GIBSON ENERGY

MANAGEMENT'S DISCUSSION & ANALYSIS

2021 SECOND QUARTER REPORT

TSX:GEI

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The following MD&A was prepared and approved by the Board of Gibson Energy Inc. ("we", "our", "us", its", "Gibson", "Gibson Energy" or the "Company") as of August 3, 2021 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of Gibson Energy Inc. for the three and six months ended June 30, 2021 and 2020, the audited consolidated financial statements and related notes of the Company for the years ended December 31, 2020 and 2019, which were prepared under International Financial Reporting Standards as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board, also referred to as GAAP. Amounts are stated in thousands of Canadian dollars except volumes and per share data, unless otherwise noted. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2020. Additional information about Gibson, including the AIF for the year ended December 31, 2020 is available on SEDAR at www.sedar.com and on our website at www.gibsonenergy.com. This MD&A contains forward-looking statements and non-GAAP measures and readers are cautioned that this MD&A should be read in conjunction with the Company's disclosures under "Forward-Looking Statements" and "Non-GAAP Financial Measures". For a list of common terms or abbreviations used in this MD&A, refer to "Terms and abbreviations".

BUSINESS OVERVIEW

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

CONSOLIDATED FINANCIAL RESULTS

	Three months ended June 30,			**Six months ended June 30,**		
($ thousands, except where noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	1,674,756	794,474	880,282	3,284,488	2,253,164	1,031,324
Segment Profit	123,118	133,887	(10,769)	238,227	267,998	(29,771)
Adjusted EBITDA [1,2]	127,678	144,516	(16,838)	230,740	262,202	(31,462)
Net income	32,363	41,314	(8,951)	65,140	91,317	(26,177)
Cash flow from operating activities	76,624	152,843	(76,219)	120,201	308,542	(188,341)
Distributable cash flow [1]	92,409	93,911	(1,502)	156,162	179,863	(23,701)
Growth capital including equity investments	41,444	117,152	(75,708)	69,963	176,084	(106,121)
Basic income per share ($/share)	0.22	0.28	(0.06)	0.45	0.62	(0.17)
Diluted income per share ($/share)	0.22	0.28	(0.06)	0.44	0.62	(0.18)
Dividends declared	51,279	49,720	1,559	102,545	99,431	3,114
Dividends ($/share)	0.35	0.34	0.01	0.70	0.68	0.02

	Trailing twelve months ended June 30,		
	2021	**2020**	**Change**
Ratios [1]			
Debt to capitalization ratio	48%	48%	-
Interest coverage ratio	9.3	7.8	1.5
Dividend payout ratio	73%	60%	13%

[1] Adjusted EBITDA, Distributable Cash Flow, Interest Coverage Ratio and Dividend Payout Ratio are non-GAAP measures as defined in "Non-GAAP Financial Measures"

[2] Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been restated to conform to this new presentation. See "Non-GAAP Financial Measures" for the definition and reconciliations of adjusted EBITDA

Q2 2021 REVIEW

- Revenue of $1,674.8 million and $3,284.5 million increased by $880.3 million and $1,031.3 million for the three and six months ended June 30, 2021 compared to $794.5 million and $2,253.2 million for the three and six months ended June 30, 2020, primarily due to higher commodity prices and volumes increasing the contribution from the Marketing segment.

- Segment profit of $123.1 million and $238.2 million decreased by $10.8 million and $29.8 million for the three and six months ended June 30, 2021 compared to $133.9 million and $268.0 million for the three and six months ended June 30, 2020, primarily due to a decrease in Marketing segment profit of $38.5 million, partially offset by an increase in Infrastructure segment profit of $27.7 million, which included the benefit of additional tankage placed in service in the fourth quarter of 2020 and a $19.9 million payment for the present value of the remaining term of a rail loading contract in the current quarter.

- Adjusted EBITDA of $127.7 million and $230.7 million decreased by $16.8 million and $31.5 million for the three and six months ended June 30, 2021 compared to $144.5 million and $262.2 million for the three and six months ended June 30, 2020, primarily due to a decrease in adjusted EBITDA for the Marketing segment of $45.1 million, partially offset by an increase in adjusted EBITDA for the Infrastructure segment of $28.6 million, which also included the factors discussed above.

- Net income of $32.4 million and $65.1 million decreased by $9.0 million and $26.2 million for the three and six months ended June 30, 2021 compared to $41.3 and $91.3 million for the three and six months ended June 30, 2020, due to the factors described above, partly offset by lower income tax expense and finance costs in the current period.

- Cash flow from operating activities of $76.6 million and $120.2 million decreased by $76.2 million and $188.3 million for the three and six months ended June 30, 2021 compared to $152.8 million and $308.5 million for the three and six months ended June 30, 2020 due to the factors described above as well as changes in working capital items.

- Distributable cash flow of $92.4 million and $156.2 million decreased by $1.5 million and $23.7 million, for the three and six months ended June 30, 2021 compared to $93.9 million and $179.9 million, for the three and six months ended June 30, 2020, resulting in a payout ratio of 73% for the twelve months ended June 30, 2021.

- Growth capital expenditures including equity investments was $70.0 million for the six months ended June 30, 2021, primarily directed towards advancing the construction of the DRU and various terminal infrastructure projects in Edmonton.

- The Company declared quarterly dividends of $0.35 per common share for the six months ended June 30, 2021 compared to $0.34 per common share for the six months ended June 30, 2020. Total dividends declared for the three and six months ended June 30, 2021 were $51.3 million and $102.5 million, compared to $49.7 million and $99.4 million for the six months ended June 30, 2020.

SUBSEQUENT EVENTS

- On August 3, 2021, the Company announced the sanction of a new 435,000 barrel tank at the Edmonton Terminal, under a long term take-or-pay contract with a new investment grade energy customer, to be placed into service early 2023.

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

MARKET OUTLOOK

Gibson regularly evaluates its long-range strategic plan in order to assess the implications of emerging macroeconomic, societal, political and industry trends, and how these trends have the potential to affect Gibson's business and prospects over the short-term (generally less than two years) and the medium to long-term (generally two to five years and beyond, respectively).

COVID-19

The effects from COVID-19 continue to impact the global economy, with the pace of recovery being uneven between regions and sectors. Specific to the energy industry, despite a partial recovery, demand for many refined products remains below pre-COVID-19 levels, which has resulted in lower demand for crude oil. The timing of a more fulsome recovery remains uncertain notwithstanding vaccination programs are now underway across the globe, with many developed economies at the later stages of their vaccination programs. Accordingly, the Company anticipates that the persistence of these factors that arose with the outbreak of COVID-19 has the potential to continue to result in reduced volumes through the Company's pipelines, a decrease in margins and demand for refined products from the Moose Jaw Facility and a decrease in certain opportunities within the Crude Marketing business until a recovery is fully realized.

Availability of Egress

The Company continues to believe that its existing storage will remain vital to facilitating the flow of crude oil out of the WCSB and towards refining markets, with several factors that may lead customers to secure additional storage with Gibson, including the Government of Canada's TMX pipeline entering service and the ability to access value added services within Gibson's terminals. To the extent that egress is not viewed as constrained by market participants, it will decrease demand for crude by rail capacity at the HURC Facility. In instances where egress out of the WCSB is constrained, differentials typically widen, which improves margins at the Moose Jaw Facility, and, in conjunction with increased price volatility, typically provides increased opportunities within the Crude Marketing business.

Energy Transition and Sustainability

Gibson acknowledges the energy transition that is underway and will continue to unfold as the world shifts towards a lower carbon economy with the understanding that the pace and magnitude of this energy transition remains uncertain and may vary between jurisdictions.

In the short- to medium-term, as Gibson's customers continue to respond to the energy transition, this is expected to provide a new suite of growth opportunities to the Infrastructure segment. At the same time, this could potentially result in increased costs for the energy industry. Over the long-term, energy transition is expected to reduce the proportion of hydrocarbons as a share of the global energy mix, as well as eventually drive decreases in absolute demand of certain commodities including crude oil, though there are a wide range of estimates and possible outcomes. While the Company believes that its core operating basins are well positioned to remain competitive relative to the global supply alternatives through the energy transition over the long-term, there remains the potential for reinvestment by upstream customers into these basins to slow down, which could reduce demand for the Company's infrastructure and services and could potentially impact the number of growth opportunities available to the Infrastructure segment.

More recently, there has also been an increasing importance among investors, as well as society as a whole, for companies to consider a broader range of stakeholders as part of their decision making framework and to adhere to the principles of ESG. The Company believes that given its strong existing ESG profile and significant efforts to continue to advance its sustainability practices and profile, including its announcement of specific, measurable expanded ESG and Sustainability goals, this could be an opportunity for the Company to differentiate itself to ESG-focused investors and customers, potentially improving the Company's access to capital and improving the Infrastructure segment's ability to further differentiate its offering to customers, as well as improve the Company's ability to attract and retain a highly-skilled workforce.

For more information about the Company's approach to ESG please refer to the annual Sustainability Report available on our website at www.gibsonenergy.com/our-sustainability-esg-approach.

RESULTS OF OPERATIONS

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

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

INFRASTRUCTURE

The Infrastructure segment is comprised of 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 WCSB; gathering pipelines which are connected to the Hardisty Terminal; an infrastructure position located in the U.S.; and the Moose Jaw Facility, which is impacted by maintenance turnarounds typically occurring within the spring period.

The following table sets forth the operating results from the Company's Infrastructure segment for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,			**Six months ended June 30,**		
($ thousands, except volumes)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	144,118	112,796	31,322	267,921	232,846	35,075
Operating expenses	26,545	22,950	3,595	42,073	44,928	(2,855)
Segment profit	117,573	89,846	27,727	225,848	187,918	37,930
Adjusted EBITDA [(1)]	117,838	89,252	28,586	226,382	184,084	42,298
Volumes (in thousands of bbls)	110,341	98,481	11,860	224,134	201,884	22,250

(1) Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been represented to conform to this new presentation. See "Non-GAAP Financial Measures" for the definition and reconciliations of adjusted EBITDA

Operational performance

In the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020:

Infrastructure volumes increased by 11.9 million barrels or 12%, and 22.3 million barrels or 11%, largely attributable to the addition of 1.5 million barrels of additional tankage at Hardisty that was placed into service in the fourth quarter of 2020 as well as additional throughput by a certain customer at Hardisty.

Financial performance

In the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020:

Revenue increased by $31.3 million or 28% and $35.1 million or 15%, primarily driven by the contribution of additional tankage at Hardisty that was placed into service in the fourth quarter of 2020 and a $19.9 million payment for the present value of the remaining term of a rail loading contract in the current quarter.

Operating expenses increased by $3.6 million in the three month period driven by higher power costs, and decreased by $2.9 million in the six month period driven by the reversal of an accrual in the first quarter of 2021 pertaining to a regulatory matter.

Primarily as a result of the factors discussed above, adjusted EBITDA and segment profit increased by $28.6 million and $27.7 million, in the three month period and $42.3 million and $37.9 million in the six month period. In addition, adjusted EBITDA for the prior period was also impacted by a non-cash adjustment related to the Company's share of profit from equity accounted investees.

MARKETING

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

The Marketing segment is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets and/or hydrocarbon qualities. These risks are managed by purchasing and selling products at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, swaps, futures, options and other hedging instruments. Fair values of these derivative contracts fluctuate depending on the commodity prices and can impact segment profits in the form of realized or unrealized gains and losses, often offset by physical inventories, that can change significantly period over period. For more information about the risks associated with our use of financial instruments please refer to "Quantitative and Qualitative Disclosures about Market Risks" and "Risk Factors" in the 2020 year end MD&A.

Canadian road asphalt activity, related to refined products, is affected by the impact of weather conditions on road construction. Road asphalt demand typically peaks during the summer months when most of the road construction activity in Canada takes place. In the off-peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling and completion activities, with activity normally the busiest in the winter months. Demand for natural gas liquids is also highest in the colder months of the year.

	Three months ended June 30,			**Six months ended June 30,**		
($, except where noted)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
WTI average price ($USD/bbl)	66.07	27.85	38.22	61.96	37.01	24.95
WCS average differential ($USD/bbl)	11.49	11.47	0.02	11.98	16.00	(4.02)
Average foreign exchange rates ($CAD/$USD)	1.23	1.39	(0.16)	1.25	1.37	(0.12)

The following table sets forth operating results from the Company's Marketing segment for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,			**Six months ended June 30,**		
($ thousands, except volumes)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Revenue	1,587,371	722,986	864,385	3,134,768	2,109,177	1,025,591
Cost of sales and other expenses	1,581,826	678,945	902,881	3,122,389	2,029,097	1,093,292
Segment profit	5,545	44,041	(38,496)	12,379	80,080	(67,701)
Adjusted EBITDA [(1)]	18,515	63,641	(45,126)	21,765	95,418	(73,653)
Volumes (in thousands of bbls)	56,544	39,531	17,013	105,083	77,463	27,620

(1) *Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been represented to conform to this new presentation. See "Non-GAAP Financial Measures" for the definition and reconciliations of adjusted EBITDA*

Operational performance

In the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020:

Marketing volumes increased by 17.0 million barrels or 43% and 27.6 million barrels or 36%, due to higher activity from the Canadian Crude Marketing business as part of engaging in certain location, time, and quality-based opportunities and higher refined product volumes due to both market optimization strategies employed by the Company as well as higher demand for certain products in the current periods.

Financial performance

In the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020:

Revenue increased by $864.4 million or 120% and $1,025.6 million or 49%, and cost of sales and other expenses increased by $902.9 million or 133% and $1,093.3 million or 54%. The increases were largely due to higher average prices for crude, refined and other products, coupled with higher volumes during the current periods as noted above.

Adjusted EBITDA decreased by $45.1 million or 71% and $73.7 million or 77%, driven by limited location, time and quality based opportunities for Crude Marketing during the current periods, whereas the comparable period benefitted from significant opportunities created by volatility in crude differentials in the first quarter of 2020.

Segment profit decreased by $38.5 million or 87% and $67.7 million or 85%, due to the same factors as adjusted EBITDA, as well as the effect of unrealized gains and losses on financial instruments in all the periods.

EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($ thousands)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
General and administrative	8,675	8,377	298	17,407	17,300	107
Depreciation and impairment	42,080	28,845	13,235	73,281	57,401	15,880
Right-of-use depreciation	7,693	9,612	(1,919)	15,754	19,173	(3,419)
Amortization and impairment	2,124	1,846	278	4,146	3,866	280
Stock based compensation	4,284	4,710	(426)	13,236	10,735	2,501
Foreign exchange (gain)/loss	(69)	2,363	(2,432)	223	(5,263)	5,486
Net interest expense	15,783	17,127	(1,344)	30,771	36,459	(5,688)
Income taxes	10,185	13,489	(3,304)	18,269	30,806	(12,537)

In the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020:

General and administrative, excluding depreciation and amortization

General and administrative expenses were relatively consistent.

Depreciation and impairment

Depreciation and impairment increased by $13.2 million and $15.9 million, primarily due to an impairment charge of $11.5 million recorded in the second quarter of 2021 in relation to certain non-performing assets as well as the 1.5 million barrels of additional tankage placed in service in the fourth quarter of 2020 .

Right-of-use asset depreciation

Right-of-use asset depreciation decreased by $1.9 million and $3.4 million, primarily due to reductions in the value of rail car leases, due to expiring leases not being renewed or renewed at reduced rates.

Amortization and impairment

Amortization and impairment expense was relatively consistent.

Stock based compensation

For the three months ended June 30, 2021, stock based compensation was relatively consistent with the prior period. For the six months ended June 30, 2021 the increase in stock based compensation over the prior period was primarily due to higher PSUs issued as a result of an increase in the PSU performance factor, and the increase of the Company's share price in the first quarter of the year.

Foreign exchange (gain)/loss not affecting segment profit

For the three months ended June 30, 2021, foreign exchange (gain)/loss not affecting segment profit was relatively consistent with the prior period. For the six months ended June 30, 2021, the decrease in the foreign exchange (gain)/loss not affecting segment profit was primarily due to a significant gain in the first quarter of 2020 due to the increase in the value of the U.S. dollar compared to the Canadian dollar.

Net interest expense

Net interest expense decreased by $1.3 million and $5.7 million, primarily due to lower interest rates on long-term debt as a result of refinancing efforts undertaken by the Company in prior periods.

Income taxes

Income taxes decreased in both comparative periods with deferred income tax expense of $3.1 million and $2.6 million and current income tax expense of $7.0 million and $15.7 million for the three and six months ended June 30, 2021, compared to a deferred income tax expense of $1.4 million and $7.4 million and current income tax expense of $12.1 million and $23.4 million for the three and six months ended June 30, 2020. The changes were primarily due to lower taxable income in the current period as well as the reversal of an accrued non-deductible item in the first quarter of 2021.

The effective tax rate was 23.9% and 21.9% during the three and six months ended June 30, 2021, compared to 24.6% and 25.2% during the three and six months ended June 30, 2020, due to lower Alberta corporate income tax rates in the current period and the reversal of an accrued non-deductible item in the first quarter of 2021.

SUMMARY OF QUARTERLY RESULTS

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

($ thousands, except per share amounts)	2021		2020				2019	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	1,674,756	1,609,732	1,320,689	1,364,213	794,474	1,458,690	1,666,560	1,993,440
Net income	32,363	32,777	12,442	17,550	41,314	50,003	37,444	45,525
Adjusted EBITDA [(1)]	127,678	103,062	81,888	100,825	144,516	117,686	127,560	121,623
Earnings per share								
Basic ($/share)	0.22	0.22	0.09	0.12	0.28	0.34	0.25	0.31
Diluted ($/share)	0.22	0.22	0.08	0.11	0.28	0.34	0.25	0.30

(1) Effective Q1 2021, the Company has updated the manner in which it determines adjusted EBITDA and prior period comparative figures have been restated to conform to this new presentation. See "Non-GAAP Financial Measures" for the definition and reconciliations of adjusted EBITDA

For more details on the specific factors driving the periodic movements, refer to "Results of Operations". The following identifies the key drivers in segment profitability over the last eight quarters:

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

- 1.5 million barrels of additional tankage that was placed into service at Hardisty in the fourth quarter of 2020
- The Gibson Wink Terminal that was placed into service in the third quarter of 2020
- 2.0 million barrels of additional tankage that was placed into service in the fourth quarter of 2019
- The expansion of the HURC Facility, which was placed into service in the third quarter of 2019

Marketing – The Marketing segment's activities, including its location, quality and time-based strategies as well as the sale of refined products, are highly impacted by various factors that often fluctuate quarter over quarter. While certain of these variables, including exposure to the underlying commodity, are actively managed, the specific profit drivers for the Marketing segment generally vary from period to period. Crude Marketing and Moose Jaw Refined Products realized strong performance through 2019, however, this was impacted by the onset of COVID-19 though Crude Marketing was able to find certain opportunities in the volatile market environment immediately following its onset. More recently, the opportunities and margins available to both Crude Marketing and Moose Jaw Refined Products have been more limited.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

($ thousands)	Coupon Rate	Maturity	June 30, 2021	December 31, 2020
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 [1]	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(9,959)	(10,519)
Lease liability			91,069	102,742
Total debt outstanding			1,621,110	1,552,223
Cash and cash equivalents			(58,454)	(53,676)
Total share capital			1,994,900	1,977,104
Total capital			3,557,556	3,475,651

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

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures on growth opportunities, its working capital needs and its dividend. In addition, the Company must service its debt, including interest payments. The Company expects to source funds required to service its debt from cash and cash equivalents, cash flow from operations, its Revolving Credit Facility and by accessing the capital markets. The Company currently anticipates its cash flow from operations, the majority of which is derived from long-term take-or-pay contracts, to be sufficient to meet its operating obligations, fund capital expenditures and pay its dividend. As a result of taking a disciplined and proactive approach, the Company has successfully extended the maturity of its debt portfolio and reduced the weighted average borrowing cost. However, despite the fact that the nature of the uncertainties created by the COVID-19 pandemic improved with the continued success of regional vaccination programs, the Company's ability to access financing in the capital markets could still be adversely impacted. Refer to "Risk Factors" in the Company's 2020 year end MD&A for more information. The Company continues to monitor the situation and remains satisfied that its disciplined approach employed with respect to its capital structure is appropriate given the characteristics and operations of the underlying asset base.

The Company may adjust its capital structure as a result of changes in current or expected economic and/or market conditions or its underlying business. Adjustments to the capital structure may result in refinancing or renegotiating its existing debt, issuance of new debt, issuance of equity or hybrid securities and the repurchase of shares. During the second quarter of 2021, the Company extended the maturity date of its 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 had a cash balance of $58.5 million and had the ability to utilize borrowings under the Revolving Credit Facility of $610.0 million. In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling $150.0 million under which it had issued letters of credit totaling $33.9 million.

Cash flow summary

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

The following table summarizes the Company's sources and uses of funds for the three and six months ended June 30, 2021 and 2020 from operations:

Statement of cash flows	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Cash inflow (outflow):						
Operating activities	76,624	152,843	(76,219)	120,201	308,542	(188,341)
Investing activities	(27,535)	(97,535)	70,000	(47,324)	(147,872)	100,548
Financing activities	(46,480)	(31,785)	(14,695)	(67,990)	(131,385)	63,395
Net increase in cash and cash equivalents	2,609	23,523	(20,914)	4,887	29,285	(24,398)

Cash inflow from operating activities

Cash inflow from operating activities was $76.6 million and $120.2 million for the three and six months ended June 30, 2021, compared to $152.8 million and $308.5 million in the three and six months ended June 30, 2020. The changes were driven by the following:

- Lower cash inflow from operations before income taxes and working capital changes of $94.5 million and $160.3 million, for the three and six months ended June 30, 2021, compared to $98.4 million and $179.8 million in the prior periods primarily due to lower segment profit; and
- Cash outflow from changes in working capital of $42.4 million and $86.2 million in the three and six months ended June 30, 2021, compared to cash inflow of $11.2 million and $41.7 million in the prior periods. The change in both the three and six month periods was primarily driven by changes in items of working capital balances, largely related to increasing commodity prices.

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

Cash outflow from investing activities

Cash outflow from investing activities was $27.5 million and $47.3 million in the three and six months ended June 30, 2021, compared to $97.5 million and $147.9 million in the three and six months ended June 30, 2020 and consists primarily of capital expenditures related to the construction of infrastructure at the Hardisty and Edmonton Terminals, and contributions to our equity investment to fund construction of the DRU. The period over period decrease primarily resulted from the relative stage of construction on each of these projects and the decrease in the growth capital budget for 2021, relative to 2020. For a summary of capital expenditures, see the "Capital expenditures and equity investments" discussion included in this MD&A.

Cash outflow from financing activities

Cash outflow from financing activities was $46.5 million and $68.0 million in three and six months ended June 30, 2021 compared to a cash outflow from financing activities of $31.8 million and $131.4 million in the three and six months ended June 30, 2020. The changes are primarily due to the change in net borrowings on the Revolving Credit Facility of $22.3 million and $80.0 million in the three and six months ended June 30, 2021, compared to $30.0 million and $20.0 million in the prior periods. Interest paid was $8.3 million and $27.1 million in the three and six months ended June 30, 2021, compared to $1.1 million and $30.2 million in the three and six months ended June 30, 2020. The increase in the current quarter was due to the timing of interest payments on the Company's outstanding debt.

Credit Ratings and Covenants

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

Rating agencies will regularly evaluate our financial strength. A credit rating downgrade could impair the Company's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets in the future and increase the costs of borrowing. The Company's senior unsecured notes are rated, on a solicited basis, by DBRS Limited as 'BBB (low)' and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, as 'BBB-'. For a fulsome discussion of credit ratings, and their impact on the Company, refer to the Company's 2020 AIF.

The Company is also required to meet certain specific and customary affirmative and negative financial covenants under its Revolving Credit Facility, senior unsecured notes and unsecured hybrid notes, including the maintenance of certain financial ratios, requiring the Company to maintain a total consolidated debt to capitalization ratio not greater than 65% as well as to maintain a minimum consolidated interest coverage ratio of no less than 2.5 to 1.0. The consolidated total debt to capitalization ratio represents the ratio of all debt obligations on the financial statements to total capitalization (total debt plus total shareholders' equity, including certain adjustments). The consolidated interest coverage ratio represents the ratio of Consolidated EBITDA (as defined by the Revolving Credit Facility) to consolidated cash interest expense calculated in accordance with the Revolving Credit Facility.

As at June 30, 2021, the Company was in compliance with the financial ratios with the total consolidated debt to capitalization ratio at 48% and the consolidated interest coverage ratio at 9.3 to 1.0. The covenant tests used for debt purposes excludes all of the unsecured hybrid notes, and the interest thereon, in the calculation.

As at June 30, 2021, the Company was in compliance with all existing covenants under the senior unsecured notes, unsecured hybrid notes and Revolving Credit Facility.

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

Dividends

The Company is currently paying quarterly dividends to holders of common shares. The amount and timing of any future dividends payable by the Company will be at the discretion of the Board and established on the basis of, among other items, the Company's earnings, funding requirements for operations, the satisfaction of a solvency calculation, and the terms of the Company's debt agreements and indentures. In addition, in connection with Company's prior practice, after each fiscal year end the Board will formally review the annual dividend amount. During the second quarter of 2021, the Board declared a dividend of $0.35 per common share.

Contractual obligations and contingencies

The following table presents, as at June 30, 2021, the Company's obligations, and commitments to make future payments under contracts and contingent commitments:

		Payments due by period			
($ thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	1,540,000	-	-	465,000	1,075,000
Interest payments on long-term debt	1,018,298	48,350	96,700	89,401	783,847
Lease and other commitments [(1)]	97,790	30,934	42,266	18,912	5,678
Total contractual obligations	2,656,088	79,284	138,966	573,313	1,864,525

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

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

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

CAPITAL EXPENDITURES AND EQUITY INVESTMENTS

	Three months ended June 30,	Six months ended June 30,
($ thousands)	**2021**	**2021**
Infrastructure	29,011	44,757
Marketing	1,258	1,390
Corporate and other projects	854	890
Growth capital	31,123	47,037
Equity investments	10,321	22,926
Replacement capital	4,227	6,610
Total capital expenditures & equity investments	**45,671**	**76,573**

The Company continues to invest capital primarily in expanding and augmenting existing terminals and associated infrastructure at Hardisty, Edmonton and in the U.S., along with continuing the construction of the DRU. The Company also continues to engage in numerous commercial discussions for additional infrastructure. The following represents key activities with respect to major growth projects during the six months ended June 30, 2021:

- Subsequent to the quarter end, the Company initiated the start up of the DRU and intends it to be in-service in the third quarter of 2021. The DRU is under a long-term take-or-pay contract and will initially separate up to 50,000 barrels per day of inlet bitumen blend into DRUbit.
- The Company began construction on the previously announced biofuels blending project at the Edmonton Terminal to facilitate the storage, blending and transportation of renewable diesel.

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

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

With the announcement of several projects since the start of the year, the Company anticipates the growth capital to be approximately $200 million and replacement capital to be approximately $30 million for 2021.

OFF-BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at June 30, 2021, there were 146.5 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 2.4 million restricted share units, performance share units and deferred share units outstanding and 1.9 million stock options outstanding as at June 30, 2021.

As at June 30, 2021, awards available to grant under the equity incentive plan were approximately 4.4 million.

As at July 30, 2021, 146.5 million common shares, 2.5 million restricted share units, performance share units and deferred share units and 1.9 million stock options were outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. The fair value of swaps and option contracts is estimated based on quoted prices from various sources, such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil, differentials and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change in crude prices would increase the Company's net income by $15.5 million and $12.9 million as of June 30, 2021 and, 2020. A 15% unfavorable change in crude prices would decrease the Company's net income by $15.5 million and $12.9 million as of June 30, 2021 and 2020. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risk. The Company's long-term debt, excluding the Revolving Credit Facility, accrues interest at fixed interest rates and accordingly, changes in market interest rates do not expose the Company to future interest cash outflow variability. At June 30, 2021, the Company had $140.0 million drawn under the Revolving Credit Facility which is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either the Canadian Prime Rate, U.S. LIBOR, U.S. Base Rate or Canadian Bankers' Acceptance Rate, plus an applicable margin based on the Company's total leverage ratio. At current balances and rates, the interest rate risk is not significant for the Company.

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

Company expects to continue to enter into financial derivatives, primarily forward contracts and currency swaps, to reduce foreign exchange volatility.

As at June 30, 2021, the Company had no U.S. dollar denominated debt as part of its draw on its Revolving Credit Facility.

ACCOUNTING POLICIES

Critical accounting policies and estimates

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's condensed consolidated financial statements. There have been no significant adjustments to critical accounting policies, judgements and estimates during the six months ended June 30, 2021, from those disclosed in the Company's 2020 year end consolidated financial statements and MD&A.

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.

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

- 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 recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

DISCLOSURE CONTROLS & PROCEDURES

Based on the evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting, the CEO and the CFO concluded that the Company's DC&P and ICFR were effective as at June 30, 2021. There have been no changes in ICFR that occurred during the period beginning April 1, 2021 and ending on June 30, 2021 that has materially affected or is reasonably likely to materially affect the Company's ICFR.

RISK FACTORS

Shareholders and prospective investors should carefully evaluate risk factors noted by the Company before investing in the Company's securities, as each of these risks may negatively affect the trading price of the Company's securities, the amount of dividends paid to shareholders and the ability of the Company to fund its debt obligations, including debt obligations under its outstanding notes and any other debt securities that the Company may issue from time to time. Other than those risks noted below there have been no material changes to the risk factors presented in the Company's December 31, 2020 MD&A and AIF, which are available on SEDAR at www.sedar.com.

COVID-19

Although many jurisdictions continue to expand mass vaccination programs at an accelerated pace and the vaccinated percentage of the general population continues to increase, there can be no certainty that vaccinations will successfully control the spread of COVID-19 and its variants and consequently reduce its impact on the Company's business and the impact of the COVID-19 pandemic on the world economy may continue or increase until immunization rates in developing countries improve.

Many provinces and territories, including Alberta, continue to ease restrictions as infection rates decline; however the situation remains fluid as COVID-19 and its variants, some of which may be more transmissible and carry increased health risks, continue to be a concern. Governments are continuing to closely monitor the spread of COVID-19 and its variants, which may lead to the maintenance or reintroduction of emergency measures to counter any resurgence of such viruses. Accordingly, the Company's financial and/or operating performance could be materially adversely impacted by way of suspensions, delays or cancellations of the Company's projects, either by its customers or due to broader government directives, slowdowns or stoppages in the performance of projects due to labor shortages, union action and/or high levels of absenteeism, supply chain disruptions and corresponding shortages, increased collection risk from customers, volatility in capital markets, and decreases in customer demand as a result of reduced prices of and global demand for petroleum products caused by travel restrictions and other shut-downs. For a discussion of the risks associated with decreases in the prices of and demand for crude oil and petroleum products, see "Market and Commodity Price Risk" and "Demand for Crude Oil and Petroleum Products" in "Risk Factors" of our 2020 AIF.

The partial or complete shut-down of our workplaces, our employees working remotely, and the implementation of enhanced health and safety measures in our workplaces may reduce the efficiency and increase the costs of our operations and may adversely affect the Company's margins, profitability and results. Further, the increased remote access to our information technology systems may heighten the threat of a cyber-security breach. The COVID-19 pandemic may also increase our exposure to, and magnitude of, each of the risks identified in Risk Factors of this MD&A, the 2020 annual MD&A and our 2020 AIF, which are available on SEDAR at www.sedar.com.

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

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

Canada's National Carbon-Pricing Regime

On March 25, 2021, the Supreme Court of Canada released its judgment confirming the constitutionality of Canada's national carbon-pricing regime, the *Greenhouse Gas Pollution Pricing Act*. Certain Canadian provinces, including Alberta and Saskatchewan, had previously launched constitutional challenges to the Federal Backstop and as Canada's highest appeal court, the Supreme Court's decision is the final ruling on this matter. Given the Company's operations in Alberta and Saskatchewan, the implementation of the Federal Backstop in these provinces may materially impact the Company's current or future business (including, without limitation, increasing costs of compliance) and could have an adverse effect on the Company's operations, margins, profitability and results. For a full discussion of the risks associated with the implementation of the Federal Backstop, see "Risk Factors – Climate Change Legislation" in our 2020 AIF, which is available on SEDAR at www.sedar.com.

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

Indigenous Relations

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of ongoing litigation. In a recent decision by the British Columbia Supreme Court, the court found that the province's mechanisms for assessing and taking into account cumulative effects were lacking and contributed to the breach of its obligations under Treaty 8. Amongst other things, the court declared that the Province of British Columbia could not continue to authorize activities that breach the Treaty, or that unjustifiably infringe the Treaty 8 Nation's exercise of its treaty rights. This declaration was suspended for six months to enable the parties to negotiate a path forward. While this recent decision does not currently impact the Company's operations directly, it is expected to contribute to the development of Canadian law. In addition, Canada and the Province of British Columbia have enacted legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples which obliges the government to take steps to align their respect laws with the Declaration, such steps may result in amendments to regulatory approval processes. Any such developments in the law may have a material effect on the Company's business, financial condition and reputation. This includes risk related to the failure to satisfy the duty to consult and provide any associated accommodations which may adversely affect the Company's, or its customers, ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals.

NON-GAAP FINANCIAL MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with GAAP. Adjusted EBITDA, dividend payout ratio, interest coverage ratio and distributable cash flow are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures reported by other entities. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income, cash flow from operating activities, segment profit, gross profit or other measures of financial results determined in accordance with IFRS as an indication of the Company's performance.

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before net interest, tax, depreciation, amortization and impairment charges, and specific non-cash charges, including but not limited to unrealized gain/loss on derivative financial instruments, stock based compensation, adjustment for equity accounted investees (to remove non-cash charges), and corporate foreign exchange gain/loss. These adjustments are made to exclude non-cash charges and other items that are not reflective of ongoing earning capacity of the operations.

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

Prior period comparative figures have been restated in accordance with the updated definition of adjusted EBITDA set out above.

Noted below is the reconciliation to the most directly comparable GAAP measures of the Company's segmented and consolidated adjusted EBITDA for the three and six months ended June 30, 2021 and 2020:

Three months ended June 30	**Infrastructure**		**Marketing**		**Corporate & Adjustments**		**Total**	
($ thousands)	**2021**	**2020 (1)**	**2021**	**2020 (1)**	**2021**	**2020 (1)**	**2021**	**2020 (1)**
Segment Profit	117,573	89,846	5,545	44,041	-	-	123,118	133,887
Unrealized loss on derivative financial instruments	-	-	12,970	19,600	-	-	12,970	19,600
General and administrative	-	-	-	-	(8,675)	(8,377)	(8,675)	(8,377)
Adjustments to share of profit from equity accounted investees	265	(594)	-	-	-	-	265	(594)
Adjusted EBITDA (1)	117,838	89,252	18,515	63,641	(8,675)	(8,377)	127,678	144,516

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

Six months ended June 30	Infrastructure		Marketing		Corporate & Adjustments		Total	
($ thousands)	**2021**	**2020 (1)**	**2021**	**2020 (1)**	**2021**	**2020 (1)**	**2021**	**2020 (1)**
Segment Profit	225,848	187,918	12,379	80,080	-	-	238,227	267,998
Unrealized loss on derivative financial instruments	-	-	9,386	15,338	-	-	9,386	15,338
General and administrative	-	-	-	-	(17,407)	(17,300)	(17,407)	(17,300)
Adjustments to share of profit from equity accounted investees	534	(3,834)	-	-	-	-	534	(3,834)
Adjusted EBITDA (1)	226,382	184,084	21,765	95,418	(17,407)	(17,300)	230,740	262,202

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

	Three months ended June 30,	
($ thousands)	**2021**	**2020 (1)**
Net Income	32,363	41,314
Income tax expense	10,185	13,489
Depreciation, amortization, and impairment charges	51,897	40,303
Net finance costs	15,783	23,331
Unrealized loss on derivative financial instruments	12,970	19,600
Stock based compensation	4,284	4,710
Adjustments to share of profit from equity accounted investees	265	(594)
Corporate foreign exchange loss (gain)	(69)	2,363
Adjusted EBITDA (1)	127,678	144,516

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

	Six months ended June 30,	
($ thousands)	**2021**	**2020 (1)**
Net Income	65,140	91,317
Income tax expense	18,269	30,806
Depreciation, amortization, and impairment charges	93,181	80,440
Net finance costs	30,771	42,663
Unrealized loss on derivative financial instruments	9,386	15,338
Stock based compensation	13,236	10,735
Adjustments to share of profit from equity accounted investees	534	(3,834)
Corporate foreign exchange loss (gain)	223	(5,263)
Adjusted EBITDA (1)	230,740	262,202

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

DISTRIBUTABLE CASH FLOW

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

	Three months ended June 30,		**Six months ended June 30,**	
($ thousands)	**2021**	**2020**	**2021**	**2020**
Cash flow from operating activities	76,624	152,843	120,201	308,542
Adjustments:				
Changes in non-cash working capital and taxes paid	50,243	(13,153)	105,224	(37,447)
Replacement capital	(4,227)	(7,800)	(6,610)	(14,219)
Cash interest expense, including capitalized interest	(13,361)	(14,680)	(26,435)	(29,550)
Lease payments	(9,806)	(11,244)	(20,506)	(24,024)
Current income tax	(7,064)	(12,055)	(15,712)	(23,439)
Distributable cash flow	92,409	93,911	156,162	179,863

	Twelve months ended June 30,	
($ thousands)	**2021**	**2020**
Cash flow from operating activities	271,213	645,543
Adjustments:		
Changes in non-cash working capital and taxes paid	123,561	(140,728)
Replacement capital	(15,142)	(30,697)
Cash interest expense, including capitalized interest	(50,441)	(61,404)
Lease payments	(41,449)	(48,126)
Current income tax	(12,552)	(36,976)
Distributable cash flow	275,190	327,612
Dividends declared	201,781	195,514
Dividend payout ratio	**73%**	**60%**

DIVIDEND PAYOUT RATIO

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

INTEREST COVERAGE RATIO

Interest coverage ratio is a ratio calculated in alignment with the Company's debt covenant in the Revolving Credit Facility and is defined as consolidated interest expense, excluding interest on the unsecured hybrid notes, divided by consolidated EBITDA. Refer to the terms defined in the Revolving Credit Facility, which is available at www.sedar.com.

FORWARD-LOOKING INFORMATION

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

- *the effect of the COVID-19 pandemic, including the government's responses thereto, on the Company's projections relating to the global economy, the Company's ability to access financing, volumes through the Company's infrastructure, demand for refined products, growth opportunities within segments, segment profit, adjusted EBITDA, distributable cash flow and total cash flow;*
- *vaccination rates and the vaccinated percentage of the greater population;*
- *the energy transition underway, the shift towards a lower carbon economy and the associated growth opportunities available to the Company;*
- *the potential increased costs, reduced hydrocarbon demand and other impacts associated with the energy transition;*
- *the Company's competitive position over the long-term and possible demand reduction for the Company's services;*
- *adjustments to the Company's capital structure as a result of changes to economic and market conditions or the Company's business;*
- *refinancing or renegotiation of existing debt, the issuance of new debt, equity or hybrid securities, or the repurchase of the Company's shares;*
- *achieving the targets including but not limited to segment profits, adjusted EBITDA, payout ratio, leverage ratio, distributable cash flow, total cash flow and credit ratings;*
- *the Company's future obligations under existing contracts and contingent commitments;*
- *the sufficiency of the Company's cash flow, derived primarily from long-term contracts, to meet its operating obligations, fund capital expenditures, and pay its dividends;*
- *the adequacy of provisions made for possible claims against the Company and the materiality of such claims;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets including the anticipated benefits from the Company's basin strategy;*
- *the key attributes of the Company's business strategy and strengths;*
- *the Company's ability to execute its current business strategy, related milestones and ability to meet its ESG targets and the associated impacts to the Company's reputation and ability to differentiate itself to investors and attract capital and a highly-skilled workforce;*
- *legal developments and the impact of changes in legislation and regulations, including on decommissioning obligations and environmental remediation costs;*
- *the availability of sufficient capital and liquidity for planned growth;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *the importance of the Company's existing storage to facilitate the flow of crude oil out of the WCSB to refining markets and during periods of limited egress;*
- *the expansion of midstream infrastructure in North America to handle increased production of heavier crude oil from the WCSB;*
- *the planned construction of TMX and expected results at the Company's terminals;*
- *the effect of competition in regions of North America, including the likelihood of new competitors seeking to replicate the Company's asset base and service offerings in the foreseeable future, and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the maturity date of the Company's credit facilities and terms thereof;*
- *the ongoing evaluation of the Company's financial strength by rating agencies and the impacts of any potential rating downgrades;*
- *in-service dates for ongoing and new projects being constructed by the Company, or where applicable, its partners the costs associated with such projects and the expected benefits of such projects;*
- *the Company's planned hedging activities;*
- *the Company's projections of commodity purchase and sales activities;*
- *the Company's projections of currency and interest rate fluctuations;*

- *the Company's projections with respect to the adoption and implementation of new or amended accounting standards and policies and the effects and timing thereof;*
- *the sources of the Company's cash flows;*
- *the realization of anticipated benefits from the implementation of cost saving measures;*
- *the Company's projections of dividends; and*
- *the Company's dividend policy.*

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

- *the impact of COVID-19, including related government responses related thereto on demand for crude oil and petroleum products and the Company's operations generally;*
- *general economic and industry trends;*
- *future growth in world-wide demand for crude oil and petroleum products;*
- *commodity prices;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified and diverse personnel and equipment in a timely and cost-efficient manner or at all;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *the energy transition that is underway as the world shifts toward a lower carbon economy and a maintained industry focus on ESG;*
- *changes in credit ratings applicable to the Company;*
- *the Company's ability to achieve its Sustainability and ESG targets and the timing thereof;*
- *operating and borrowing costs, including those related to the Company's Sustainability and ESG programs;*
- *future capital expenditures to be made by the Company, including its ability to place assets into service as currently planned and scheduled;*
- *the Company's ability to obtain financing for its capital programs on acceptable terms;*
- *the Company's ability to maintain a strong balance sheet and financial position;*
- *the Company's future debt levels;*
- *the impact of increasing competition on the Company;*
- *the impact of changes in government policies on the Company;*
- *the ability of the Company and, as applicable, its partner(s), to construct and place assets into service and the associated costs of such projects;*
- *the Company's ability to generate sufficient cash flow to meet the Company's current and future obligations;*
- *the Company's dividend policy;*
- *product supply and demand;*
- *the impact of future changes in accounting policies on the Company's consolidated financial statements; and*
- *the Company's ability to successfully implement the plans and programs disclosed in the Company's strategy.*

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

Information on, or connected to, the Company's website www.gibsonenergy.com does not form part of this MD&A.

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

TERMS AND ABBREVIATIONS

AIF: Annual Information Form

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

the Board: Gibson's Board of Directors

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

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

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

DBRS Morningstar: DBRS Limited (DBRS Morningstar)

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

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

ESG: Environmental, Social, Governance

Gibson Wink Terminal: Gibson's terminal located at Wink, Texas, U.S.

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

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

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

L3R: Enbridge Line 3 Replacement Project

MD&A: Management Discussion and Analysis

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

NGL: Natural Gas Liquids

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

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

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

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

TMX: Government of Canada's Trans Mountain Pipeline Expansion

TSX: Toronto Stock Exchange

U.S.: United States of America

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

USD Group: US Development Group, LLC.

WCSB: Western Canadian Sedimentary Basin

WTI: West Texas Intermediate, a type of crude oil used as a benchmark in crude oil pricing

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