



GIBSON ENERGY
**CONSOLIDATED
FINANCIAL
STATEMENTS**

SEPTEMBER 30, 2021
AND 2020

TSX:GEI



Condensed Consolidated Balance Sheets (unaudited)

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

	Note	September 30, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		67,351	53,676
Trade and other receivables		525,752	333,641
Inventories	4	277,103	163,113
Income taxes receivable		5,413	-
Prepaid and other assets		11,806	7,595
Net investment in finance leases		9,068	8,454
Assets held for sale		-	18,557
		896,493	585,036
Non-current assets			
Property, plant and equipment	5	1,588,421	1,663,649
Right-of-use assets	6	58,781	69,195
Long-term prepaid and other assets		1,206	1,535
Net investment in finance leases		165,641	172,466
Investment in equity accounted investees	7	173,092	142,556
Deferred income tax assets		38,315	36,820
Intangible assets		35,022	35,781
Goodwill		360,108	360,122
		2,420,586	2,482,124
Total assets		3,317,079	3,067,160
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges		660,753	403,719
Income taxes payable		-	1,496
Dividends payable		51,289	49,494
Contract liabilities		21,585	45,357
Lease liabilities – current portion	9	30,770	31,208
		764,397	531,274
Non-current liabilities			
Long-term debt	8	1,575,324	1,449,481
Lease liabilities – non-current portion	9	57,261	71,534
Provisions	10	167,415	236,952
Other long-term liabilities		6,512	6,671
Deferred income tax liabilities		101,317	91,598
		1,907,829	1,856,236
Total liabilities		2,672,226	2,387,510
Equity			
Share capital	11	1,995,406	1,977,104
Contributed surplus		61,356	61,820
Accumulated other comprehensive income		24,130	24,066
Deficit		(1,436,039)	(1,383,340)
		644,853	679,650
Total liabilities and equity		3,317,079	3,067,160

See accompanying notes to the condensed consolidated financial statements

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Revenue	13	1,807,633	1,364,213	5,092,121	3,617,377
Cost of sales	7	1,729,768	1,290,924	4,869,907	3,351,295
Gross profit		77,865	73,289	222,214	266,082
General and administrative expenses		16,501	15,322	51,895	49,518
Other operating (income) expenses, net		(1,262)	840	(6,487)	(5,349)
Operating income		62,626	57,127	176,806	221,913
Finance costs, net	8	15,612	38,063	46,383	80,726
Income before income taxes		47,014	19,064	130,423	141,187
Income tax expense	12	11,018	1,514	29,287	32,320
Net income		35,996	17,550	101,136	108,867
Earnings per share	11				
Basic earnings per share		0.25	0.12	0.69	0.74
Diluted earnings per share		0.24	0.11	0.68	0.73

See accompanying notes to the condensed consolidated financial statements



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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net Income	35,996	17,550	101,136	108,867
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to statement of operations</i>				
Exchange differences from translating foreign operations	7,785	(3,546)	64	4,153
Other comprehensive income (loss), net of tax	7,785	(3,546)	64	4,153
Comprehensive income	43,781	14,004	101,200	113,020

See accompanying notes to the condensed consolidated financial statements



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

	Share capital	Contributed surplus	Accumulated other comprehensive income	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2020	1,973,827	46,316	32,594	7,023	(1,299,150)	760,610
Net income	-	-	-	-	108,867	108,867
Other comprehensive income, net of tax	-	-	4,153	-	-	4,153
Comprehensive income	-	-	4,153	-	108,867	113,020
Exercise of debentures conversion option	559	-	-	-	-	559
Share based compensation	-	13,525	-	-	-	13,525
Tax effect of equity settled awards	115	367	-	-	-	482
Proceeds from exercise of stock options	927	-	-	-	-	927
Reclassification of contributed surplus	10,448	(10,448)	-	-	-	-
Dividends on common shares (\$0.34 common share)	-	-	-	-	(149,173)	(149,173)
Balance – September 30, 2020	1,985,876	49,760	36,747	7,023	(1,339,456)	739,950
Balance – January 1, 2021	1,977,104	61,820	24,066	-	(1,383,340)	679,650
Net income	-	-	-	-	101,136	101,136
Other comprehensive income, net of tax	-	-	64	-	-	64
Comprehensive income	-	-	64	-	101,136	101,200
Share based compensation	-	16,265	-	-	-	16,265
Tax effect of equity settled awards	1,162	(328)	-	-	-	834
Proceeds from exercise of stock options	739	-	-	-	-	739
Reclassification of contributed surplus	16,401	(16,401)	-	-	-	-
Dividends on common shares (\$0.35 common share)	-	-	-	-	(153,835)	(153,835)
Balance – September 30, 2021	1,995,406	61,356	24,130	-	(1,436,039)	644,853

See accompanying notes to the condensed consolidated financial statements

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
Cash flows from operating activities					
Net income		35,996	17,550	101,136	108,867
Adjustments	16	70,346	75,607	230,631	255,385
Changes in items of working capital	16	(5,275)	13,694	(91,429)	55,444
Income tax payment, net	16	(7,648)	(779)	(26,718)	(5,082)
Net cash inflow from operating activities		93,419	106,072	213,620	414,614
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	5	(45,383)	(51,481)	(87,368)	(177,078)
Investment in equity accounted investees	7	(6,284)	(35,600)	(29,210)	(88,184)
Proceeds from sale of assets		1,360	1,057	18,947	31,366
Net cash outflow from investing activities		(50,307)	(86,024)	(97,631)	(233,896)
Cash flows from financing activities					
Payment of shareholder dividends		(51,280)	(49,720)	(152,040)	(147,504)
Interest paid, net		(19,078)	(28,897)	(46,184)	(59,121)
Proceeds from exercise of stock options		29	280	739	927
Repayment of long-term debt, net of cost	8	-	(623,628)	-	(623,628)
Proceeds from issuance of long-term debt, net of cost	8	-	645,451	(328)	645,451
Finance lease payments	9	(9,180)	(10,179)	(29,686)	(34,203)
Draws on credit facility, net	8	45,000	15,002	125,000	35,002
Net cash outflow from financing activities		(34,509)	(51,691)	(102,499)	(183,076)
Net increase (decrease) in cash and cash equivalents		8,603	(31,643)	13,490	(2,358)
Effect of exchange rate on cash and cash equivalents		294	(229)	185	873
Cash and cash equivalents – beginning		58,454	77,618	53,676	47,231
Cash and cash equivalents – end		67,351	45,746	67,351	45,746

See accompanying notes to the condensed consolidated financial statements

See note 16 for supplemental disclosures

Note 1 Description of Business and Segmented Disclosure

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

Gibson is a liquids infrastructure company with our principal businesses consisting of storage, optimization, processing, and gathering of crude oil and refined products.

The Company’s reportable segments are:

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

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

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

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

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

Statement of operations

Three months ended September 30, 2021	Infrastructure	Marketing	Total
Revenue			
External	77,675	1,729,958	1,807,633
Inter-segmental	47,385	11,030	58,415
External and inter-segmental	125,060	1,740,988	1,866,048
Segment profit	102,774	13,528	116,302
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			30,523
Depreciation of right-of-use assets			6,838
Amortization of intangible assets			2,064
General and administrative			9,238
Stock based compensation			4,864
Corporate foreign exchange loss			149
Interest expense, net			15,612
Net income before income tax			47,014
Income tax expense			11,018
Net income			35,996

Statement of operations

Three months ended September 30, 2020	Infrastructure	Marketing	Total
Revenue			
External	75,253	1,288,960	1,364,213
Inter-segmental	41,007	4,559	45,566
External and inter-segmental	116,260	1,293,519	1,409,779
Segment profit	93,267	23,437	116,704
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			33,179
Depreciation of right-of-use assets			9,532
Amortization of intangible assets			1,705
General and administrative			7,947
Stock based compensation			4,683
Corporate foreign exchange loss			2,531
Debt extinguishment costs			23,628
Interest expense, net			14,435
Net income before income tax			19,064
Income tax expense			1,514
Net income			17,550

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

Statement of operations

Nine months ended September 30, 2021	Infrastructure	Marketing	Total
Revenue			
External	255,435	4,836,686	5,092,121
Inter-segmental	137,546	39,070	176,616
External and inter-segmental	392,981	4,875,756	5,268,737
Segment profit	328,622	25,907	354,529
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			103,804
Depreciation of right-of-use assets			22,592
Amortization of intangible assets			6,210
General and administrative			26,645
Stock based compensation			18,100
Corporate foreign exchange loss			372
Interest expense, net			46,383
Net income before income tax			130,423
Income tax expense			29,287
Net income			101,136

Statement of operations

Nine months ended September 30, 2020	Infrastructure	Marketing	Total
Revenue			
External	227,578	3,389,799	3,617,377
Inter-segmental	121,528	12,897	134,425
External and inter-segmental	349,106	3,402,696	3,751,802
Segment profit	281,185	103,517	384,702
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			90,580
Depreciation of right-of-use assets			28,705
Amortization of intangible assets			5,571
General and administrative			25,247
Stock based compensation			15,418
Corporate foreign exchange gain			(2,732)
Debt extinguishment costs			29,832
Interest expense, net			50,894
Net income before income tax			141,187
Income tax expense			32,320
Net income			108,867



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

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

Additions	Nine months ended September 30,	
	2021	2020
Infrastructure	123,964	259,165
Marketing	1,939	4,229
Corporate	3,606	2,425
	129,509	265,819

Based on the location of the end user, approximately \$1,095.0 million and \$1,151.0 million of revenue was from customers in the U.S. for the nine months ended September 30, 2021 and 2020, respectively.

The Company's non-current assets, excluding investment in finance leases, investment in equity accounted investees and deferred tax assets are primarily concentrated in Canada, with \$214.7 million and \$212.7 million in the U.S. as at September 30, 2021 and 2020, respectively.

Note 2 Basis of Preparation

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

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

These condensed consolidated financial statements were approved for issuance by the Company's board of directors (the "Board") on November 1, 2021.

Note 3 Changes in Accounting Policies and Disclosures

Initial adoption of accounting policies

New and amended standards adopted by the Company:

During the nine months ended September 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:

- o 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;
- o 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;
- o 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; and

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

- o 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.

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

- o IAS 12 – Income Taxes (“IAS 12”), has been amended to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

Note 4 Inventories

	September 30, 2021	December 31, 2020
Crude oil and diluent	217,617	115,809
Asphalt	40,739	20,852
Natural gas liquids	7,477	14,479
Wellsite fluids and distillate	11,270	11,973
	277,103	163,113

The cost of the inventory sold included in cost of sales was \$4,664.0 million and \$3,177.6 million for the nine months ended September 30, 2021 and 2020, respectively.

The Company recorded a write-down of inventories within the Marketing segment to net realizable value of \$2.0 million and \$15.8 million and \$0.5 million and \$28.0 million for the three and nine months ended September 30, 2021 and 2020, respectively. These were recognized as an expense and included in cost of sales in the consolidated statements of operations.

Note 5 Property, Plant and Equipment

	Note	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
Cost:							
At January 1, 2021		123,661	482,350	823,871	922,220	80,021	2,432,123
Additions and adjustments		4,544	9,148	3,504	22,677	67,643	107,516
Disposals		(14)	-	(336)	(16,439)	-	(16,789)
Reclassifications		5,497	2,220	2,151	23,720	(33,588)	-
Change in decommissioning provision	10	-	(4,706)	(21,130)	(42,280)	-	(68,116)
Effect of movements in exchange rates		(4)	(2)	16	(242)	17	(215)
At September 30, 2021		133,684	489,010	808,076	909,656	114,093	2,454,519

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

	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
Accumulated depreciation and impairment:						
At January 1, 2021	27,727	128,640	185,961	426,146	-	768,474
Depreciation and adjustments	6,062	17,521	25,319	65,026	-	113,928
Disposals	(1)	-	(241)	(15,905)	-	(16,147)
Effect of movements in exchange rates	(2)	58	7	(220)	-	(157)
At September 30, 2021	33,786	146,219	211,046	475,047	-	866,098

Carrying amounts:						
At January 1, 2021	95,934	353,710	637,910	496,074	80,021	1,663,649
At September 30, 2021	99,898	342,791	597,030	434,609	114,093	1,588,421

Additions to property, plant and equipment include the capitalization of interest of \$0.1 million and \$0.8 million and \$0.4 million and \$2.4 million for the three and nine months ended September 30, 2021 and 2020, respectively. Amounts in relation to infrastructure assets are under operating lease arrangements.

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

Note 6 Right-of-use Assets

	Buildings	Rail Cars	Surface Leases and Other	Total
Cost:				
At January 1, 2021	49,500	110,835	12,764	173,099
Additions and adjustments	(15)	9,067	3,107	12,159
Disposals	(3,563)	(9,953)	(6,375)	(19,891)
Effect of movements in exchange rates	(15)	-	81	66
At September 30, 2021	45,907	109,949	9,577	165,433
Accumulated depreciation and impairment:				
At January 1, 2021	20,352	73,402	10,150	103,904
Depreciation and adjustments	3,982	15,835	2,780	22,597
Disposals	(3,563)	(9,953)	(6,375)	(19,891)
Effect of movements in exchange rates	(3)	-	45	42
At September 30, 2021	20,768	79,284	6,600	106,652
Carrying amounts:				
At January 1, 2021	29,148	37,433	2,614	69,195
At September 30, 2021	25,139	30,665	2,977	58,781

Note 7 Investment in Equity Accounted Investees

	Ownership %	Share of profit (loss), for the period ended		Investment in equity accounted investees at	
		September 30,		September 30,	December 31,
		2021	2020	2021	2020
Hardisty Energy Terminal Limited Partnership	50%	3,410	-	153,325	120,705
Zenith Energy Terminals Joliet Holdings LLC	36%	(1,126)	3,371	19,767	21,851
		2,284	3,371	173,092	142,556

During the nine months ended September 30, 2021, the Company contributed \$29.2 million to fund the construction and commissioning of the Hardisty Energy Terminal Limited Partnership's ("HET") Diluent Recovery Unit ("DRU"). During the third quarter, HET placed the DRU in-service. Significant balance sheet amounts related to HET include cash, property, plant and equipment, accounts payable, and decommissioning and site restoration provisions. With the commencement of operations, the Company's share of equity pick up is included within cost of sales on the condensed consolidated statement of operations. For segment reporting purposes, the Company's share of equity pick up is included within the Infrastructure segment profit.

Note 8 Long-Term Debt

	Coupon Rate	Maturity	September 30, 2021	December 31, 2020
Unsecured revolving credit facility	floating	2026	185,000	60,000
Senior unsecured notes	2.45%	2025	325,000	325,000
Senior unsecured notes	2.85%	2027	325,000	325,000
Senior unsecured notes	3.60%	2029	500,000	500,000
Unsecured hybrid notes	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(9,676)	(10,519)
			1,575,324	1,449,481

The Company had \$185.0 million drawn on its \$750.0 million unsecured revolving credit facility as of September 30, 2021 (\$60.0 million – December 31, 2020). In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$35.1 million as at September 30, 2021 (December 31, 2020 – \$34.7 million).

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

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

The components of finance costs are as follows:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Interest expense		14,839	14,030	43,611	49,502
Capitalized interest	5	(117)	(790)	(348)	(2,375)
Interest expense, finance lease	9	893	1,240	2,835	3,979
Interest (income)/expense		(3)	(45)	285	(212)
Accelerated amortization of debt issuance costs		-	23,628	-	29,832
		15,612	38,063	46,383	80,726

Note 9 Lease Liabilities

	September 30, 2021	December 31, 2020
Opening balance	102,742	131,808
Additions	12,158	14,974
Disposals	(19)	(3,547)
Interest expense	2,835	5,110
Lease payments	(29,686)	(44,967)
Effect of movements in exchange rates	1	(636)
Closing balance	88,031	102,742
Less: current portion	30,770	31,208
Closing balance – non-current portion	57,261	71,534

The Company incurs lease payments related to rail cars, head office facilities, vehicles, equipment, and surface leases. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognised lease liabilities in relation to lease arrangements measured at the present value of the remaining lease payments as at September 30, 2021 at a weighted average borrowing rate of 4.4% (December 31, 2020 – 4.6%).

Note 10 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Note	September 30, 2021	December 31, 2020
Opening balance		236,952	197,002
Settlements		(3,015)	(6,270)
Additions		3,474	17,881
Disposals		(139)	(275)
Change in estimated future cash flows	5	(34,478)	-
Change in discount rate	5	(37,892)	22,079
Unwind of discount		2,529	2,708
Transfer from liabilities held for sale		-	4,222
Effect of movements in exchange rates		(16)	(395)
Closing balance		167,415	236,952

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

The Company applied a risk-free rate of 1.98% (December 31, 2020 – 1.24%) to estimate the present value of the decommissioning and site restoration provisions. The change in the risk-free rate results in an adjustment in cost to the corresponding asset. Changes in the estimated future cash flows above represent revisions made during the three months ended September 30, 2021 as a result of the Company's review of the amount of future cash flows to settle decommissioning obligations for select assets.

Note 11 Share Capital and Share Based Compensation

Common Shares – Issued and Outstanding

	Number of Common Shares	Amount
At January 1, 2021	145,571,455	1,977,104
Issuance in connection with the exercise of stock options	32,842	739
Tax effect of equity settled awards	-	1,162
Reclassification of contributed surplus on issuance of awards under equity incentive plans	935,901	16,401
At September 30, 2021	146,540,198	1,995,406

A dividend of \$0.35 per share, declared on August 2, 2021, was paid on October 15, 2021.

During the three months ended September 30, 2021, the Company extended its normal course issuer bid from August 31, 2021 to August 31, 2022. The Company is permitted to purchase for cancellation up to 10% or 11,715,229 common shares in accordance with the applicable rules and policies of the TSX and securities laws. The Company did not repurchase any common shares during the nine months ended September 30, 2021.

Share Based Compensation

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

	Number of shares	Weighted Average Exercise price (in dollars)	Number of Shares		
			Restricted Share Units	Performance Share Units	Deferred Share Units
Stock Options			Number of Shares		
At January 1, 2021	1,931,309	19.35	830,440	984,619	583,937
Granted	62,000	22.18	399,785	548,678	128,793
Exercised and released for common shares	(32,842)	22.51	(397,893)	(520,714)	(17,292)
Forfeited	(61,626)	28.50	(60,904)	(67,323)	-
At September 30, 2021	1,898,841	19.09	771,428	945,260	695,438
Vested	1,393,235	18.05	-	-	695,438

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

Per Share Amounts

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Weighted average common shares outstanding –				
Basic	146,524,734	146,269,904	146,335,446	146,092,008
Dilutive effect of stock options and other awards	2,769,672	2,725,679	2,779,731	2,565,141
Weighted average common shares – Diluted	149,294,406	148,995,583	149,115,177	148,657,149

The dilutive effect of 2.8 million and 2.8 million (September 30, 2020 – three months 2.7 million; nine months 2.6 million) stock options and other awards for the three and nine months ended September 30, 2021 have been included in the determination of the weighted average number of common shares outstanding. The impact of 0.1 million and 0.5 million (September 30, 2020 – three months 0.7 million; nine months 0.1 million) for the three and nine months ended September 30, 2021, stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income per share.

Note 12 Income Taxes

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Current	5,422	2,194	21,134	25,633
Deferred	5,596	(680)	8,153	6,687
	11,018	1,514	29,287	32,320
Effective income tax rate	23.40%	7.90%	22.50%	22.90%

Note 13 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue from contracts with customers recognized at a point in time	1,729,801	1,288,302	4,855,858	3,387,647
Revenue from contracts with customers recognized over time	31,722	32,939	98,414	101,799
Total revenue from contracts with customers	1,761,523	1,321,241	4,954,272	3,489,446
Total revenue from lease arrangements	46,110	42,972	137,849	127,931
	1,807,633	1,364,213	5,092,121	3,617,377



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

Three months ended September 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	21,263	-	21,263
Rail	9,656	-	9,656
Other	640	-	640
External Product Revenue			
Crude, diluent and other products	-	1,302,531	1,302,531
Refined products	-	44,451	44,451
	31,559	1,346,982	1,378,541
U.S.			
External Service Revenue			
Hauling and transportation and other	6	157	163
External Product Revenue			
Crude, diluent and other products	-	286,751	286,751
Refined products	-	96,068	96,068
	6	382,976	382,982
Total revenue from contracts with customers	31,565	1,729,958	1,761,523

Three months ended September 30, 2020	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	16,310	-	16,310
Rail	15,478	-	15,478
Other	465	-	465
External Product Revenue			
Crude, diluent and other products	-	795,702	795,702
Refined products	-	26,529	26,529
	32,253	822,231	854,484
U.S.			
External Service Revenue			
Hauling and transportation and other	28	658	686
External Product Revenue			
Crude, diluent and other products	-	417,378	417,378
Refined products	-	48,693	48,693
	28	466,729	466,757
Total revenue from contracts with customers	32,281	1,288,960	1,321,241

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

Nine months ended September 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	60,343	-	60,343
Rail	55,916	-	55,916
Other	1,313	-	1,313
External Product Revenue			
Crude, diluent and other products	-	3,658,458	3,658,458
Refined products	-	83,242	83,242
	117,572	3,741,700	3,859,272
U.S.			
External Service Revenue			
Hauling and transportation and other	14	709	723
External Product Revenue			
Crude, diluent and other products	-	865,167	865,167
Refined products	-	229,110	229,110
	14	1,094,986	1,095,000
Total revenue from contracts with customers	117,586	4,836,686	4,954,272

Nine months ended September 30, 2020	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	49,229	-	49,229
Rail	48,516	-	48,516
Other	1,732	-	1,732
External Product Revenue			
Crude, diluent and other products	-	2,195,367	2,195,367
Refined products	-	43,634	43,634
	99,477	2,239,001	2,338,478
U.S.			
External Service Revenue			
Hauling and transportation and other	170	2,152	2,322
External Product Revenue			
Crude, diluent and other products	-	979,930	979,930
Refined products	-	168,716	168,716
	170	1,150,798	1,150,968
Total revenue from contracts with customers	99,647	3,389,799	3,489,446

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

Note 14 Financial Instruments

As at September 30, 2021	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	4,396	4,396	-	-
Commodity swaps	262	262	-	-
WTI differential futures	799	779	20	-
Foreign currency forwards	754	-	754	-
Financial assets (carried at fair value)	6,211	5,437	774	-
Commodity futures	26,423	26,423	-	-
Commodity swaps	7	7	-	-
WTI differential futures	1,527	1,507	20	-
Foreign currency forwards	507	-	507	-
Financial Liabilities (carried at fair value)	28,464	27,937	527	-
Long-term debt (carried at amortized cost)	1,575,324	-	1,636,498	-
As at December 31, 2020	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	24	24	-	-
Commodity swaps	1,952	-	1,952	-
WTI differential futures	488	488	-	-
Foreign currency forwards	815	-	815	-
Financial assets (carried at fair value)	3,279	512	2,767	-
Commodity futures	6,645	6,645	-	-
Commodity swaps	1,338	-	1,338	-
WTI differential futures	1,828	1,828	-	-
Foreign currency forwards	343	-	343	-
Financial Liabilities (carried at fair value)	10,154	8,473	1,681	-
Long-term debt (carried at amortized cost)	1,449,481	-	1,483,886	-

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

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

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

- The fair value of WTI differential futures are based on the present value of the estimated future cash flows based on observable market prices and forecasts for both physical and financial products.
- The fair value of foreign currency forward contracts are determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

Note 15 Subsequent Events

On November 1, 2021, the Board declared a quarterly dividend of \$0.35 per common share for the third quarter on its outstanding common shares. The dividend is payable on January 17, 2022 to shareholders of record at the close of business on December 31, 2021.

Note 16 Supplemental Cash Flow Information

	Note	Three months ended		Nine months ended	
		2021	September 30, 2020	September 30, 2021	September 30, 2020
Cash flows from operating activities					
Net income from operations		35,996	17,550	101,136	108,867
Adjustments:					
Finance costs, net		15,612	14,435	46,383	50,894
Debt extinguishment costs		-	23,628	-	29,832
Income tax expense		11,018	1,514	29,287	32,320
Depreciation and impairment of property, plant and equipment	5	30,523	33,179	103,804	90,580
Depreciation of right-of-use asset	6	6,838	9,532	22,592	28,705
Amortization and impairment of intangible assets		2,064	1,705	6,210	5,571
Share based compensation	11	4,864	4,683	18,100	15,418
Share of (profit) loss from investments in equity accounted investees	7	(2,945)	661	(2,284)	(3,371)
Distributions from equity accounted investees		452	-	896	-
Gain on sale of property, plant and equipment		(854)	(911)	(2,188)	(868)
Provisions	10	(115)	1,175	(780)	2,373
Net loss (gain) on fair value movement of financial instruments		2,249	(10,594)	11,635	4,744
Other		640	(3,400)	(3,024)	(813)
		70,346	75,607	230,631	255,385
Changes in items of working capital:					
Trade and other receivables		56,579	(46,065)	(195,280)	61,589
Inventories	4	(39,797)	14,497	(113,915)	37,036
Other current assets		1,076	(1,265)	2,002	2,109
Trade payables and accrued charges		(23,226)	27,226	239,616	(42,527)
Contract liabilities		93	19,301	(23,852)	(2,763)
		(5,275)	13,694	(91,429)	55,444
Income tax payment, net		(7,648)	(779)	(26,718)	(5,082)
Net cash inflow from operating activities		93,419	106,072	213,620	414,614



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