



Condensed Consolidated Financial Statements

June 30, 2019 and 2018

**GIBSON
ENERGY**

Gibson Energy Inc.
Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	June 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 71,993	\$ 95,301
Trade and other receivables	517,955	283,816
Inventories	127,180	85,629
Income taxes receivables	12,864	-
Prepaid and other assets.....	14,204	11,618
Net investment in finance leases	5,531	1,156
Assets held for sale (note 4)	132,500	209,438
Total current assets.....	882,227	686,958
Non-current assets		
Property, plant and equipment (note 5)	1,506,579	1,424,211
Right-of-use assets (note 6)	98,979	99,180
Long-term prepaid and other assets	4,514	4,803
Net investment in finance leases	183,170	154,206
Deferred income tax assets.....	35,539	35,874
Intangible assets.....	36,961	41,996
Goodwill	360,962	362,348
Total non-current assets	2,226,704	2,122,618
Total assets	\$ 3,108,931	\$ 2,809,576
Liabilities		
Current liabilities		
Trade payables and accrued charges	\$ 534,122	\$ 365,410
Income taxes payable.....	-	66,083
Dividends payable	47,980	47,704
Contract liabilities	26,639	15,451
Lease liabilities – current portion (note 9)	38,882	36,200
Liabilities related to assets held for sale (note 4)	32,978	58,813
Total current liabilities	680,601	589,661
Non-current liabilities		
Long-term debt (note 8).....	1,171,169	1,039,578
Lease liabilities – non-current portion (note 9).....	99,342	72,871
Convertible debentures	93,773	92,466
Provisions (note 10)	208,602	162,811
Other long-term liabilities	16,968	16,319
Deferred income tax liabilities	72,333	77,640
Total non-current liabilities	1,662,187	1,461,685
Total liabilities	\$ 2,342,788	\$ 2,051,346
Equity		
Share capital (note 11)	1,968,655	1,955,146
Contributed surplus	42,166	44,461
Accumulated other comprehensive income	35,180	41,650
Convertible debentures	7,023	7,023
Deficit	(1,286,881)	(1,290,050)
Total equity	766,143	758,230
Total liabilities and equity	\$ 3,108,931	\$ 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 June 30,		Six months ended June 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Continuing operations				
Revenue (note 13)	\$ 1,927,634	\$ 1,714,335	\$ 3,676,322	\$ 3,401,962
Cost of sales	1,868,696	1,656,209	3,515,766	3,283,859
Gross profit.....	58,938	58,126	160,556	118,103
General and administrative expenses	18,769	16,949	35,188	34,586
Goodwill impairment	-	-	-	1,979
Other operating (income) loss.....	(2,296)	238	(3,620)	(468)
Operating Income.....	42,465	40,939	128,988	82,006
Finance costs, net (note 8)	19,875	18,842	37,474	42,035
Income before income taxes	22,590	22,097	91,514	39,971
Income tax (recovery) expense (note 7).....	(12,103)	6,855	(1,856)	12,944
Net income from continuing operations	34,693	15,242	93,370	27,027
Net income from discontinued operations, after tax (note 4) .	2,094	122,693	5,716	105,603
Net income	\$ 36,787	\$ 137,935	\$ 99,086	\$ 132,630
Earnings per share				
Basic earnings per share from continuing operations	\$ 0.24	\$ 0.11	\$ 0.65	\$ 0.19
Basic earnings per share from discontinued operations....	0.01	0.85	0.03	0.73
Basic earnings per share	\$ 0.25	\$ 0.96	\$ 0.68	\$ 0.92
Diluted earnings per share from continuing operations.....	\$ 0.24	\$ 0.11	\$ 0.64	\$ 0.19
Diluted earnings per share from discontinued operations .	0.01	0.83	0.03	0.71
Diluted earnings per share.....	\$ 0.25	\$ 0.94	\$ 0.67	\$ 0.90

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 June 30,		Six months ended June 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Net income	\$ 36,787	\$ 137,935	\$ 99,086	\$ 132,630
Other comprehensive (loss) income				
<i>Items that may be reclassified subsequently to consolidated statement of operations</i>				
Exchange differences of translating foreign operations	(3,109)	4,175	(6,470)	6,529
Other comprehensive (loss) income from discontinued operations.....	-	(844)	-	5,373
Reclassification of foreign currency translation gain on disposal of foreign operations	-	(141,933)	-	(141,933)
Other comprehensive loss, net of tax	<u>(3,109)</u>	<u>(138,602)</u>	<u>(6,470)</u>	<u>(130,031)</u>
Comprehensive income (loss)	<u>\$ 33,678</u>	<u>\$ (667)</u>	<u>\$ 92,616</u>	<u>\$ 2,599</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 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 income	-	-	-	-	132,630	132,630
Reclassification of foreign currency translation gain on disposal of foreign operations	-	-	(141,933)	-	-	(141,933)
Other comprehensive income, net of tax....	-	-	11,902	-	-	11,902
Comprehensive (loss) income	-	-	(130,031)	-	132,630	2,599
Proceeds from exercise of stock options...	492	-	-	-	-	492
Stock based compensation.....	-	8,197	-	-	-	8,197
Reclassification of contributed surplus on issuance of awards under equity incentive plan	15,912	(15,912)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(95,034)	(95,034)
Balance – June 30, 2018	<u>\$ 1,948,507</u>	<u>\$ 40,991</u>	<u>\$ 44,155</u>	<u>\$ 7,023</u>	<u>\$(1,213,191)</u>	<u>\$ 827,485</u>
Balance – January 1, 2019	\$ 1,955,146	\$ 44,461	\$ 41,650	\$ 7,023	\$(1,290,050)	\$ 758,230
Net income	-	-	-	-	99,086	99,086
Other comprehensive loss, net of tax.....	-	-	(6,470)	-	-	(6,470)
Comprehensive (loss) income.....	-	-	(6,470)	-	99,086	92,616
Exercise of debentures conversion option ..	50	-	-	-	-	50
Stock based compensation.....	-	10,284	-	-	-	10,284
Proceeds from exercise of stock options.....	880	-	-	-	-	880
Reclassification of contributed surplus on issuance of awards under equity incentive plan	12,579	(12,579)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(95,917)	(95,917)
Balance – June 30, 2019	<u>\$ 1,968,655</u>	<u>\$ 42,166</u>	<u>\$ 35,180</u>	<u>\$ 7,023</u>	<u>\$(1,286,881)</u>	<u>\$ 766,143</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 June 30,		Six months ended June 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Cash flows from operating activities				
Net income from continuing operations	\$ 34,693	\$ 15,242	\$ 93,370	\$ 27,027
Adjustments for non-cash items (note 16).....	71,228	84,663	130,210	159,662
Changes in items of working capital (note 16).....	(62,214)	(84,446)	(115,159)	(53,363)
Income tax (payment) refund, net (note 16)	(6,056)	12,210	(83,267)	13,477
Cash provided by operating activities from continuing operations	37,651	27,669	25,154	146,803
Cash (used in) provided by operating activities from discontinued operations (note 4).....	(2,727)	1,022	6,465	18,697
Net cash provided by operating activities	34,924	28,691	31,619	165,500
Cash flows from investing activities				
Purchase of property, plant and equipment	(16,333)	(31,842)	(81,761)	(79,675)
Purchase of intangible assets	(512)	(686)	(2,277)	(1,584)
Proceeds from sale of assets held for sale, net (note 4)	(180)	-	48,359	-
Proceeds from sale of assets	780	6,768	1,991	8,189
Net cash used in investing activities from continuing operations	(16,245)	(25,760)	(33,688)	(73,070)
Net cash provided by investing activities from discontinued operations	3,148	115,027	3,211	114,942
Net cash (used in) provided by investing activities	(13,097)	89,297	(30,477)	41,872
Cash flows from financing activities				
Payment of shareholder dividends	(47,937)	(47,472)	(95,641)	(94,729)
Interest paid, net.....	(3,613)	(3,689)	(32,361)	(34,858)
Proceeds from exercise of stock options	232	491	880	491
Finance lease payments (note 9).....	(11,505)	(13,832)	(24,530)	(28,084)
Proceeds (repayment) of credit facilities, net.....	45,000	(68,192)	130,000	(42,263)
Cash used in financing activities from continuing operations	(17,823)	(132,694)	(21,652)	(199,443)
Cash used in financing activities from discontinued operations	(421)	(534)	(910)	(939)
Cash used in financing activities	(18,244)	(133,228)	(22,562)	(200,382)
Net increase (decrease) in cash and cash equivalents	3,583	(15,240)	(21,420)	6,990
Effect of exchange rate on cash and cash equivalents	(360)	(439)	(1,888)	443
Cash and cash equivalents – beginning	68,770	55,250	95,301	32,138
Cash and cash equivalents – ending	\$ 71,993	\$ 39,571	\$ 71,993	\$ 39,571

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 other small terminals. The primary facilities within this segment include the Hardisty and Edmonton Terminals, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; an infrastructure position located in the United States (“U.S.”); and a crude oil processing facility in Moose Jaw, Saskatchewan (the “Moose Jaw Facility”). The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring period.
- (2) **Marketing**, 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 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 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 June 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 62,501	\$ 1,865,133	\$ 1,927,634
Inter-segmental	<u>35,083</u>	<u>110,681</u>	<u>145,764</u>
External and inter-segmental	<u>97,584</u>	<u>1,975,814</u>	<u>2,073,398</u>
Segment profit	<u>\$ 57,348</u>	<u>\$ 37,896</u>	<u>\$ 95,244</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			26,599
Depreciation of right-of-use assets.....			10,632
Amortization and impairment of intangible assets			3,059
General and administrative			10,189
Stock based compensation			4,186
Corporate foreign exchange gain.....			(1,763)
Interest expense, net			<u>19,752</u>
Net income from continuing operations before income tax			22,590
Income tax recovery			<u>(12,103)</u>
Net income from continuing operations			34,693
Net income from discontinued operations, after tax (note 4).....			<u>2,094</u>
Net income from operations			<u>\$ 36,787</u>

Three months ended June 30, 2018 ⁽¹⁾

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 58,899	\$ 1,655,436	\$ 1,714,335
Inter-segmental	<u>32,414</u>	<u>154,635</u>	<u>187,049</u>
External and inter-segmental	<u>91,313</u>	<u>1,810,071</u>	<u>1,901,384</u>
Segment profit	<u>\$ 67,669</u>	<u>\$ 28,132</u>	<u>\$ 95,801</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			29,746
Depreciation of right-of-use assets.....			7,623
Amortization and impairment of intangible assets			2,447
General and administrative			6,804
Stock based compensation			5,884
Corporate foreign exchange loss			2,358
Interest expense, net			18,270
Foreign exchange loss on long-term debt.....			<u>572</u>
Net income from continuing operations before income tax			22,097
Income tax expense			<u>6,855</u>
Net income from continuing operations			15,242
Net income from discontinued operations, after tax (note 4).....			<u>122,693</u>
Net income from operations			<u>\$ 137,935</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Six months ended June 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 126,750	\$ 3,549,572	\$ 3,676,322
Inter-segmental	<u>70,345</u>	<u>232,805</u>	<u>303,150</u>
External and inter-segmental	<u>197,095</u>	<u>\$ 3,782,377</u>	<u>3,979,472</u>
Segment profit	<u>\$ 131,936</u>	<u>\$ 99,082</u>	<u>\$ 231,018</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			50,985
Depreciation of right-of-use assets.....			20,402
Amortization and impairment of intangible assets			6,118
General and administrative			21,220
Stock based compensation			4,792
Corporate foreign exchange loss			1,379
Interest expense, net			37,352
Gain on sale of assets held for sale (note 4)			<u>(2,744)</u>
Net income from continuing operations before income tax			91,514
Income tax recovery			<u>(1,856)</u>
Net income from continuing operations			93,370
Net income from discontinued operations, after tax (note 4).....			<u>5,716</u>
Net income from operations			<u>\$ 99,086</u>

Six months ended June 30, 2018 ⁽¹⁾

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 118,420	\$ 3,283,542	\$ 3,401,962
Inter-segmental	<u>65,442</u>	<u>308,903</u>	<u>374,345</u>
External and inter-segmental	<u>183,862</u>	<u>3,592,445</u>	<u>3,776,307</u>
Segment profit	<u>\$ 136,250</u>	<u>\$ 55,041</u>	<u>\$ 191,291</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			54,470
Depreciation of right-of-use assets.....			19,728
Amortization and impairment of intangible assets			5,272
Impairment of goodwill			1,979
General and administrative			15,273
Stock based compensation			10,382
Corporate foreign exchange loss			2,187
Interest expense, net			37,628
Foreign exchange loss on long-term debt.....			<u>4,401</u>
Net income from continuing operations before income tax			39,971
Income tax expense			<u>12,944</u>
Net income from continuing operations			27,027
Net gain from discontinued operations, after tax (note 4).....			<u>105,603</u>
Net income from operations			<u>\$ 132,630</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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

	Six months ended June 30			
	2019		2018 ⁽¹⁾	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure.....	\$ 104,834	\$ -	\$ 82,593	\$ 172
Marketing.....	691	735	816	-
Corporate.....	1,068	1,184	858	1,122
	<u>\$ 106,593</u>	<u>\$ 1,919</u>	<u>\$ 84,267</u>	<u>\$ 1,294</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 7% and 5% in the United States as at June 30, 2019 and December 31, 2018, respectively.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as set out in IAS 34, "Interim Financial Reporting". The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 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 August 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.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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

- IFRS 3 – Business Combinations (“IFRS 3”), has been amended to update the definition of a business. The amendment to IFRS 3 is effective for years beginning on or after January 1, 2020. The Company is currently assessing the impact of this amendment.

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

As at June 30, 2019, the Canadian Truck Transportation (“TT Canada”) and U.S. Truck Transportation (“TT U.S.”) disposal groups continue to be 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 the disposal groups comprises of the following:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Cash and cash equivalents.....	\$ 63	\$ -
Trade and other receivables.....	34,449	37,403
Inventories.....	917	2,053
Income tax receivable	-	-
Property, plant and equipment	87,342	159,540
Right-of-use assets	8,926	9,401
Other assets and prepaids.....	803	1,041
Total assets held for sale	<u>\$ 132,500</u>	<u>\$ 209,438</u>
Liabilities		
Trade payables and accrued charges	\$ 15,018	\$ 20,778
Income tax payable	588	-
Lease liabilities.....	7,921	8,965
Provisions	616	21,641
Deferred income tax liabilities.....	8,835	7,429
Total liabilities held for sale.....	<u>\$ 32,978</u>	<u>\$ 58,813</u>

Non-Core Environmental Services North business

During the first quarter of 2019, the Company sold its non-core Environmental Services North 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

On April 2, 2019, the Company entered into a definitive agreement with Trimac Transportation for the sale of the TT Canada disposal group. On July 2, 2019 the Company completed the sale of the TT Canada disposal group for gross proceeds of approximately \$70.0 million prior to customary closing adjustments, with the potential for additional proceeds depending on the performance of the business over the next five years. As part of the sale, the Company also entered into an agreement with an entity affiliated with Trimac for the sale of a field office and shop facilities for approximately \$30.0 million subject to the satisfaction of certain closing conditions. The Company expects this portion of the sale to close by the end of the first quarter of 2020, subject to satisfaction of certain conditions, with Trimac utilizing the properties under a lease arrangement in the interim period.

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue – External and inter-segmental	\$ 50,007	\$ 50,090	\$ 98,815	\$ 106,634
Revenue – Inter-segmental	3,274	6,004	7,388	13,556
Revenue - External.....	46,733	44,086	91,427	93,078
Cost of sales.....	43,784	44,991	83,415	93,639
Gross profit.....	2,949	(905)	8,012	(561)
Finance costs and other income, net	92	(27)	187	(1,084)
Income (loss) before taxes	2,857	(878)	7,825	523
Income tax (recovery) provision - current.....	(219)	383	703	1,316
Income tax provision (recovery) - deferred.....	982	(576)	1,406	(1,147)
Net income from discontinued operations, after tax.....	\$ 2,094	\$ 685	\$ 5,716	\$ 354

U.S. Environmental Services business

The following table sets forth operating results from discontinued operations:

	Three months ended June 30 ¹	Six months ended June 30 ¹
	2018	2018
Revenue.....	\$ 24,413	\$ 93,281
Cost of sales.....	21,999	86,481
Gross profit.....	2,414	6,800
Finance cost and other income, net	1,637	1,364
Income before income taxes.....	777	5,436
Income tax (recovery) provision – deferred.....	(21,340)	1,448
Net income from discontinued operations, after tax.....	\$ 22,117	\$ 3,988
After-tax gain on sale	101,260	101,260
Gain from discontinued operations, after tax.....	\$ 123,377	\$ 105,248

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.....	-	2,806	8,443	1,902	15,418	79,314	107,883
Disposals.....	-	-	(22)	(6,820)	(267)	-	(7,109)
Reclassifications.....	18,116	67,655	34,111	-	55,958	(175,840)	-
Change in decommissioning provision (note 10).....	-	4,709	15,561	-	10,091	-	30,361
Effect of movements in exchange rates.....	(12)	(829)	(276)	(2,661)	(1,290)	(230)	(5,298)
Transferred to held for sale (note 4).....	(72)	(58)	-	(878)	(556)	-	(1,564)
At June 30, 2019.....	<u>\$ 109,429</u>	<u>\$ 373,512</u>	<u>\$ 664,829</u>	<u>\$ 56,312</u>	<u>\$ 747,512</u>	<u>\$ 160,150</u>	<u>\$ 2,111,744</u>

Accumulated depreciation and impairment:

At January 1, 2019.....	\$ 19,079	\$ 90,441	\$ 130,601	\$ 44,332	\$ 278,807	\$ -	\$ 563,260
Depreciation.....	1,774	7,376	12,715	3,033	26,087	-	50,985
Disposals.....	-	-	(22)	(6,379)	(109)	-	(6,510)
Effect of movements in exchange rates.....	(4)	-	(130)	(1,852)	(673)	-	(2,659)
Transferred to held for sale (note 4).....	-	-	-	89	-	-	89
At June 30, 2019.....	<u>\$ 20,849</u>	<u>\$ 97,817</u>	<u>\$ 143,164</u>	<u>\$ 39,223</u>	<u>\$ 304,112</u>	<u>\$ -</u>	<u>\$ 605,165</u>

Carrying amounts:

At January 1, 2019.....	\$ 72,318	\$ 208,788	\$ 476,411	\$ 20,437	\$ 389,351	\$ 256,906	\$ 1,424,211
At June 30, 2019.....	\$ 88,580	\$ 275,695	\$ 521,665	\$ 17,089	\$ 443,400	\$ 160,150	\$ 1,506,579

Additions to property, plant and equipment include capitalization of interest of \$0.9 million and \$2.0 million for the three months ended June 30, 2019 and 2018, respectively, and includes capitalization of interest of \$2.7 million and \$4.1 million for the six months ended June 30, 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	1,556	12,523	28	6,978	21,085
Disposals.....	(28)	-	(25)	-	(53)
Transferred to held for sale (note 4)	(66)	-	-	(497)	(563)
Effects of movements in exchange rates	(165)	-	(7)	(334)	(506)
At June 30, 2019.....	<u>\$ 54,855</u>	<u>\$ 93,409</u>	<u>\$ 1,920</u>	<u>\$ 10,482</u>	<u>\$ 160,666</u>
Accumulated depreciation:					
At January 1, 2019.....	\$ 7,623	\$ 31,949	\$ 348	\$ 1,603	\$ 41,523
Depreciation	3,846	14,923	52	1,507	20,328
Disposals.....	(23)	-	(1)	-	(24)
Effects of movements in exchange rates	(47)	-	(24)	(69)	(140)
At June 30, 2019.....	<u>\$ 11,399</u>	<u>\$ 46,872</u>	<u>\$ 375</u>	<u>\$ 3,041</u>	<u>\$ 61,687</u>
Carrying amounts:					
At January 1, 2019.....	\$ 45,935	\$ 48,937	\$ 1,576	\$ 2,732	\$ 99,180
At June 30, 2019.....	\$ 43,456	\$ 46,537	\$ 1,545	\$ 7,441	\$ 98,979

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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Current, from continuing operations	\$ (197)	\$ 8,776	\$ 4,345	\$ 15,503
Current, from discontinued operations (note 4)	(219)	383	703	1,316
	<u>\$ (416)</u>	<u>\$ 9,159</u>	<u>\$ 5,048</u>	<u>\$ 16,819</u>
Deferred, from continuing operations	\$ (11,906)	\$ (1,921)	\$ (6,201)	\$ (2,559)
Deferred, from discontinued operations (note 4)	982	(9,535)	1,406	12,682
	<u>\$ (10,924)</u>	<u>\$ (11,456)</u>	<u>\$ (4,795)</u>	<u>\$ 10,123</u>
Total current and deferred, from continuing operations	(12,103)	6,855	(1,856)	12,944
Total current and deferred, from discontinued operations (note 4).....	763	(9,152)	2,109	13,998
Effective income tax rate – continuing operations	(53.6)%	31.0%	(2.0)%	32.4%
Effective income tax rate – discontinued operations (note 4).....	26.7%	(8.0)%	27.0%	11.7%

Total income tax expense for the three and six months ended June 30, 2019 included recognition of a cumulative benefit relating to current and prior periods for certain items resulting in a lower effective tax rate in the current period from continuing operations.

During the second quarter of 2019, the Government of Alberta passed Bill 3, the Job Creation Tax Cut, which will reduce the Alberta provincial corporate tax rate from 12% to 8% in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, the Company recorded a deferred income tax recovery of \$7.4 million in the second quarter of 2019. As the tax rate change came into effect on July 1, 2019, the combined Federal and Alberta statutory Canadian income tax rate for 2019 is 26.6%.

8 Loans and borrowings

Revolving Credit Facility

The Company had \$280.0 million and \$150.0 million drawn on its unsecured revolving credit facility ("Revolving Credit Facility") as of June 30, 2019 and December 31, 2018, respectively, and had issued letters of credit totaling \$113.1 million and \$70.9 million under its bilateral demand letter of credit facilities as at June 30, 2019 and December 31, 2018, respectively.

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 including certain non-financial covenants and customary events of default clauses related to the 5.25% Notes and the 5.375% Notes (collectively "Notes").

Accordingly, with the Company having received its second investment grade credit rating, as of July 29, 2019, amendments to the Revolving Credit Facility and Notes have taken effect. As of August 6, 2019, June 30, 2019 and December 31, 2018, the Company was in compliance with all of its existing covenants.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Long-term debt

	June 30, 2019	December 31, 2018
Revolving credit facility, due March 31, 2024	\$ 280,000	\$ 150,000
5.375% Notes due July 15, 2022.....	300,000	300,000
5.25% Notes due July 15, 2024.....	600,000	600,000
Unamortized issue discount and debt issue costs.....	(8,831)	(10,422)
Long-term debt – Total.....	<u>\$ 1,171,169</u>	<u>\$ 1,039,578</u>

The components of finance costs are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Interest expense, net of capitalized interest	\$ 17,900	\$ 17,490	\$ 34,639	\$ 35,287
Interest expense, finance lease (note 9)	1,297	1,264	2,470	3,125
Interest income.....	(37)	(484)	(350)	(778)
Realized foreign exchange loss (gain) on long-term debt	-	4,380	-	4,380
Unrealized foreign exchange (gain) loss on long-term debt	-	(3,808)	-	21
Amortization of debt costs	715	-	715	-
Total finance cost, net	<u>\$ 19,875</u>	<u>\$ 18,842</u>	<u>\$ 37,474</u>	<u>\$ 42,035</u>

9 Lease liabilities

	Six months ended June 30, 2019	Year ended December 31, 2018
Opening balance.....	\$ 109,071	\$ 172,834
Additions	55,278	19,506
Disposals.....	(45)	(834)
Interest expense.....	2,470	6,523
Lease payments.....	(24,530)	(52,848)
Effect of movements in exchange rates	(3,617)	8,309
Transferred to held for sale (note 4)	(403)	(44,419)
Ending balance	<u>\$ 138,224</u>	<u>\$ 109,071</u>
Less: current portion	38,882	36,200
Ending balance – non-current portion	<u>\$ 99,342</u>	<u>\$ 72,871</u>

Variable lease payments of \$44.2 million and \$85.2 million were expensed for the three and six months ended June 30, 2019 and \$63.9 million and \$105.5 million were expensed for the three and six months ended June 30, 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 June 30, 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:

	Six months ended June 30, 2019	Year ended December 31, 2018
Opening balance.....	\$ 162,811	\$ 183,527
Settlements	(1,174)	(2,577)
Additions	23,719	8,038
Change in estimated future cash flows	-	444
Change in discount rate (June 30, 2019 – 1.73%, December 31, 2018 – 2.15%)	21,860	7,477
Unwinding of discount	1,738	3,916
Transferred to held for sale (note 4)	(123)	(38,950)
Effect of changes in foreign exchange rates	(229)	936
Closing balance.....	<u>\$ 208,602</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.....	59,655	880
Exercise of debentures conversion option	2,308	50
Issuance in connection with other equity awards	774,352	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans.....	-	12,579
At June 30, 2019	<u>145,395,105</u>	<u>\$ 1,968,655</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	388,726	526,343	101,886
Exercised and released for common shares.....	(59,655)	20.88	(334,853)	(368,226)	(71,273)
Forfeited.....	(398,803)	26.69	(127,641)	(141,299)	-
Balance at June 30, 2019.....	<u>2,340,630</u>	<u>\$ 20.79</u>	<u>693,787</u>	<u>764,204</u>	<u>546,961</u>
Vested	<u>1,458,636</u>	<u>\$ 21.01</u>	-	-	546,961

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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Weighted average common shares outstanding -				
Basic	145,327,765	143,993,685	145,002,423	143,649,001
Dilutive effect of:				
Stock options and other awards	2,434,309	2,615,779	2,435,332	2,554,985
Weighted average common shares outstanding -				
Diluted.....	147,762,074	146,609,464	147,437,755	146,203,986

The dilutive effect of 2.4 million and 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and six months ended June 30, 2019 have been included in the determination of the weighted average number of common shares outstanding for continuing and discontinued operations. The impact of 0.7 million and 1.1 million stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income from continuing and discontinued operations per share.

The dilutive effect of 2.6 million and 2.6 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and six months ended June 30, 2018 have been included in the determination of the weighted average number of common shares outstanding. The dilutive effect of 2.6 million and 2.6 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and six months ended June 30, 2018 have been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

12 Employee salaries and benefits

Employee salaries and benefits have been expensed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Cost of sales	\$ 15,524	\$ 20,877	\$ 34,498	\$ 43,016
General and administrative	6,572	9,494	15,012	18,345
	<u>\$ 22,096</u>	<u>\$ 30,371</u>	<u>\$ 49,510</u>	<u>\$ 61,361</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

13 Revenue

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue from contracts with customers recognized at a point in time.....	\$ 1,862,824	\$ 1,647,892	\$ 3,545,492	\$ 3,263,766
Revenue from contracts with customers recognized over time.....	37,493	35,726	73,563	76,779
Total revenue from contracts with customers.....	\$ 1,900,317	\$ 1,683,618	\$ 3,619,055	\$ 3,340,545
Total revenue from lease arrangements....	27,317	30,717	57,267	61,417
	<u>\$ 1,927,634</u>	<u>\$ 1,714,335</u>	<u>\$ 3,676,322</u>	<u>\$ 3,401,962</u>

Disaggregation of revenue from contracts with customers are as follows:

Three months ended June 30, 2019

	Infrastructure	Marketing	Total
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 23,674	\$ -	\$ 23,674
Rail	10,419	-	10,419
Other	933	-	933
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 1,425,489	\$ 1,425,489
Refined products	-	22,043	22,043
Total revenue – Canada	<u>\$ 35,026</u>	<u>\$ 1,447,532</u>	<u>\$ 1,482,558</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 158	\$ 2,309	\$ 2,467
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 333,615	\$ 333,615
Refined products	-	81,677	81,677
Total revenue – U.S.	<u>\$ 158</u>	<u>\$ 417,601</u>	<u>\$ 417,759</u>
Total Revenue from contracts with customers	<u>\$ 35,184</u>	<u>\$ 1,865,133</u>	<u>\$ 1,900,317</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Six months ended June 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 43,268	\$ -	\$ 43,268
Rail	20,688	-	20,688
Other	4,067	-	4,067
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 2,723,965	\$ 2,723,965
Refined products	-	43,120	43,120
Other	1,108	-	1,108
Total revenue – Canada	<u>\$ 69,131</u>	<u>\$ 2,767,085</u>	<u>\$ 2,836,216</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other	\$ 352	\$ 5,188	\$ 5,540
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 634,584	\$ 634,584
Refined products	-	142,715	142,715
Total revenue – U.S.	<u>\$ 352</u>	<u>\$ 782,487</u>	<u>\$ 782,839</u>
Total Revenue from contracts with customers	<u>\$ 69,483</u>	<u>\$ 3,549,572</u>	<u>\$ 3,619,055</u>

Three months ended June 30, 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	\$ 16,533	\$ -	\$ 16,533
Rail	6,839	-	6,839
Other	2,434	438	2,872
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 1,305,377	\$ 1,305,377
Refined products	-	32,752	32,752
Other	1,645	-	1,645
Total revenue – Canada	<u>\$ 27,451</u>	<u>\$ 1,338,567</u>	<u>\$ 1,366,018</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other	\$ 2,122	\$ 7,360	\$ 9,482
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 233,389	\$ 233,389
Refined products	-	74,729	74,729
Total revenue – U.S.	<u>\$ 2,122</u>	<u>\$ 315,478</u>	<u>\$ 317,600</u>
Total Revenue from contracts with customers	<u>\$ 29,573</u>	<u>\$ 1,654,045</u>	<u>\$ 1,683,618</u>

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Six months ended June 30, 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	\$ 32,584	\$ -	\$ 32,584
Rail	13,668	-	13,668
Other	5,932	1,257	7,189
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 2,649,959	\$ 2,649,959
Refined products	-	75,946	75,946
Other	3,918	-	3,918
Total revenue – Canada	<u>\$ 56,102</u>	<u>\$ 2,727,162</u>	<u>\$ 2,783,264</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other	\$ 902	\$ 22,436	\$ 23,338
External Product Revenue			
Crude, diluent and other products	\$ -	\$ 405,988	\$ 405,988
Refined products	-	127,955	127,955
Total revenue – U.S.	<u>\$ 902</u>	<u>\$ 556,379</u>	<u>\$ 557,281</u>
Total Revenue from contracts with customers	<u>\$ 57,004</u>	<u>\$ 3,283,541</u>	<u>\$ 3,340,545</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:

	June 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 154	\$ 9,358	\$ 1,937	\$ 616
Commodity swaps	6,564	2,750	2,565	2,887
Equity swaps.....	-	-	677	2,915
Foreign currency forwards	1,804	-	504	1,451
Total	<u>\$ 8,522</u>	<u>\$ 12,108</u>	<u>\$ 5,683</u>	<u>\$ 7,869</u>
Less non-current portion:				
Equity swaps.....	-	-	-	154
	-	-	-	154
Current portion	<u>\$ 8,522</u>	<u>\$ 12,108</u>	<u>\$ 5,683</u>	<u>\$ 7,715</u>

During the six months ended June 30, 2019, the Company settled all of the notional shares of its equity swaps and as a result recognized a mark to market a gain of \$6.5 million.

The fair value of financial instrument contracts by fair value hierarchy at June 30, 2019 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	\$ 154	\$ 154	\$ -	\$ -
Commodity swaps	6,564	3,171	3,393	-
Foreign currency forward.....	1,804	-	1,804	-
Total assets.....	<u>\$ 8,522</u>	<u>\$ 3,325</u>	<u>\$ 5,197</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures	\$ 9,358	\$ 9,358	\$ -	\$ -
Commodity swaps	2,750	1,740	1,010	-
Foreign currency forwards	-	-	-	-
Total liabilities	<u>\$ 12,108</u>	<u>\$ 11,098</u>	<u>\$ 1,010</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 as gain (loss) in the condensed consolidated statement of operations as follows:

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cost of sales	\$ (6,700)	\$ (8,987)	\$ (3,270)	\$ (8,245)
Stock based compensation	337	1,317	6,496	(917)
	<u>\$ (6,363)</u>	<u>\$ (7,670)</u>	<u>\$ 3,226</u>	<u>\$ (9,162)</u>

As at June 30, 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 \$1,212.3 million and \$1,038.6 million, respectively.

As at June 30, 2019 and December 31, 2018, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was \$114.0 million and \$105.24 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:

	June 30,	
	2019	2018
Favorable 5% change.....	\$ 6,551	\$ 6,083
Unfavorable 5% change.....	(6,551)	(6,083)

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.

	June 30,	
	2019	2018
Favorable 15% change.....	\$8,739	\$ 13,205
Unfavorable 15% change.....	(8,739)	(13,205)

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 June 30, 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	\$ 497,401	\$ -	\$ -	\$ 497,401
Dividend payable	47,980	-	-	47,980
Long-term debt.....	-	300,000	600,000	900,000
Credit facilities.....	-	280,000	-	280,000
Debentures (debt and equity component)	-	99,950	-	99,950
Interest on long-term debt and Debentures	85,797	131,454	2,625	219,876
Commodity futures	9,358	-	-	9,358
Commodity swaps	2,750	-	-	2,750
Lease liabilities	42,032	85,713	27,463	155,208
	<u>\$ 685,318</u>	<u>\$ 897,117</u>	<u>\$ 630,088</u>	<u>\$ 2,212,523</u>

15 Subsequent Events

On July 2, 2019, the Company completed the sale of the TT Canada disposal group for gross proceeds of approximately \$70 million, prior to closing adjustments (note 4).

On July 24, 2019, the Company received its second investment grade credit rating (note 8).

On August 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 October 17, 2019 to shareholders of record at the close of business on September 30, 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 June 30,		Six months ended June 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Cash flows from operating activities				
Net income from continuing operations.....	\$ 34,693	\$ 15,242	\$ 93,370	\$ 27,027
Adjustments for non-cash items:				
Finance costs, net (note 8).....	19,875	18,842	37,474	42,029
Income tax (recovery) expense.....	(12,103)	6,855	(1,856)	12,944
Depreciation and impairment of property, plant and equipment (note 5)	26,599	29,746	50,985	54,470
Depreciation on right-of-use assets (note 6)	10,632	7,623	20,402	19,728
Amortization and impairment of intangible assets	3,059	2,447	6,118	5,272
Impairment of goodwill	-	-	-	1,979
Stock based compensation	4,186	5,884	4,792	10,382
Loss (gain) on sale of property, plant and equipment ..	78	2,628	(94)	710
Provisions.....	15,289	(474)	15,289	(1,069)
Other	(3,087)	2,126	(6,170)	4,963
Net loss (gain) on fair value movement of financial instruments (note 14)	6,700	8,986	3,270	8,254
Subtotal of adjustments	71,228	84,663	130,210	159,662
Changes in items of working capital.....				
Trade and other receivables	(76,888)	(20,664)	(244,610)	7,529
Inventories	51,212	(81,616)	(41,792)	(46,377)
Other current assets	(36,409)	(1,297)	(36,884)	245
Trade payables and accrued charges	(13,617)	2,420	196,950	(38,729)
Contract liabilities	13,488	16,711	11,177	23,969
Subtotal of changes in items of working capital	(62,214)	(84,446)	(115,159)	(53,363)
Income taxes (payment) refund, net.....	(6,056)	12,210	(83,267)	13,477
Cash provided by operating activities from continuing operations.....	37,651	27,669	25,154	146,803
Cash (used in) provided by operating activities from discontinued operations (note 4)	(2,727)	1,022	6,465	18,697
Net cash provided by operating activities	\$ 34,924	\$ 28,691	\$ 31,619	\$ 165,500

See accompanying notes to the condensed consolidated financial statements

17 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.