



GIBSON ENERGY
**CONSOLIDATED
FINANCIAL
STATEMENTS**

JUNE 30, 2021
AND 2020

TSX:GEI



Condensed Consolidated Balance Sheets (unaudited)

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

	Note	June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		58,454	53,676
Trade and other receivables		580,434	333,641
Inventories	4	233,788	163,113
Income taxes receivable		2,740	-
Prepaid and other assets		10,786	7,595
Net investment in finance leases		8,883	8,454
Assets held for sale		-	18,557
		895,085	585,036
Non-current assets			
Property, plant and equipment	5	1,605,110	1,663,649
Right-of-use assets	6	61,848	69,195
Long-term prepaid and other assets		1,206	1,535
Net investment in finance leases		167,916	172,466
Investment in equity accounted investees	7	163,765	142,556
Deferred income tax assets		35,638	36,820
Intangible assets		35,046	35,781
Goodwill		359,246	360,122
		2,429,775	2,482,124
Total assets		3,324,860	3,067,160
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges		677,933	403,719
Income taxes payable		-	1,496
Dividends payable		51,279	49,494
Contract liabilities		21,144	45,357
Lease liabilities – current portion	9	27,899	31,208
		778,255	531,274
Non-current liabilities			
Long-term debt	8	1,530,041	1,449,481
Lease liabilities – non-current portion	9	63,170	71,534
Provisions	10	205,022	236,952
Other long-term liabilities		6,469	6,671
Deferred income tax liabilities		93,622	91,598
		1,898,324	1,856,236
Total liabilities		2,676,579	2,387,510
Equity			
Share capital	11	1,994,900	1,977,104
Contributed surplus		57,781	61,820
Accumulated other comprehensive income		16,345	24,066
Deficit		(1,420,745)	(1,383,340)
		648,281	679,650
Total liabilities and equity		3,324,860	3,067,160

See accompanying notes to the condensed consolidated financial statements

Condensed Consolidated Statements of Operations (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

	<i>Note</i>	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Revenue	13	1,674,756	794,474	3,284,488	2,253,164
Cost of sales		1,603,007	702,280	3,140,139	2,060,371
Gross profit		71,749	92,194	144,349	192,793
General and administrative expenses		15,454	16,035	35,394	34,196
Other operating income, net		(2,036)	(1,975)	(5,225)	(6,189)
Operating income		58,331	78,134	114,180	164,786
Finance costs, net	8	15,783	23,331	30,771	42,663
Income before income taxes		42,548	54,803	83,409	122,123
Income tax expense	12	10,185	13,489	18,269	30,806
Net income		32,363	41,314	65,140	91,317
Earnings per share	11				
Basic earnings per share		0.22	0.28	0.45	0.62
Diluted earnings per share		0.22	0.28	0.44	0.62

See accompanying notes to the condensed consolidated financial statements

Condensed Consolidated Statements of Comprehensive Income (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net Income	32,363	41,314	65,140	91,317
Other comprehensive (loss) income				
<i>Items that may be reclassified subsequently to statement of operations</i>				
Exchange differences from translating foreign operations	(3,724)	(6,112)	(7,721)	7,699
Other comprehensive (loss) income, net of tax	(3,724)	(6,112)	(7,721)	7,699
Comprehensive income	28,639	35,202	57,419	99,016

See accompanying notes to the condensed consolidated financial statements



Condensed Consolidated Statements of Changes in Equity (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2020	1,973,827	46,316	32,594	7,023	(1,299,150)	760,610
Net income	-	-	-	-	91,317	91,317
Other comprehensive income, net of tax	-	-	7,699	-	-	7,699
Comprehensive income	-	-	7,699	-	91,317	99,016
Exercise of debentures conversion option	559	-	-	-	-	559
Share based compensation	-	9,456	-	-	-	9,456
Tax effect of equity settled awards	69	313	-	-	-	382
Proceeds from exercise of stock options	647	-	-	-	-	647
Reclassification of contributed surplus	9,512	(9,512)	-	-	-	-
Dividends on common shares (\$0.34 common share)	-	-	-	-	(99,428)	(99,428)
Balance – June 30, 2020	1,984,614	46,573	40,293	7,023	(1,307,261)	771,242
Balance – January 1, 2021	1,977,104	61,820	24,066	-	(1,383,340)	679,650
Net income	-	-	-	-	65,140	65,140
Other comprehensive loss, net of tax	-	-	(7,721)	-	-	(7,721)
Comprehensive (loss) income	-	-	(7,721)	-	65,140	57,419
Share based compensation	-	12,004	-	-	-	12,004
Tax effect of equity settled awards	1,147	(104)	-	-	-	1,043
Proceeds from exercise of stock options	710	-	-	-	-	710
Reclassification of contributed surplus	15,939	(15,939)	-	-	-	-
Dividends on common shares (\$0.35 common share)	-	-	-	-	(102,545)	(102,545)
Balance – June 30, 2021	1,994,900	57,781	16,345	-	(1,420,745)	648,281

See accompanying notes to the condensed consolidated financial statements

Condensed Consolidated Statements of Cash Flows (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
Cash flows from operating activities					
Net income		32,363	41,314	65,140	91,317
Adjustments	16	94,504	98,376	160,285	179,778
Changes in items of working capital	16	(42,422)	11,238	(86,154)	41,750
Income tax (payment)/refund, net	16	(7,821)	1,915	(19,070)	(4,303)
Net cash inflow from operating activities		76,624	152,843	120,201	308,542
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	5	(17,784)	(75,248)	(41,985)	(125,597)
Investment in equity accounted investees	7	(10,321)	(52,584)	(22,926)	(52,584)
Proceeds from sale of held for sale assets, net		-	30,297	15,833	30,309
Proceeds from sale of assets		570	-	1,754	-
Net cash outflow from investing activities		(27,535)	(97,535)	(47,324)	(147,872)
Cash flows from financing activities					
Payment of shareholder dividends		(51,266)	(49,711)	(100,760)	(97,784)
Interest paid, net		(8,333)	(1,082)	(27,106)	(30,224)
Proceeds from exercise of stock options		652	252	710	647
Payment of debt issuance cost relating to prior period debt issuance		(11)	-	(328)	-
Finance lease payments	9	(9,806)	(11,244)	(20,506)	(24,024)
Draws on credit facility, net	8	22,284	30,000	80,000	20,000
Net cash outflow from financing activities		(46,480)	(31,785)	(67,990)	(131,385)
Net increase in cash and cash equivalents		2,609	23,523	4,887	29,285
Effect of exchange rate on cash and cash equivalents		116	(1,038)	(109)	1,105
Cash and cash equivalents – beginning		55,729	55,133	53,676	47,231
Cash and cash equivalents – end		58,454	77,618	58,454	77,621

See accompanying notes to the condensed consolidated financial statements

See note 16 for supplemental disclosures

Note 1 Description of Business and Segmented Disclosure

Gibson Energy Inc. (the “Company”) 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 storage, optimization, processing, and gathering of crude oil and refined products.

The Company’s reportable segments are:

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

Marketing, which is involved in the purchasing, selling, storing and optimizing of hydrocarbon products as part of supplying the Moose Jaw Facility and marketing its refined products as well as helping to drive volumes through the Company’s key infrastructure assets. The Marketing segment also engages in optimization opportunities which are typically location, quality and time-based. The hydrocarbon products include crude oil, natural gas liquids, and road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil and an oil-based mud product. The Marketing segment sources the majority of its hydrocarbon products from Western Canada as well as the Permian basin and markets those products throughout Canada and the U.S. The Moose Jaw Facility business is impacted by certain seasonality of operations specific to the oil and gas industry and asphalt product demand.

This reporting structure provides a direct connection between the Company’s operations, the services it provides to customers and the ongoing strategic direction of the Company. These reportable segments of the Company have been derived because they are the segments: (a) that engage in business activities from which 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 consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions.

Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

Statement of operations

Three months ended June 30, 2021	Infrastructure	Marketing	Total
Revenue			
External	99,046	1,575,710	1,674,756
Inter-segmental	45,072	11,661	56,733
External and inter-segmental	144,118	1,587,371	1,731,489
Segment profit	117,573	5,545	123,118
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			42,080
Depreciation of right-of-use assets			7,693
Amortization of intangible assets			2,124
General and administrative			8,675
Stock based compensation			4,284
Corporate foreign exchange gain			(69)
Interest expense, net			15,783
Net income before income tax			42,548
Income tax expense			10,185
Net income			32,363

Statement of operations

Three months ended June 30, 2020	Infrastructure	Marketing	Total
Revenue			
External	73,208	721,266	794,474
Inter-segmental	39,588	1,720	41,308
External and inter-segmental	112,796	722,986	835,782
Segment profit	89,846	44,041	133,887
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			28,845
Depreciation of right-of-use assets			9,612
Amortization of intangible assets			1,846
General and administrative			8,377
Stock based compensation			4,710
Corporate foreign exchange loss			2,363
Debt extinguishment costs			6,204
Interest expense, net			17,127
Net income before income tax			54,803
Income tax expense			13,489
Net income			41,314

Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

Statement of operations

Six months ended June 30, 2021	Infrastructure	Marketing	Total
Revenue			
External	177,760	3,106,728	3,284,488
Inter-segmental	90,161	28,040	118,201
External and inter-segmental	267,921	3,134,768	3,402,689
Segment profit	225,848	12,379	238,227
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			73,281
Depreciation of right-of-use assets			15,754
Amortization of intangible assets			4,146
General and administrative			17,407
Stock based compensation			13,236
Corporate foreign exchange loss			223
Interest expense, net			30,771
Net income before income tax			83,409
Income tax expense			18,269
Net income			65,140

Statement of operations

Six months ended June 30, 2020	Infrastructure	Marketing	Total
Revenue			
External	152,325	2,100,839	2,253,164
Inter-segmental	80,521	8,338	88,859
External and inter-segmental	232,846	2,109,177	2,342,023
Segment profit	187,918	80,080	267,998
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			57,401
Depreciation of right-of-use assets			19,173
Amortization of intangible assets			3,866
General and administrative			17,300
Stock based compensation			10,735
Corporate foreign exchange gain			(5,263)
Debt extinguishment costs			6,204
Interest expense, net			36,459
Net income before income tax			122,123
Income tax expense			30,806
Net income			91,317

Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

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

Additions	Six months ended June 30,	
	2021	2020
Infrastructure	72,934	185,608
Marketing	1,390	2,841
Corporate	2,249	1,854
	76,573	190,303

Based on the location of the end user, approximately \$712.0 million and \$684.1 million of revenue was from customers in the U.S. for the six months ended June 30, 2021 and 2020, respectively.

The Company's non-current assets, excluding investment in finance leases, investment in equity accounted investees and deferred tax assets are primarily concentrated in Canada with \$201.7 million and \$188.9 million in the U.S. as at June 30, 2021 and 2020, respectively.

Note 2 Basis of Preparation

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board, as set out in IAS 34, "Interim Financial Reporting".

These condensed consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to \$ are to Canadian dollars and references to US\$ are to U.S. dollars. These statements do not include all disclosures required for the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated financial statements were approved for issuance by the Company's board of directors (the "Board") on August 3, 2021.

Note 3 Changes in Accounting Policies and Disclosures

Initial adoption of accounting policies

New and amended standards adopted by the Company:

During the six months ended June 30, 2021, there were no new or amended IFRS standards adopted by the Company. The accounting policies applied herein are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020.

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

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

- IAS 1 – Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023;
- The annual improvements process addresses issues in the 2018-2020 reporting cycles including changes to IFRS 9, Financial Instruments, IFRS 1, First Time Adoption of IFRS, IFRS 16, Leases, and IAS 41, Biological Assets. These improvements are effective for periods beginning on or after January 1, 2022; and
- IAS 37 – Provisions ("IAS 37"), has been amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022.

Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

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

- IAS 16 – Property, Plant and Equipment (“IAS 16”), has been amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These improvements are effective for periods beginning on or after January 1, 2022; and
- IAS 12 – Income Taxes (“IAS 12”), has been amended to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

Note 4 Inventories

	June 30, 2021	December 31, 2020
Crude oil and diluent	166,883	115,809
Asphalt	46,584	20,852
Natural gas liquids	5,414	14,479
Wellsite fluids and distillate	14,907	11,973
	233,788	163,113

The cost of the inventory sold included in cost of sales was \$2,982.0 million and \$1,957.1 million for the six months ended June 30, 2021 and 2020, respectively.

The Company recorded a write-down of inventories within the Marketing segment to net realizable value of \$0.7 million and \$13.8 million and \$0.9 million and \$27.4 million for the three and six months ended June 30, 2021 and 2020, respectively. These were recognized as an expense and included in cost of sales in the consolidated statements of operations.

Note 5 Property, Plant and Equipment

	Land and Buildings	Pipelines and Connection	Tanks	Plant, Equipment and Other	Work in Progress	Total
Cost:						
At January 1, 2021	123,661	482,350	823,871	922,220	80,021	2,432,123
Additions and adjustments	2,893	(616)	2,762	9,441	45,542	60,022
Disposals	-	-	-	(10,647)	-	(10,647)
Reclassifications	6,437	928	2,010	24,208	(33,583)	-
Change in decommissioning provision	-	(4,870)	(16,489)	(9,047)	-	(30,406)
Effect of movements in exchange rates	(140)	(2,509)	(448)	(2,138)	(717)	(5,952)
At June 30, 2021	132,851	475,283	811,706	934,037	91,263	2,445,140

Notes to Condensed Consolidated Financial Statements (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

	Land and Buildings	Pipelines and Connection	Tanks	Plant, Equipment and Other	Work in Progress	Total
Accumulated depreciation and impairment:						
At January 1, 2021	27,727	128,640	185,961	426,146	-	768,474
Depreciation and adjustments	4,794	12,148	17,834	48,656	-	83,432
Disposals	-	-	-	(10,416)	-	(10,416)
Effect of movements in exchange rates	(1)	(105)	(68)	(1,286)	-	(1,460)
At June 30, 2021	32,520	140,683	203,727	463,100	-	840,030
Carrying amounts:						
At January 1, 2021	95,934	353,710	637,910	496,074	80,021	1,663,649
At June 30, 2021	100,331	334,600	607,979	470,937	91,263	1,605,110

Additions to property, plant and equipment include the capitalization of interest of \$0.1 million and \$0.2 million and \$0.9 million and \$1.6 million for the three and six months ended June 30, 2021 and 2020, respectively. Amounts in relation to infrastructure assets are under operating lease arrangements.

During the three months ended June 30, 2021, the Company indefinitely suspended certain non-performing assets within its infrastructure segment, resulting in recording an impairment charge of \$11.5 million that was included within cost of sales in the condensed consolidated statements of operations.

Note 6 Right-of-use Assets

	Buildings	Rail Cars	Surface Leases and Other	Total
Cost:				
At January 1, 2021	49,500	110,835	12,764	173,099
Additions and adjustments	101	6,987	1,378	8,466
Disposals	(3,563)	-	(52)	(3,615)
Effect of movements in exchange rates	(109)	-	(170)	(279)
At June 30, 2021	45,929	117,822	13,920	177,671
Accumulated depreciation and impairment:				
At January 1, 2021	20,352	73,402	10,150	103,904
Depreciation and adjustments	2,676	11,170	1,908	15,754
Disposals	(3,563)	-	(52)	(3,615)
Effect of movements in exchange rates	(73)	-	(147)	(220)
At June 30, 2021	19,392	84,572	11,859	115,823
Carrying amounts:				
At January 1, 2021	29,148	37,433	2,614	69,195
At June 30, 2021	26,537	33,250	2,061	61,848

Note 7 Investment in Equity Accounted Investees

	Ownership %	Share of (loss) profit, for the period ended		Investment in equity accounted investees at	
		June 30, 2021	June 30, 2020	June 30, 2021	December 31, 2020
Hardisty Energy Terminal Limited Partnership	50%	(57)	-	143,574	120,705
Zenith Energy Terminals Joliet Holdings LLC	36%	(604)	4,036	20,191	21,851
		(661)	4,036	163,765	142,556

During the six months ended June 30, 2021, the Company contributed \$22.9 million to fund the Hardisty Energy Terminal Limited Partnership's ("HET") construction of the Diluent Recovery Unit ("DRU"). Significant balances relating to HET include cash, property, plant and equipment and accounts payable.

Note 8 Long-Term Debt

	Coupon Rate	Maturity	June 30, 2021	December 31, 2020
Unsecured revolving credit facility	floating	2026	140,000	60,000
Senior unsecured notes	2.45%	2025	325,000	325,000
Senior unsecured notes	2.85%	2027	325,000	325,000
Senior unsecured notes	3.60%	2029	500,000	500,000
Unsecured hybrid notes	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(9,959)	(10,519)
			1,530,041	1,449,481

The Company had \$140.0 million drawn on its \$750.0 million unsecured revolving credit facility as of June 30, 2021 (\$60.0 million – December 31, 2020). In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$33.9 million as at June 30, 2021 (December 31, 2020 – \$34.7 million).

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. On April 16, 2021, the Company extended the maturity date of its unsecured revolving credit facility from February 2025 to April 2026 and, amongst other amendments, adjusted its pricing mechanism to include sustainability linked terms. As at June 30, 2021, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Interest expense		14,645	16,667	28,772	35,472
Capitalized interest	5	(83)	(886)	(231)	(1,585)
Interest expense, finance lease	9	931	1,368	1,942	2,739
Interest expense (income)		290	(22)	288	(167)
Accelerated amortization of debt issuance costs		-	6,204	-	6,204
		15,783	23,331	30,771	42,663

Note 9 Lease Liabilities

	June 30, 2021	December 31, 2020
Opening balance	102,742	131,808
Additions	8,467	14,974
Disposals	(19)	(3,547)
Interest expense	1,942	5,110
Lease payments	(20,506)	(44,967)
Effect of movements in exchange rates	(1,557)	(636)
Closing balance	91,069	102,742
Less: current portion	27,899	31,208
Closing balance – non-current portion	63,170	71,534

The Company incurs lease payments related to rail cars, head office facilities, vehicles, equipment, and surface leases. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognised lease liabilities in relation to lease arrangements measured at the present value of the remaining lease payments as at June 30, 2021 at a weighted average borrowing rate of 4.5% (December 31, 2020 – 4.6%).

Note 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:

	June 30, 2021	December 31, 2020
Opening balance	236,952	197,002
Settlements	(2,281)	(6,270)
Additions	2,586	17,881
Disposals	-	(275)
Change in discount rate	(33,647)	22,079
Unwind of discount	1,660	2,708
Transfer from liabilities held for sale	-	4,222
Effect of movements in exchange rates	(248)	(395)
Closing balance	205,022	236,952

The Company applied a risk-free rate of 1.87% (December 31, 2020 – 1.24%) to estimate the present value of the decommissioning and site restoration provisions. The change in the risk-free rate results in an adjustment in cost to the corresponding asset.

Note 11 Share Capital and Share Based Compensation

Common Shares – Issued and Outstanding

	Number of Common Shares	Amount
At January 1, 2021	145,571,455	1,977,104
Issuance in connection with the exercise of stock options	31,175	710
Tax effect of equity settled awards	-	1,147
Reclassification of contributed surplus on issuance of awards under equity incentive plans	909,922	15,939
At June 30, 2021	146,512,552	1,994,900

A dividend of \$0.35 per share, declared on May 3, 2021, was paid on July 16, 2021.

Under the Company's Normal Course Issuer Bid that commenced in the third quarter of 2020, the Company is permitted to purchase for cancellation up to 10% or 11,765,180 common shares through August 31, 2021 in accordance with the applicable rules and policies of the TSX and securities laws. The Company did not repurchase any common shares during the six months ended June 30, 2021.

Share Based Compensation

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

	Number of shares	Weighted Average Exercise price (in dollars)	Number of Shares		
			Restricted Share Units	Performance Share Units	Deferred Share Units
Stock Options			Number of Shares		
At January 1, 2021	1,931,309	19.35	830,440	984,619	583,937
Granted	62,000	22.18	391,287	541,085	94,563
Exercised and released for common shares	(31,175)	22.77	(394,461)	(515,786)	(1,595)
Forfeited	(48,102)	27.47	(42,681)	(47,958)	-
At June 30, 2021	1,914,032	19.18	784,585	961,960	676,905
Vested	1,393,235	18.05	-	-	676,905

Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

Per Share Amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Weighted average common shares outstanding – Basic	146,485,876	146,213,115	146,325,408	146,002,082
Dilutive effect of stock options and other awards	2,803,824	2,617,449	2,784,125	2,466,617
Weighted average common shares – Diluted	149,289,700	148,830,564	149,109,533	148,468,699

The dilutive effect of 2.8 million and 2.8 million (June 30, 2020 – three months 2.6 million; six months 2.5 million) stock options and other awards for the three and six months ended June 30, 2021 have been included in the determination of the weighted average number of common shares outstanding. The impact of 0.6 million and 0.6 million (June 30, 2020 – three months 0.7 million; six months 0.7 million) for the three and six months ended June 30, 2021, stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income per share.

Note 12 Income Taxes

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Current	7,064	12,055	15,712	23,439
Deferred	3,121	1,434	2,557	7,367
	10,185	13,489	18,269	30,806
Effective income tax rate	23.9%	24.6%	21.9%	25.2%

Note 13 Revenue

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue from contracts with customers recognized at a point in time	1,595,371	720,517	3,126,057	2,099,345
Revenue from contracts with customers recognized over time	32,604	31,467	66,692	68,860
Total revenue from contracts with customers	1,627,975	751,984	3,192,749	2,168,205
Total revenue from lease arrangements	46,781	42,490	91,739	84,959
	1,674,756	794,474	3,284,488	2,253,164



Notes to Condensed Consolidated Financial Statements (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

Three months ended June 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	19,144	-	19,144
Rail	32,540	-	32,540
Other	581	-	581
External Product Revenue			
Crude, diluent and other products	-	1,240,931	1,240,931
Refined products	-	21,790	21,790
	52,265	1,262,721	1,314,986
U.S.			
External Service Revenue			
Hauling and transportation and other	-	220	220
External Product Revenue			
Crude, diluent and other products	-	228,610	228,610
Refined products	-	84,159	84,159
	-	312,989	312,989
Total revenue from contracts with customers	52,265	1,575,710	1,627,975

Three months ended June 30, 2020	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	14,160	-	14,160
Rail	15,934	-	15,934
Other	570	-	570
External Product Revenue			
Crude, diluent and other products	-	479,793	479,793
Refined products	-	10,957	10,957
	30,664	490,750	521,414
U.S.			
External Service Revenue			
Hauling and transportation and other	53	750	803
External Product Revenue			
Crude, diluent and other products	-	201,353	201,353
Refined products	-	28,414	28,414
	53	230,517	230,570
Total revenue from contracts with customers	30,717	721,267	751,984

Notes to Condensed Consolidated Financial Statements (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

Six months ended June 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	39,080	-	39,080
Rail	46,260	-	46,260
Other	673	-	673
External Product Revenue			
Crude, diluent and other products	-	2,355,927	2,355,927
Refined products	-	38,791	38,791
	86,013	2,394,718	2,480,731
U.S.			
External Service Revenue			
Hauling and transportation and other	8	552	560
External Product Revenue			
Crude, diluent and other products	-	578,416	578,416
Refined products	-	133,042	133,042
	8	712,010	712,018
Total revenue from contracts with customers	86,021	3,106,728	3,192,749

Six months ended June 30, 2020	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	32,919	-	32,919
Rail	33,038	-	33,038
Other	1,267	-	1,267
External Product Revenue			
Crude, diluent and other products	-	1,399,665	1,399,665
Refined products	-	17,105	17,105
	67,224	1,416,770	1,483,994
U.S.			
External Service Revenue			
Hauling and transportation and other	142	1,494	1,636
External Product Revenue			
Crude, diluent and other products	-	562,552	562,552
Refined products	-	120,023	120,023
	142	684,069	684,211
Total revenue from contracts with customers	67,366	2,100,839	2,168,205

Notes to Condensed Consolidated Financial Statements (unaudited)
(Amounts in thousands of Canadian dollars, except per share amounts)

Note 14 Financial Instruments

As at June 30, 2021	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity swaps	1,012	1,012	-	-
WTI differential futures	229	229	-	-
Foreign currency forwards	499	-	499	-
Financial assets (carried at fair value)	1,740	1,241	499	-
Commodity futures	16,842	16,842	-	-
WTI differential futures	2,103	2,103	-	-
Foreign currency forwards	2,204	-	2,204	-
Financial Liabilities (carried at fair value)	21,149	18,945	2,204	-
Long-term debt (carried at amortized cost)	1,530,041	-	1,591,511	-
As at December 31, 2020	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	24	24	-	-
Commodity swaps	1,952	-	1,952	-
WTI differential futures	488	488	-	-
Foreign currency forwards	815	-	815	-
Financial assets (carried at fair value)	3,279	512	2,767	-
Commodity futures	6,645	6,645	-	-
Commodity swaps	1,338	-	1,338	-
WTI differential futures	1,828	1,828	-	-
Foreign currency forwards	343	-	343	-
Financial Liabilities (carried at fair value)	10,154	8,473	1,681	-
Long-term debt (carried at amortized cost)	1,449,481	-	1,483,886	-

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



Notes to Condensed Consolidated Financial Statements (unaudited)
 (Amounts in thousands of Canadian dollars, except per share amounts)

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

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

Note 15 Subsequent Events

On August 3, 2021, the Board declared a quarterly dividend of \$0.35 per common share for the second quarter on its outstanding common shares. The dividend is payable on October 15, 2021 to shareholders of record at the close of business on September 30, 2021.

Note 16 Supplemental Cash Flow Information

	<i>Note</i>	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Cash flows from operating activities					
Net income from operations		32,363	41,314	65,140	91,317
Adjustments:					
Finance costs, net		15,783	23,331	30,771	42,663
Income tax expense		10,185	13,489	18,269	30,806
Depreciation and impairment of property, plant and equipment	5	42,080	28,845	73,281	57,401
Depreciation of right-of-use asset	6	7,693	9,612	15,754	19,173
Amortization and impairment of intangible assets		2,124	1,846	4,146	3,866
Share based compensation	11	4,284	4,710	13,236	10,735
Share of loss (profit) from investments in equity accounted investees	7	618	(276)	661	(4,032)
Distributions from equity accounted investees		444	-	444	-
(Gain) loss on sale of property, plant and equipment	5	(561)	(14)	(1,334)	43
Provisions	10	166	892	(665)	1,198
Net loss on fair value movement of financial instruments		12,970	19,600	9,386	15,338
Other		(1,282)	(3,659)	(3,664)	2,587
		94,504	98,376	160,285	179,778
Changes in items of working capital:					
Trade and other receivables		10,385	(10,251)	(251,859)	107,654
Inventories	4	6,156	(45,986)	(74,118)	22,539
Other current assets		2,197	4,504	926	3,374
Trade payables and accrued charges		(48,328)	61,034	262,842	(69,753)
Contract liabilities		(12,832)	1,937	(23,945)	(22,064)
		(42,422)	11,238	(86,154)	41,750
Income tax (payment) refund, net		(7,821)	1,915	(19,070)	(4,303)
Net cash inflow from operating activities		76,624	152,843	120,201	308,542



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