

GIBSON ENERGY

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

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TSX:GEI



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

	Note	March 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		54,129	62,688
Trade and other receivables		818,217	667,588
Inventories	4	298,149	255,131
Income taxes receivable		1,637	4,809
Prepaid and other assets		6,339	7,340
Net investment in finance leases		7,804	8,883
		1,186,275	1,006,439
<b>Non-current assets</b>			
Property, plant and equipment	5	1,592,660	1,612,636
Right-of-use assets	6	48,061	52,582
Long-term prepaid and other assets		2,088	2,065
Net investment in finance leases		162,264	163,687
Investment in equity accounted investees	7	167,916	172,715
Deferred income tax assets		28,790	27,406
Intangible assets		34,600	34,355
Goodwill		359,445	359,875
		2,395,824	2,425,321
<b>Total assets</b>		<b>3,582,099</b>	<b>3,431,760</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables and accrued charges		1,043,737	683,708
Dividends payable		54,575	51,319
Contract liabilities		26,003	31,733
Lease liabilities	9	31,400	29,748
		1,155,715	796,508
<b>Non-current liabilities</b>			
Long-term debt	8	1,480,033	1,660,609
Lease liabilities	9	42,037	52,031
Provisions	10	158,750	180,270
Other long-term liabilities		4,094	4,061
Deferred income tax liabilities		101,766	94,155
		1,786,680	1,991,126
<b>Total liabilities</b>		<b>2,942,395</b>	<b>2,787,634</b>
<b>Equity</b>			
Share capital	11	2,022,267	1,997,255
Contributed surplus		51,980	66,002
Accumulated other comprehensive income		20,287	24,310
Deficit		(1,454,830)	(1,443,441)
		639,704	644,126
<b>Total liabilities and equity</b>		<b>3,582,099</b>	<b>3,431,760</b>

See accompanying notes to the condensed consolidated financial statements

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

	<i>Note</i>	<b>Three months ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
Revenue	13	2,688,452	1,609,732
Cost of sales	7	2,592,955	1,537,132
<b>Gross profit</b>		95,497	72,600
General and administrative expenses		17,261	19,940
Other operating income, net		(4,657)	(3,189)
<b>Operating income</b>		82,893	55,849
Finance costs, net	8	14,921	14,988
<b>Income before income taxes</b>		67,972	40,861
Income tax expense	12	16,002	8,084
<b>Net income</b>		51,970	32,777
<b>Earnings per share</b>	11		
Basic earnings per share		0.35	0.22
Diluted earnings per share		0.35	0.22

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 March 31,	
	2022	2021
<b>Net Income</b>	51,970	32,777
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to statement of operations</i>		
Exchange differences from translating foreign operations	(4,023)	(3,997)
<b>Other comprehensive loss, net of tax</b>	(4,023)	(3,997)
<b>Comprehensive income</b>	47,947	28,780

See accompanying notes to the condensed consolidated financial statements

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

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
<b>Balance – January 1, 2021</b>	1,977,104	61,820	24,066	(1,383,340)	679,650
Net income	-	-	-	32,777	32,777
Other comprehensive loss, net of tax	-	-	(3,997)	-	(3,997)
Comprehensive (loss) income	-	-	(3,997)	32,777	28,780
Share based compensation	-	8,328	-	-	8,328
Tax effect of equity settled awards	1,144	(170)	-	-	974
Proceeds from exercise of stock options	58	-	-	-	58
Reclassification of contributed surplus	15,626	(15,626)	-	-	-
Dividends on common shares (\$0.35 per common share)	-	-	-	(51,266)	(51,266)
<b>Balance – March 31, 2021</b>	1,993,932	54,352	20,069	(1,401,829)	666,524
<b>Balance – January 1, 2022</b>	1,997,255	66,002	24,310	(1,443,441)	644,126
Net income	-	-	-	51,970	51,970
Other comprehensive loss, net of tax	-	-	(4,023)	-	(4,023)
Comprehensive (loss) income	-	-	(4,023)	51,970	47,947
Share based compensation	-	5,518	-	-	5,518
Tax effect of equity settled awards	632	454	-	-	1,086
Proceeds from exercise of stock options	14,957	-	-	-	14,957
Reclassification of contributed surplus	19,994	(19,994)	-	-	-
Dividends on common shares (\$0.37 per common share)	-	-	-	(54,575)	(54,575)
Repurchase of common shares under normal course issuer bid (“NCIB”)	(10,571)	-	-	(8,784)	(19,355)
<b>Balance – March 31, 2022</b>	2,022,267	51,980	20,287	(1,454,830)	639,704

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)

	<i>Note</i>	<b>Three months ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>			
Net income		51,970	32,777
Adjustments	16	63,113	65,781
Changes in items of working capital	16	196,543	(43,732)
Income tax payment, net	16	(5,890)	(11,249)
<b>Net cash inflow from operating activities</b>		<b>305,736</b>	<b>43,577</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	5	(55,923)	(24,201)
Investment in equity accounted investees	7	-	(12,605)
Proceeds from sale of assets		8,072	17,017
<b>Net cash outflow from investing activities</b>		<b>(47,851)</b>	<b>(19,789)</b>
<b>Cash flows from financing activities</b>			
Payment of shareholder dividends		(51,319)	(49,494)
Interest paid, net		(18,863)	(18,773)
Proceeds from exercise of stock options		14,957	58
Payment of debt issuance cost relating to prior period debt issuance		-	(317)
Finance lease payments	9	(10,596)	(10,700)
(Repayment) draws of credit facility, net	8	(180,864)	57,716
Purchase of shares under normal course issuer bid	11	(19,355)	-
<b>Net cash outflow from financing activities</b>		<b>(266,040)</b>	<b>(21,510)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(8,155)</b>	<b>2,278</b>
Effect of exchange rate on cash and cash equivalents		(404)	(225)
Cash and cash equivalents – beginning of year		62,688	53,676
<b>Cash and cash equivalents – end of quarter</b>		<b>54,129</b>	<b>55,729</b>

See accompanying notes to the condensed consolidated financial statements

See note 16 for supplemental disclosures

## Note 1 Description of Business and Segmented Disclosure

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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 pickup from equity accounted investees. The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring every few years.

**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)

a) Statement of operations

Three months ended March 31, 2022	Infrastructure	Marketing	Total
Revenue			
External	78,625	2,609,827	2,688,452
Inter-segmental	50,458	41,092	91,550
External and inter-segmental	129,083	2,650,919	2,780,002
Segment profit	106,977	30,648	137,625
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			30,108
Depreciation of right-of-use assets			6,410
Amortization of intangible assets			1,921
General and administrative			8,936
Stock based compensation			6,155
Corporate foreign exchange loss			1,202
Interest expense, net			14,921
Net income before income tax			67,972
Income tax expense			16,002
Net income			51,970

Statement of operations

Three months ended March 31, 2021	Infrastructure	Marketing	Total
Revenue			
External	78,714	1,531,018	1,609,732
Inter-segmental	45,089	16,379	61,468
External and inter-segmental	123,803	1,547,397	1,671,200
Segment profit	108,275	6,834	115,109
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			31,201
Depreciation of right-of-use assets			8,061
Amortization of intangible assets			2,022
General and administrative			8,732
Stock based compensation			8,952
Corporate foreign exchange loss			292
Interest expense, net			14,988
Net income before income tax			40,861
Income tax expense			8,084
Net income			32,777



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, as well as revenue generated from customers in the U.S. are as follows:

Additions	Three months ended March 31,	
	2022	2021
Infrastructure	29,980	29,707
Marketing	5,361	132
Corporate	2,655	1,063
	37,996	30,902

**b) Geographic Data**

Based on the location of the end user, approximately \$446.2 million and \$399.0 million of revenue was from customers in the U.S. for the three months ended March 31, 2022 and 2021, 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 \$207.8 million and \$203.7 million in the U.S. as at March 31, 2022 and 2021, respectively.

**Note 2 Basis of Preparation**

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") 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, 2021.

These condensed consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on May 2, 2022.

**Note 3 Changes in Accounting Policies and Disclosures**

*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 and did not have a material impact on the on the condensed consolidated financial statements.

- The annual improvements process addresses issues in the 2018-2021 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;
- 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
- 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.

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

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

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

- IAS 1 – Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023;
- IAS 12 –Income Taxes ("IAS 12"), has been amended to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023.

**Note 4 Inventories**

	March 31, 2022	December 31, 2021
Crude oil, natural gas liquids and diluent	217,491	194,511
Asphalt	69,250	48,518
Wellsite fluids and distillate	11,408	12,102
	298,149	255,131

The cost of the inventory sold included in cost of sales was \$2,522 million and \$1,476 million for the three months ended March 31, 2022 and 2021, respectively.

**Note 5 Property, Plant and Equipment**

	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
<b>Cost:</b>						
At January 1, 2022	134,335	494,245	823,434	911,950	136,399	2,500,363
Additions and adjustments	181	8,743	3,607	5,191	18,293	36,015
Disposals	(1,764)	-	(25)	(23,739)	-	(25,528)
Reclassifications	17,710	6,307	(2,512)	(21,505)	-	-
Change in decommissioning provision	(136)	(1,933)	(13,262)	(5,415)	-	(20,746)
Effect of movements in exchange rates	(89)	(1,264)	(248)	(687)	(502)	(2,790)
<b>At March 31, 2022</b>	150,237	506,098	810,994	865,795	154,190	2,487,314

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

	Land and Buildings	Pipelines and Connection	Tanks	Plant, Equipment and Other	Work in Progress	Total
<b>Accumulated depreciation and impairment:</b>						
At January 1, 2022	35,200	151,747	219,540	481,240	-	887,727
Depreciation and adjustments	1,426	5,757	7,242	15,684	-	30,109
Disposals	(470)	-	(25)	(22,181)	-	(22,676)
Reclassifications	15,052	3,156	(1,904)	(16,304)	-	-
Effect of movements in exchange rates	(15)	(139)	(70)	(282)	-	(506)
<b>At March 31, 2022</b>	<b>51,193</b>	<b>160,521</b>	<b>224,783</b>	<b>458,157</b>	<b>-</b>	<b>894,654</b>

<b>Carrying amounts:</b>						
At January 1, 2022	99,135	342,498	603,894	430,710	136,399	1,612,636
At March 31, 2022	99,044	345,577	586,211	407,638	154,190	1,592,660

Additions to property, plant and equipment include the capitalization of interest of \$0.5 million and \$0.1 million for the three months ended March 31, 2022 and 2021, respectively. During the three months ended March 31, 2022 the Company disposed of select non-core assets. Amounts in relation to infrastructure assets are under operating lease arrangements.

**Note 6 Right-of-use Assets**

	Buildings	Rail Cars	Surface Leases and Other	Total
<b>Cost:</b>				
At January 1, 2022	44,749	100,810	6,059	151,618
Additions and adjustments	35	1,777	66	1,878
Disposals	(490)	(5,622)	-	(6,112)
Effect of movements in exchange rates	(14)	-	(24)	(38)
<b>At March 31, 2022</b>	<b>44,280</b>	<b>96,965</b>	<b>6,101</b>	<b>147,346</b>
<b>Accumulated depreciation and impairment:</b>				
At January 1, 2022	20,322	74,741	3,973	99,036
Depreciation and adjustments	1,186	4,296	821	6,303
Disposals	(464)	(5,622)	-	(6,086)
Effect of movements in exchange rates	11	-	21	32
<b>At March 31, 2022</b>	<b>21,055</b>	<b>73,415</b>	<b>4,815</b>	<b>99,285</b>
<b>Carrying amounts:</b>				
At January 1, 2022	24,427	26,069	2,086	52,582
At March 31, 2022	23,225	23,550	1,286	48,061

## Note 7 Investment in Equity Accounted Investees

	Ownership %	Share of profit (loss), for the period ended		Investment in equity accounted investees at	
		March 31, 2022	March 31, 2021	March 31, 2022	December 2021
Hardisty Energy Terminal Limited Partnership (“HET”)	50%	3,848	(25)	147,111	151,378
Zenith Energy Terminals Joliet Holdings LLC (“Zenith”)	36%	(245)	(18)	20,805	21,337
		3,603	(43)	167,916	172,715

The Company, as the operator, holds a 50 percent interest in HET, operating a Diluent Recovery Unit (“DRU”) adjacent to the Company’s Hardisty Terminal. The Company also holds 36% interest in Zenith which owns and operates a crude-by-rail and storage terminal and a pipeline connection to a common carrier crude oil pipeline in Joliet, Illinois.

The Company’s share of profit or loss from these investments is included within the Infrastructure segments profit, and within cost of sales on the condensed consolidated statement of operations.

## Note 8 Long-Term Debt

	Coupon Rate	Maturity	March 31, 2022	December 31, 2021
Unsecured revolving credit facility	floating	2026	89,136	270,000
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			(9,103)	(9,391)
			1,480,033	1,660,609

The Company had \$89.1 million drawn on its \$750.0 million unsecured revolving credit facility as of March 31, 2022 (December 31, 2021 – \$270 million). In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$34.9 million as at March 31, 2022 (December 31, 2021 – \$35.0 million).

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. As at March 31, 2022, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

	Note	Three months ended March 31,	
		2022	2021
Interest expense		14,677	14,127
Capitalized interest		(500)	(148)
Interest expense, finance lease	9	755	1,011
Interest income		(11)	(2)
		14,921	14,988

## Note 9 Lease Liabilities

	<b>March 2022</b>
<b>Opening balance</b>	81,779
Additions	1,906
Interest expense	755
Lease payments	(10,596)
Effect of movements in exchange rates	(407)
<b>Closing balance</b>	<b>73,437</b>
Less: current portion	31,400
<b>Closing balance – non-current portion</b>	<b>42,037</b>

The Company incurs lease payments related to rail cars, head office facilities, vehicles, 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 recognised liabilities in relation to lease arrangements measured at the present value of the remaining lease payments at March 31, 2022 at a weighted average borrowing rate of 4.4% (December 31, 2021 – 4.4%).

## 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:

	<i>Note</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Opening balance</b>		180,270	236,952
Settlements		(639)	(4,135)
Additions		481	4,979
Disposals		-	(139)
Change in estimated future cash flows		-	(34,478)
Change in discount rate	5	(22,006)	(26,118)
Unwind of discount		771	3,284
Effect of movements in exchange rates		(127)	(75)
<b>Closing balance</b>		<b>158,750</b>	<b>180,270</b>

The Company applied a risk-free rate of 2.4% (December 31, 2021 – 1.7%) to estimate the present value of the decommissioning and site restoration provisions. The change in the risk-free rate primarily results in an adjustment in cost to the corresponding assets.

## Note 11 Share Capital and Share Based Compensation

### Common Shares – Issued and Outstanding

	Number of Common Shares	Amount
<b>At January 1, 2022</b>	146,627,082	1,997,255
Issuance in connection with the exercise of stock options	813,802	14,957
Tax effect of equity settled awards	-	632
Reclassification of contributed surplus on issuance of awards under equity incentive plans	834,243	19,994
Purchased common shares under NCIB	(776,100)	(10,571)
<b>At March 31, 2022</b>	<b>147,499,027</b>	<b>2,022,267</b>

A dividend of \$0.37 per share, declared on February 22, 2022, was paid on April 14, 2022.

Under the NCIB the Company is permitted to purchase for cancellation up to 10% or 11,765,180 common shares through August 31, 2022 in accordance with the applicable rules and policies of the TSX and applicable securities laws. For the three months ended March 31, 2022 the Company purchased 776,100 common shares at a weighted average price of \$24.94 per common share for a total cost of \$19.4 million. Retained earnings was reduced by \$8.8 million, representing the excess of the purchase price of common shares over their average carrying value.

### 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
<b>Stock Options</b>			<b>Number of Shares</b>		
<b>At January 1, 2022</b>	1,808,996	19.01	755,737	935,851	730,949
Granted	-	-	338,692	486,800	39,109
Exercised and released for common shares	(813,802)	18.38	(357,311)	(476,931)	-
Forfeited	(20,855)	24.39	(7,104)	(3,958)	-
<b>At March 31, 2022</b>	<b>974,339</b>	<b>19.42</b>	<b>730,014</b>	<b>941,762</b>	<b>770,058</b>
Vested	954,335	19.45	-	-	770,058

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 March 31,	
	2022	2021
Weighted average common shares outstanding – Basic	146,881,194	145,780,551
Dilutive effect of stock options and other awards	2,959,269	2,770,179
Weighted average common shares – Diluted	149,840,463	148,550,730

The dilutive effect of 3.0 million (March 31, 2021 – 2.8 million) stock options and other awards for the three months ended March 31, 2022 have been included in the determination of the weighted average number of common shares outstanding. The impact of nil (March 31, 2021 – 0.6 million) stock options have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income per share.

**Note 12 Income Taxes**

	Three months ended March 31,	
	2022	2021
Current	9,581	8,648
Deferred	6,421	(564)
	16,002	8,084
Effective income tax rate	23.5%	19.8%

**Note 13 Revenue**

	Three months ended March 31,	
	2022	2021
Revenue from contracts with customers recognized at a point in time	2,609,827	1,530,686
Revenue from contracts with customers recognized over time	31,106	34,088
Total revenue from contracts with customers	2,640,933	1,564,774
Total revenue from lease arrangements	47,519	44,958
	2,688,452	1,609,732

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

Three months ended March 31, 2022	Infrastructure	Marketing	Total
<b>Canada</b>			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	19,872	-	19,872
Rail and other	11,234	-	11,234
External Product Revenue			
Crude, diluent and other products	-	2,130,435	2,130,435
Refined products	-	33,203	33,203
	31,106	2,163,638	2,194,744
<b>U.S.</b>			
External Product Revenue			
Crude, diluent and other products	-	366,156	366,156
Refined products and other	-	80,033	80,033
		446,189	446,189
<b>Total revenue from contracts with customers</b>	<b>31,106</b>	<b>2,609,827</b>	<b>2,640,933</b>

Three months ended March 31, 2021	Infrastructure	Marketing	Total
<b>Canada</b>			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	19,936	-	19,936
Rail and other	13,812	-	13,812
External Product Revenue			
Crude, diluent and other products	-	1,114,996	1,114,996
Refined products	-	17,001	17,001
	33,748	1,131,997	1,165,745
<b>U.S.</b>			
External Product Revenue			
Crude, diluent and other products	-	349,806	349,806
Refined products and other	8	49,215	49,223
	8	399,021	399,029
<b>Total revenue from contracts with customers</b>	<b>33,756</b>	<b>1,531,018</b>	<b>1,564,774</b>



## Note 14 Financial Instruments

As at March 31, 2022	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	1,962	1,962	-	-
Commodity swaps	383	383	-	-
WTI differential futures	771	771	-	-
Foreign currency forwards	3,926	-	3,926	-
<b>Financial assets (carried at fair value)</b>	<b>7,042</b>	<b>3,116</b>	<b>3,926</b>	<b>-</b>
Commodity futures	1,713	1,713	-	-
Commodity swaps	1,122	1,122	-	-
WTI differential futures	504	504	-	-
Foreign currency forwards	1,817	-	1,817	-
<b>Financial Liabilities (carried at fair value)</b>	<b>5,156</b>	<b>3,339</b>	<b>1,817</b>	<b>-</b>
Long-term debt (carried at amortized cost)	1,480,033		1,422,048	
As at December 31, 2021	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	1,290	1,290	-	-
Commodity swaps	36	36	-	-
WTI differential futures	645	645	-	-
Foreign currency forwards	2,505	-	2,505	-
<b>Financial assets (carried at fair value)</b>	<b>4,476</b>	<b>1,971</b>	<b>2,505</b>	<b>-</b>
Commodity futures	9,410	9,410	-	-
Commodity swaps	264	264	-	-
WTI differential futures	1,282	1,282	-	-
Foreign currency forwards	755	-	755	-
<b>Financial Liabilities (carried at fair value)</b>	<b>11,711</b>	<b>10,956</b>	<b>755</b>	<b>-</b>
Long-term debt (carried at amortized cost)	1,660,609	-	1,704,673	-

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.

For the financial instruments categorized in Level 2, the Company used the forward exchange rates at the measurement date, with the resulting value discounted back to present values to determine the fair value of the foreign currency forward contracts.

## Note 15 Subsequent Events

On April 27, 2022, the Company amended its unsecured revolving credit facility and extended its maturity date from April 2026 to April 2027, amongst other amendments.

On May 2, 2022, the Board declared a quarterly dividend of \$0.37 per common share for the second quarter on its outstanding common shares. The dividend is payable on July 15, 2022 to shareholders of record at the close of business on June 30, 2022.

## Note 16 Supplemental Cash Flow Information

	<i>Note</i>	<b>Three months ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>			
Net income		51,970	32,777
<b>Adjustments:</b>			
Finance costs, net		14,921	14,988
Income tax expense		16,002	8,084
Depreciation and impairment of property, plant and equipment	5	30,108	31,201
Depreciation of right-of-use asset	6	6,410	8,061
Amortization and impairment of intangible assets		1,921	2,022
Share based compensation	11	6,155	8,952
Share of (profit) loss from investments in equity accounted	7	(3,603)	43
Distributions from equity accounted investees	7	8,115	-
Gain on sale of property, plant and equipment	5	(5,137)	(773)
Provisions	10	(713)	(831)
Net gain on fair value movement of financial instruments		(10,040)	(3,584)
Other		(1,026)	(2,382)
		63,113	65,781
<b>Changes in items of working capital:</b>			
Trade and other receivables		(156,403)	(262,244)
Inventories	4	(38,319)	(80,274)
Other current assets		3,080	(1,271)
Trade payables and accrued charges		393,671	311,170
Contract liabilities		(5,486)	(11,113)
		196,543	(43,732)
<b>Income tax payment, net</b>		(5,890)	(11,249)
<b>Net cash inflow from operating activities</b>		305,736	43,577



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