



GIBSON ENERGY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

TSX:GEI



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

	Note	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		38,753	62,688
Trade and other receivables		961,379	667,588
Inventories	4	258,158	255,131
Income taxes receivable		2,552	4,809
Prepaid and other assets		13,696	7,340
Net investment in finance leases	7	9,280	8,883
		1,283,818	1,006,439
Non-current assets			
Property, plant and equipment	5	1,518,571	1,612,636
Right-of-use assets	6	49,359	52,582
Long-term prepaid and other assets		2,114	2,065
Net investment in finance leases	7	210,750	163,687
Investment in equity accounted investees	8	165,763	172,715
Deferred income tax assets		30,591	27,406
Intangible assets		34,162	34,355
Goodwill		360,415	359,875
		2,371,725	2,425,321
Total assets		3,655,543	3,431,760
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges		1,060,916	683,708
Dividends payable		54,196	51,319
Contract liabilities		39,986	31,733
Lease liabilities	10	33,294	29,748
		1,188,392	796,508
Non-current liabilities			
Long-term debt	9	1,576,186	1,660,609
Lease liabilities	10	40,623	52,031
Provisions	11	137,906	180,270
Other long-term liabilities		4,127	4,061
Deferred income tax liabilities		104,521	94,155
		1,863,363	1,991,126
Total liabilities		3,051,755	2,787,634
Equity			
Share capital	12	2,011,599	1,997,255
Contributed surplus		54,327	66,002
Accumulated other comprehensive income		29,371	24,310
Deficit		(1,491,509)	(1,443,441)
		603,788	644,126
Total liabilities and equity		3,655,543	3,431,760

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)

		Three months ended June 30,		Six months ended June 30,	
	Note	2022	2021	2022	2021
Revenue	14	3,195,704	1,674,756	5,884,156	3,284,488
Cost of sales	8	3,115,994	1,603,007	5,708,949	3,140,139
Gross profit		79,710	71,749	175,207	144,349
General and administrative expenses		17,612	15,454	34,873	35,394
Other operating costs, net		(641)	(2,036)	(5,298)	(5,225)
Operating income		62,739	58,331	145,632	114,180
Finance costs, net	9	15,765	15,783	30,686	30,771
Income before income taxes		46,974	42,548	114,946	83,409
Income tax expense	13	11,055	10,185	27,057	18,269
Net income		35,919	32,363	87,889	65,140
Earnings per share	12				
Basic earnings per share		0.24	0.22	0.60	0.45
Diluted earnings per share		0.24	0.22	0.59	0.44

See accompanying notes to the condensed consolidated financial statements

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net Income	35,919	32,363	87,889	65,140
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to statement of operations</i>				
Exchange differences from translating foreign operations	9,084	(3,724)	5,061	(7,721)
Other comprehensive income (loss), net of tax	9,084	(3,724)	5,061	(7,721)
Comprehensive income	45,003	28,639	92,950	57,419

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
Balance – January 1, 2021	1,977,104	61,820	24,066	(1,383,340)	679,650
Net income	-	-	-	65,140	65,140
Other comprehensive loss, net of tax	-	-	(7,721)	-	(7,721)
Comprehensive (loss) income	-	-	(7,721)	65,140	57,419
Share based compensation	-	12,004	-	-	12,004
Tax effect of equity settled awards	1,147	(104)	-	-	1,043
Proceeds from exercise of stock options	710	-	-	-	710
Reclassification of contributed surplus	15,939	(15,939)	-	-	-
Dividends on common shares (\$0.35 per common share)	-	-	-	(102,545)	(102,545)
Balance – June 30, 2021	1,994,900	57,781	16,345	(1,420,745)	648,281
Balance – January 1, 2022	1,997,255	66,002	24,310	(1,443,441)	644,126
Net income	-	-	-	87,889	87,889
Other comprehensive income, net of tax	-	-	5,061	-	5,061
Comprehensive income	-	-	5,061	87,889	92,950
Share based compensation	-	9,655	-	-	9,655
Tax effect of equity settled awards	667	195	-	-	862
Proceeds from exercise of stock options	23,602	-	-	-	23,602
Reclassification of contributed surplus	21,525	(21,525)	-	-	-
Dividends on common shares (\$0.37 per common share)	-	-	-	(108,771)	(108,771)
Repurchase of common shares under normal course issuer bid (“NCIB”)	(31,450)	-	-	(27,186)	(58,636)
Balance – June 30, 2022	2,011,599	54,327	29,371	(1,491,509)	603,788

See accompanying notes to the condensed consolidated financial statements

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2022	2021	2022	2021
Cash flows from operating activities					
Net income		35,919	32,363	87,889	65,140
Adjustments	17	76,860	94,504	139,973	160,285
Changes in items of working capital	17	(86,532)	(42,422)	110,011	(86,154)
Income tax payment, net	17	(10,400)	(7,821)	(16,290)	(19,070)
Net cash inflow from operating activities		15,847	76,624	321,583	120,201
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	5	(23,972)	(17,784)	(79,895)	(41,985)
Investment in equity accounted investees	8	-	(10,321)	-	(22,926)
Proceeds from sale of assets		171	570	8,243	17,587
Net cash outflow from investing activities		(23,801)	(27,535)	(71,652)	(47,324)
Cash flows from financing activities					
Payment of shareholder dividends		(54,575)	(51,266)	(105,894)	(100,760)
Interest paid, net		(8,854)	(8,333)	(27,717)	(27,106)
Proceeds from exercise of stock options		8,645	652	23,602	710
Payment of debt issuance cost relating to prior period debt issuance		-	(11)	-	(328)
Finance lease payments	10	(9,524)	(9,806)	(20,120)	(20,506)
Draws on (repayment of) credit facility, net	9	95,864	22,284	(85,000)	80,000
Purchase of shares under normal course issuer bid	12	(39,281)	-	(58,636)	-
Net cash outflow from financing activities		(7,725)	(46,480)	(273,765)	(67,990)
Net (decrease) increase in cash and cash equivalents		(15,679)	2,609	(23,834)	4,887
Effect of exchange rate on cash and cash equivalents		303	116	(101)	(109)
Cash and cash equivalents – beginning of year		54,129	55,729	62,688	53,676
Cash and cash equivalents – end of quarter		38,753	58,454	38,753	58,454

See accompanying notes to the condensed consolidated financial statements

See note 17 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 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 June 30, 2022	Infrastructure	Marketing	Total
Revenue			
External	83,362	3,112,342	3,195,704
Inter-segmental	51,659	13,073	64,732
External and inter-segmental	135,021	3,125,415	3,260,436
Segment profit	109,817	6,271	116,088
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			29,309
Depreciation of right-of-use assets			6,765
Amortization of intangible assets			1,941
General and administrative			10,650
Stock based compensation			4,703
Corporate foreign exchange gain			(19)
Interest expense, net			15,765
Net income before income tax			46,974
Income tax expense			11,055
Net income			35,919

Statement of operations

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

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

Statement of operations

Six months ended June 30, 2022	Infrastructure	Marketing	Total
Revenue			
External	161,987	5,722,169	5,884,156
Inter-segmental	102,117	54,165	156,282
External and inter-segmental	264,104	5,776,334	6,040,438
Segment profit	216,794	36,919	253,713
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			59,417
Depreciation of right-of-use assets			13,175
Amortization of intangible assets			3,862
General and administrative			19,586
Stock based compensation			10,858
Corporate foreign exchange loss			1,183
Interest expense, net			30,686
Net income before income tax			114,946
Income tax expense			27,057
Net income			87,889

Statement of operations

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

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	Six months ended June 30,	
	2022	2021
Infrastructure	52,277	72,934
Marketing	5,361	1,390
Corporate	4,031	2,249
	61,669	76,573

b) Geographic Data

Based on the location of the end user, approximately \$903.2 million and \$712.0 million of revenue was from customers in the U.S. for the six months ended June 30, 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 \$212.1 million and \$201.7 million in the U.S. as at June 30, 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 August 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

	June 30, 2022	December 31, 2021
Crude oil, natural gas liquids and diluent	192,929	194,511
Asphalt	50,938	48,518
Wellsite fluids and distillate	14,291	12,102
	258,158	255,131

The cost of the inventory sold included in cost of sales was \$5,553.0 million and \$2,982.0 million for the six months ended June 30, 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
Cost:						
At January 1, 2022	134,335	494,245	823,434	911,950	136,399	2,500,363
Additions and adjustments	217	25,255	14,156	56,264	(38,800)	57,092
Disposals	(1,764)	-	(25)	(23,924)	-	(25,713)
Reclassified to net investment in finance leases	-	-	(10,147)	(42,099)	-	(52,246)
Reclassifications	17,710	6,307	(2,512)	(21,505)	-	-
Change in decommissioning provision	(272)	(4,368)	(26,345)	(8,922)	-	(39,907)
Effect of movements in exchange rates	108	1,628	313	952	513	3,514
At June 30, 2022	150,334	523,067	798,874	872,716	98,112	2,443,103

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

	Land and Buildings	Pipelines and Connection	Tanks	Plant, Equipment and Other	Work in Progress	Total
Accumulated depreciation and impairment:						
At January 1, 2022	35,200	151,747	219,540	481,240	-	887,727
Depreciation and adjustments	2,841	11,544	14,328	30,476	-	59,189
Disposals	(470)	-	(25)	(22,366)	-	(22,861)
Reclassifications	15,052	3,156	(1,904)	(16,304)	-	-
Effect of movements in exchange rates	14	163	75	225	-	477
At June 30, 2022	52,637	166,610	232,014	473,271	-	924,532

Carrying amounts:						
At January 1, 2022	99,135	342,498	603,894	430,710	136,399	1,612,636
At June 30, 2022	97,697	356,457	566,860	399,445	98,112	1,518,571

Additions to property, plant and equipment include the capitalization of interest of \$0.2 million and \$0.1 million and \$0.7 million and \$0.2 million for the three and six months ended June 30, 2022 and 2021, respectively. 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
Cost:				
At January 1, 2022	44,749	100,810	6,059	151,618
Additions and adjustments	46	8,188	1,718	9,952
Disposals	(490)	(5,622)	-	(6,112)
Effect of movements in exchange rates	(1)	-	(1)	(2)
At June 30, 2022	44,304	103,376	7,776	155,456
Accumulated depreciation and impairment:				
At January 1, 2022	20,322	74,741	3,973	99,036
Depreciation and adjustments	2,430	8,823	1,888	13,141
Disposals	(464)	(5,622)	-	(6,086)
Reclassification	-	44	(44)	-
Effect of movements in exchange rates	(4)	-	10	6
At June 30, 2022	22,284	77,986	5,827	106,097
Carrying amounts:				
At January 1, 2022	24,427	26,069	2,086	52,582
At June 30, 2022	22,020	25,390	1,949	49,359

Note 7 Net Investment in Finance Leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain infrastructure assets owned by the Company. These arrangements are accounted for as finance leases:

	June 30, 2022	December 31, 2021
Total minimum lease payments receivable	648,405	499,939
Residual value	85,880	68,464
Unearned income	(514,255)	(395,833)
	220,030	172,570
Less: current portion	9,280	8,883
Net investment in finance lease: non-current portion	210,750	163,687

The minimum lease receivables are expected to be as follows:

2022	23,917
2023	40,735
2024	38,794
2025	39,059
2026	39,333
2027 and later	466,567

Note 8 Investment in Equity Accounted Investees

	Ownership %	Share of profit (loss), for the period ended		Investment in equity accounted investees at	
		June 30, 2022	June 30, 2021	June 30, 2022	December 31, 2021
Hardisty Energy Terminal Limited Partnership ("HET")	50%	7,458	(57)	143,269	151,378
Zenith Energy Terminals Joliet Holdings LLC ("Zenith")	36%	2,181	(604)	22,494	21,337
		9,639	(661)	165,763	172,715

The Company, as the operator, holds a 50% 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.

The Company received distributions for the three months ended June 30, 2022 of \$8.8 million (three months ended June 30, 2021 – \$0.5 million) and for the six months ended June 30, 2022 of \$17.0 million (six months ended June 30, 2021 – \$0.5 million).

Note 9 Long-Term Debt

	Coupon Rate	Maturity	June 30, 2022	December 31, 2021
Unsecured revolving credit facility	floating	2027	185,000	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			(8,814)	(9,391)
			1,576,186	1,660,609

The Company had \$185.0 million drawn on its \$750.0 million unsecured revolving credit facility as of June 30, 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 \$35.2 million as at June 30, 2022 (December 31, 2021 – \$35.0 million).

During the six months ended June 30, 2022, the Company amended its unsecured revolving credit facility and extended its maturity date from April 2026 to April 2027.

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. As at June 30, 2022, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

<i>Note</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest expense	15,328	14,645	30,005	28,772
Capitalized interest	(234)	(83)	(734)	(231)
Interest expense, finance lease	10 743	931	1,498	1,942
Interest income	(72)	290	(83)	288
	15,765	15,783	30,686	30,771

Note 10 Lease Liabilities

	June 30, 2022
Opening balance	81,779
Additions	9,873
Interest expense	1,498
Lease payments	(20,120)
Effect of movements in exchange rates	887
Closing balance	73,917
Less: current portion	33,294
Closing balance – non-current portion	40,623

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 June 30, 2022 at a weighted average borrowing rate of 4.4% (December 31, 2021 – 4.4%).

Note 11 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>	June 30, 2022	December 31, 2021
Opening balance		180,270	236,952
Settlements		(2,473)	(4,135)
Additions		4,436	4,979
Disposals		-	(139)
Change in estimated future cash flows		-	(34,478)
Change in discount rate	5	(46,140)	(26,118)
Unwind of discount		1,684	3,284
Effect of movements in exchange rates		129	(75)
Closing balance		137,906	180,270

The Company applied a risk-free rate of 3.4% (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 12 Share Capital and Share Based Compensation

Common Shares – Issued and Outstanding

	Number of Common Shares	Amount
At January 1, 2022	146,627,082	1,997,255
Issuance in connection with the exercise of stock options	1,321,770	23,602
Tax effect of equity settled awards	-	667
Reclassification of contributed surplus on issuance of awards under equity incentive plans	835,672	21,525
Purchased common shares under NCIB	(2,308,900)	(31,450)
At June 30, 2022	146,475,624	2,011,599

A dividend of \$0.37 per share, declared on July 5, 2022, was paid on July 15, 2022.

Under the NCIB the Company is permitted to purchase for cancellation up to 10% or 11,765,180 common shares through August 30, 2022 in accordance with the applicable rules and policies of the TSX and applicable securities laws. For the six months ended June 30, 2022 the Company purchased 2,308,900 common shares at a weighted average price of \$25.40 per common share for a total cost of \$58.6 million. Retained earnings was reduced by \$27.2 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)	Restricted	Performance	Deferred
			Share Units	Share Units	Share Units
Stock Options			Number of Shares		
At January 1, 2022	1,808,996	19.01	755,737	935,851	730,949
Granted	-	-	349,055	490,199	71,331
Exercised and released for common shares	(1,301,901)	18.17	(362,428)	(486,407)	(6,707)
Forfeited	(30,985)	25.11	(38,527)	(33,154)	-
At June 30, 2022	476,110	20.88	703,837	906,489	795,573
Vested	456,106	21.03	-	-	795,573

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

Per Share Amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Weighted average common shares outstanding	147,429,026	146,485,876	147,156,623	146,325,408
Dilutive effect of stock options and other	2,604,094	2,803,824	2,788,113	2,784,125
Weighted average common shares – Diluted	150,033,120	149,289,700	149,944,736	149,109,533

The dilutive effect of 2.6 million and 2.8 million stock options and other awards for the three and six months ended June 30, 2022 (June 30, 2021 – three months 2.8 million; six months 2.8 million), have been included in the determination of the weighted average number of common shares outstanding. The impact of nil stock options for the three and six months ended June 30, 2022 (June 30, 2021 – three and six months 0.6 million), 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 13 Income Taxes

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2022	2021	2022	2021
Current	9,520	7,064	19,101	15,712
Deferred	1,535	3,121	7,956	2,557
	11,055	10,185	27,057	18,269
Effective income tax rate	23.5%	23.9%	23.5%	21.9%

Note 14 Revenue

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2022	2021	2022	2021
Revenue from contracts with customers recognized at a point in time	3,112,342	1,595,371	5,722,169	3,126,057
Revenue from contracts with customers recognized over time	37,912	32,604	69,018	66,692
Total revenue from contracts with customers	3,150,254	1,627,975	5,791,187	3,192,749
Total revenue from lease arrangements	45,450	46,781	92,969	91,739
	3,195,704	1,674,756	5,884,156	3,284,488

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

Three months ended June 30, 2022	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	25,941	-	25,941
Rail and other	11,971	-	11,971
External Product Revenue			
Crude, diluent and other products	-	2,635,942	2,635,942
Refined products	-	19,417	19,417
	37,912	2,655,359	2,693,271
U.S.			
External Product Revenue			
Crude, diluent and other products	-	328,554	328,554
Refined products and other	-	128,429	128,429
	-	456,983	456,983
Total revenue from contracts with customers	37,912	3,112,342	3,150,254

Three months ended June 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	19,144	-	19,144
Rail and other	33,121	-	33,121
External Product Revenue			
Crude, diluent and other products	-	1,240,931	1,240,931
Refined products	-	21,790	21,790
	52,265	1,262,721	1,314,986
U.S.			
External Product Revenue			
Crude, diluent and other products	-	228,610	228,610
Refined products and other	-	84,379	84,379
	-	312,989	312,989
Total revenue from contracts with customers	52,265	1,575,710	1,627,975

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

Six months ended June 30, 2022	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	45,813	-	45,813
Rail and other	23,205	-	23,205
External Product Revenue			
Crude, diluent and other products	-	4,766,377	4,766,377
Refined products	-	52,620	52,620
	69,018	4,818,997	4,888,015
U.S.			
External Product Revenue			
Crude, diluent and other products	-	694,710	694,710
Refined products and other	-	208,462	208,462
	-	903,172	903,172
Total revenue from contracts with customers	69,018	5,722,169	5,791,187

Six months ended June 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	39,080	-	39,080
Rail and other	46,933	-	46,933
External Product Revenue			
Crude, diluent and other products	-	2,355,927	2,355,927
Refined products	-	38,791	38,791
	86,013	2,394,718	2,480,731
U.S.			
External Product Revenue			
Crude, diluent and other products	-	578,416	578,416
Refined products and other	8	133,594	133,602
	8	712,010	712,018
Total revenue from contracts with customers	86,021	3,106,728	3,192,749

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

Note 15 Financial Instruments

As at June 30, 2022	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	13,650	13,650	-	-
Commodity swaps	1,763	1,763	-	-
WTI differential futures	494	494	-	-
Foreign currency forwards	2,446	-	2,446	-
Financial assets (carried at fair value)	18,353	15,907	2,446	-
Commodity futures	8,163	8,163	-	-
Commodity swaps	1,009	1,009	-	-
WTI differential futures	3,180	3,180	-	-
Foreign currency forwards	3,534	-	3,534	-
Financial Liabilities (carried at fair value)	15,886	12,352	3,534	-
Long-term debt (carried at amortized cost)	1,576,186	-	1,447,998	-
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	-
Financial assets (carried at fair value)	4,476	1,971	2,505	-
Commodity futures	9,410	9,410	-	-
Commodity swaps	264	264	-	-
WTI differential futures	1,282	1,282	-	-
Foreign currency forwards	755	-	755	-
Financial Liabilities (carried at fair value)	11,711	10,956	755	-
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 16 Subsequent Events

On August 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 October 17, 2022 to shareholders of record at the close of business on September 30, 2022.

Note 17 Supplemental Cash Flow Information

		Three months ended June 30,		Six months ended June 30,	
	Note	2022	2021	2022	2021
Cash flows from operating activities					
Net income		35,919	32,363	87,889	65,140
Adjustments:					
Finance costs, net		15,765	15,783	30,686	30,771
Income tax expense		11,055	10,185	27,057	18,269
Depreciation and impairment of property, plant and equipment	5	29,309	42,080	59,417	73,281
Depreciation of right-of-use asset	6	6,765	7,693	13,175	15,754
Amortization and impairment of intangible assets		1,941	2,124	3,862	4,146
Share based compensation	12	4,703	4,284	10,858	13,236
Share of (profit) loss from investments in equity accounted investees	8	(6,036)	618	(9,639)	661
Distributions from equity accounted investees	8	8,846	444	16,961	444
Gain on sale of property, plant and equipment	5	(147)	(561)	(5,284)	(1,334)
Provisions	11	(836)	166	(1,549)	(665)
Net loss (gain) on fair value movement of financial instruments		6,124	12,970	(3,916)	9,386
Other		(629)	(1,282)	(1,655)	(3,664)
		76,860	94,504	139,973	160,285
Changes in items of working capital:					
Trade and other receivables		(137,839)	10,385	(294,242)	(251,859)
Inventories	4	40,894	6,156	2,575	(74,118)
Other current assets		(5,435)	2,197	(2,355)	926
Trade payables and accrued charges		2,355	(48,328)	396,026	262,842
Contract liabilities		13,493	(12,832)	8,007	(23,945)
		(86,532)	(42,422)	110,011	(86,154)
Income tax payment, net		(10,400)	(7,821)	(16,290)	(19,070)
Net cash inflow from operating activities		15,847	76,624	321,583	120,201



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