

GIBSON ENERGY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

TSX:GEI



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

	Note	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		72,183	62,688
Trade and other receivables		741,968	667,588
Inventories	4	191,217	255,131
Income taxes receivable		3,428	4,809
Prepaid and other assets		12,904	7,340
Net investment in finance leases	7	6,594	8,883
		1,028,294	1,006,439
Non-current assets			
Property, plant and equipment	5	1,551,544	1,612,636
Right-of-use assets	6	46,211	52,582
Long-term prepaid and other assets		2,542	2,065
Net investment in finance leases	7	198,681	163,687
Investment in equity accounted investees	8	164,146	172,715
Deferred income tax assets		31,675	27,406
Intangible assets		33,713	34,355
Goodwill		362,483	359,875
		2,390,995	2,425,321
Total assets		3,419,289	3,431,760
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges		839,843	683,708
Dividends payable		53,779	51,319
Contract liabilities		21,593	31,733
Lease liabilities	10	35,373	29,748
		950,588	796,508
Non-current liabilities			
Long-term debt	9	1,551,478	1,660,609
Lease liabilities	10	36,778	52,031
Provisions	11	142,912	180,270
Other long-term liabilities		4,160	4,061
Deferred income tax liabilities		114,205	94,155
		1,849,533	1,991,126
Total liabilities		2,800,121	2,787,634
Equity			
Share capital	12	1,996,499	1,997,255
Contributed surplus		57,465	66,002
Accumulated other comprehensive income		51,271	24,310
Deficit		(1,486,067)	(1,443,441)
		619,168	644,126
Total liabilities and equity		3,419,289	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)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue	14	2,651,883	1,807,633	8,536,039	5,092,121
Cost of sales	8	2,531,803	1,729,768	8,240,752	4,869,907
Gross profit		120,080	77,865	295,287	222,214
General and administrative expenses		17,204	16,501	52,077	51,895
Other operating income, net		(5,604)	(1,262)	(10,902)	(6,487)
Operating income		108,480	62,626	254,112	176,806
Finance costs, net	9	16,426	15,612	47,112	46,383
Income before income taxes		92,054	47,014	207,000	130,423
Income tax expense	13	20,589	11,018	47,646	29,287
Net income		71,465	35,996	159,354	101,136
Earnings per share	12				
Basic earnings per share		0.49	0.25	1.09	0.69
Diluted earnings per share		0.48	0.24	1.07	0.68

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,	
	2022	2021	2022	2021
Net Income	71,465	35,996	159,354	101,136
Other comprehensive income				
<i>Items that may be reclassified subsequently to statement of operations</i>				
Exchange differences from translating foreign operations	20,938	7,785	25,999	64
<i>Items that will not be reclassified subsequently to statement of operations</i>				
Remeasurement of post-employment benefit obligation, net of tax	962	-	962	-
Other comprehensive income, net of tax	21,900	7,785	26,961	64
Comprehensive income	93,365	43,781	186,315	101,200

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	Deficit	Total Equity
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 per common share)	-	-	-	(153,835)	(153,835)
Balance – September 30, 2021	1,995,406	61,356	24,130	(1,436,039)	644,853
Balance – January 1, 2022	1,997,255	66,002	24,310	(1,443,441)	644,126
Net income	-	-	-	159,354	159,354
Other comprehensive income, net of tax	-	-	26,961	-	26,961
Comprehensive income	-	-	26,961	159,354	186,315
Share based compensation	-	13,660	-	-	13,660
Tax effect of equity settled awards	688	(163)	-	-	525
Proceeds from exercise of stock options	23,841	-	-	-	23,841
Reclassification of contributed surplus	22,034	(22,034)	-	-	-
Dividends on common shares (\$0.37 per common share)	-	-	-	(162,550)	(162,550)
Repurchase of common shares under normal course issuer bid (“NCIB”)	(47,319)	-	-	(39,430)	(86,749)
Balance – September 30, 2022	1,996,499	57,465	51,271	(1,486,067)	619,168

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	2022	2021	2022	2021
Cash flows from operating activities					
Net income		71,465	35,966	159,354	101,136
Adjustments	17	84,618	70,346	224,591	230,631
Changes in items of working capital	17	62,000	(5,275)	172,011	(91,429)
Income tax payment, net	17	(11,412)	(7,648)	(27,702)	(26,718)
Net cash inflow from operating activities		206,671	93,419	528,254	213,620
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	5	(39,179)	(45,383)	(119,074)	(87,368)
Investment in equity accounted investees	8	-	(6,284)	-	(29,210)
Proceeds from sale of assets		(4)	1,360	8,239	18,947
Net cash outflow from investing activities		(39,183)	(50,307)	(110,835)	(97,631)
Cash flows from financing activities					
Payment of shareholder dividends		(54,196)	(51,280)	(160,090)	(152,040)
Interest paid, net		(21,378)	(19,078)	(49,095)	(46,184)
Proceeds from exercise of stock options		239	29	23,841	739
Payment of debt issuance cost relating to prior period debt issuance		-	-	-	(328)
Finance lease payments	10	(7,510)	(9,180)	(27,630)	(29,686)
(Repayment of) draws on credit facility, net	9	(25,000)	45,000	(110,000)	125,000
Repurchase of shares under NCIB	12	(28,113)	-	(86,749)	-
Net cash outflow from financing activities		(135,958)	(34,509)	(409,723)	(102,499)
Net increase in cash and cash equivalents		31,530	8,603	7,696	13,490
Effect of exchange rate on cash and cash equivalents		1,900	294	1,799	185
Cash and cash equivalents – beginning of year		38,753	58,454	62,688	53,676
Cash and cash equivalents – end of quarter		72,183	67,351	72,183	67,351

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".

The Company is a Canadian-based liquids infrastructure company with its 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; a crude oil processing facility in Moose Jaw, Saskatchewan (the "Moose Jaw Facility"); and an infrastructure position located in the United States ("U.S."). The Infrastructure segment also includes the Company's share of equity pickup from equity accounted investees. Select assets are 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 September 30, 2022	Infrastructure	Marketing	Total
Revenue			
External	78,296	2,573,587	2,651,883
Inter-segmental	54,409	18,035	72,444
External and inter-segmental	132,705	2,591,622	2,724,327
Segment profit	109,349	44,786	154,135
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			29,500
Depreciation of right-of-use assets			5,753
Amortization of intangible assets			1,938
General and administrative			10,374
Stock based compensation			4,569
Corporate foreign exchange gain			(6,479)
Interest expense, net			16,426
Net income before income tax			92,054
Income tax expense			20,589
Net income			71,465

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

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, 2022	Infrastructure	Marketing	Total
Revenue			
External	240,283	8,295,756	8,536,039
Inter-segmental	156,526	72,200	228,726
External and inter-segmental	396,809	8,367,956	8,764,765
Segment profit	326,143	81,705	407,848
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			88,917
Depreciation of right-of-use assets			18,928
Amortization of intangible assets			5,800
General and administrative			29,960
Stock based compensation			15,427
Corporate foreign exchange gain			(5,296)
Interest expense, net			47,112
Net income before income tax			207,000
Income tax expense			47,646
Net income			159,354

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

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:

Additions	Nine months ended September 30,	
	2022	2021
Infrastructure	73,042	123,964
Marketing	16,430	1,939
Corporate	4,827	3,606
	94,299	129,509

b) Geographic Data

Based on the location of the end user, approximately \$1,414.0 million and \$1,095.0 million of revenue was from customers in the U.S. for the nine months ended September 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 \$262.4 million and \$214.7 million in the U.S. as at September 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 October 31, 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

	September 30, 2022	December 31, 2021
Crude oil, natural gas liquids and diluent	132,091	194,511
Asphalt	43,500	48,518
Wellsite fluids and distillate	15,626	12,102
	191,217	255,131

The cost of the inventory sold included in cost of sales was \$8,026.0 million and \$4,644.0 million for the nine months ended September 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	344	31,293	27,104	68,278	(37,145)	89,874
Disposals	(1,764)	-	(91)	(24,169)	-	(26,024)
Reclassified from (to) net investment in finance leases, net	-	-	2,629	(42,099)	-	(39,470)
Reclassifications	17,710	6,307	(2,512)	(21,505)	-	-
Change in decommissioning provision	(238)	(3,602)	(22,959)	(6,459)	-	(33,258)
Effect of movements in exchange rates	536	8,074	1,517	4,132	1,513	15,772
At September 30, 2022	150,923	536,317	829,122	890,128	100,767	2,507,257

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	4,258	17,601	21,415	45,361	-	88,635
Disposals	(471)	-	(76)	(22,610)	-	(23,157)
Reclassifications	15,052	3,156	(1,904)	(16,304)	-	-
Effect of movements in exchange rates	73	742	344	1,349	-	2,508
At September 30, 2022	54,112	173,246	239,319	489,036	-	955,713

Carrying amounts:						
At January 1, 2022	99,135	342,498	603,894	430,710	136,399	1,612,636
At September 30, 2022	96,811	363,071	589,803	401,092	100,767	1,551,544

Additions to property, plant and equipment include the capitalization of interest of \$1.3 million and \$0.1 million and \$2.0 million and \$0.4 million for the three and nine months ended September 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	Other	Total
Cost:				
At January 1, 2022	44,749	100,810	6,059	151,618
Additions and adjustments	125	8,577	3,668	12,370
Disposals	(490)	(5,622)	-	(6,112)
Effect of movements in exchange rates	74	-	423	497
At September 30, 2022	44,458	103,765	10,150	158,373
Accumulated depreciation and impairment:				
At January 1, 2022	20,322	74,741	3,973	99,036
Depreciation and adjustments	3,682	12,330	2,916	18,928
Disposals	(464)	(5,622)	-	(6,086)
Reclassification	-	44	(44)	-
Effect of movements in exchange rates	40	-	244	284
At September 30, 2022	23,580	81,493	7,089	112,162
Carrying amounts:				
At January 1, 2022	24,427	26,069	2,086	52,582
At September 30, 2022	20,878	22,272	3,061	46,211

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

Note 7 Net Investment in Finance Leases

The following summarizes the Company’s net investment in arrangements whereby the Company has entered into certain 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:

	September 30, 2022	December 31, 2021
Total minimum lease payments receivable	636,203	499,939
Residual value	73,105	68,464
Unearned income	(504,033)	(395,833)
	205,275	172,570
Less: current portion	6,594	8,883
Net investment in finance lease: non-current portion	198,681	163,687

The minimum lease receivables are expected to be as follows:

2022	11,912
2023	40,876
2024	38,794
2025	39,059
2026	39,333
2027 and later	466,229

Note 8 Investment in Equity Accounted Investees

	Ownership %	Share of profit (loss), for the period ended		Investment in equity accounted investees at	
		September 30, 2022	September 30, 2021	September 30, 2022	December 31, 2021
Hardisty Energy Terminal Limited Partnership (“HET”)	50%	12,433	3,410	139,730	151,378
Zenith Energy Terminals Joliet Holdings LLC (“Zenith”)	36%	2,643	(1,126)	24,416	21,337
		15,076	2,284	164,146	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 segment’s profit, and within cost of sales on the condensed consolidated statement of operations.

The Company received distributions for the three months ended September 30, 2022 of \$8.5 million (three months ended September 30, 2021 – \$0.5 million) and for the nine months ended September 30, 2022 of \$25.5 million (nine months ended September 30, 2021 – \$0.9 million).

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

Note 9 Long-Term Debt

	Coupon Rate	Maturity	September 30, 2022	December 31, 2021
Unsecured revolving credit facility	floating	2027	160,000	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			(8,522)	(9,391)
			1,551,478	1,660,609

The Company had \$160.0 million drawn on its \$750.0 million unsecured revolving credit facility as of September 30, 2022 (December 31, 2021 – \$270.0 million). In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling \$150.0 million under which it had issued letters of credit totaling \$35.8 million as at September 30, 2022 (December 31, 2021 – \$35.0 million).

During the nine months ended September 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 September 30, 2022, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

Note	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense	17,145	14,839	47,150	43,611
Capitalized interest	(1,270)	(117)	(2,004)	(348)
Interest expense, finance lease	10	705	2,203	2,835
Interest income	(154)	(3)	(237)	285
	16,426	15,612	47,112	46,383

Note 10 Lease Liabilities

	September 30, 2022
Opening balance	81,779
Additions	12,274
Interest expense	2,203
Lease payments	(27,630)
Effect of movements in exchange rates	3,525
Closing balance	72,151
Less: current portion	35,373
Closing balance – non-current portion	36,778

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 September 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:

	Note	September 30, 2022
Opening balance		180,270
Settlements		(5,814)
Additions		5,125
Change in discount rate	5	(39,941)
Unwind of discount		2,669
Effect of movements in exchange rates		603
Closing balance		142,912

The Company applied an average risk-free rate of 3.1% (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	1,317,297	23,841
Tax effect of equity settled awards	-	688
Reclassification of contributed surplus on issuance of awards under equity incentive plans	878,628	22,034
Purchased common shares under NCIB	(3,473,900)	(47,319)
At September 30, 2022	145,349,107	1,996,499

A dividend of \$0.37 per share, declared on August 2, 2022, was paid on October 14, 2022.

During the quarter, the Company's NCIB was renewed with an expiry date of the earlier of August 30, 2023 and the date on which the maximum number of common share that can be acquired pursuant to the NCIB has been purchased. Under the NCIB the Company is permitted to purchase for cancellation up to 7.5% of the public float of common shares or 8,760,553 common shares, in accordance with the applicable rules and policies of the TSX and applicable securities laws. For the nine months ended September 30, 2022 the Company purchased 3,473,900 common shares at a weighted average price of \$24.97 per common share for a total cost of \$86.7 million. Retained earnings was reduced by \$39.4 million, representing the excess of the purchase price of common shares over their average carrying value. As at September 30, 2022, the Company had repurchased 1,149,100 common shares under its current NCIB, leaving an additional 7,611,453 common shares available for repurchase by the Company prior to August 30, 2023.

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	-	-	350,119	490,430	106,737
Exercised and released for common shares	(1,317,297)	18.21	(372,152)	(496,401)	(10,074)
Forfeited	(34,680)	24.90	(74,761)	(72,162)	-
At September 30, 2022	457,019	20.84	658,943	857,718	827,612
Vested	437,015	21.00	-	-	827,612

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,	
	2022	2021	2022	2021
Weighted average common shares outstanding – Basic	145,438,667	146,524,734	146,866,364	146,335,446
Dilutive effect of stock options and other awards	2,468,898	2,769,672	2,676,730	2,779,731
Weighted average common shares – Diluted	147,907,565	149,294,406	149,543,094	149,115,177

The dilutive effect of 2.5 million and 2.7 million stock options and other awards for the three and nine months ended September 30, 2022 (September 30, 2021 – three months 2.8 million; nine 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 nine months ended September 30, 2022 (September 30, 2021 – three months 0.1 million; nine months 0.5 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Current	10,555	5,422	29,656	21,134
Deferred	10,034	5,596	17,990	8,153
	20,589	11,018	47,646	29,287
Effective income tax rate	22.4%	23.4%	23.0%	22.5%

Note 14 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue from contracts with customers recognized at a point in time	2,573,587	1,729,801	8,295,756	4,855,858
Revenue from contracts with customers recognized over time	31,627	31,722	100,645	98,414
Total revenue from contracts with customers	2,605,214	1,761,523	8,396,401	4,954,272
Total revenue from lease arrangements	46,669	46,110	139,638	137,849
	2,651,883	1,807,633	8,536,039	5,092,121

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

Three months ended September 30, 2022	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	25,406	-	25,406
Rail and other	6,221	-	6,221
External Product Revenue			
Crude, diluent and other products	-	2,012,459	2,012,459
Refined products	-	50,394	50,394
	31,627	2,062,853	2,094,480
U.S.			
External Product Revenue			
Crude, diluent and other products	-	375,014	375,014
Refined products and other	-	135,720	135,720
	-	510,734	510,734
Total revenue from contracts with customers	31,627	2,573,587	2,605,214

Three months ended September 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	21,263	-	21,263
Rail and other	10,296	-	10,296
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 Product Revenue			
Crude, diluent and other products	-	286,751	286,751
Refined products and other	6	96,225	96,231
	6	382,976	382,982
Total revenue from contracts with customers	31,565	1,729,958	1,761,523

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

Nine months ended September 30, 2022	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	71,219	-	71,219
Rail and other	29,426	-	29,426
External Product Revenue			
Crude, diluent and other products	-	6,778,836	6,778,836
Refined products	-	103,014	103,014
	100,645	6,881,850	6,982,495
U.S.			
External Product Revenue			
Crude, diluent and other products	-	1,069,724	1,069,724
Refined products and other	-	344,182	344,182
	-	1,413,906	1,413,906
Total revenue from contracts with customers	100,645	8,295,756	8,396,401

Nine months ended September 30, 2021	Infrastructure	Marketing	Total
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	60,343	-	60,343
Rail and other	57,229	-	57,229
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 Product Revenue			
Crude, diluent and other products	-	865,167	865,167
Refined products and other	14	229,819	229,833
	14	1,094,986	1,095,000
Total revenue from contracts with customers	117,586	4,836,686	4,954,272

Note 15 Financial Instruments

As at September 30, 2022	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	163	163	-	-
Commodity swaps	3,591	3,591	-	-
WTI differential futures	1,776	1,776	-	-
Foreign currency forwards	3,784	-	3,784	-
Financial assets (carried at fair value)	9,314	5,530	3,784	-
Commodity futures	2,899	2,899	-	-
Commodity swaps	41	41	-	-
WTI differential futures	1,884	1,884	-	-
Foreign currency forwards	12,575	-	12,575	-
Financial Liabilities (carried at fair value)	17,399	4,824	12,575	-
Long-term debt (carried at amortized cost)	1,551,478	-	1,409,683	-

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.

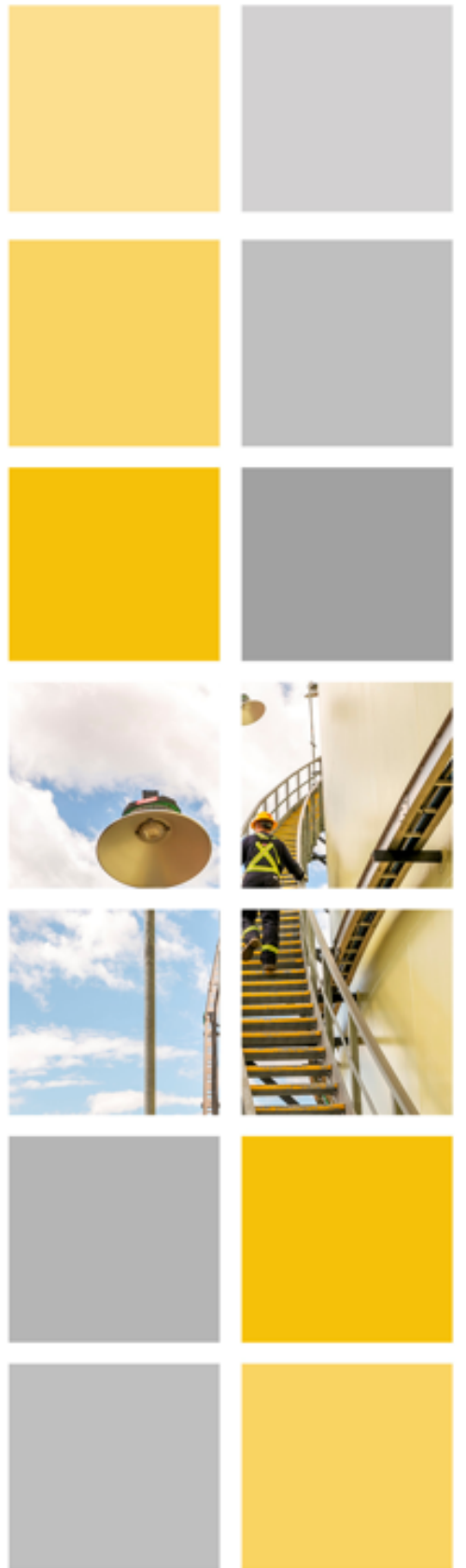
For the financial instruments categorized in Level 2, the Company used the forward exchange rates at the measurement date, with the resulting value discounted back to present values to determine the fair value of the foreign currency forward contracts.

Note 16 Subsequent Events

On October 31, 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 January 17, 2023 to shareholders of record at the close of business on December 30, 2022.

Note 17 Supplemental Cash Flow Information

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Cash flows from operating activities					
Net income		71,465	35,996	159,354	101,136
Adjustments:					
Finance costs, net		16,426	15,612	47,112	46,383
Income tax expense		20,589	11,018	47,646	29,287
Depreciation and impairment of property, plant and equipment	5	29,500	30,523	88,917	103,804
Depreciation of right-of-use asset	6	5,753	6,838	18,928	22,592
Amortization and impairment of intangible assets		1,938	2,064	5,800	6,210
Share based compensation	12	4,569	4,864	15,427	18,100
Share of profit from investments in equity accounted investees	8	(5,437)	(2,945)	(15,076)	(2,284)
Distributions from equity accounted investees	8	8,514	452	25,475	896
Loss (gain) on sale of property, plant and equipment	5	1	(854)	(5,283)	(2,188)
Provisions	11	218	(115)	(1,331)	(780)
Net loss (gain) on fair value movement of financial Instruments		2,889	2,249	(1,027)	11,635
Other		(342)	640	(1,997)	(3,024)
		84,618	70,346	224,591	230,631
Changes in items of working capital:					
Trade and other receivables		251,120	56,579	(43,122)	(195,280)
Inventories	4	64,240	(39,797)	66,815	(113,915)
Other current assets		2,128	1,076	(227)	2,002
Trade payables and accrued charges		(236,129)	(23,226)	159,897	239,616
Contract liabilities		(19,359)	93	(11,352)	(23,852)
		62,000	(5,275)	172,011	(91,429)
Income tax payment, net		(11,412)	(7,648)	(27,702)	(26,718)
Net cash inflow from operating activities		206,671	93,419	528,254	213,620



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