GIBSON ENERGY

MANAGEMENT'S DISCUSSION & ANALYSIS

2023 FIRST QUARTER REPORT

TSX:GEI

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Basis of Presentation

The following MD&A was prepared and approved by the Board of Gibson Energy Inc. ("we", "our", "us", "Gibson", "Gibson Energy" or the "Company") as of May 1, 2023 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three months ended March 31, 2023 and 2022, the audited consolidated financial statements and related notes of the Company for the years ended December 31, 2022 and 2021, prepared under IFRS. Amounts are stated in thousands of Canadian dollars except volumes and per share data, unless otherwise noted. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended December 31, 2022. Additional information about Gibson, including the AIF for the year ended December 31, 2022, is available on SEDAR at www.sedar.com and at www.gibsonenergy.com. This MD&A contains forward-looking statements and specified financial measures and readers are cautioned that this MD&A should be read in conjunction with the Company's disclosures under "Forward-Looking Information" and "Specified Financial Measures". For a list of common terms or abbreviations used in this MD&A, refer to "Terms and Abbreviations".

Specified Financial Measures

The Company has identified certain specified financial measures that management believes provide meaningful information in assessing the Company's underlying performance. Readers are cautioned that these measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Refer to the "Specified Financial Measures" section of this MD&A for a list and description of each measure, including reconciliations to the most directly comparable GAAP measures.

BUSINESS OVERVIEW

Gibson is a Canadian-based liquids infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of liquids and refined products. Headquartered in Calgary, Alberta, the Company's operations are focused around its core terminal assets located in Hardisty and Edmonton, Alberta, the Moose Jaw Facility located in Moose Jaw, Saskatchewan, and an infrastructure position in the U.S.

CONSOLIDATED FINANCIAL RESULTS

	Three months ended March 31,		
($ thousands, except where noted)	**2023**	**2022**	**Change**
Revenue	2,366,040	2,688,452	(322,412)
Segment profit [(1)]	178,402	137,625	40,777
Adjusted EBITDA [(2)]	154,839	120,660	34,179
Net income	88,251	51,970	36,281
Cash flow from operating activities	159,527	305,736	(146,209)
Distributable cash flow [(2)]	107,401	79,119	28,282
Growth capital including equity investments [(3)]	16,478	35,828	(19,350)
Basic income per share ($/share)	0.62	0.35	0.27
Diluted income per share ($/share)	0.61	0.35	0.26
Dividends declared	55,581	54,575	1,006
Dividends ($/share)	0.39	0.37	0.02

	Trailing twelve months ended March 31,		
	2023	**2022**	**Change**
Ratios			
Net debt to adjusted EBITDA ratio [(4)]	2.4	2.7	(0.3)
Debt to capitalization ratio	50%	47%	3%
Interest coverage ratio	11.2	11.3	(0.1)
Dividend payout ratio [(4)]	56%	68%	(12%)
Cash flow from operating activities ($/share) – basic	3.12	3.27	(0.15)
Distributable cash flow per share ($/share) – basic [(4)]	2.65	2.09	0.56

(1) Total segment profit is a total of segments measure. See the "Specified Financial Measures" section of this MD&A for more information.
(2) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.
(3) Growth capital including equity investments is a supplementary financial measure. See the "Specified Financial Measures" section of this MD&A for more information.
(4) Net debt to adjusted EBITDA ratio, dividend payout ratio and distributable cash flow per share ratio are non-GAAP financial ratios. See the "Specified Financial Measures" section of this MD&A for more information on each non-GAAP financial ratio.

- Revenue of $2,366.0 million decreased by $322.5 million for the three months ended March 31, 2023, compared to $2,688.5 million for the three months ended March 31, 2022, primarily due to lower average commodity prices.
- Segment profit of $178.4 million increased by $40.8 million for the three months ended March 31, 2023, compared to $137.6 million for the three months ended March 31, 2022, primarily due to an increase in segment profit for the Marketing segment.
- Adjusted EBITDA of $154.8 million increased by $34.1 million for the three months ended March 31, 2023, compared to $120.7 million, for the three months ended March 31, 2022, primarily due to an increase in segment profit as described above.
- Net income of $88.3 million increased by $36.3 million for the three months ended March 31, 2023, compared to $52.0 million for the three months ended March 31, 2022, primarily due to improved performance in the Marketing segment as described above and lower depreciation expense as a result of revision to the useful lives of tangible assets in the fourth quarter of 2022, partially offset by higher interest and income tax expenses.
- Cash flow from operating activities of $159.5 million decreased by $146.2 million for the three months ended March 31, 2023, compared to $305.7 million for the three months ended March 31, 2022, primarily due to changes in working capital items, partially offset by higher earnings during the current period as noted above.
- Distributable cash flow of $107.4 million increased by $28.3 million for the three months ended March 31, 2023, compared to $79.1 million for the three months ended March 31, 2022, primarily due to higher Adjusted EBITDA in the current period as described above, partially offset by higher current income tax expense, interest expense and replacement capital expenditures. The dividend payout ratio is 56% for the twelve months ended March 31, 2023.
- Growth capital expenditures including equity investments was $16.5 million for the three months ended March 31, 2023, primarily directed towards projects at the Edmonton Terminal and various optimization projects at the Hardisty Terminal and the Moose Jaw Facility.
- Net debt to adjusted EBITDA ratio of 2.4x as at March 31, 2023, an improvement of 0.3x, compared to 2.7x as at March 31, 2022, primarily due to the increase in adjusted EBITDA. Long-term debt as at March 31, 2023, was $1,577.1 million (March 31, 2022 - $1,480.0 million).
- During the three months ended March 31, 2023, the Company repurchased 1.1 million common shares at an average price of $23.43 per common share for a total consideration of $26.8 million.
- The Company declared quarterly dividends of $0.39 per common share for the three months ended March 31, 2023, compared to $0.37 per common share for the three months ended March 31, 2022. Total dividends declared for the three months ended March 31, 2023, were $55.6 million, compared to $54.6 million for the three months ended March 31, 2022.
- On February 10, 2023, the Company amended its $750.0 million sustainability-linked revolving credit facility and extended its maturity date from April 2027 to February 2028, amongst other amendments.

SUBSEQUENT EVENTS

- Subsequent to the end of the quarter, the Company repurchased an additional 0.7 million common shares for total consideration of $15.0 million.
- On May 1, 2023, the Board declared a quarterly dividend on its outstanding common shares of $0.39 per common share, for the second quarter of 2023. The common share dividend is payable on July 17, 2023, to shareholders of record at the close of business on June 30, 2023.

RESULTS OF OPERATIONS AND TRENDS IMPACTING THE BUSINESS

Gibson regularly evaluates its long-range strategic plan in order to assess the implications of emerging macroeconomic, societal, political and industry trends, and how these trends have the potential to affect Gibson's business and prospects over the short-term and the medium to long-term. Management has identified risk factors that could have a material impact on the financial results and operations of the Company. Such risk factors are described in the "Risk Factors" section of the 2022 year end MD&A and AIF, which have been updated as appropriate in this MD&A. The Company's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described within the "Forward-Looking Information" section of this MD&A. This MD&A contains forward-looking statements based on Company's current expectations, estimates, projections and assumptions. This information is provided to assist readers in understanding the Company's future plans and expectations and may not be appropriate for other purposes.

Senior management evaluates segment performance based on a variety of measures depending on the segment being evaluated, including segment profit, segment revenue and volumes. The Company defines segment profit as revenue less cost of sales (excluding depreciation, amortization and impairment charges) and operating expenses. Segment profit also includes the Company's share of equity pick up from equity accounted investees. Segment revenue presented in the tables below include inter-segment revenue, as this is considered more indicative of the level of each segment's activity. Profit by segment excludes depreciation, amortization, accretion, impairment charges, stock-based compensation, and corporate expenses such as income taxes, interest and general and administrative expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items, as one of the Company's important measures of segment performance. The exclusion of depreciation, amortization and impairment expense could be viewed as limiting the usefulness of segment profit as a performance measure because it does not take into account, in current periods, the implied reduction in value of the Company's capital assets (such as, tanks, pipelines and connections, and plant and equipment) caused by use, aging and wear and tear. Repair and maintenance expenditures that do not extend the useful life, improve the efficiency or expand the operating capacity of the Company's capital assets are charged to operating expense as incurred. Adjusted EBITDA is a non-GAAP financial measure that, as described in "Specified Financial Measures", adjusts for certain non-cash items that are not reflective of ongoing operations while still being included in segment profit.

The Company's segment analysis involves an element of judgment relating to the allocations between segments. Inter-segment sales, cost of sales and operating expenses are eliminated on consolidation. Transactions between segments and within segments are valued at prevailing market rates. The Company believes that the estimates with respect to these allocations and rates are reasonable.

The following is a discussion of the Company's segmented results of operations for the three months ended March 31, 2023, and 2022:

INFRASTRUCTURE

The Infrastructure segment is comprised of a network of liquids infrastructure assets that include 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 crude oil and refined products out of the WCSB; the DRU which is located adjacent to the Hardisty Terminal; gathering pipelines which are connected to the Hardisty Terminal; the Moose Jaw Facility; and an infrastructure position located in the U.S. Select assets are impacted by maintenance turnarounds typically occurring within the spring every few years.

The Company is responding to the energy transition and evaluating strategic opportunities including advancing select projects and investing in new technologies. Desire for low carbon alternatives by customers, increasing competition and changes in demand could have an impact on the nature of services offered as the Company executes on those plans. The Company placed two significant projects relating to the energy transition in service in the second quarter of 2022, allowing the blending of biofuels at the Edmonton Terminal and the Moose Jaw Facility fuel switching project. Geopolitical instability in certain regions of the world and concern regarding energy security may have short and medium term impacts on the desirability of Canadian oil and gas, impacting the demand for the Company's infrastructure. The Infrastructure segment primarily derives revenue from stable long-term take-or-pay agreements with investment grade counterparties. These trends could also impact the Company's ability to renew or renegotiate these contracts and may impact operational and financial results of the Infrastructure segment.

The following table sets forth the operating results from the Company’s Infrastructure segment for the three months ended March 31, 2023, and 2022:

	Three months ended March 31,		
($ thousands, except volumes)	**2023**	**2022**	**Change**
Volumes (in thousands of bbls)	118,745	119,092	(347)
Revenue	132,087	129,082	3,005
Operating expenses and other (1)	25,516	22,105	3,411
Segment profit	106,571	106,977	(406)
Adjusted EBITDA (2)	108,006	108,988	(982)

(1) Includes the Company’s share of equity pick up from equity accounted investees.

(2) Adjusted EBITDA is a non-GAAP financial measure. See the “Specified Financial Measures” section of this MD&A for information on each non-GAAP financial measure.

Operational Performance

In the three months ended March 31, 2023, compared to the three months ended March 31, 2022:

Infrastructure volumes were relatively consistent.

Financial Performance

In the three months ended March 31, 2023, compared to the three months ended March 31, 2022:

Revenue increased by $3.0 million or 2%, primarily driven by the contribution of the biofuels blending project placed in service in the second quarter of 2022.

Operating expenses and other increased by $3.4 million or 15%, driven primarily by higher power costs and environmental initiatives, partially offset by an increase in the Company’s share of earnings from its equity investments.

Adjusted EBITDA and segment profit were relatively consistent, as a result of the factors discussed above.

MARKETING

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

The Marketing segment is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets and/or hydrocarbon qualities. These risks are managed by purchasing and selling products at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, swaps, futures, options and other hedging instruments.

Fair values of these derivative contracts fluctuate depending on the commodity prices and can impact segment profits in the form of realized or unrealized gains and losses, often offset by physical inventories, that can change significantly period over period. Increased interest rates and persistent inflation may induce a period of declining economic activity, coupled with the impact of the recent collapse of a U.S. financial institution and concerns around a global financial crisis, all of which impacted the commodity prices negatively in the first quarter of 2023. For more information about the risks associated with the Company’s use of financial instruments please refer to “Quantitative and Qualitative Disclosures about Market Risks” and “Risk Factors” within the MD&A.

Road asphalt activity, related to refined products, is affected by the impact of weather conditions on road construction. Road asphalt demand peaks during the summer months when most of the road construction activity in North America takes place. In the off-peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling and completion activities, with activity normally the busiest in the winter months. Demand for natural gas liquids is also highest in the colder months of the year.

	Three months ended March 31,		
($, except where noted)	**2023**	**2022**	**Change**
WTI average price ($USD/bbl)	75.99	94.29	(18.30)
WCS average differential ($USD/bbl)	19.63	14.53	5.10
Average foreign exchange rates ($CAD/$USD)	1.35	1.26	0.09

The following table sets forth operating results from the Company's Marketing segment for the three months ended March 31, 2023, and 2022:

	Three months ended March 31,		
($ thousands, except volumes)	**2023**	**2022**	**Change**
Volumes (in thousands of bbls)	57,940	58,088	(148)
Revenue	2,313,227	2,650,918	(337,691)
Cost of sales and other expenses	2,241,396	2,620,270	(378,874)
Segment profit	71,831	30,648	41,183
Adjusted EBITDA [1]	58,750	20,608	38,142

(1) Adjusted EBITDA is a non-GAAP financial measure. See the "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

Operational Performance

In the three months ended March 31, 2023, compared to the three months ended March 31, 2022:

Marketing volumes were relatively consistent, with a slight increase in the proportion of refined product volumes due to both market optimization strategies and higher demand for certain products in the current period.

Financial Performance

In the three months ended March 31, 2023, compared to the three months ended March 31, 2022:

Revenue decreased by $337.7 million or 13% and cost of sales and other expenses decreased by $378.9 million or 14%. The decreases were largely due to lower average prices for crude oil, partially offset by modestly higher volumes for refined products as noted above.

Adjusted EBITDA increased by $38.1 million or 185%. The increase was largely driven by higher refined product margins as well as a modest improvement in the availability of quality, location and time-based opportunities for Crude Marketing in the current period.

Segment profit increased by $41.2 million or 134%, due to the same factors as adjusted EBITDA, as well as the effect of unrealized gains on financial instruments recorded in the respective periods.

EXPENSES

($ thousands)	Three months ended March 31, 2023	2022	Change
General and administrative	11,917	8,936	2,981
Depreciation and impairment	19,547	30,108	(10,561)
Right-of-use depreciation and impairment	6,332	6,410	(78)
Amortization and impairment	2,276	1,921	355
Stock based compensation	4,146	6,155	(2,009)
Foreign exchange loss	467	1,202	(735)
Net interest expense	18,419	14,921	3,498
Income taxes	27,047	16,002	11,045

In the three months ended March 31, 2023, compared to the three months ended March 31, 2022:

General and administrative, excluding depreciation and amortization

General and administrative expenses increased by $3.0 million, primarily due to higher spending on technology initiatives in the current period and the resumption of certain activities after the lifting of many COVID-19 restrictions early in 2022.

Depreciation and impairment

Depreciation and impairment expense decreased by $10.6 million, primarily due to a revision in estimated useful lives of certain assets completed during the fourth quarter of 2022.

Right-of-use asset depreciation and impairment

Right-of-use asset depreciation and impairment expense was relatively consistent.

Amortization and impairment

Amortization and impairment expense was relatively consistent.

Stock based compensation

Stock based compensation expense decreased by $2.0 million, primarily due to the relative movement of the Company's share price in the comparable quarters, and an overall reduction in the number of awards issued in 2023.

Foreign exchange loss not affecting segment profit

Foreign exchange loss not affecting segment profit decreased by $0.7 million, due to the net movements of the exchange rates during the respective periods.

Net interest expense

Net interest expense increased by $3.5 million, primarily due to higher average interest rates and a higher average draw on the Company's revolving credit facility during the current period.

Income taxes

Income tax expense increased by $11.0 million, with deferred income tax expense of $11.5 million and current income tax expense of $15.5 million, compared to a deferred income tax expense of $6.4 million and current income tax expense of $9.6 million. The increase in income taxes is driven by higher earnings.

The effective tax rate was 23.5% for the three months ended March 31, 2023, and March 31, 2022.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Company's quarterly results for each of the last eight quarters:

($ thousands, except per share amounts)	2023	2022				2021		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	2,366,040	2,499,372	2,651,883	3,195,704	2,688,452	2,119,027	1,807,633	1,674,756
Net income	88,251	63,891	71,465	35,919	51,970	43,917	35,996	32,363
Adjusted EBITDA [(1)]	154,839	137,334	149,413	113,572	120,660	103,762	110,716	127,678
Earnings per share								
Basic ($/share)	0.62	0.45	0.49	0.24	0.35	0.30	0.25	0.22
Diluted ($/share)	0.61	0.43	0.48	0.24	0.35	0.29	0.24	0.22

(1) Adjusted EBITDA is a non-GAAP financial measure. See "Specified Financial Measures" section of this MD&A for information on each non-GAAP financial measure.

For more details on the specific factors driving the periodic movements, refer to "Results of Operations and Trends Impacting the Business". The following identifies the key drivers in segment profitability over the last eight quarters:

Infrastructure – The Infrastructure segment has progressively commissioned new storage capacity and related infrastructure, typically underpinned by long-term, stable fee-based contracts.

Select significant drivers and/or select projects put into service over the past eight quarters include:

- Revision to estimated useful lives of certain assets during the fourth quarter of 2022, leading to reduced depreciation expense
- The biofuels blending project at Edmonton Terminal was placed into service during the second quarter of 2022
- The Moose Jaw Facility fuel switching project was placed into service during the second quarter of 2022
- The DRU commenced operations in the third quarter of 2021
- The Company received a payment for the present value of the remaining term of a rail loading contract in the second quarter of 2021

Marketing – The Marketing segment's activities, including its location, quality and time-based strategies as well as the sale of refined products, are highly impacted by various factors that often fluctuate quarter over quarter. While certain of these variables, including exposure to the underlying commodity, are actively managed, the specific profit drivers for the Marketing segment generally vary from period to period. Through most of the current period the opportunities and margins available to both Crude Marketing and Moose Jaw Refined Products modestly improved.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

($ thousands)	Coupon Rate	Maturity	March 31, 2023	December 31, 2022
Unsecured revolving credit facility	floating	2028	185,000	255,000
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 (1)	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(7,931)	(8,228)
Total debt outstanding			1,577,069	1,646,772
Lease liability			67,910	71,700
Cash and cash equivalents			(40,586)	(83,596)
			1,604,393	1,634,876
Total share capital			1,962,870	1,964,515
Total capital			3,567,263	3,599,391

(1) The unsecured hybrid notes are included in the above total capital calculation in accordance with the Company's view of its capital structure which includes shareholders' equity and long-term debt, lease liabilities and working capital. The unsecured hybrid notes and associated interest payments are excluded from the definition of consolidated debt for the purposes of debt to capitalization as well as the consolidated interest coverage covenant ratios.

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures, its working capital needs and its dividend. In addition, the Company must service its debt, including interest payments. The Company expects to source funds required to service its debt from cash and cash equivalents, cash flow from operations, its revolving credit facility and by accessing the capital markets. The Company currently anticipates its cash flow from operations, the majority of which is derived from long-term take-or-pay contracts, to be sufficient to meet its operating obligations, fund capital expenditures and pay its dividend. Where the Company generates cash flow in excess of its dividends and capital investment opportunities, and its financial position is deemed sufficiently strong by the Company, increased use of the NCIB may be pursued in order to return cash to shareholders. As a result of taking a disciplined and proactive approach, the Company has extended the maturity of its debt through the extension of the maturity date of its revolving credit facility (as discussed below) and has no notes maturing until 2025. However due to changes in the macro environment, including inflationary pressure, interest rate hikes from central banks, and concerns around a global financial crisis, the Company's ability to access financing in the capital markets at attractive terms could be adversely impacted. Refer to "Risk Factors" in the Company's 2022 year end MD&A and the AIF for more information. The Company continues to monitor the macro environment and remains satisfied that its disciplined approach employed with respect to its capital structure is appropriate given the characteristics and operations of the underlying asset base.

The Company may adjust its capital structure as a result of changes in current or expected economic and/or market conditions or its underlying business. Adjustments to the capital structure may result in refinancing or renegotiating its existing debt, issuance of new debt, issuance of equity or hybrid securities and the repurchase of common shares.

The Company has a normal course issuer bid on the TSX, which expires August 30, 2023. During the three months ended March 31, 2023, the Company repurchased for cancellation 1.1 million common shares at an average price of $23.43 per common share for total consideration of $26.8 million.

Revolving credit facility

The revolving credit facility is available to provide financing for working capital, fund capital expenditures and other general corporate purposes. In the first quarter of 2023, the Company extended the maturity date of the revolving credit facility from April 2027 to February 2028, amongst other amendments.

As at March 31, 2023, the Company had a cash balance of $40.6 million and had the ability to utilize borrowings under the revolving credit facility of $565.0 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 $37.7 million (March 31, 2022 - $34.9 million).

Cash Flow Summary

The Company's operating cash flow is generally impacted by the overall profitability and working capital requirements within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently implement the Company's growth strategy and manage costs.

The following table summarizes the Company's sources and uses of funds for the three months ended March 31, 2023, and 2022:

Statement of cash flows	**Three months ended March 31,**		
($ thousands)	**2023**	**2022**	**Change**
Cash inflow (outflow):			
Operating activities	159,527	305,736	(146,209)
Investing activities	(21,092)	(47,851)	26,759
Financing activities	(181,122)	(266,040)	84,918
Net decrease in cash and cash equivalents	(42,687)	(8,155)	(34,532)

Cash Inflow from Operating Activities

Cash inflow from operating activities was $159.5 million for the three months ended March 31, 2023, compared to $305.7 million for the three months ended March 31, 2022. The changes were primarily driven by the following:

- Cash inflow from operations before income taxes and working capital changes of $154.6 million, compared to $115.1 million primarily due to higher segment profit in the current period;
- Cash inflow from changes in working capital of $16.5 million compared to cash inflow of $196.5 million, primarily due to the impact of commodity price changes in the prior period; and
- Income tax installments of $11.6 million compared to $5.9 million, primarily due to higher segment profit as discussed above.

Cash inflow and outflow from operating activities and working capital requirements for the Marketing segment are strongly influenced by the amount of inventory purchased and subsequently held in storage, as well as by the commodity prices at which inventory is bought and sold. Commodity prices and inventory demand fluctuate over the course of the year in relation to general market forces and seasonal demand for certain products, and, accordingly, working capital requirements related to inventory also fluctuate with changes in commodity prices and demand. The primary drivers of working capital requirements are the collection of amounts related to sales of products such as crude oil, asphalt and other products and fees for services associated with the Company's Infrastructure segment. Offsetting these collections are payments for purchases of crude oil and other products, primarily within the Marketing segment, and other expenses. Historically, the Marketing segment has been the most variable with respect to generating cash flows and working capital due to the impact of crude oil price levels and the volatility that price changes and crude oil grade basis changes have on the cash flows and working capital requirements of this segment (refer to "Results of Operations and Trends Impacting the Business" for more details).

Cash Outflow from Investing Activities

Cash outflow from investing activities was $21.1 million for the three months ended March 31, 2023, compared to $47.9 million for the three months ended March 31, 2022, and consists primarily of capital expenditures related to the construction of infrastructure at the Hardisty and Edmonton Terminals and the Moose Jaw Facility. The period over period decrease primarily relates to the timing of invoice payments on capital projects that resulted in higher cash outflow in the prior period. For a summary of capital expenditures, see the "Capital Expenditures and Equity Investments" discussion included in this MD&A.

Cash Outflow from Financing Activities

Cash outflow from financing activities was $181.1 million for three months ended March 31, 2023, compared to a cash outflow from financing activities of $266.0 million for the three months ended March 31, 2022. The decrease was primarily due to $70.0 million repayment on the revolving credit facility in the current period, compared to a $180.9 million repayment in the prior period. Additional factors impacting the period over period change include the repurchase of common shares under the NCIB of $26.8 million in the current period compared to $19.4 million in the prior period, as well as proceeds from the exercise of stock options of $15.0 million in the prior period.

Credit Risk

The Company actively monitors the financial strength of its customers and, in select cases, has tightened credit terms to minimize the risk of default on trade receivables. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company assess all counterparties before entering into agreements, and actively monitors exposure and credit limits across the business. The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The carrying amount of the Company's net trade and other receivables represents the maximum counterparty credit exposure, without taking into account any security held.

Credit Ratings and Covenants

The Company's ability to access debt in the capital markets depends, in part, on the credit ratings determined by rating agencies for the Company's debt. A downgrade could increase the interest rates applicable to borrowings under the revolving credit facility or increase the interest rate applicable on any new or restructured debt issuances. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor.

There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Rating agencies will regularly evaluate the Company's financial strength. A credit rating downgrade could impair the Company's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets in the future and increase the costs of borrowing. The Company's senior unsecured notes are rated, on a solicited basis, by DBRS Limited as 'BBB (low)' and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, as 'BBB-'. For a fulsome discussion of credit ratings, and their impact on the Company, refer to the AIF.

The Company is also required to meet certain specific and customary affirmative and negative financial covenants under its revolving credit facility, including the maintenance of certain financial ratios, requiring the Company to maintain a total consolidated debt to capitalization ratio no greater than 65% as well as to maintain a minimum consolidated interest coverage ratio of no less than 2.5 to 1.0. The consolidated total debt to capitalization ratio represents the ratio of all debt obligations on the financial statements to total capitalization (total debt plus total shareholders' equity, including certain adjustments). The consolidated interest coverage ratio represents the ratio of Consolidated EBITDA (as defined by the revolving credit facility) to consolidated cash interest expense calculated in accordance with the revolving credit facility.

As at March 31, 2023, the total consolidated debt to capitalization ratio was 50% and the consolidated interest coverage ratio was 11.2 to 1.0. The covenant tests used for debt purposes excludes all of the unsecured hybrid notes, and the interest thereon, in the calculation. An event of default resulting from a breach of a financial covenant may result, at the option of the lenders holding a majority of the indebtedness, in an acceleration of the repayment of the principal and interest outstanding and a termination of the revolving credit facility.

As at March 31, 2023, the Company was in compliance with all existing covenants under the senior unsecured notes, unsecured hybrid notes and revolving credit facility.

For additional information regarding these financial covenants, refer to the Company's various debt agreements available on SEDAR at www.sedar.com.

Dividends

The Company is currently paying quarterly dividends to holders of common shares. The amount and timing of any future dividends payable by the Company will be at the discretion of the Board and established on the basis of, among other items, the Company's earnings, funding requirements for operations, the satisfaction of a solvency calculation, and the terms of the Company's debt agreements and indentures. In addition, in connection with Company's dividend policy, after each fiscal year end the Board will formally review the annual dividend amount. During the first quarter of 2023, the Board declared dividends of $0.39 per common share.

Contractual Obligations and Contingencies

The following table presents, as at March 31, 2023, the Company's obligations, and commitments to make future payments under contracts and contingent commitments:

		Payments due by period			
($ thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	1,585,000	-	325,000	510,000	750,000
Interest payments on long-term debt	933,687	48,351	91,392	74,600	719,344
Lease and other commitments (1)	75,689	33,843	32,904	8,942	-
Total contractual obligations	2,594,376	82,194	449,296	593,542	1,469,344

(1) Lease and other commitments relate to office leases, rail cars, vehicles, various equipment leases and terminal services arrangements

Contingencies

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

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated decommissioning obligations and environmental remediation. Estimates of decommissioning obligations and environmental remediation costs can change significantly based on such factors as operating experience and changes in legislation and regulations.

CAPITAL EXPENDITURES AND EQUITY INVESTMENTS

($ thousands)	**Three months ended March 31, 2023**
Infrastructure	16,365
Corporate and other projects	113
Growth capital (1)	16,478
Equity investments	-
Replacement capital (1)	5,335
Total capital expenditures and equity investments	21,813

(1) Growth capital and replacement capital are supplementary financial measures. See the "Specified Financial Measures" section of this MD&A for information on each supplementary financial measure.

The Company continues to invest capital primarily in expanding and augmenting existing terminals and associated infrastructure at the Hardisty Terminal, the Edmonton Terminal and its Moose Jaw Facility. The Company continues to engage in numerous commercial discussions for additional infrastructure, including but not limited to, at the Edmonton Terminal to support shippers on the Trans Mountain pipeline expansion, opportunities under the MSA with Suncor at the Edmonton Terminal and additional phases of the DRU. In addition, the Company continues to expand and improve its facilities, increasing throughput capacity and the number of upstream and downstream connections. Growth capital expenditures reflect projects intended to improve the Company's profitability directly or indirectly. The following represents key activities with respect to major growth projects during the three months ended March 31, 2023:

- The Company continued construction on the previously announced 435,000-barrel tank at the Edmonton Terminal, under a long-term, take-or-pay contract with a new investment grade customer, expected to be placed in-service in the fourth quarter of 2023. The project is currently expected to be completed on time and on budget.

Corporate and other projects represent spending on information technology initiatives at the corporate and business unit level.

Replacement capital expenditures are intended to keep the Company's existing infrastructure operating safely and reliably. These expenditures include replacement of existing infrastructure, maintenance work which extends the economic life, scheduled tank and pipeline inspections.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and preferred shares issuable in series. The number of preferred shares, in the aggregate, which may be issued and outstanding at any time shall be limited to a number equal to but not more than twenty percent (20%) of the number of issued and outstanding common shares at the time of issuance of any preferred shares. As at March 31, 2023, there were 142.5 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 2.4 million restricted share units, performance share units and deferred share units outstanding and 0.4 million stock options outstanding as at March 31, 2023.

As at March 31, 2023, awards available to grant under the equity incentive plan were approximately 2.9 million.

As at April 28, 2022, 141.9 million common shares, 2.4 million restricted share units, performance share units and deferred share units and 0.4 million stock options were outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is involved in various commodity related marketing activities that are intended to enhance the Company's operations and increase profitability. These activities often create exposure to price risk between the time contracted volumes are purchased and sold and to foreign exchange risk when contracts are in different currencies (Canadian dollar versus U.S. dollar). The Company is also exposed to various market risks, including volatility in (i) crude oil, refined products, natural gas and NGL prices, (ii) interest rates, and (iii) currency exchange rates. The Company utilizes various derivative instruments from time to time to manage commodity price, interest rate, currency exchange rate, and, in certain circumstances, to realize incremental margin during volatile market conditions. The Company's commodity trading and risk management policies and procedures are designed to establish and manage to an approved level of risk. The Company has a Commodity Risk Management Committee that has direct responsibility to establish and oversee the Company's risk policies, trading controls and procedures. The Company's risk policies, trading controls and procedures are intended to mitigate risks that are inherent in the Company's Marketing business. To hedge the risks discussed above, the Company engages in risk management activities that the Company categorizes by the risks the Company is hedging and by the physical product that is creating the risk. The following discussion addresses each category of risk.

Commodity Price Risk. The Company typically hedges its exposure to price fluctuations with respect to crude oil, refined products, natural gas, differentials and NGLs, and expected purchases and sales of these commodities (relating primarily to crude oil, roofing flux and NGLs). The derivative instruments utilized consist primarily of futures and option contracts traded on the New York Mercantile Exchange, the Intercontinental Exchange and over-the-counter transactions. The Company's policy is to transact only in commodity derivative products for which the Company physically transacts, and to structure the Company's hedging activities so that price fluctuations for those products do not materially affect the net cash the Company ultimately receives from its commodity related marketing activities.

Although the Company generally seeks to maintain a position that is substantially balanced within the Company's various commodity purchase and sales activities, the Company may experience net unbalanced positions as a result of a strategy to take advantage of anticipated market opportunities and/or production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions.

The intent of the Company's risk management strategy is to hedge the Company's margin. However, the Company has not applied nor attempted to qualify for hedge accounting. Thus, changes in the fair values of the Company's derivatives are recognized in earnings and result in greater potential for earnings volatility.

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil, differentials and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change in crude oil and NGL prices would increase the Company's net income by $ 23.3 million and $13.5 million as of March 31, 2023, and 2022. A 15% unfavorable change in crude oil and NGL prices would decrease the Company's net income by $23.3 million and $13.5 million as of March 31, 2023, and 2022. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risk. The Company's long-term debt, excluding the revolving credit facility, accrues interest at fixed interest rates and accordingly, changes in market interest rates do not expose the Company to future interest cash outflow variability. At March 31, 2023, the Company had $185.0 million (March 31, 2022 – $89.1 million) drawn under the revolving credit facility which is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either the Canadian Prime Rate, U.S. LIBOR, U.S. Base Rate or Canadian Bankers' Acceptance Rate, plus an applicable margin based on the Company's total leverage ratio. A 1% increase or decrease in interest rates would, based on current rates and balances, decrease or increase the Company's net income by $1.9 million (as at March 31, 2022 – $0.9 million).

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenue and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e. revenue and expenses are approximately matched), but, where appropriate, are covered using forward exchange contracts or currency swaps. The foreign currency forward exchange contracts including currency swaps entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. The Company expects to continue to enter into financial derivatives, primarily forward contracts and currency swaps, to reduce foreign exchange volatility. A 5% increase or decrease in foreign exchange rates between $US and $CAD, based on current balances, would increase, or decrease the Company's net income by $7.9 million (March 31, 2022 – $8.8 million).

As at March 31, 2023, the Company had no U.S. dollar denominated debt as part of its draw on its revolving credit facility.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment especially in times of increased volatility and uncertainty. Actual results may vary from estimates in amounts that may be material. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's condensed consolidated financial statements or the Infrastructure or Marketing segments individually.

There have been no significant changes to critical accounting policies, judgements and estimates during the three months ended March 31, 2023, from those disclosed in the Company's 2022 year end consolidated financial statements and MD&A.

ACCOUNTING POLICIES

Adoption of new accounting standards:

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

- 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. The Company has assessed this amendment and has applied it with no material impact on its condensed consolidated financial statements. These amendments are effective for periods beginning on or after January 1, 2023.

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 condensed 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 and how to determine that an entity has the right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2024.

DISCLOSURE CONTROLS AND PROCEDURES

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's DC&P and ICFR were effective as at March 31, 2023. There have been no changes in ICFR that occurred during the period beginning January 1, 2023, and ending on March 31, 2023, that has materially affected or is reasonably likely to materially affect the Company's ICFR.

SPECIFIED FINANCIAL MEASURES

The Company uses several financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with GAAP. NI 52-112 prescribes disclosure requirements that apply to non-GAAP financial measures, non-GAAP ratios, supplementary financial measures, capital management measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. Presenting non-GAAP financial measures helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Company's operations. The non-GAAP financial measures used by the Company are adjusted EBITDA and distributable cash flow. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income, cash flow from operating activities, segment profit, gross profit or other measures of financial results determined in accordance with GAAP as an indication of the Company's performance.

Noted below is the additional information about the composition of these non-GAAP financial measures, including the quantitative reconciliation, as required by NI 52-112:

a) Adjusted EBITDA

Adjusted EBITDA helps readers to better understand how management analyzes results, shows the impacts of specified items on the results of the reported periods, and allows readers to assess results without the specified items if they consider such items not to be reflective of the underlying performance of the Company's operations. Adjusted EBITDA is defined as earnings before net interest, tax, depreciation, amortization and impairment charges, and specific non-cash charges, including but not limited to unrealized gain/loss on derivative financial instruments, stock-based compensation, adjustment for equity accounted investees (to remove non-cash charges), and corporate foreign exchange gain/loss. These adjustments are made to exclude non-cash charges and other items that are not reflective of ongoing earning capacity of the operations.

Noted below is the reconciliation to the most directly comparable GAAP measures of the Company's segmented and consolidated adjusted EBITDA for the three months ended March 31, 2023, and 2022:

Three months ended March 31	**Infrastructure**		**Marketing**		**Corporate and Adjustments**		**Total**	
($ thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Segment Profit	106,571	106,977	71,831	30,648	-	-	178,402	137,625
Unrealized gain on derivative financial instruments	-	-	(13,081)	(10,040)	-	-	(13,081)	(10,040)
General and administrative	-	-	-	-	(11,917)	(8,936)	(11,917)	(8,936)
Adjustments to share of profit from equity accounted investees	1,435	2,011	-	-	-	-	1,435	2,011
Adjusted EBITDA	108,006	108,988	58,750	20,608	(11,917)	(8,936)	154,839	120,660

($ thousands)	Three Months ended March 31, 2023	2022
Net Income	88,251	51,970
Income tax expense	27,047	16,002
Depreciation, amortization, and impairment charges	28,155	38,439
Net finance costs	18,419	14,921
Unrealized gain on derivative financial instruments	(13,081)	(10,040)
Stock based compensation	4,146	6,155
Adjustments to share of profit from equity accounted investees	1,435	2,011
Corporate foreign exchange loss	467	1,202
Adjusted EBITDA	154,839	120,660

b) Distributable Cash Flow

Distributable cash flow is used to assess the level of cash flow generated and to evaluate the adequacy of internally generated cash flow to fund dividends and is frequently used by securities analysts, investors, and other interested parties. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Replacement capital expenditures and lease payments are deducted from distributable cash flow as there is an ongoing requirement to incur these types of expenditures. The Company may deduct or include additional items in its calculation of distributable cash flow. These items would generally, but not necessarily, be items of an unusual, non-recurring, or non-operating in nature. The following is a reconciliation of distributable cash flow from operations to its most directly comparable GAAP measure, cash flow from operating activities:

($ thousands)	Three months ended March 31, 2023	2022
Cash flow from operating activities	159,527	305,736
Adjustments:		
Changes in non-cash working capital and taxes paid	(4,879)	(190,653)
Replacement capital	(5,335)	(2,168)
Cash interest expense, including capitalized interest	(16,799)	(13,619)
Lease payments	(9,572)	(10,596)
Current income tax	(15,541)	(9,581)
Distributable cash flow	107,401	79,119

($ thousands)	Twelve months ended March 31, 2023
Cash flow from operating activities	452,103
Adjustments:	
Changes in non-cash working capital and taxes paid	104,198
Replacement capital	(25,408)
Cash interest expense, including capitalized interest	(62,996)
Lease payments	(34,373)
Current income tax	(49,034)
Distributable cash flow	384,490

NON-GAAP FINANCIAL RATIOS

The Company uses non-GAAP ratios that do not have standardized meanings under GAAP and that therefore may not be comparable to similar measures used by other companies. A non-GAAP ratio is a ratio in which at least one component is a non-GAAP financial measure. The Company uses non-GAAP ratios to present aspects of its financial performance or financial position, including dividend payout ratio, net debt to adjusted EBITDA ratio and distributable cash flow per share ratio. Noted below is additional information about the composition of these ratios.

a) Dividend Payout Ratio

Dividend payout ratio is a non-GAAP ratio defined as dividends declared divided by distributable cash flow, on a rolling 12-month basis. This measure is used by securities analysts, investors and others as an indication of the Company's ability to generate cash flows to continue to pay dividends, and the proportion of cash generated that is used to pay dividends to shareholders.

	Twelve months ended March 31,	
	2023	**2022**
Distributable cash flow	384,490	306,439
Dividends declared	216,452	208,463
Dividend payout ratio	56%	68%

b) Net Debt to Adjusted EBITDA Ratio

Net debt to adjusted EBITDA is a non-GAAP ratio, which uses net debt divided by adjusted EBITDA. The Company, lenders, investors and analysts use this ratio to monitor the Company's capital structure, financing requirements and measuring its ability to cover debt obligations over time. Net debt is not a standardized financial measure under GAAP and may not be comparable with measures disclosed by other companies and is a capital management measure.

Net debt is total borrowings (including current and non-current borrowings and lease liabilities), less unsecured hybrid notes and cash and cash equivalents. Unsecured hybrid notes are considered by the Company as equity and therefore excluded.

	Twelve months ended March 31,	
	2023	**2022**
Long-term debt	1,577,069	1,480,033
Lease liabilities	67,910	73,437
Less: unsecured hybrid debt	(250,000)	(250,000)
Less: cash and cash equivalents	(40,586)	(54,129)
Net debt	1,354,393	1,249,341
Adjusted EBITDA	555,158	462,816
Net debt to adjusted EBITDA ratio	2.4	2.7

c) *Distributable Cash Flow per share Ratio*

Distributable cash flow per share is a non-GAAP financial ratio, which is not a standardized financial measure under GAAP and may not be comparable with measures disclosed by other companies. Distributable cash flow per share is calculated by dividing distributable cash flow by the weighted average number of shares outstanding on a rolling 12-month basis. The Company believes that investment analysts, investors and other interested parties use distributable cash flow per share to evaluate the Company's ability to grow its distributable cash flow on a non-diluted basis.

	Twelve months ended March 31,	
($ thousands)	**2023**	**2022**
Cash flow from operating activities	452,103	478,965
Distributable cash flow	384,490	306,439
Weighted average common shares outstanding - basic (*thousands of shares*)	145,100	146,616
Cash flow from operating activities per share ($/share)	3.12	3.27
Distributable Cash Flow per share ($/share)	2.65	2.09

Supplementary Financial Measures

A supplementary financial measure is a financial measure that: (a) is not reported in the Company's condensed consolidated financial statements, and (b) is, or is intended to be, reported periodically to represent historical or expected financial performance, financial position, or cash flows. The supplementary financial measures the Company uses are identified below:

- Growth capital expenditures reflect projects intended to improve the Company's profitability directly or indirectly.
- Growth capital including equity investments includes both growth capital, and amounts invested in the Company's equity investments intended to improve the investments profitability directly or indirectly.
- Replacement capital expenditures intend to keep the Company's existing infrastructure operating safely and reliably. These expenditures include scheduled tank and pipeline inspections, replacement of existing infrastructure, maintenance work which extends the economic life and safe operation of the assets.

Capital Management Measures

The financial reporting framework used to prepare the financial statements requires disclosure that help readers assess the Company's capital management objectives, policies, and processes, as set out in IFRS standard IAS 1 – Presentation of Financial Statements ("IAS 1"). The Company has its own methods for managing capital and liquidity, and IFRS does not prescribe any particular calculation method. In addition to GAAP measures, the Company uses capital management measures of net debt and total capital.

The composition, usefulness and quantitative reconciliation of capital management measures are presented in "Liquidity and Capital Resources" section of this MD&A.

Total of Segments Measures

The Company uses the sum of the total segment revenue and the segment profit of its business segments (namely, Infrastructure and Marketing) in the analysis performed under the "Results of Operations and Trends Impacting the Business" section within this MD&A. Using this method to analyze results, that is, by reflecting inter-segment revenue and profit within segment metrics, the Company can evaluate the relative performance of each segment on a standalone basis.

The Company defines segment profit as revenue less cost of sales (excluding depreciation, amortization and impairment charges) and operating expenses. Segment profit also includes the Company's share of equity pick up from equity accounted investees. Segment profit excludes depreciation, amortization, accretion, impairment charges, stock-based compensation, and corporate expenses such as income taxes, interest and general and administrative expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items, as one of the Company's important measures of segment performance. The exclusion of depreciation, amortization and impairment expense could be viewed as limiting the usefulness of segment profit as a performance measure because it does not take into account, in current periods, the implied reduction in value of the Company's capital assets (such as, tanks, pipelines and connections, and plant, equipment and other assets) caused by use, aging and wear and tear. Repair and maintenance expenditures that do not extend the useful life, improve the efficiency or expand the operating capacity of the Company's capital assets are charged to operating expense as incurred.

($ thousands)	Three months ended March 31, 2023	2022
Segment revenue		
Infrastructure	132,087	129,083
Marketing	2,313,227	2,650,918
Total segment revenue	2,445,314	2,780,002
Revenue – inter-segmental	(79,274)	(91,550)
Total revenue – external	2,366,040	2,688,452
Segment profit		
Infrastructure	106,571	106,977
Marketing	71,831	30,648
Total segment profit	178,402	137,625
Gross profit	145,790	91,894
Share of profit from equity accounted investees	5,188	3,603
Depreciation, amortization and impairment	25,745	36,269
Gain on sale of assets	-	5,259
Other income	1,616	546
Foreign exchange gain	63	54
Total segment profit	178,402	137,625

RISK FACTORS

Shareholders and prospective investors should carefully evaluate risk factors noted by the Company before investing in the Company's securities, as each of these risks may negatively affect the trading price of the Company's securities, the amount of dividends paid to shareholders and the ability of the Company to fund its debt obligations, including debt obligations under its outstanding notes and any other debt securities that the Company may issue from time to time. Other than those risks noted below there have been no material changes to the risk factors presented in the Company's December 31, 2022 MD&A, which is available on SEDAR at www.sedar.com and on the Company's website at www.gibsonenergy.com.

Changes in Tax Legislation – Share Buyback Tax

The 2023 Canadian Federal Budget, released March 28, 2023, provided particulars on the proposed new two percent tax on share buybacks originally announced on November 3, 2022, in the federal government's fall economic statement. The proposed tax, if enacted, will apply to buybacks that occur on or after January 1, 2024. Under the proposal, the two percent tax is based on the net value of the entity's repurchased equity (being the fair market value of the repurchased equity in the taxation year less the fair market value of any equity issued in the taxation year). Anti-avoidance measures have also been proposed to address certain transactions that avoid the buyback tax. The proposals will capture shares repurchased under normal course issuer bids and substantial issuer bids and will increase the effective cost of any shares repurchased thereunder. As a result, the new tax may have an adverse impact on the Company, its financial condition and any future share buybacks, including under normal course issuer bids.

FORWARD-LOOKING INFORMATION

Certain statements and information included or referred to in this MD&A constitute forward-looking information (as such term is defined under applicable Canadian securities laws). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking information. The use of any of the words "anticipate", "plan", "continue", "target", "must", "commit", "estimate", "expect", "extend", "remain", "future", "intend", "may", "can", "will", "project", "should", "could", "would", "believe", "predict", "forecast", "long-term", "potential", "possibility", "opportunity" and similar expressions of future outcomes or statements regarding an outlook are intended to identify forward-looking information. Forward-looking information, included or referred to in this MD&A includes, but is not limited to statements with respect to:

- *the Company's plans and targets, and the achievement thereof, including but not limited to growth and replacement capital expenditure and allocation thereof;*
- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *the Company's projections relating to target segment profit, distributable cash flow, distributable cash flow per share, total cash flow;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's continued capital investment and augmentation of existing terminals and associated infrastructure and engagement in commercial discussions;*
- *continued expansion and improvement of the Company's facilities;*
- *costs, and timing for in-services dates and completion, of expansion and/or construction activities;*
- *the Company's growth strategy to expand in existing and new markets including the anticipated benefits from the Company's basin strategy;*
- *long-term contracts and the terms, counterparties and impacts thereof;*
- *the evaluation of the Company's strategic plan and the key attributes of the Company's business strategy and strengths;*
- *the Company's ability to execute its current business strategy, related milestones and ability to meet its ESG targets and the associated impacts to the Company's reputation and ability to attract capital;*
- *the Company's response to the energy transition and the strategic opportunities available to the Company;*
- *the effect of the Company's credit rating and/or any changes to the Company's credit ratings and relative performance to certain ESG targets on its borrowing costs and ability to enter into arrangements with suppliers or counterparties and access private and public credit markets;*
- *the Company's ability to position itself as a ESG and sustainability leader;*
- *the Company's ESG targets, including its goal of achieving Net Zero Scope 1 and 2 GHG emissions by 2050 and expectations and plans related to its Net Zero by 2050 target pathway and its effectiveness;*
- *the role of sustainable development in future outcomes related to the economy, the Company's climate goals and value generation for stakeholders;*
- *the impact of pipeline projects on the Company's business;*
- *the availability of sufficient capital and liquidity for planned growth;*
- *uncertainty and volatility relating to crude oil prices and price differentials between crude oil streams and blending agents, and the effect thereof on the Company's financial condition;*
- *the effect of competition in regions of North America, and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenue and activities;*
- *the Company's ability to service its debt and to pay down and retire indebtedness;*
- *the sufficiency and sources of funding to service the Company's debt,*
- *the Company's ability to meet its operating obligations, fund capital expenditures and pay dividends;*
- *the appropriateness of the Company's approach to its capital structure, possible changes thereto and the effects thereof;*
- *evaluations by credit rating agencies and the results and effects thereof;*
- *changes to the Company's capital structure, the reasons therefor and the results thereof;*
- *the adequacy of the Company's provisions for restoration, retirement and environmental costs and legal claims and the materiality thereof and the timing and materiality of any such payments;*
- *the Company's plans for additional strategic acquisitions, capital expenditures or other similar transactions, including the costs, timing and completion thereof;*

- *the expected cost relative to budget and in-service dates for new storage capacity and new projects being constructed by the Company;*
- *the Company's planned hedging and risk management activities;*
- *the adequacy of provisions made in respect of legal claims and actions against the Company and anticipated impact in the event any such claims or actions were successful;*
- *the Company's projections of commodity purchase and sales activities;*
- *the continued safe and reliable operation of the Company's infrastructures and the uses of replacement capital expenditure;*
- *the Company's projections of commodity prices, inflation and currency and interest rate fluctuations and their impact on, among other things, the Company's business, results of operations, and ability to access financing on acceptable terms or at all;*
- *the Company's projections with respect to the adoption and implementation of new accounting standards and policies, and their impact on the Company's financial statements;*
- *the sources of the Company's cash flows;*
- *the Company's normal course issuer bid and automatic repurchase plan;*
- *the realization of anticipated benefits from the implementation of cost saving measures;*
- *the Company's projections of dividends; and*
- *the Company's dividend policy and the timing and payment of dividends thereunder.*

With respect to forward-looking information contained in this MD&A, assumptions and estimates have been made regarding, among other things:

- *general economic and industry conditions, including, without limitation, macroeconomic, societal, political and industry trends;*
- *the impacts, in the short and medium term, of geopolitical instability in certain regions of the world and concern regarding energy security;*
- *future growth in world-wide demand for crude oil and petroleum products;*
- *commodity prices;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified and diverse personnel and equipment in a timely and cost-efficient manner or at all;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *the energy transition that is underway as the world shifts towards a lower carbon economy and a maintained industry focus on ESG and the impact thereof on the Company;*
- *the development and performance of technology and new energy efficient products, services and programs including but not limited to the use of zero-emission and renewable fuels, carbon capture and storage, electrification of equipment powered by zero-emission energy sources and utilization and availability of carbon offsets and carbon price outlook;*
- *the Company's relationships with the communities in which we operate;*
- *climate-related estimates and scenarios and the accuracy thereof, including the cost of compliance with climate change legislation and the impact thereof on the Company;*
- *the impact of emerging regulations on the nature of oil and gas operations, expenditures in the oil and gas industry, and demand for products and services;*
- *changes in credit ratings applicable to the Company;*
- *the Company's ability to achieve its Sustainability and ESG targets, the timing thereof and the impact thereof on the Company;*
- *the Company's future investments in new technologies and innovation and the return thereon;*
- *operating and borrowing costs, including those related to the Company's Sustainability and ESG programs;*
- *future capital expenditures to be made by the Company, including its ability to place assets into service as currently planned and scheduled;*
- *the effectiveness of the Company's hedging and risk management activities;*
- *the Company's ability to obtain financing on acceptable terms;*
- *the Company's ability to maintain a strong balance sheet and financial position;*
- *the Company's future debt levels;*
- *the Company's decommissioning obligations and environmental remediation costs;*
- *inflation and changes to interest rates and their impact on the Company;*
- *the impact of increasing competition on the Company;*
- *the impact of changes in government policies on the Company;*

- *the ability of the Company and, as applicable, its partner(s), to construct and place assets into service and the associated costs of such projects;*
- *the Company's ability to generate sufficient cash flow to meet the Company's current and future obligations;*
- *the Company's dividend policy;*
- *product supply and demand;*
- *demand for the services offered by the Company;*
- *the likelihood of success of any claim or action against the Company and the impact thereof;*
- *the Company's ability to re-negotiate contracts for its services on terms favorable to the Company;*
- *the impact of future changes in accounting policies on the Company's consolidated financial statements; and*
- *the Company's ability to successfully implement the plans and programs disclosed in the Company's strategy.*

In addition, this MD&A may contain forward-looking information attributed to third party industry sources. This forward-looking information speaks only as of the date of this MD&A and the Company does undertake any obligations to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws. Actual results could differ materially from those anticipated in forward-looking information as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described this MD&A, including under the heading "Risk Factors" herein. Readers should also refer to "Forward-Looking Information" and "Risk Factors" in the Company's current AIF and to the risk factors described in other documents the Company files from time to time with securities regulatory authorities, available on the Company's profile at www.sedar.com and on the Company's website at www.gibsonenergy.com. No assurance can be given that these expectations will prove to be correct. As such, forward-looking information included or referred to in this MD&A and the Company's other filings with Canadian securities regulatory authorities should not be unduly relied upon. These statements speak only as of the date of this MD&A.

Information on, or connected to, the Company's website www.gibsonenergy.com does not form part of this MD&A.

The forward-looking information included or referred to in this MD&A are expressly qualified by this cautionary statement.

TERMS AND ABBREVIATIONS

AIF: the Company's Annual Information Form for the year ended December 31, 2022

barrel: One barrel of petroleum, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons

Board: Gibson's Board of Directors

COVID-19: Disease caused by the novel coronavirus that was first identified in December 2019 and subsequent variants

Crude Marketing: The aggregated Canadian and U.S. liquids marketing business

DBRS Morningstar: Collectively the companies of DBRS Limited, DBRS Inc., DBRS Ratings Limited and DBRS Ratings GmbH

DC&P: disclosure controls and procedures as defined in *National instrument 52-109 Certification of disclosure in Issuers' Annual and Interim Filings*

DRU: Diluent Recovery Unit, a facility that separates diluent from heavier petroleum stock, owned by the Company's equity accounted for investee Hardisty Energy Terminal LP

EBITDA: earnings before interest, taxes, depreciation and amortization less corporate expenses

ESG: Environmental, Social, Governance

GAAP or IFRS: International Financial Reporting Standards as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board, also referred to as IFRS

HET: Hardisty Energy Terminal Limited Partnership. HET is jointly owned by US Development Group, LLC (through a wholly-owned affiliate, collectively "USD") and the Company, with each party owning a 50% interest

ICFR: Internal Controls over Financial Reporting as defined in National instrument 52-109 Certification of disclosure in Issuers' Annual and Interim Filings

MD&A: Management Discussion and Analysis

Moose Jaw Facility: Gibson's heavy crude oil processing facility located at Moose Jaw, Saskatchewan, that produces asphaltic and lighter distillate products that are generally sold into specialized markets

Moose Jaw Refined Products: The Company's business which markets the outputs of the Moose Jaw Facility

NCIB: Normal course issuer bid

NGL: Natural Gas Liquids, comprised of ethane, propane, butane and natural gasoline.

NI 52-112: National instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure

NI 52-109: National instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings

Shareholders: The holders of issued and outstanding common shares from time to time

U.S.: United States of America

VOC: Volatile organic compound emissions

WCS: Western Canadian Select, a type of heavy crude oil commonly produced in the WCSB

WCSB: Western Canadian Sedimentary Basin

WTI: West Texas Intermediate, a type of crude oil used as a benchmark in crude oil pricing

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