



**GIBSON ENERGY**

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 & 2022

**TSX:GEI**



**Gibson Energy Inc.****Condensed Consolidated Balance Sheet (unaudited)***(Amounts in thousands of Canadian dollars, except per share amounts)*

	<b>Note</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		55,215	83,596
Trade and other receivables		666,321	464,305
Subscription receipts	9	395,530	—
Inventories	5	209,888	257,754
Income taxes receivable		1,132	273
Prepaid and other assets		16,894	9,682
Net investment in finance leases		1,205	5,914
		1,346,185	821,524
<b>Non-current assets</b>			
Property, plant and equipment	6	1,564,425	1,556,427
Right-of-use assets	7	51,509	47,739
Long-term prepaid and other assets		1,575	1,607
Net investment in finance leases		186,330	192,318
Investment in equity accounted investees	8	161,019	165,111
Deferred income tax assets		16,665	19,141
Intangible assets		21,340	29,063
Goodwill		361,328	362,068
		2,364,191	2,373,474
<b>Total assets</b>		<b>3,710,376</b>	<b>3,194,998</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables and accrued charges		670,087	574,568
Dividends payable		55,234	52,896
Contract liabilities		41,964	21,029
Subscription receipts	9	403,202	—
Lease liabilities	11	27,740	37,196
		1,198,227	685,689
<b>Non-current liabilities</b>			
Long-term debt	10	1,642,367	1,646,772
Lease liabilities	11	35,352	34,504
Provisions	12	148,935	145,057
Other long-term liabilities		2,280	2,164
Deferred income tax liabilities		127,256	107,796
		1,956,190	1,936,293
<b>Total liabilities</b>		<b>3,154,417</b>	<b>2,621,982</b>
<b>Equity</b>			
Share capital	13	1,951,222	1,964,515
Contributed surplus		54,325	60,399
Accumulated other comprehensive income		40,689	48,233
Accumulated deficit		(1,490,277)	(1,500,131)
		555,959	573,016
<b>Total liabilities and equity</b>		<b>3,710,376</b>	<b>3,194,998</b>

See accompanying notes to the condensed consolidated financial statements



**Gibson Energy Inc.****Condensed Consolidated Statements of Operations (unaudited)***(Amounts in thousands of Canadian dollars, except per share amounts)*

		<b>Three months ended</b>		<b>Six months ended</b>	
			<b>June 30,</b>		<b>June 30,</b>
	<b>Note</b>	<b>2023</b>	<b>2022*</b>	<b>2023</b>	<b>2022*</b>
Revenue	15	2,613,334	3,195,704	4,979,374	5,884,156
Cost of sales		2,518,557	3,122,030	4,738,807	5,718,588
<b>Gross profit</b>		<b>94,777</b>	<b>73,674</b>	<b>240,567</b>	<b>165,568</b>
Share of profit from equity accounted investees	8	(3,292)	(6,036)	(8,480)	(9,639)
General and administrative expenses		19,758	17,612	38,321	34,873
Other operating income, net		(1,570)	(641)	(2,872)	(5,298)
<b>Operating income</b>		<b>79,881</b>	<b>62,739</b>	<b>213,598</b>	<b>145,632</b>
Finance costs, net	10	11,716	15,765	30,135	30,686
<b>Income before income taxes</b>		<b>68,165</b>	<b>46,974</b>	<b>183,463</b>	<b>114,946</b>
Income tax expense	14	16,139	11,055	43,186	27,057
<b>Net income</b>		<b>52,026</b>	<b>35,919</b>	<b>140,277</b>	<b>87,889</b>
<b>Earnings per share</b>	13				
Basic earnings per share		0.37	0.24	0.99	0.60
Diluted earnings per share		0.37	0.24	0.98	0.59

*\*See Note 2 for reclassification of prior period results**See accompanying notes to the condensed consolidated financial statements*

**Gibson Energy Inc.****Condensed Consolidated Statements of Comprehensive Income (unaudited)***(Amounts in thousands of Canadian dollars, except per share amounts)*

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Net income</b>	52,026	35,919	140,277	87,889
<b>Other comprehensive (loss) income</b>				
<i>Items that may be reclassified subsequently to statement of operations</i>				
Exchange differences from translating foreign operations	(7,625)	9,084	(7,790)	5,061
<i>Items that will not be reclassified subsequently to statement of operations</i>				
Remeasurement of post-employment benefit obligation, net of tax	246	—	246	—
<b>Other comprehensive (loss) income, net of tax</b>	(7,379)	9,084	(7,544)	5,061
<b>Comprehensive income</b>	44,647	45,003	132,733	92,950

*See accompanying notes to the condensed consolidated financial statements*

**Gibson Energy Inc.**
**Condensed Consolidated Statements of Changes in Equity (unaudited)**
*(Amounts in thousands of Canadian dollars, except per share amounts)*

	Share Capital (Note 13)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Equity
<b>Balance – January 1, 2022</b>	1,997,255	66,002	24,310	(1,443,441)	644,126
Net Income	—	—	—	87,889	87,889
Other comprehensive income, net of tax	—	—	5,061	—	5,061
Comprehensive income	—	—	5,061	87,889	92,950
Share-based compensation	—	9,655	—	—	9,655
Tax effect of equity settled awards	667	195	—	—	862
Proceeds from exercise of stock options	23,602	—	—	—	23,602
Reclassification of contributed surplus on issuance of awards under equity incentive plan	21,525	(21,525)	—	—	—
Dividends on common shares (\$0.37 per common share)	—	—	—	(108,771)	(108,771)
Repurchase of common shares under normal course issuer bid ("NCIB")	(31,450)	—	—	(27,186)	(58,636)
<b>Balance – June 30, 2022</b>	2,011,599	54,327	29,371	(1,491,509)	603,788
<b>Balance – January 1, 2023</b>	1,964,515	60,399	48,233	(1,500,131)	573,016
Net income	—	—	—	140,277	140,277
Other comprehensive loss, net of tax	—	—	(7,544)	—	(7,544)
Comprehensive (loss) income	—	—	(7,544)	140,277	132,733
Share-based compensation	—	7,687	—	—	7,687
Tax effect of equity settled awards	455	(271)	—	—	184
Proceeds from exercise of stock options	1,505	—	—	—	1,505
Reclassification of contributed surplus on issuance of awards under equity incentive plan	13,490	(13,490)	—	—	—
Dividends on common shares (\$0.39 per common share)	—	—	—	(110,815)	(110,815)
Repurchase of common shares under NCIB	(28,743)	—	—	(19,608)	(48,351)
<b>Balance – June 30, 2023</b>	1,951,222	54,325	40,689	(1,490,277)	555,959

*See accompanying notes to the condensed consolidated financial statements*

**Gibson Energy Inc.**
**Condensed Consolidated Statements of Cash Flows (unaudited)**
*(Amounts in thousands of Canadian dollars, except per share amounts)*

		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>					
Net income		52,026	35,919	140,277	87,889
Adjustments	18	69,064	76,860	135,461	139,973
Changes in items of working capital	18	(40,635)	(86,532)	(24,155)	110,011
Income tax payment, net	18	(10,743)	(10,400)	(22,344)	(16,290)
<b>Net cash inflow from operating activities</b>		<b>69,712</b>	<b>15,847</b>	<b>229,239</b>	<b>321,583</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and intangible assets	6	(24,964)	(23,972)	(46,056)	(79,895)
Investment in equity accounted investees	8	(765)	—	(765)	—
Proceeds from sale of assets		26	171	26	8,243
<b>Net cash outflow from investing activities</b>		<b>(25,703)</b>	<b>(23,801)</b>	<b>(46,795)</b>	<b>(71,652)</b>
<b>Cash flows from financing activities</b>					
Payment of shareholder dividends		(55,580)	(54,575)	(108,476)	(105,894)
Interest paid, net		(9,762)	(8,854)	(31,911)	(27,717)
Proceeds from exercise of stock options		1,199	8,645	1,505	23,602
Lease payments	11	(8,121)	(9,524)	(17,693)	(20,120)
Draws on (repayment of) credit facility, net	10	65,000	95,864	(5,000)	(85,000)
Repurchase of shares under NCIB	13	(21,540)	(39,281)	(48,351)	(58,636)
<b>Net cash outflow from financing activities</b>		<b>(28,804)</b>	<b>(7,725)</b>	<b>(209,926)</b>	<b>(273,765)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>15,205</b>	<b>(15,679)</b>	<b>(27,482)</b>	<b>(23,834)</b>
Effect of exchange rate on cash and cash equivalents		(576)	303	(899)	(101)
Cash and cash equivalents – beginning of year		40,586	54,129	83,596	62,688
<b>Cash and cash equivalents – end of quarter</b>		<b>55,215</b>	<b>38,753</b>	<b>55,215</b>	<b>38,753</b>

*See accompanying notes to the condensed consolidated financial statements*
*See note 18 for supplemental disclosures.*

## **Note 1 Description of Business and Segmented Disclosure**

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

The Company is a Canadian-based liquids infrastructure company with its principal businesses consisting of storage, optimization, processing, and gathering of liquids and refined products.

The Company’s reportable segments are:

**Infrastructure**, which includes a network of liquids 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 liquids 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.

**Gibson Energy Inc.****Notes to Condensed Consolidated Financial Statements (unaudited)***(Amounts in thousands of Canadian dollars, except per share amounts)***a) Statement of operations**

<b>Three months ended June 30, 2023</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>
Revenue			
External	79,117	2,534,217	2,613,334
Inter-segmental	54,721	8,675	63,396
External and inter-segmental	133,838	2,542,892	2,676,730
Segment profit	92,185	34,231	126,416
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			19,084
Depreciation and impairment of right-of-use assets			6,814
Amortization and impairment of intangible assets			2,193
General and administrative			12,502
Stock based compensation			4,743
Corporate foreign exchange loss			1,199
Interest expense, net			11,716
Net income before income tax			68,165
Income tax expense			16,139
Net income			52,026
<b>Three months ended June 30, 2022</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>
Revenue			
External	83,362	3,112,342	3,195,704
Inter-segmental	51,659	13,073	64,732
External and inter-segmental	135,021	3,125,415	3,260,436
Segment profit	109,817	6,271	116,088
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			29,309
Depreciation and impairment of right-of-use assets			6,765
Amortization and impairment of intangible assets			1,941
General and administrative			10,650
Stock based compensation			4,703
Corporate foreign exchange gain			(19)
Interest expense, net			15,765
Net income before income tax			46,974
Income tax expense			11,055
Net income			35,919



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

<b>Six months ended June 30, 2023</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>
Revenue			
External	157,459	4,821,915	4,979,374
Inter-segmental	108,466	34,204	142,670
External and inter-segmental	265,925	4,856,119	5,122,044
Segment profit	198,756	106,062	304,818
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			38,631
Depreciation and impairment of right-of-use assets			13,146
Amortization and impairment of intangible assets			4,469
General and administrative			24,419
Stock based compensation			8,889
Corporate foreign exchange loss			1,666
Interest expense, net			30,135
Net income before income tax			183,463
Income tax expense			43,186
Net income			140,277

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

## Gibson Energy Inc.

### Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

Additions	Six months ended June 30,	
	2023	2022
Infrastructure	48,759	52,277
Marketing	—	5,361
Corporate	3,998	4,031
	52,757	61,669

#### b) Geographic Data

Based on the location of the end user, approximately \$680.3 million and \$903.2 million of revenue was from customers in the U.S. for the six months ended June 30, 2023, and 2022, 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 \$220.7 million and \$212.1 million in the U.S. as at June 30, 2023, and 2022, 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, 2022.

Effective December 31, 2022, the Company's share of profit from equity accounted investees was presented separately in the consolidated statement of operations, which was previously presented within cost of sales. Comparative information for the three and six months ended June 30, 2022, has been updated to reflect the current presentation.

These condensed consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on July 31, 2023.

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

##### New interpretations and amended standards adopted by the Company:

The Company adopted the following IAS 12 — Income Taxes ("IAS 12") related amendments during the period in accordance with applicable transitional provisions:

- o The amendment related to the recognition of deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, did not have a material impact on the Company's condensed consolidated financial statements. The amendment is effective for periods beginning on or after January 1, 2023; and
- o On May 23, 2023, the International Accounting Standards Board published International Tax Reform — Pillar Two Model Rules, in response to the rules published by the Organisation for Economic Co-operation and Development and introduced targeted disclosure requirements for affected entities. This amendment provides a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model. This amendment is effective immediately, however, the Company is continuing to assess the impact of this amendment as legislation is currently not effective or substantially enacted in the jurisdictions in which the Company operates.

## Gibson Energy Inc.

### 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 amendment to the standards and interpretations applicable for future periods:

- o IAS 1 – Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current 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. The Company does not expect this amendment to have a material impact on the Company's consolidated financial statements at the adoption date.

#### **Note 4 Business Combination**

On June 14, 2023, the Company announced that it had entered into an agreement to acquire 100% of the membership interests of South Texas Gateway Terminal LLC ("STGT") for U.S.\$1,100.0 million, subject to customary closing adjustments. The terminal is a purpose-built high-quality crude oil export facility, operating a deep-water, open-access marine terminal in Ingleside, Texas at the mouth of the Corpus Christi Bay. The Company expects to close the acquisition in the third quarter of 2023, which is subject to applicable regulatory approvals.

The Company intends to finance the planned acquisition with a gross \$403.2 million subscription receipt offering (note 9), \$900.0 million of senior unsecured medium-term notes (note 10), and \$200.0 million unsecured hybrid notes offering (note 10).

#### **Note 5 Inventories**

	June 30, 2023	December 31, 2022
Crude oil, natural gas liquids and diluent	149,314	201,293
Asphalt	45,048	42,153
Wellsite fluids and distillate	15,526	14,308
	209,888	257,754

The cost of the inventory sold included in cost of sales was \$4,651.6 million and \$5,553.0 million for the six months ended June 30, 2023, and 2022, respectively.

# Gibson Energy Inc.

## Notes to Condensed Consolidated Financial Statements (unaudited)

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

### Note 6 Property, Plant and Equipment

	Land and Buildings	Pipelines and Connections	Tanks	Plant, Equipment and Other	Work in Progress	Total
<b>Cost:</b>						
At January 1, 2023	150,999	536,692	832,677	900,162	109,634	2,530,164
Additions and adjustments	403	1,510	2,114	17,729	32,617	54,373
Disposals	—	—	(1,510)	(674)	—	(2,184)
Change in decommissioning provision	22	(152)	(2,169)	(1,387)	—	(3,686)
Effect of movements in exchange rates	(153)	(2,410)	(363)	(1,663)	(102)	(4,691)
<b>At June 30, 2023</b>	<b>151,271</b>	<b>535,640</b>	<b>830,749</b>	<b>914,167</b>	<b>142,149</b>	<b>2,573,976</b>
<b>Accumulated depreciation and impairment:</b>						
At January 1, 2023	55,499	176,614	244,625	496,999	—	973,737
Depreciation and adjustments	2,810	7,555	11,727	16,532	—	38,624
Disposals	—	—	(1,403)	(519)	—	(1,922)
Effect of movements in exchange rates	(25)	(288)	(116)	(459)	—	(888)
<b>At June 30, 2023</b>	<b>58,284</b>	<b>183,881</b>	<b>254,833</b>	<b>512,553</b>	<b>—</b>	<b>1,009,551</b>
<b>Carrying amounts:</b>						
At January 1, 2023	95,500	360,078	588,052	403,163	109,634	1,556,427
At June 30, 2023	92,987	351,759	575,916	401,614	142,149	1,564,425

Amounts in relation to infrastructure assets are under operating lease arrangements.

### Note 7 Right-of-use Assets

	Buildings	Rail Cars	Other	Total
<b>Cost:</b>				
At January 1, 2023	44,435	110,772	10,172	165,379
Additions and adjustments	496	4,447	4,460	9,403
Transfer from finance sub lease	—	8,825	—	8,825
Disposals	(176)	(46,194)	(5,100)	(51,470)
Effect of movements in exchange rates	(27)	—	(148)	(175)
<b>At June 30, 2023</b>	<b>44,728</b>	<b>77,850</b>	<b>9,384</b>	<b>131,962</b>
<b>Accumulated depreciation and impairment:</b>				
At January 1, 2023	24,830	84,736	8,074	117,640
Depreciation and adjustments	2,440	8,938	1,931	13,309
Disposals	(176)	(46,194)	(3,990)	(50,360)
Effect of movements in exchange rates	(19)	—	(117)	(136)
<b>At June 30, 2023</b>	<b>27,075</b>	<b>47,480</b>	<b>5,898</b>	<b>80,453</b>
<b>Carrying amounts:</b>				
At January 1, 2023	19,605	26,036	2,098	47,739
At June 30, 2023	17,653	30,370	3,486	51,509

**Note 8 Investment in Equity Accounted Investees**

	Ownership %	Share of Profit (Loss) for the period ended		Investment in Equity Accounted Investees at	
		June 30, 2023	June 30, 2022	June 30, 2023	December 31, 2022
Hardisty Energy Terminal Limited Partnership ("HET")	50%	9,466	7,458	139,243	142,134
Zenith Energy Terminals Joliet Holdings LLC ("Zenith")	36%	(986)	2,181	21,776	22,977
		8,480	9,639	161,019	165,111

The Company, as the operator, holds a 50 percent interest in HET, operating a Diluent Recovery Unit adjacent to the Company's Hardisty Terminal. The Company also holds a 36 percent 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.

The Company received distributions for the three months ended June 30, 2023 of \$5.7 million (three months ended June 30, 2022 – \$8.8 million) and for the six months ended June 30, 2023 of \$12.8 million (six months ended June 30, 2022 – \$17.0 million).

**Note 9 Subscription receipts**

In relation to the acquisition of STGT (note 4), on June 22, 2023, the Company closed its offering of 20.0 million subscription receipts for total gross proceeds of \$403.2 million. Each subscription receipt entitles the holder to automatically receive, without payment of additional consideration and without further action, one common share of the Company upon closing of the pending acquisition. Funds from the subscription receipts are held in an escrow account and invested in short-term, interest-bearing securities until converted into common shares. The difference between the asset and liability shown separately on the balance sheet represents a portion of the fees due for the offering.

Subscription receipts include rights that entitle the holder to receive compensation, equivalent to the dividends paid to holders of common shares, contingent on the closing of the planned acquisition. As the obligation meets the criteria for a contingent liability, no amount has been accrued for the period ended June 30, 2023.

In the event that the planned acquisition is terminated, holders of the subscription receipts will receive an amount equal to the offering price, plus a pro rata share of any earned interest.

**Note 10 Long-Term Debt**

	Coupon Rate	Year of Maturity	June 30, 2023	December 31, 2022
Unsecured revolving credit facility	floating	2028	250,000	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	5.25%	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(7,633)	(8,228)
			1,642,367	1,646,772

The Company had \$250.0 million drawn on its \$750.0 million unsecured revolving credit facility as of June 30, 2023 (December 31, 2022 – \$255.0 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 \$37.9 million as at June 30, 2023 (December 31, 2022 – \$37.5 million). During the first quarter of 2023, the Company extended the maturity date of the unsecured revolving credit facility from April 2027 to February 2028, amongst other amendments.



In order to fund the acquisition of STGT, the Company undertook the following financing activities, in addition to the issuance of subscription receipt as described in note 9.

**Senior unsecured notes**

Subsequent to June 30, 2023, the following notes offerings closed on July 12, 2023:

- o \$350.0 million of senior unsecured notes carrying a fixed 5.80% per annum coupon rate with semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2026;
- o \$350.0 million of senior unsecured notes carrying a fixed 5.75% per annum coupon rate with semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2033; and
- o \$200.0 million of senior unsecured notes carrying a fixed 6.20% per annum coupon rate with semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2053.

The terms of the indentures for the senior unsecured notes contain a special mandatory redemption clauses, whereby if the acquisition of STGT has not occurred on or prior to December 14, 2023, or if prior to such time, the acquisition agreement is terminated, then the Company will be required to redeem all of the outstanding notes pursuant to special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest.

**Unsecured hybrid notes**

Subsequent to June 30, 2023, the offering of \$200.0 million of unsecured hybrid notes, closed on July 12, 2023, carrying a 8.7% per annum coupon rate with semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2083.

The terms of the indentures for the unsecured hybrid notes contain special mandatory redemption clauses, whereby if the acquisition of STGT has not occurred on or prior to December 14, 2023, or if prior to such time, the acquisition agreement is terminated, then the Company will be required to redeem all of the outstanding notes pursuant to special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest.

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. As at June 30, 2023, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

	<i>Note</i>	Three months ended		Six months ended	
		2023	June 30, 2022	2023	June 30, 2022
Interest expense		17,959	15,328	36,308	30,005
Unrealized foreign currency financial instrument gain	16	(5,871)	—	(5,871)	—
Capitalized interest		(373)	(234)	(716)	(734)
Interest expense, finance lease	11	667	743	1,349	1,498
Interest income		(666)	(72)	(935)	(83)
		11,716	15,765	30,135	30,686

## Gibson Energy Inc.

### Notes to Condensed Consolidated Financial Statements (unaudited)

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

#### Note 11 Lease Liabilities

	June 30, 2023
<b>Opening balance</b>	71,700
Additions	9,403
Disposals	(909)
Interest expense	1,349
Lease payments	(17,693)
Effect of movements in exchange rates	(758)
<b>Closing balance</b>	63,092
Less: current portion	27,740
<b>Closing balance – non-current portion</b>	35,352

The Company incurs lease payments primarily related to rail cars, head office facilities and vehicles. 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.

#### Note 12 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	June 30, 2023	December 31, 2022
<b>Opening balance</b>		145,057	180,270
Settlements		(1,927)	(7,204)
Additions	6	7,817	5,523
Change in estimated future cash flows	6	(9,414)	7,772
Change in discount rate	6	5,595	(45,437)
Unwind of discount		2,013	3,632
Effect of movements in exchange rates		(206)	501
<b>Closing balance</b>		148,935	145,057

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 6.0% for 2023, 4.0% for 2024 and 2.0% thereafter, of estimated cash flows to settle the future liability for asset retirement and remediation obligations. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 3.1% at June 30, 2023 (3.3% at December 31, 2022).

The change in the risk-free rate results in an adjustment in cost to the corresponding asset. During the first quarter of 2023, the Company updated the anticipated decommissioning dates of select assets, which resulted in a change in the estimated future cash flows of \$9.4 million.

**Note 13 Share Capital and Share-based Compensation**
**Common Shares – Issued and Outstanding**

	Number of Common Shares	Amount
<b>At January 1, 2023</b>	142,961,379	1,964,515
Issuance in connection with the exercise of stock options	89,907	1,505
Tax effect of equity settled awards	—	455
Reclassification of contributed surplus on issuance of awards under equity incentive plans	686,088	13,490
Repurchased common shares under NCIB	(2,110,200)	(28,743)
<b>At June 30, 2023</b>	141,627,174	1,951,222

A dividend of \$0.39 per share, declared on May 1, 2023, was paid on July 17, 2023.

Under the NCIB, the Company is permitted to repurchase 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 six months ended June 30, 2023, the Company repurchased 2.1 million common shares at a weighted average price of \$22.91 per common share for a total cost of \$48.4 million. Retained earnings was reduced by \$19.6 million, representing the excess of the purchase price of common shares over their average carrying value.

Under the currently allowable NCIB limit, the Company has repurchased 5,639,800 common shares as at June 30, 2023, leaving 3,120,753 common shares available for repurchase 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 Share Units	Performance Share Units	Deferred Share Units
	Stock Options		Number of Shares		
At January 1, 2023	452,677	20.88	631,132	839,873	771,990
Granted	—	—	445,763	343,129	82,923
Exercised and released for common shares	(89,907)	16.70	(327,543)	(358,544)	—
Forfeited	—	—	(16,473)	(13,002)	—
<b>At June 30, 2023</b>	362,770	21.04	732,879	811,456	854,913
Vested and exercisable at June 30, 2023	362,770	21.90	—	—	854,913

**Gibson Energy Inc.****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:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Weighted average common shares outstanding – Basic	141,886,918	147,429,026	142,183,302	147,156,623
Dilutive effect of stock options and other awards	1,246,280	2,604,094	1,012,642	2,788,113
Weighted average common shares – Diluted	143,133,198	150,033,120	143,195,944	149,944,736

**Note 14 Income Taxes**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current	6,399	9,520	21,940	19,101
Deferred	9,740	1,535	21,246	7,956
	16,139	11,055	43,186	27,057
Effective income tax rate	23.5 %	23.5 %	23.5 %	23.5 %

# Gibson Energy Inc.

## Notes to Condensed Consolidated Financial Statements (unaudited)

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

### Note 15 Revenue

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue from contracts with customers recognized at a point in time	2,534,216	3,112,342	4,821,915	5,722,169
Revenue from contracts with customers recognized over time	39,522	37,912	78,290	69,018
Total revenue from contracts with customers	2,573,738	3,150,254	4,900,205	5,791,187
Total revenue from lease arrangements	39,596	45,450	79,169	92,969
	2,613,334	3,195,704	4,979,374	5,884,156
<b>Three months ended June 30, 2023</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>	
<b>Canada</b>				
External Service Revenue				
Terminals storage and throughput / pipeline transportation	32,999	—		32,999
Rail and other	6,523	—		6,523
External Product Revenue				
Crude, diluent and other products	—	2,159,665		2,159,665
Refined products	—	18,375		18,375
	39,522	2,178,040		2,217,562
<b>U.S.</b>				
<b>External Product Revenue</b>				
Crude, diluent and other products	—	254,957		254,957
Refined products and other	—	101,219		101,219
	—	356,176		356,176
<b>Total revenue from contracts with customers</b>	39,522	2,534,216		2,573,738
<b>Three months ended June 30, 2022</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>	
<b>Canada</b>				
External Service Revenue				
Terminals storage and throughput / pipeline transportation	25,941	—		25,941
Rail and other	11,971	—		11,971
External Product Revenue				
Crude, diluent and other products	—	2,635,942		2,635,942
Refined products	—	19,417		19,417
	37,912	2,655,359		2,693,271
<b>U.S.</b>				
<b>External Product Revenue</b>				
Crude, diluent and other products	—	328,554		328,554
Refined products and other	—	128,429		128,429
	—	456,983		456,983
<b>Total revenue from contracts with customers</b>	37,912	3,112,342		3,150,254



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

<b>Six months ended June 30, 2023</b>	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>
<b>Canada</b>			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	64,932	—	64,932
Rail and other	13,358	—	13,358
External Product Revenue			
Crude, diluent and other products	—	4,080,247	4,080,247
Refined products	—	61,380	61,380
	78,290	4,141,627	4,219,917
<b>U.S.</b>			
External Product Revenue			
Crude, diluent and other products	—	492,873	492,873
Refined products and other	—	187,415	187,415
	—	680,288	680,288
Total revenue from contracts with customers	78,290	4,821,915	4,900,205
<b>Six months ended June 30, 2022</b>			
	<b>Infrastructure</b>	<b>Marketing</b>	<b>Total</b>
<b>Canada</b>			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	45,813	—	45,813
Rail and other	23,205	—	23,205
External Product Revenue			
Crude, diluent and other products	—	4,766,377	4,766,377
Refined products	—	52,620	52,620
	69,018	4,818,997	4,888,015
<b>U.S.</b>			
External Product Revenue			
Crude, diluent and other products	—	694,710	694,710
Refined products and other	—	208,462	208,462
	—	903,172	903,172
Total revenue from contracts with customers	69,018	5,722,169	5,791,187

**Note 16 Financial Instruments**

As at June 30, 2023	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	56	56	—	—
Commodity swaps	36	36	—	—
WTI differential futures	8,785	8,785	—	—
Foreign currency forwards	7,081	—	7,081	—
<b>Financial assets (carried at fair value)</b>	<b>15,958</b>	<b>8,877</b>	<b>7,081</b>	<b>—</b>
Commodity futures	637	637	—	—
Commodity swaps	210	210	—	—
WTI differential futures	20	20	—	—
Foreign currency forwards	804	—	804	—
<b>Financial liabilities (carried at fair value)</b>	<b>1,671</b>	<b>867</b>	<b>804</b>	<b>—</b>
Long-term debt (carried at amortized cost)	1,642,367		1,511,018	
As at December 31, 2022	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Commodity futures	414	414	—	—
Commodity swaps	45	45	—	—
WTI differential futures	2,236	2,236	—	—
Foreign currency forwards	1,475	—	1,475	—
<b>Financial assets (carried at fair value)</b>	<b>4,170</b>	<b>2,695</b>	<b>1,475</b>	<b>—</b>
Commodity futures	4,558	4,558	—	—
Commodity swaps	1,758	1,758	—	—
WTI differential futures	976	976	—	—
Foreign currency forwards	935	—	935	—
<b>Financial liabilities (carried at fair value)</b>	<b>8,227</b>	<b>7,292</b>	<b>935</b>	<b>—</b>
Long-term debt (carried at amortized cost)	1,646,772		1,513,243	

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.

During the period ended June 30, 2023, the Company entered into forward contracts for U.S. \$880.0 million with an average price of \$1.32 to U.S.\$1.00, in order to minimize the impacts of currency fluctuations prior to the expected closing of STGT acquisition, as described in note 4. The unrealized gain of \$5.9 million has been recognized in the second quarter of 2023, and included in the finance costs within the statement of operations.

## **Note 17 Subsequent Events**

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On July 12, 2023, the Company closed its offering of \$900.0 million of senior unsecured medium-term notes and \$200.0 million of unsecured hybrid notes for the purpose of funding the planned acquisition of STGT. Refer to note 10 for details.

In addition to the foreign currency forward contracts described in note 16, subsequent to the end of the quarter, the Company entered into forward contracts for U.S.\$220.0 million of the remaining purchase price at an average price of \$1.33 to U.S.\$1.00.

On July 31, 2023, the Board declared a quarterly dividend of \$0.39 per common share for the third quarter on its outstanding common shares. The dividend is payable on October 16, 2023, to shareholders of record at the close of business on September 30, 2023.

**Note 18 Supplemental Cash Flow Information**

		Three months ended		Six months ended	
		June 30,		June 30,	
	Note	2023	2022	2023	2022
<b>Cash flows from operating activities</b>					
Net income		52,026	35,919	140,277	87,889
<b>Adjustments:</b>					
Finance costs, net		11,716	15,765	30,135	30,686
Income tax expense		16,139	11,055	43,186	27,057
Depreciation and impairment of property, plant and equipment	6	19,084	29,309	38,631	59,417
Depreciation and impairment of right-of-use asset	7	6,814	6,765	13,146	13,175
Amortization and impairment of intangible assets		2,193	1,941	4,469	3,862
Share based compensation	13	4,743	4,703	8,889	10,858
Share of profit from investments in equity accounted investees	8	(3,292)	(6,036)	(8,480)	(9,639)
Distributions from equity accounted investees	8	5,656	8,846	12,846	16,961
Loss (gain) on sale of property, plant and equipment	6	188	(147)	188	(5,284)
Provisions	12	7,433	(836)	7,661	(1,549)
Net loss (gain) on fair value movement of financial instruments		150	6,124	(12,931)	(3,916)
Other		(1,760)	(629)	(2,279)	(1,655)
		69,064	76,860	135,461	139,973
<b>Changes in items of working capital:</b>					
Trade and other receivables		(47,404)	(137,839)	(211,701)	(294,242)
Inventories	5	30,154	40,894	46,773	2,575
Other current assets		(1,003)	(5,435)	1,460	(2,355)
Trade payables and accrued charges		(29,462)	2,355	117,908	396,026
Contract liabilities		7,080	13,493	21,405	8,007
		(40,635)	(86,532)	(24,155)	110,011
<b>Income tax payment, net</b>		(10,743)	(10,400)	(22,344)	(16,290)
<b>Net cash inflow from operating activities</b>		69,712	15,847	229,239	321,583



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