



Condensed Consolidated Financial Statements

September 30, 2019 and 2018

**GIBSON
ENERGY**

Gibson Energy Inc.
Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 348,852	\$ 95,301
Trade and other receivables	493,215	283,816
Inventories	119,873	85,629
Income taxes receivables	8,201	-
Prepaid and other assets	10,701	11,618
Net investment in finance leases	6,888	1,156
Assets held for sale (note 4)	35,955	209,438
Total current assets	<u>1,023,685</u>	<u>686,958</u>
Non-current assets		
Property, plant and equipment (note 5)	1,578,455	1,424,211
Right-of-use assets (note 6)	92,499	99,180
Long-term prepaid and other assets	4,658	4,803
Net investment in finance leases	182,335	154,206
Deferred income tax assets	36,771	35,874
Intangible assets	33,918	41,996
Goodwill	361,343	362,348
Total non-current assets	<u>2,289,979</u>	<u>2,122,618</u>
Total assets	<u>\$ 3,313,664</u>	<u>\$ 2,809,576</u>
Liabilities		
Current liabilities		
Trade payables and accrued charges	\$ 495,973	\$ 365,410
Income taxes payable	-	66,083
Dividends payable	48,011	47,704
Contract liabilities	72,436	15,451
Long-term debt – current portion (note 8)	300,000	-
Lease liabilities – current portion (note 9)	38,714	36,200
Liabilities related to assets held for sale (note 4)	664	58,813
Total current liabilities	<u>955,798</u>	<u>589,661</u>
Non-current liabilities		
Long-term debt (note 8)	1,088,286	1,039,578
Lease liabilities – non-current portion (note 9)	94,543	72,871
Convertible debentures	94,454	92,466
Provisions (note 10)	217,915	162,811
Other long-term liabilities	6,807	16,319
Deferred income tax liabilities	83,532	77,640
Total non-current liabilities	<u>1,585,537</u>	<u>1,461,685</u>
Total liabilities	<u>\$ 2,541,335</u>	<u>\$ 2,051,346</u>
Equity		
Share capital (note 11)	1,970,603	1,955,146
Contributed surplus	44,893	44,461
Accumulated other comprehensive income	36,383	41,650
Convertible debentures	7,023	7,023
Deficit	<u>(1,286,573)</u>	<u>(1,290,050)</u>
Total equity	<u>772,329</u>	<u>758,230</u>
Total liabilities and equity	<u>\$ 3,313,664</u>	<u>\$ 2,809,576</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Continuing operations				
Revenue (note 13)	\$ 1,993,440	\$ 2,130,022	\$ 5,669,762	\$ 5,531,984
Cost of sales	<u>1,900,918</u>	<u>2,063,698</u>	<u>5,416,684</u>	<u>5,346,340</u>
Gross profit.....	92,522	66,324	253,078	185,644
General and administrative expenses	6,601	13,228	41,789	47,814
Goodwill impairment	-	18,500	-	20,479
Other operating income	<u>(1,154)</u>	<u>(3,724)</u>	<u>(4,774)</u>	<u>(2,969)</u>
Operating Income.....	87,075	38,320	216,063	120,320
Finance costs, net (note 8)	<u>23,444</u>	<u>18,794</u>	<u>60,918</u>	<u>60,823</u>
Income before income taxes	63,631	19,526	155,145	59,497
Income tax expense (note 7)	<u>18,106</u>	<u>12,704</u>	<u>16,250</u>	<u>25,648</u>
Net income from continuing operations	45,525	6,822	138,895	33,849
Net income (loss) from discontinued operations, after tax (note 4)	<u>2,794</u>	<u>(4,470)</u>	<u>8,510</u>	<u>101,133</u>
Net income	<u>\$ 48,319</u>	<u>\$ 2,352</u>	<u>\$ 147,405</u>	<u>\$ 134,982</u>
Earnings per share				
Basic earnings per share from continuing operations	\$ 0.31	\$ 0.05	\$ 0.96	\$ 0.24
Basic earnings (loss) per share from discontinued operations.....	<u>0.02</u>	<u>(0.03)</u>	<u>0.05</u>	<u>0.70</u>
Basic earnings per share	<u>\$ 0.33</u>	<u>\$ 0.02</u>	<u>\$ 1.01</u>	<u>\$ 0.94</u>
Diluted earnings per share from continuing operations.....	\$ 0.30	\$ 0.05	\$ 0.94	\$ 0.23
Diluted earnings (loss) per share from discontinued operations.....	<u>0.02</u>	<u>(0.03)</u>	<u>0.05</u>	<u>0.69</u>
Diluted earnings per share.....	<u>\$ 0.32</u>	<u>\$ 0.02</u>	<u>\$ 0.99</u>	<u>\$ 0.92</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Net income	\$ 48,319	\$ 2,352	\$ 147,405	\$ 134,892
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to consolidated statement of operations</i>				
Exchange differences of translating foreign operations	1,203	(2,537)	(5,267)	3,992
Other comprehensive income from discontinued operations	-	-	-	5,373
Reclassification of foreign currency translation gain on disposal of foreign operations	-	-	-	(141,933)
Other comprehensive income (loss), net of tax	<u>1,203</u>	<u>(2,537)</u>	<u>(5,267)</u>	<u>(132,568)</u>
Comprehensive income (loss)	<u>\$ 49,522</u>	<u>\$ (185)</u>	<u>\$ 142,138</u>	<u>\$ 2,414</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 11)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2018	\$ 1,932,103	\$ 48,706	\$ 174,186	\$ 7,023	\$(1,250,787)	\$ 911,231
Net income	-	-	-	-	134,982	134,982
Reclassification of foreign currency translation gain on disposal of foreign operations	-	-	(141,933)	-	-	(141,933)
Other comprehensive income, net of tax	-	-	9,365	-	-	9,365
Comprehensive (loss) income	-	-	(132,568)	-	134,982	2,414
Proceeds from exercise of stock options ..	638	-	-	-	-	638
Stock based compensation.....	-	12,425	-	-	-	12,425
Reclassification of contributed surplus on issuance of awards under equity incentive plan	17,008	(17,008)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(142,627)	(142,627)
Balance – September 30, 2018	<u>\$ 1,949,749</u>	<u>\$ 44,123</u>	<u>\$ 41,618</u>	<u>\$ 7,023</u>	<u>\$(1,258,432)</u>	<u>\$ 784,081</u>
Balance – January 1, 2019	\$ 1,955,146	\$ 44,461	\$ 41,650	\$ 7,023	\$(1,290,050)	\$ 758,230
Net income	-	-	-	-	147,405	147,405
Other comprehensive loss, net of tax.....	-	-	(5,267)	-	-	(5,267)
Comprehensive (loss) income.....	-	-	(5,267)	-	147,405	142,138
Exercise of debentures conversion option ..	70	-	-	-	-	70
Stock based compensation.....	-	14,574	-	-	-	14,574
Proceeds from exercise of stock options.....	1,245	-	-	-	-	1,245
Reclassification of contributed surplus on issuance of awards under equity incentive plan	14,142	(14,142)	-	-	-	-
Dividends on common shares (\$0.33 per common share)	-	-	-	-	(143,928)	(143,928)
Balance – September 30, 2019	<u>\$ 1,970,603</u>	<u>\$ 44,893</u>	<u>\$ 36,383</u>	<u>\$ 7,023</u>	<u>\$(1,286,573)</u>	<u>\$ 772,329</u>

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.
Condensed Consolidated Statements of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Cash flows from operating activities				
Net income from continuing operations.....	\$ 45,525	\$ 6,822	\$ 138,895	\$ 33,849
Adjustments for non-cash items (note 16)	67,478	131,187	197,688	290,849
Changes in items of working capital (note 16)	121,462	(19,773)	6,303	(73,136)
Income tax (payment) refund, net (note 16)	(3,134)	3	(86,401)	13,480
Cash provided by operating activities from continuing operations.	231,331	118,239	256,485	265,042
Cash provided by operating activities from discontinued operations (note 4).....	-	7,662	6,465	26,359
Net cash provided by operating activities	231,331	125,901	262,950	291,401
Cash flows from investing activities				
Purchase of property, plant and equipment	(107,674)	(50,609)	(189,435)	(130,284)
Deferred consideration paid on prior period acquisition.....	(39,551)	(32,656)	(39,551)	(32,656)
Purchase of intangible assets.....	(49)	(862)	(2,325)	(2,446)
Proceeds from sale of assets held for sale, net (note 4)	-	-	48,359	-
Proceeds from sale of assets.....	522	2,973	2,512	11,162
Net cash used in investing activities from continuing operations ...	(146,752)	(81,154)	(180,440)	(154,224)
Net cash provided by (used in) investing activities from discontinued operations.....	65,410	(6,389)	68,558	108,553
Net cash (used in) investing activities	(81,342)	(87,543)	(111,882)	(45,671)
Cash flows from financing activities				
Payment of shareholder dividends	(47,980)	(47,563)	(143,622)	(142,292)
Interest paid, net.....	(27,715)	(30,861)	(60,075)	(65,719)
Proceeds from exercise of stock options	366	147	1,245	638
Finance lease payments (note 9)	(10,562)	(11,829)	(35,091)	(38,598)
Proceeds from issuance of long-term debt, net of issuance costs	496,500	-	496,500	-
Proceeds (repayment) of credit facilities, net	(280,000)	52,680	(150,000)	10,417
Cash provided by (used in) financing activities from continuing operations	130,609	(37,426)	108,957	(235,554)
Cash used in financing activities from discontinued operations.....	-	(392)	(847)	(2,646)
Cash provided by (used in) financing activities	130,609	(37,818)	108,110	(238,200)
Net increase in cash and cash equivalents	280,598	540	259,178	7,530
Effect of exchange rate on cash and cash equivalents	(3,739)	(169)	(5,627)	274
Cash and cash equivalents – beginning	71,993	39,571	95,301	32,138
Cash and cash equivalents – ending	\$ 348,852	\$ 39,942	\$ 348,852	\$ 39,942

See accompanying notes to the condensed consolidated financial statements

See note 16 for supplemental disclosures

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

1 Description of the business and segmented disclosure

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

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

The Company’s reportable segments are:

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

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

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

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Three months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 67,511	\$ 1,925,929	\$ 1,993,440
Inter-segmental	36,618	74,590	111,208
External and inter-segmental	<u>104,129</u>	<u>2,000,519</u>	<u>2,104,648</u>
Segment profit	<u>\$ 81,527</u>	<u>\$ 49,690</u>	<u>\$ 131,217</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			27,827
Depreciation of right-of-use assets.....			9,721
Amortization and impairment of intangible assets			3,329
General and administrative			(2,652)
Stock based compensation			4,749
Corporate foreign exchange loss			1,086
Debt extinguishment cost.....			5,342
Interest expense, net			<u>18,184</u>
Net income from continuing operations before income tax			63,631
Income tax expense.....			<u>18,106</u>
Net income from continuing operations			45,525
Net income from discontinued operations, after tax (note 4).....			<u>2,794</u>
Net income from operations			<u>\$ 48,319</u>

Three months ended September 30, 2018 ⁽¹⁾

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 77,681	\$ 2,052,341	\$ 2,130,022
Inter-segmental	34,553	158,942	193,495
External and inter-segmental	<u>112,234</u>	<u>2,211,283</u>	<u>2,323,517</u>
Segment profit	<u>\$ 75,527</u>	<u>\$ 66,700</u>	<u>\$ 142,227</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			63,425
Depreciation of right-of-use assets.....			13,097
Amortization and impairment of intangible assets			2,452
Impairment of goodwill			18,500
General and administrative			8,285
Stock based compensation			692
Corporate foreign exchange gain.....			(2,544)
Interest expense, net			18,792
Foreign exchange loss on long-term debt.....			<u>2</u>
Net income from continuing operations before income tax			19,526
Income tax expense.....			<u>12,704</u>
Net income from continuing operations			6,822
Net loss from discontinued operations, after tax (note 4)			<u>(4,470)</u>
Net income from operations			<u>\$ 2,352</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Nine months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 194,261	\$ 5,475,501	\$ 5,669,762
Inter-segmental	<u>106,963</u>	<u>307,395</u>	<u>414,358</u>
External and inter-segmental	<u>301,224</u>	<u>5,782,896</u>	<u>6,084,120</u>
Segment profit	<u>\$ 213,463</u>	<u>\$ 148,772</u>	<u>\$ 362,235</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			78,812
Depreciation of right-of-use assets.....			30,123
Amortization and impairment of intangible assets			9,447
General and administrative			18,568
Stock based compensation			9,541
Corporate foreign exchange loss			2,465
Debt Extinguishment costs			6,057
Interest expense, net			54,821
Gain on sale of assets held for sale (note 4)			<u>(2,744)</u>
Net income from continuing operations before income tax			155,145
Income tax expense.....			<u>16,250</u>
Net income from continuing operations			138,895
Net income from discontinued operations, after tax (note 4).....			<u>8,510</u>
Net income from operations			<u>\$ 147,405</u>

Nine months ended September 30, 2018 ⁽¹⁾

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
Revenue			
External.....	\$ 196,102	\$ 5,335,882	\$ 5,531,984
Inter-segmental	<u>99,994</u>	<u>467,846</u>	<u>567,839</u>
External and inter-segmental	<u>296,096</u>	<u>5,803,727</u>	<u>6,099,823</u>
Segment profit	<u>\$ 211,777</u>	<u>\$ 121,741</u>	<u>\$ 333,518</u>
Corporate & other reconciling items			
Depreciation and impairment of property, plant and equipment			117,895
Depreciation of right-of-use assets.....			32,825
Amortization and impairment of intangible assets			7,724
Impairment of goodwill			20,479
General and administrative			23,558
Stock based compensation			11,074
Corporate foreign exchange gain.....			(357)
Interest expense, net			56,420
Foreign exchange loss on long-term debt.....			<u>4,403</u>
Net income from continuing operations before income tax			59,497
Income tax expense.....			<u>25,648</u>
Net income from continuing operations			33,849
Net gain from discontinued operations, after tax (note 4).....			<u>101,133</u>
Net income from operations			<u>\$ 134,982</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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

	Nine months ended September 30			
	2019		2018 ⁽¹⁾	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure.....	\$ 193,446	\$ 2	\$ 169,559	\$ 19,844
Marketing.....	570	735	2,341	-
Corporate.....	976	1,247	787	1,731
	<u>\$ 194,992</u>	<u>\$ 1,984</u>	<u>\$ 172,687</u>	<u>\$ 21,575</u>

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

Other Geographic Data

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 8% and 5% in the United States as at September 30, 2019 and December 31, 2018, respectively.

2 Basis of preparation

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

3 Changes in accounting policies and disclosures

A. New interpretations and amended standards adopted by the Company

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

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

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

The amendment to IFRIC 23 is effective for years beginning on or after January 1, 2019. The adoption of this amendment did not have a material impact on its condensed consolidated financial statements.

B. New standards and interpretations issued but not yet adopted

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

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

Truck Transportation Canada

On July 2, 2019 the Company completed the sale of the Truck Transportation Canada disposal group (“TT Canada”) to Trimac Transportation (“Trimac”) for gross proceeds of \$71.4 million subject to final working capital adjustments, with the potential for additional proceeds depending on the performance of the business over the next five years. Accordingly, the Company derecognized the TT Canada business effective July 2, 2019. As part of the sale, the Company also entered into an agreement with an entity affiliated with Trimac for the sale of the Edmonton field office and shop facilities (“Edmonton assets”) for approximately \$30.0 million subject to the satisfaction of certain closing conditions. The Company expects the Edmonton assets sale to close by the end of the first quarter of 2020 subject to satisfaction of certain conditions, with Trimac utilizing the properties under a lease arrangement in the interim period.

The sale of the TT Canada disposal group resulted in the recognition of an after-tax gain as follows:

Sale price	\$ 69,000
Working capital adjustments	2,416
Total consideration	<u>71,416</u>
Cash and cash equivalents	63
Trade and other receivables	34,385
Inventories, prepaid and other assets	1,551
Property, plant and equipment (note 5)	50,908
Right-of-use asset (note 6)	8,906
Trade payables, accrued charges and other liabilities	(16,126)
Income taxes payable	(588)
Lease liabilities (note 9)	(7,904)
Deferred income tax liability	<u>(8,835)</u>
Net assets disposed	62,360
Costs to sell	6,262
Income tax provision	-
After-tax gain on sale	<u>\$ 2,794</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Remainder of held for sale businesses

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

As at September 30, 2019, the Edmonton assets and U.S. Truck Transportation ("TT U.S.") disposal assets continue to be presented within assets and liabilities held for sale primarily consisting of property, plant and equipment and related asset retirement obligations.

Discontinued Operations

The following tables set forth the operating results from discontinued operations comprising of TT Canada and U.S Environmental Services business:

	Three months ended September 30		Nine months ended September 30	
	2019 ¹	2018 ²	2019 ¹	2018 ²
Revenue – External and inter-segmental	\$ -	\$ 54,269	\$ 98,815	\$ 254,184
Revenue – Inter-segmental	-	(6,347)	7,388	(19,903)
Revenue – External.....	-	47,922	91,427	234,281
Cost of sales.....	-	45,137	83,415	225,257
Gross profit.....	-	2,785	8,012	9,024
Finance costs and other income, net	-	(28)	187	251
Income before taxes.....	-	2,813	7,825	8,773
Income tax provision – current.....	-	1,882	703	3,197
Income tax (recovery) provision – deferred	-	(1,153)	1,406	(851)
Net income from discontinued operations, after tax.....	-	2,084	5,716	6,427
After tax gain (loss) on sale	2,794	(6,554)	2,794	94,706
Gain from discontinued operations, after tax	\$ 2,794	\$ (4,470)	\$ 8,510	\$ 101,133

1. TT Canada business was sold effective July 2, 2019.
2. U.S Environmental Services business was sold effective May 3, 2018.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

5 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2019.....	\$ 91,397	\$ 299,229	\$ 607,012	\$ 64,769	\$ 668,158	\$ 256,906	\$ 1,987,471
Additions.....	-	2,487	8,847	1,862	28,332	154,756	196,284
Disposals.....	(11)	-	(22)	(7,063)	(1,853)	-	(8,949)
Reclassifications.....	18,150	68,505	38,778	-	64,747	(190,180)	-
Change in decommissioning provision (note 10).....	-	6,315	19,829	-	14,391	-	40,535
Effect of movements in exchange rates.....	(11)	(599)	(198)	(2,018)	(1,140)	(38)	(4,004)
Transferred to held for sale (note 4).....	44	(58)	-	(878)	(575)	-	(1,467)
At September 30, 2019.....	<u>\$ 109,569</u>	<u>\$ 375,879</u>	<u>\$ 674,246</u>	<u>\$ 56,672</u>	<u>\$ 772,060</u>	<u>\$ 221,444</u>	<u>\$ 2,209,870</u>

Accumulated depreciation and impairment:

At January 1, 2019.....	\$ 19,079	\$ 90,441	\$ 130,601	\$ 44,332	\$ 278,807	\$ -	\$ 563,260
Depreciation.....	3,126	11,435	19,387	4,372	40,492	-	78,812
Disposals.....	(11)	-	(22)	(6,618)	(1,646)	-	(8,297)
Effect of movements in exchange rates.....	(6)	-	(92)	(1,402)	(636)	-	(2,136)
Transferred to held for sale (note 4).....	(313)	-	-	89	-	-	(224)
At September 30, 2019.....	<u>\$ 21,875</u>	<u>\$ 101,876</u>	<u>\$ 149,874</u>	<u>\$ 40,773</u>	<u>\$ 317,017</u>	<u>\$ -</u>	<u>\$ 631,415</u>

Carrying amounts:

At January 1, 2019.....	\$ 72,318	\$ 208,788	\$ 476,411	\$ 20,437	\$ 389,351	\$ 256,906	\$ 1,424,211
At September 30, 2019.....	\$ 87,694	\$ 274,003	\$ 524,372	\$ 15,899	\$ 455,043	\$ 221,444	\$ 1,578,455

Additions to property, plant and equipment include capitalization of interest of \$1.2 million and \$1.8 million for the three months ended September 30, 2019 and 2018, respectively, and includes capitalization of interest of \$3.9 million and \$5.9 million for the nine months ended September 30, 2019 and 2018, respectively. Amounts in relation to tanks are under operating lease arrangements.

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

	Buildings	Rail cars	Surface leases	Other	Total
Cost:					
At January 1, 2019.....	\$ 53,558	\$ 80,866	\$ 1,924	\$ 4,355	\$ 140,703
Additions and adjustments	1,488	15,715	56	6,967	24,226
Disposals.....	(28)	-	(25)	-	(53)
Transferred to held for sale (note 4)	(66)	-	-	(497)	(563)
Effects of movements in exchange rates	(116)	-	(4)	(218)	(338)
At September 30, 2019	<u>\$ 54,836</u>	<u>\$ 96,601</u>	<u>\$ 1,951</u>	<u>\$ 10,607</u>	<u>\$ 163,975</u>
Accumulated depreciation:					
At January 1, 2019.....	\$ 7,623	\$ 31,949	\$ 348	\$ 1,603	\$ 41,523
Depreciation	5,724	21,608	81	2,636	30,049
Disposals.....	(23)	-	-	-	(23)
Effects of movements in exchange rates	(30)	-	(3)	(40)	(73)
At September 30, 2019	<u>\$ 13,294</u>	<u>\$53,557</u>	<u>\$ 426</u>	<u>\$ 4,199</u>	<u>\$ 71,476</u>
Carrying amounts:					
At January 1, 2019.....	\$ 45,935	\$ 48,937	\$ 1,576	\$ 2,732	\$ 99,180
At September 30, 2019	\$ 41,542	\$ 43,024	\$ 1,525	\$ 6,408	\$ 92,499

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

7 Income tax provision (recovery)

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Current, from continuing operations	\$ 7,800	\$ 22,278	\$ 12,145	\$ 37,782
Current, from discontinued operations (note 4)	-	1,882	703	3,197
	<u>\$ 7,800</u>	<u>\$ 24,160</u>	<u>\$ 12,848</u>	<u>\$ 40,979</u>
Deferred, from continuing operations	\$ 10,306	\$ (9,574)	\$ 4,105	\$ (12,134)
Deferred, from discontinued operations (note 4)	-	(1,098)	1,406	11,585
	<u>\$ 10,306</u>	<u>\$ (10,672)</u>	<u>\$ 5,511</u>	<u>\$ (549)</u>
Total current and deferred, from continuing operations	\$ 18,106	\$ 12,704	\$ 16,250	\$ 25,648
Total current and deferred, from discontinued operations (note 4)	\$ -	\$ 784	\$ 2,109	\$ 14,782
Effective income tax rate – continuing operations	28.4%	65.1%	10.5%	43.1%
Effective income tax rate – discontinued operations (note 4)	-%	(21.3)%	19.9%	12.8%

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

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

8 Loans and borrowings

The Company had \$nil and \$150.0 million drawn on its unsecured revolving credit facility (“Revolving Credit Facility”) as of September 30, 2019 and December 31, 2018, respectively, and had issued letters of credit totaling \$87.1 million and \$70.9 million under its bilateral demand letter of credit facilities as at September 30, 2019 and December 31, 2018, respectively.

On April 3, 2019, the Company amended certain terms of its Revolving Credit Facility including extending the maturity date from March 2023 to March 2024. The amended Revolving Credit Facility also moved to a ratings based pricing grid from a leverage based pricing grid which could result in reduced borrowing rates to the Company. Additionally, with the Company now having two investment grade ratings, further amendments to the Revolving Credit Facility have taken effect, including but not limited to, the replacement of the maximum senior and total debt leverage ratios with a total debt to capitalization ratio up to 65% and the removal of certain covenants including certain non-financial covenants and customary events of default clauses related to the 5.375% Notes due July 15, 2022 (“2022 Notes”) and the 5.25% Notes due July 15, 2024 (“2024 Notes”). Accordingly, with the Company having received its second investment grade credit rating as of July 29, 2019, these amendments to the Revolving Credit Facility, 2022 Notes and 2024 Notes have taken effect.

On September 17, 2019, the Company issued \$500 million Senior Unsecured Medium Term Notes (“2029 Notes”). The 2029 Notes have a fixed coupon rate of 3.6% per annum, payable, semi-annually, on March 17 and September 17 and mature of September 17, 2029. The Indentures governing the terms of the 2029 Notes, including the supplemental indenture thereto, contain certain redemption options whereby the Company can redeem all or part of the 2029 Notes at prices set forth in the applicable Indenture from proceeds of an equity offering or on the dates specified in the Indentures. In addition, the holders of 2029 Notes have the

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

right to require the Company to redeem the 2029 Notes at the redemption prices set forth in the respective indebtedness in the event of a change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the applicable Indenture.

The Company is required to meet certain specific and customary affirmative and negative financial covenants under its Revolving Credit Facility and 2029 Notes, including the maintenance of certain financial ratios as noted above. As of September 30, 2019 and December 31, 2018, the Company was in compliance with all of its existing covenants.

On October 17, 2019 the Company redeemed all of the 2022 Notes at a redemption price of \$1,013.44 per \$1,000 principal amount plus accrued and unpaid interest of \$13.74 per \$1,000 principal amount. During the three months and nine months ended September 30, 2019 the Company incurred debt extinguishment costs related to the repayment of 2022 Notes of \$5.3 million and \$6.1 million, respectively.

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Revolving credit facility, due March 31, 2024	\$ -	\$ 150,000
2022 Notes	300,000	300,000
2024 Notes	600,000	600,000
2029 Notes	500,000	-
Unamortized issue discount and debt issue costs.....	(11,714)	(10,422)
Total debt	<u>\$ 1,388,286</u>	<u>\$ 1,039,578</u>
Less: current portion (2022 Notes)	<u>(300,000)</u>	<u>-</u>
Long-term debt.....	<u>\$ 1,088,286</u>	<u>\$ 1,039,578</u>

The components of finance costs are as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest expense, net of capitalized interest	\$ 17,363	\$ 17,705	\$ 52,003	\$ 52,991
Interest expense, finance lease (note 9)	1,434	1,454	3,902	4,575
Interest income.....	(695)	(367)	(1,044)	(1,145)
Realized foreign exchange loss on long-term debt	-	32	-	4,411
Unrealized foreign exchange (gain) loss on long- term debt	-	(30)	-	(9)
Debt extinguishment costs	5,342	-	6,057	-
Total finance cost, net	<u>\$ 23,444</u>	<u>\$ 18,794</u>	<u>\$ 60,918</u>	<u>\$ 60,823</u>

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***9 Lease liabilities**

	Nine months ended September 30, 2019	Year ended December 31, 2018
Opening balance.....	\$ 109,071	\$ 172,834
Additions	58,401	19,506
Disposals.....	(48)	(834)
Interest expense.....	3,886	6,523
Lease payments.....	(35,091)	(52,848)
Effect of movements in exchange rates	(2,559)	8,309
Transferred to held for sale (note 4)	(403)	(44,419)
Ending balance	<u>\$ 133,257</u>	<u>\$ 109,071</u>
Less: current portion	<u>(38,714)</u>	<u>(36,200)</u>
Ending balance – non-current portion	<u>\$ 94,543</u>	<u>\$ 72,871</u>

The Company has recognised lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at September 30, 2019.

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:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Opening balance.....	\$ 162,811	\$ 183,527
Settlements	(2,675)	(2,577)
Additions	23,708	8,038
Change in estimated future cash flows	-	444
Change in discount rate (September 30, 2019 – 1.70%, December 31, 2018 – 2.15%).....	31,750	7,477
Unwinding of discount	2,591	3,916
Transferred to held for sale (note 4)	(109)	(38,950)
Effect of changes in foreign exchange rates	<u>(161)</u>	<u>936</u>
Closing balance.....	<u>\$ 217,915</u>	<u>\$ 162,811</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

11 Share capital

Common Shares – Issued and Outstanding

	Common Shares	
	Number of Common shares	Amount
At January 1, 2019.....	144,558,790	\$ 1,955,146
Exercise of stock options.....	59,655	1,245
Exercise of debentures conversion option	3,231	70
Issuance in connection with other equity awards	865,505	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans.....	-	14,142
At September 30, 2019	<u>145,487,181</u>	<u>\$ 1,970,603</u>

Share based compensation

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

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)		Number of Shares	
Balance at January 1, 2019.....	2,283,617	\$ 21.39	767,555	747,385	516,348
Granted	515,471	22.70	399,746	552,121	138,580
Exercised and released for common shares.....	(59,655)	20.88	(360,945)	(431,249)	(73,311)
Forfeited.....	(499,349)	26.74	(164,115)	(182,520)	-
Balance at September 30, 2019 ..	<u>2,240,084</u>	<u>\$ 20.51</u>	<u>642,241</u>	<u>685,737</u>	<u>581,617</u>
Vested	<u>1,363,089</u>	<u>\$ 20.57</u>	<u>-</u>	<u>-</u>	<u>581,617</u>

Per share amounts

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Weighted average common shares outstanding - Basic	145,455,071	144,155,360	145,154,963	143,819,642
Dilutive effect of:				
Stock options and other awards	<u>2,323,494</u>	<u>2,566,885</u>	<u>2,408,008</u>	<u>2,575,909</u>
Weighted average common shares outstanding - Diluted.....	<u>147,778,565</u>	<u>146,722,245</u>	<u>147,562,971</u>	<u>146,395,551</u>

The dilutive effect of 2.3 million and 2.4 million stock options and other awards for the three and nine months ended September 30, 2019 have been included in the determination of the weighted average number of common shares outstanding for continuing and discontinued operations. The impact of 0.5 million and 1.1 million stock options and the potential common stock that would be issued upon the conversion of the Debentures have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income from continuing and discontinued operations per share.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

The dilutive effect of 2.6 million and 2.6 million stock options and other awards for the three and nine months ended September 30, 2018 have been included in the determination of the weighted average number of common shares outstanding for continuing operations. The dilutive effect of 2.6 million and 2.6 million stock options and other awards for the three and nine months ended September 30, 2018 have been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

12 Employee salaries and benefits

Employee salaries and benefits have been expensed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cost of sales	\$ 19,070	\$ 21,457	\$ 53,568	\$ 65,994
General and administrative	(4,956)	10,063	10,056	29,158
	<u>\$ 14,114</u>	<u>\$ 31,520</u>	<u>\$ 63,624</u>	<u>\$ 95,152</u>

1. General and administrative expenses include a credit recognized in the third quarter of 2019 for \$10.8 million relating to the amendment of the Company's retirement benefits plan.

13 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue from contracts with customers recognized at a point in time.....	\$ 1,925,329	\$ 2,048,613	\$ 5,470,821	\$ 5,312,380
Revenue from contracts with customers recognized over time.....	41,696	50,703	115,259	127,500
Total revenue from contracts with customers	1,967,025	2,099,316	5,586,080	5,439,880
Total revenue from lease arrangements....	26,415	30,706	83,682	92,104
	<u>\$ 1,993,440</u>	<u>\$ 2,130,022</u>	<u>\$ 5,669,762</u>	<u>\$ 5,531,984</u>

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

Disaggregation of revenue from contracts with customers are as follows:

Three months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 27,387	\$ -	\$ 27,387
Rail	12,660	-	12,660
Other.....	947	-	947
External Product Revenue			
Crude, diluent and other products	-	1,339,797	1,339,797
Refined products	-	37,694	37,694
Total revenue – Canada	<u>\$ 40,994</u>	<u>\$ 1,377,491</u>	<u>\$1,418,485</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 102	\$ 600	\$ 702
External Product Revenue			
Crude, diluent and other products	-	458,114	458,114
Refined products	-	89,724	89,724
Total revenue – U.S.	<u>102</u>	<u>548,438</u>	<u>548,540</u>
Total Revenue from contracts with customers	<u>\$ 41,096</u>	<u>\$ 1,925,929</u>	<u>\$1,967,025</u>

Gibson Energy Inc.
Notes to Condensed Consolidated Financial Statements
(tabular amounts in thousands of Canadian dollars, except where noted)
Nine months ended September 30, 2019

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 70,655	\$ -	\$ 70,655
Rail	33,348	-	33,348
Other.....	5,014	-	5,014
External Product Revenue			
Crude, diluent and other products	-	4,063,762	4,063,762
Refined products	-	80,814	80,814
Other.....	1,108	-	1,108
Total revenue – Canada	<u>\$ 110,125</u>	<u>\$4,144,576</u>	<u>\$ 4,254,701</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 454	\$ 5,788	\$ 6,242
External Product Revenue			
Crude, diluent and other products	-	1,092,698	1,092,698
Refined products	-	232,439	232,439
Total revenue – U.S.	<u>454</u>	<u>1,330,925</u>	<u>1,331,379</u>
Total Revenue from contracts with customers	<u>\$ 110,579</u>	<u>\$ 5,475,501</u>	<u>\$ 5,586,080</u>

Three months ended September 30, 2018

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 30,176	\$ -	\$ 30,176
Rail	6,956	-	6,956
Other.....	5,525	858	6,383
External Product Revenue			
Crude, diluent and other products	-	1,585,085	1,585,085
Refined products	-	80,439	80,439
Other.....	1,978	-	1,978
Total revenue – Canada	<u>\$ 44,635</u>	<u>\$ 1,666,382</u>	<u>\$ 1,711,017</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 2,340	\$ 4,847	\$ 7,187
External Product Revenue			
Crude, diluent and other products	-	328,704	328,704
Refined products	-	52,408	52,408
Total revenue – U.S.	<u>2,340</u>	<u>385,959</u>	<u>388,299</u>
Total Revenue from contracts with customers	<u>\$ 46,975</u>	<u>\$ 2,052,341</u>	<u>\$ 2,099,316</u>

Gibson Energy Inc.**Notes to Condensed Consolidated Financial Statements***(tabular amounts in thousands of Canadian dollars, except where noted)***Nine months ended September 30, 2018**

	<u>Infrastructure</u>	<u>Marketing</u>	<u>Total</u>
Statement of operations			
<u>Canada</u>			
External Service Revenue			
Terminals storage and throughput/pipeline transportation	\$ 62,760	\$ -	\$ 62,760
Rail	20,624	-	20,624
Other.....	11,476	2,115	13,591
External Product Revenue			
Crude, diluent and other products	-	4,235,044	4,235,044
Refined products	-	156,385	156,385
Other.....	5,896	-	5,896
Total revenue – Canada	<u>\$ 100,756</u>	<u>\$ 4,393,544</u>	<u>\$ 4,494,300</u>
<u>United States</u>			
External Service Revenue			
Hauling, transportation and other.....	\$ 3,242	\$ 27,283	\$ 30,525
External Product Revenue			
Crude, diluent and other products	-	734,692	734,692
Refined products	-	180,363	180,363
Total revenue – U.S.	<u>3,242</u>	<u>942,338</u>	<u>945,580</u>
Total Revenue from contracts with customers	<u>\$ 103,998</u>	<u>\$ 5,335,882</u>	<u>\$ 5,439,880</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

14 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	September 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 3,477	\$ 163	\$ 1,937	\$ 616
Commodity swaps	2,009	1,305	2,565	2,887
WTI Differential futures	4,975	202	-	-
Equity swaps.....	-	-	677	2,915
Foreign currency forwards	44	29	504	1,451
Total	<u>\$ 10,505</u>	<u>\$ 1,699</u>	<u>\$ 5,683</u>	<u>\$ 7,869</u>
Less non-current portion:				
Equity swaps.....	-	-	-	154
	-	-	-	154
Current portion	<u>\$ 10,505</u>	<u>\$ 1,699</u>	<u>\$ 5,683</u>	<u>\$ 7,715</u>

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

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

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	\$ 3,477	\$ 3,477	\$ -	\$ -
Commodity swaps	2,009	-	2,009	-
WTI differential futures.....	4,975	4,975	-	-
Foreign currency forward.....	44	-	44	-
Total assets.....	<u>\$ 10,595</u>	<u>\$ 8,452</u>	<u>\$ 2,053</u>	<u>\$ -</u>
Liabilities from financial instrument contracts				
Commodity futures	\$ 163	\$ 163	\$ -	\$ -
Commodity swaps	1,305	-	1,305	-
WTI differential futures.....	202	202	-	-
Foreign currency forwards	29	-	29	-
Total liabilities	<u>\$ 1,699</u>	<u>\$ 365</u>	<u>\$ 1,334</u>	<u>\$ -</u>

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

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

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

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

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cost of sales	\$ 12,246	\$ (3,597)	\$ 8,976	\$ (11,851)
Stock based compensation	-	4,079	6,496	3,162
	<u>\$ 12,246</u>	<u>\$ 482</u>	<u>\$ 15,472</u>	<u>\$ (8,689)</u>

As at September 30, 2019 and December 31, 2018, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,448.6 million and \$1,038.6 million, respectively.

As at September 30, 2019 and December 31, 2018, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was \$112.04 million and \$105.24 million, respectively.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

Sensitivity

U.S. Dollar Forwards and Options

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

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Favorable 5% change.....	\$ 2,512	\$ 4,903
Unfavorable 5% change.....	(2,512)	(4,903)

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

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

Crude oil and NGL related prices

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

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Favorable 15% change.....	\$ 7,203	\$ 15,281
Unfavorable 15% change.....	(7,203)	(15,281)

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

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at September 30, 2019. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	<u>On demand or within one year</u>	<u>Between one and five years</u>	<u>After five years</u>	<u>Total</u>
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	\$ 482,141	\$ -	\$ -	\$ 482,141
Dividend payable	48,011	-	-	48,011
Long-term debt.....	300,000	600,000	500,000	1,400,000
Debentures (debt and equity component)	-	99,930	-	99,930
Interest on long-term debt and Debentures	58,871	196,892	90,000	345,763
Commodity futures	163	-	-	163
Commodity swaps	1,305	-	-	1,305
WTI differential	202	-	-	202
Foreign currency forwards	29	-	-	29
Lease liabilities	40,692	82,829	20,150	143,671
	<u>\$ 931,414</u>	<u>\$ 979,651</u>	<u>\$ 610,150</u>	<u>\$ 2,521,215</u>

15 Subsequent Events

On October 17, 2019, the Company redeemed its 2022 Notes. See note 8 for details.

On November 4, 2019, the Board declared a quarterly dividend of \$0.33 per common share for the third quarter on its outstanding common shares. The dividend is payable on January 17, 2020 to shareholders of record at the close of business on December 31, 2019.

Gibson Energy Inc.

Notes to Condensed Consolidated Financial Statements

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

16 Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018 (note 4)	2019	2018 (note 4)
Cash flows from operating activities				
Net income from continuing operations.....	\$ 45,525	\$ 6,822	\$ 138,895	\$ 33,849
Adjustments for non-cash items:				
Finance costs, net (note 8).....	23,444	18,794	60,918	60,823
Income tax expense	18,106	12,704	16,250	25,648
Depreciation and impairment of property, plant and equipment (note 5)	27,827	63,425	78,812	117,895
Depreciation on right-of-use assets (note 6)	9,721	13,097	30,049	32,825
Amortization and impairment of intangible assets	3,329	2,452	9,447	7,724
Impairment of goodwill	-	18,500	-	20,479
Stock based compensation	4,749	692	9,541	11,074
(Gain) loss on sale of property, plant and equipment ..	(779)	910	(873)	1,620
Provisions.....	-	-	15,289	-
Other	(6,673)	(2,984)	(12,769)	910
Net (gain) loss on fair value movement of financial instruments (note 14)	(12,246)	3,597	(8,976)	11,851
Subtotal of adjustments	67,478	131,187	197,688	290,849
Changes in items of working capital.....				
Trade and other receivables	25,043	(76,610)	(219,567)	(69,081)
Inventories	7,692	15,982	(34,100)	(30,395)
Other current assets	36,792	875	(92)	1,120
Trade payables and accrued charges	6,141	49,663	203,091	10,934
Contract liabilities	45,794	(9,683)	56,971	14,286
Subtotal of changes in items of working capital	121,462	(19,773)	6,303	(73,136)
Income taxes (payment) refund, net.....	(3,134)	3	(86,401)	13,480
Cash provided by operating activities from continuing operations.....	231,331	118,239	256,485	265,042
Cash provided by operating activities from discontinued operations (note 4)	-	7,662	6,465	26,359
Net cash provided by operating activities	\$ 231,331	\$ 125,901	\$ 262,950	\$ 291,401

See accompanying notes to the condensed consolidated financial statements

17 Contingencies

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