)	424	22,217
	<u>\$ 6,129</u>	<u>\$ 21,579</u>
Total current and deferred, from continuing operations.....	\$ 10,247	\$ 6,089
Total current and deferred, from discontinued operations (Note 4).....	\$ 1,346	\$ 23,150
Effective income tax rate – continuing	14.9%	34.1%
Effective income tax rate – discontinued.....	27.1%	382.0%

Total income tax expense for the three months ended March 31, 2019 included recognition of a cumulative benefit in the current period for certain items resulting in a lower effective tax rate in the current period from continuing operations.

8 Loans and borrowings

Revolving Credit Facility

The Company had \$235.0 million and \$150.0 million drawn on its unsecured revolving credit facility (“Revolving Credit Facility”) as of March 31, 2019 and December 31, 2018, respectively, and had issued letters of credit totaling \$84.8 million and \$70.9 million under its bilateral demand letter of credit facilities as at March 31, 2019 and December 31, 2018, respectively. Additionally, the Company’s long-term debt contains non-financial covenants and customary events of default clauses. As of March 31, 2019 and December 31, 2018, the Company was in compliance with all of its covenants.

On April 3, 2019, the Company amended certain terms of its Revolving Credit Facility including extending the maturity date from March 2023 to March 2024. The amended Revolving Credit Facility also moved to a ratings based pricing grid from a leverage based pricing grid which could result in reduced borrowing rates to the Company. Additionally, on any date where the Company has at least two investment grade ratings at the same time, further amendments to the Revolving Credit Facility will take effect, including but not limited to, the replacement of the maximum senior and total debt leverage ratios with a total debt to capitalization ratio up to 65% and the removal of certain covenants. As of the date of these condensed consolidated financial statements, the Company has obtained one of the two investment grade ratings.

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Long-term debt**

	March 31, 2019	December 31, 2018
Revolving credit facility, due March 31, 2024	\$ 235,000	\$ 150,000
\$300 million 5.375% Notes due July 15, 2022	300,000	300,000
\$600 million 5.25% Notes due July 15, 2024	600,000	600,000
Unamortized issue discount and debt issue costs	(9,962)	(10,422)
Long-term debt	<u>\$ 1,125,038</u>	<u>\$ 1,039,578</u>

The components of finance costs are as follows:

	Three months ended March 31,	
	2019	2018
Interest expense, net of capitalized interest	\$ 16,739	\$ 17,824
Interest expense, finance lease (note 9)	1,173	1,828
Interest income	(312)	(294)
Foreign exchange loss on long-term debt	-	3,829
Total finance cost, net	<u>\$ 17,600</u>	<u>\$ 23,187</u>

9 Lease liabilities

	Three months ended March 31, 2019	Year ended December 31, 2018
Opening balance	\$ 109,071	\$ 172,834
Additions	4,035	19,506
Disposals	(24)	(834)
Interest expense	1,167	6,523
Lease payments	(12,987)	(52,848)
Effect of movements in exchange rates	(1,383)	8,309
Transferred to held for sale (note 4)	(522)	(44,419)
Ending balance	<u>\$ 99,357</u>	<u>\$ 109,071</u>
Less: current portion	30,938	36,200
Ending balance – non-current portion	<u>\$ 68,419</u>	<u>\$ 72,871</u>

Variable lease payments of \$41.0 million and \$41.5 million were expensed for the three months ended March 31, 2019 and March 31, 2018 relating to discontinued operations. The Company has recognised lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at March 31, 2019 at the incremental borrowing rate of 5.0%.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

10 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:

	Three months ended March 31, 2019	Year ended December 31, 2018
Opening balance.....	\$ 162,811	\$ 183,527
Settlements	(323)	(2,577)
Additions	7,382	8,038
Change in estimated future cash flows	-	444
Change in discount rate (March 31, 2019 – 1.84%, December 31, 2018 – 2.15%)	15,321	7,477
Unwinding of discount	956	3,916
Transferred to held for sale (note 4)	(543)	(38,950)
Effect of changes in foreign exchange rates	(114)	936
Closing balance.....	<u>\$ 185,490</u>	<u>\$ 162,811</u>

11 Share capital

Common Shares – Issued and Outstanding

	Common Shares	
	Number of Common shares	Amount
At January 1, 2019.....	144,558,790	\$ 1,955,146
Proceeds on exercise of stock options.....	26,690	648
Exercise of debentures conversion option	1,847	40
Reclassification of contributed surplus on issuance of awards under equity incentive plans.....	676,909	10,847
At March 31, 2019	<u>145,264,236</u>	<u>\$ 1,966,681</u>

Share based compensation

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

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)		Number of Shares	
Balance at January 1, 2019.....	2,283,617	\$ 21.39	767,555	747,385	516,348
Granted	515,471	22.70	388,135	479,089	65,247
Exercised and released for common shares.....	(26,690)	20.53	(321,900)	(345,686)	(9,321)
Forfeited.....	-	-	(53,583)	(60,739)	-
Balance at March 31, 2019.....	<u>2,772,398</u>	<u>\$ 21.64</u>	<u>780,207</u>	<u>820,049</u>	<u>572,274</u>
Vested	<u>1,875,404</u>	<u>\$ 22.21</u>	-	-	572,274

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Per share amounts

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

	Three months ended March 31,	
	2019	2018
Weighted average common shares outstanding – Basic	144,673,465	143,300,486
Dilutive effect of:		
Stock options and other awards	2,387,548	2,438,912
Weighted average common shares outstanding – Diluted	<u>147,061,013</u>	<u>145,739,398</u>

The dilutive effect of 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2019 have been included in the determination of the weighted average number of common shares outstanding for continuing and discontinued operations. The impact of 1.5 million stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income from continuing and discontinued operations per share.

The dilutive effect of 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2018 have been included in the determination of the weighted average number of common shares outstanding for continuing operations. The dilutive effect of 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2018 have been not been included in the determination of the weighted average number of common shares outstanding for discontinued operations as the inclusion would be anti-dilutive to the net loss per share.

12 Employee salaries and benefits

Employee salaries and benefits have been expensed as follows:

	Three months ended March 31,	
	2019	2018
Cost of sales	\$ 18,974	\$ 22,139
General and administrative	8,439	8,851
	<u>\$ 27,413</u>	<u>\$ 30,990</u>

13 Revenue

	Three months ended March 31,	
	2019	2018
Revenue from contracts with customers recognized at a point in time	\$ 1,682,668	\$ 1,615,877
Revenue from contracts with customers recognized over time	36,070	41,068
Total revenue from contracts with customers	1,718,738	1,656,945
Total revenue from lease arrangements	29,950	30,682
	<u>\$ 1,748,688</u>	<u>\$ 1,687,627</u>

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

Disaggregation of revenue from contracts with customers are as follows:

Three months ended March 31, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 19,594	\$ -	\$ 19,594
Rail	10,269	-	10,269
Other	3,134	-	3,134
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 1,298,476	\$ 1,298,476
Refined products		21,077	21,077
Other	1,108	-	1,108
Total revenue – Canada	<u>\$ 34,105</u>	<u>\$ 1,319,553</u>	<u>\$ 1,353,658</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 194	\$ 2,879	\$ 3,073
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 300,969	\$ 300,969
Refined products	-	61,038	61,038
Total revenue – U.S.	<u>\$ 194</u>	<u>\$ 364,886</u>	<u>\$ 365,080</u>
Total Revenue from contracts with customers	<u>\$ 34,299</u>	<u>\$ 1,684,439</u>	<u>\$ 1,718,738</u>

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Three months ended March 31, 2018**

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 16,051	\$ -	\$ 16,051
Rail	6,829	-	6,829
Other	3,513	819	4,332
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 1,344,582	\$ 1,344,582
Refined products	-	43,197	43,197
Other	<u>2,273</u>	<u>-</u>	<u>2,273</u>
Total revenue – Canada	<u>\$ 28,666</u>	<u>\$ 1,388,598</u>	<u>\$ 1,417,264</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other	\$ 173	\$ 13,683	\$ 13,856
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 172,599	\$ 172,599
Refined products	-	53,226	53,226
Total revenue – U.S.	<u>\$ 173</u>	<u>\$ 239,508</u>	<u>\$ 239,681</u>
Total Revenue from contracts with customers	<u>\$ 28,839</u>	<u>\$ 1,628,106</u>	<u>\$ 1,656,945</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

14 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	March 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ -	\$ 4,495	\$ 1,937	\$ 616
Commodity swaps	10,185	2,557	2,565	2,887
Equity swaps.....	4,663	-	677	2,915
Foreign currency forwards	421	285	504	1,451
Total	<u>\$ 15,269</u>	<u>\$ 7,337</u>	<u>\$ 5,683</u>	<u>\$ 7,869</u>
Less non-current portion:				
Commodity swaps	759	1,994	-	-
Equity swaps.....	-	-	-	154
	<u>759</u>	<u>1,994</u>	<u>-</u>	<u>154</u>
Current portion	<u>\$ 14,510</u>	<u>\$ 5,343</u>	<u>\$ 5,683</u>	<u>\$ 7,715</u>

During the three months ended March 31, 2019, the Company settled 979,100 out of a total of 1,475,000 notional shares of its equity swaps and as a result recognized a mark to market a gain of \$6.2 million. Subsequent to March 31, 2019 the Company settled the remaining 495,900 equity swaps and has no remaining exposure to these instruments.

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

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity swaps	10,185	6,916	3,269	-
Equity swaps.....	4,663	4,663	-	-
Foreign currency forward.....	421	-	421	-
Total assets.....	<u>\$ 15,269</u>	<u>\$ 11,579</u>	<u>\$ 3,690</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures	\$ 4,495	\$ 4,495	\$ -	\$ -
Commodity swaps	2,557	1,021	1,536	-
Foreign currency forwards	285	-	285	-
Total liabilities	<u>\$ 7,337</u>	<u>\$ 5,516</u>	<u>\$ 1,821</u>	<u>\$ -</u>

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

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2018 was:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets from financial instrument contracts				
Commodity futures	\$ 1,937	\$ 1,937	\$ -	\$ -
Commodity swaps	2,565	-	2,565	-
Equity swaps.....	677	677	-	-
Foreign currency forwards	504	-	504	-
Total assets.....	<u>\$ 5,683</u>	<u>\$ 2,614</u>	<u>\$ 3,069</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures	\$ 616	\$ 561	\$ 55	\$ -
Commodity swaps	2,887	-	2,887	-
Equity swaps.....	2,915	2,915	-	-
Foreign currency forwards	1,451	-	1,451	-
Total liabilities	<u>\$ 7,869</u>	<u>\$ 3,476</u>	<u>\$ 4,393</u>	<u>\$ -</u>

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

	<u>Three months ended</u> <u>March 31,</u>	
	<u>2019</u>	<u>2018</u>
Cost of sales	\$ 3,430	\$ 732
Stock based compensation	6,159	(2,234)
	<u>\$ 9,589</u>	<u>\$ (1,502)</u>

As at March 31, 2019 and December 31, 2018, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$915.6 million and \$1,038.6 million, respectively.

As at March 31, 2019 and December 31, 2018, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was \$101.71 million and \$98.1 million, respectively.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Sensitivity

U.S. Dollar Forwards and Options

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

	<u>March 31,</u>	
	<u>2019</u>	<u>2018</u>
Favorable 5% change.....	\$ 1,379	\$ 3,261
Unfavorable 5% change.....	(1,379)	(3,261)

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

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

Crude oil and NGL related prices

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

	<u>March 31,</u>	
	<u>2019</u>	<u>2018</u>
Favorable 15% change.....	\$ 8,745	\$ 925
Unfavorable 15% change.....	(8,745)	(925)

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at March 31, 2019. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	<u>On demand or within one year</u>	<u>Between one and five years</u>	<u>After five years</u>	<u>Total</u>
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	\$ 509,729	\$ -	\$ -	\$ 509,729
Dividend payable	47,937	-	-	47,937
Long-term debt.....	-	300,000	600,000	900,000
Credit facilities.....	-	235,000	-	235,000
Debentures (debt and equity component)	-	99,960	-	99,960
Interest on long-term debt and Debentures.....	52,875	169,720	10,500	233,095
Commodity futures	4,495	-	-	4,495
Commodity swaps	563	1,994	-	2,557
Foreign currency forwards	285	-	-	285
Lease liabilities	38,518	59,513	28,950	126,981
	<u>\$ 654,402</u>	<u>\$ 866,187</u>	<u>\$ 639,450</u>	<u>\$ 2,160,039</u>

15 Subsequent Events

On April 2, 2019, the Company entered into the Truck Transportation Agreement with Trimac Transportation ("Trimac") for the sale of substantially all the assets of its TT Canada business for proceeds of approximately \$70 million, with the potential for additional proceeds depending on the performance of the business over the next four years. In addition, Gibson has entered into the Asset Purchase Agreement with an entity affiliated with Trimac for the sale of a field office and shop facilities situated on 31 acres of land in Edmonton, Alberta, for \$30 million. Closing of the Truck Transportation Agreement is expected to occur in mid-2019, subject to the receipt of all necessary approvals and satisfaction of certain conditions. Closing of the Asset Purchase Agreement is expected to occur in the second half of 2019 subject to the satisfaction of certain conditions.

On April 3, 2019, the Company amended certain terms of its unsecured revolving credit facility (refer to note 8).

On May 6, 2019, the Board declared a quarterly dividend of \$0.33 per common share for the second quarter on its outstanding common shares. The dividend is payable on July 17, 2019 to shareholders of record at the close of business on June 28, 2019.

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***16 Supplemental cash flow information**

	Three months ended	
	March 31,	
	2019	2018
		(note 4)
Cash flows from operating activities		
Net income from continuing operations	\$ 58,677	\$ 11,785
Adjustments for non-cash items:		
Finance costs, net	17,600	23,187
Income tax expense	10,247	6,089
Depreciation and impairment of property, plant and equipment.....	24,386	24,724
Depreciation on right-of-use assets.....	9,770	12,105
Amortization and impairment of intangible assets	3,059	2,825
Impairment of goodwill	-	1,979
Stock based compensation	606	4,498
Gain on sale of property, plant and equipment	(172)	(1,918)
Net gain on fair value movement of financial instruments	(3,430)	(732)
Other	(3,083)	2,242
Subtotal of adjustments	58,983	74,999
Changes in items of working capital:		
Trade and other receivables	(167,721)	28,193
Inventories	(93,003)	35,239
Other current assets	(475)	1,542
Trade payables and accrued charges	210,567	(41,149)
Contract liabilities	(2,311)	7,258
Subtotal of changes in items of working capital.....	(52,943)	31,083
Income taxes (paid) refund, net	(77,211)	1,267
Cash (used in) provided by operating activities from continuing operations.....	\$ (12,494)	\$ 119,134
Cash provided by operating activities from discontinued operations (note 4)	9,192	17,675
Net cash (used in) provided by operating activities	\$ (3,302)	\$ 136,809