GIBSON ENERGY

MANAGEMENT'S DISCUSSION & ANALYSIS

2023 SECOND QUARTER REPORT

TSX:GEI

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Basis of Presentation

The following MD&A was approved by the Board of Gibson Energy Inc. ("we", "our", "us", "Gibson", "Gibson Energy" or the "Company") as of July 31, 2023 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three and six months ended June 30, 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, 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 June 30,			Six months ended June 30,		
($ thousands, except where noted)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Revenue	2,613,334	3,195,704	(582,370)	4,979,374	5,884,156	(904,782)
Segment profit [(1)]	126,416	116,088	10,328	304,818	253,713	51,105
Adjusted EBITDA [(2)]	115,708	113,572	2,136	270,547	234,232	36,315
Net income	52,026	35,919	16,107	140,277	87,889	52,388
Cash flow from operating activities	69,712	15,847	53,865	229,239	321,583	(92,344)
Distributable cash flow [(2)]	82,491	73,938	8,553	189,892	153,057	36,835
Growth capital, acquisitions and equity investments [(3)]	23,453	18,013	5,440	39,931	53,841	(13,910)
Basic income per share ($/share)	0.37	0.24	0.13	0.99	0.60	0.39
Diluted income per share ($/share)	0.37	0.24	0.13	0.98	0.59	0.39
Dividends declared	55,234	54,196	1,038	110,815	108,771	2,044
Dividends ($/share)	0.39	0.37	0.02	0.78	0.74	0.04

	Trailing twelve months ended June 30,		
	2023	**2022**	**Change**
Ratios			
Net debt to adjusted EBITDA ratio [(4)]	2.5	3.0	(0.5)
Debt to capitalization ratio	51%	49%	2%
Interest coverage ratio	11.0	10.8	0.2
Dividend payout ratio [(4)]	55%	73%	(18%)
Cash flow from operating activities ($/share) – basic	3.52	2.85	0.67
Distributable cash flow per share ($/share) – basic [(4)]	2.73	1.96	0.77

(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, acquisitions and 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 $2,613.3 million and $4,979.4 million decreased by $582.4 million and $904.8 million for the three and six months ended June 30, 2023, compared to $3,195.7 million and $5,884.2 million for the three and six months ended June 30, 2022, primarily due to decreased revenues within the Marketing segment driven by lower commodity prices, partially offset by higher volumes.

- Segment profit of $126.4 million and $304.8 million increased by $10.3 million and $51.1 million for the three and six months ended June 30, 2023, compared to $116.1 million and $253.7 million for the three and six months ended June 30, 2022. The increase for the three month period was primarily due to an increase in Marketing segment profit of $28.0 million, partially offset by a decrease in Infrastructure segment profit due to a $16.7 million provision for environmental remediation obligations. The increase for the six month period was primarily due to an increase in Marketing segment profit of $69.1 million, partially offset by the environmental remediation provision as noted above and a one-time fee earned within the Infrastructure segment in the second quarter of 2022.

- Adjusted EBITDA of $115.7 million and $270.5 million increased by $2.1 million and $36.3 million for the three and six months ended June 30, 2023, compared to $113.6 million and $234.2 million for the three and six months ended June 30, 2022, primarily due to the factors impacting segment profit as noted above, higher general and administrative expenses in the current periods as well as the impact of removing the unrealized gains and losses on financial instruments recorded in both periods from the adjusted EBITDA.

- Net income of $52.0 million and $140.3 million increased by $16.1 million and $52.4 million for the three and six months ended June 30, 2023, compared to $35.9 million and $87.9 million for the three and six months ended June 30, 2022, primarily due to the factors discussed above as well as lower depreciation expense as a result of a revision to the useful lives of tangible assets completed in the fourth quarter of 2022, partially offset by higher income tax expense in the current periods. In addition, in the three month period there were lower finance costs due to an unrealized gain recorded in the current quarter on a derivative financial instrument relating to the acquisition of the South Texas Gateway Terminal ("STGT") as discussed below.

- Cash flow from operating activities of $69.7 million increased by $53.9 million for the three months ended June 30, 2023, compared to $15.8 million for the three months ended June 30, 2022, primarily due to changes in working capital items and an increase in segment profit as described above. Cash flow from operating activities of $229.2 million decreased by $92.4 million for the six months ended June 30, 2023, compared to $321.6 million for the six months ended June 30, 2022, primarily due to changes in working capital items, partially offset by an increase in segment profit as described above.

- Distributable cash flow of $82.5 million and $189.9 million increased by $8.6 million and $36.8 million for the three and six months ended June 30, 2023, compared to $73.9 million and $153.1 million for the three and six months ended June 30, 2022, primarily due to changes in adjusted EBITDA and higher current income tax expense in current periods due to higher earnings.

- Growth capital, acquisitions and equity investments was $39.9 million for the six months ended June 30, 2023, primarily directed towards projects at the Edmonton Terminal and various optimization projects at the Hardisty Terminal and the Moose Jaw Facility. The Company, including the acquisition of STGT as noted below, now expects to deploy growth capital including acquisitions of approximately $1.6 billion in 2023.

- During the three months ended June 30, 2023, the Company purchased for cancellation 1.0 million common shares at an average price of $22.30 per common share for total consideration of $21.5 million. For the six months ended June 30, 2023, the Company has repurchased a total of 2.1 million common shares at an average price of $22.91 for a total consideration of $48.4 million.

- The Company declared quarterly dividends of $0.39 per common share for the six months ended June 30, 2023, compared to $0.37 per common share for the six months ended June 30, 2022. Total dividends declared for the three and six months ended June 30, 2023, were $55.2 million and $110.8 million, compared to $54.2 million and $108.8 million for the three and six months ended June 30, 2022.

- On May 16, 2023, the Company announced the sanction of two new 435,000 barrel tanks at the Edmonton Terminal, under a long term take-or-pay contract with Cenovus Energy Inc., to be placed into service in late 2024.

- On June 14, 2023, the Company announced that it had entered into an agreement to acquire 100% of the membership interests of STGT for U.S.$1,100.0 million, subject to customary closing adjustments. The acquisition is expected to close in the third quarter of 2023. 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 intends to finance the acquisition through a combination of the proceeds from the offerings of subscription receipts, senior unsecured medium-term notes and unsecured hybrid notes. To minimize the effect of foreign exchange fluctuations on the U.S. dollar purchase price, during the quarter the Company entered into forward contracts on U.S.$880.0 million of the purchase price at an average price of $1.32 to U.S.$1.00.

- On June 22, 2023, the Company closed a bought deal offering of 20.0 million subscription receipts, including 2.6 million subscription receipts issued pursuant to the exercise in full by the underwriters of their over-allotment option. The subscription receipts were issued at $20.15 per subscription receipt for total gross proceeds of $403.2 million, excluding any transaction costs. Upon closing of the acquisition of STGT, each subscription receipt will be exchanged for one common share of the Company.

SUBSEQUENT EVENTS

- On July 12, 2023, the Company closed its offering of senior unsecured medium-term notes consisting of $350.0 million of 5.80% notes with a maturity date of July 12, 2026, $350.0 million of 5.75% notes with a maturity date of July 12, 2033, and $200.0 million of 6.20% notes with a maturity date of July 12, 2053. In addition, on the same date, the Company closed its offering of $200.0 million of 8.70% unsecured hybrid notes with a maturity date of July 12, 2083. The Company will be required to redeem both the senior unsecured medium-term notes and the unsecured hybrid notes should the acquisition of STGT not close by December 14, 2023.
- 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 on its outstanding common shares of $0.39 per common share, for the third quarter of 2023. The common share dividend is payable on October 16, 2023, to shareholders of record at the close of business on September 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 and six months ended June 30, 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 and six months ended June 30, 2023, and 2022:

	Three months ended June 30,			Six months ended June 30,		
($ thousands, except volumes)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Volumes (in thousands of bbls)	116,052	121,885	(5,833)	234,797	240,977	(6,180)
Revenue	133,838	135,021	(1,183)	265,925	264,104	1,821
Operating expenses and other [(1)]	41,653	25,204	16,449	67,169	47,310	19,859
Segment profit	92,185	109,817	(17,632)	198,756	216,794	(18,038)
Adjusted EBITDA [(2)]	93,611	111,827	(18,216)	201,617	220,815	(19,198)

(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 and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022:

Infrastructure volumes decreased by 5.8 million barrels or 5% and 6.2 million barrels or 3%, primarily due to reduced throughput at the Edmonton Terminal as a result of a customer driven turnaround at their facilities.

Financial Performance

In the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022:

Revenue decreased by $1.2 million or 1% for the three months, primarily driven by lower throughput at the Edmonton Terminal and a one-time fee earned at our terminals in the comparative period. Revenue increased by $1.8 million or 1% for the six months, primarily driven by the contribution of the biofuels blending project placed in service in the second quarter of 2022 partially offset by a one-time fee earned at our terminals in the comparative period.

Operating expenses and other increased by $16.4 million and $19.9 million or 65% and 42% for the three months and six months, primarily driven by the impact of a $16.7 million environmental remediation provision, and higher power and utility costs in the current periods.

As a result of the factors discussed above, adjusted EBITDA and segment profit decreased by $18.2 million and $17.6 million for the three months and $19.2 million and $18.0 million for the six months. In addition, adjusted EBITDA was also impacted by non-cash adjustments related to the Company's share of profit from equity accounted investees.

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 during 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 June 30,			**Six months ended June 30,**		
($, except where noted)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
WTI average price ($USD/bbl)	73.78	108.41	(34.63)	74.89	101.35	(26.46)
WCS average differential ($USD/bbl)	15.07	12.8	2.27	17.35	13.67	3.68
Average foreign exchange rates ($CAD/ $USD)	1.35	1.28	0.07	1.35	1.27	0.08

The following table sets forth operating results from the Company's Marketing segment for the three months ended June 30, 2023 and 2022:

	Three months ended June 30,			**Six months ended June 30,**		
($ thousands, except volumes)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Volumes (in thousands of bbls)	64,887	52,102	12,785	122,827	110,190	12,637
Revenue	2,542,892	3,125,415	(582,523)	4,856,119	5,776,334	(920,215)
Cost of sales and other expenses	2,508,661	3,119,144	(610,483)	4,750,057	5,739,415	(989,358)
Segment profit	34,231	6,271	27,960	106,062	36,919	69,143
Adjusted EBITDA (1)	34,381	12,395	21,986	93,131	33,003	60,128

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 and six months ended June 30, 2023, compared to the three months and six months ended June 30, 2022:

Marketing volumes increased by 12.8 million barrels or 25% and 12.6 million barrels or 11%, primarily due to higher activity within the Crude Marketing business due to the availability and nature of time and quality-based opportunities as well as higher 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 and six months ended June 30, 2023, compared to the three months and six months ended June 30, 2022:

Revenue decreased by $582.5 million or 19% and $920.2 million or 16%, and cost of sales and other expenses decreased by $610.5 million or 20% and $989.4 million or 17%. The decreases were largely due to lower average prices for crude oil, refined and other products, partially offset by higher volumes during the current periods as noted above.

Adjusted EBITDA increased by $22.0 million or 177% and $60.1 million or 182%. The increase was largely driven by an improvement in the availability of time and quality-based opportunities for Crude Marketing as well as higher refined product margins earned in both periods.

Segment profit increased by $28.0 million or 446% and $69.1 million or 187%, due to the same factors as adjusted EBITDA, as well as the effect of unrealized gains and losses on financial instruments in the respective periods.

EXPENSES

	Three months ended June 30,			Six months ended June 30,		
($ thousands)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
General and administrative	12,502	10,650	1,852	24,419	19,586	4,833
Depreciation and impairment	19,084	29,309	(10,225)	38,631	59,417	(20,786)
Right-of-use depreciation and impairment	6,814	6,765	49	13,146	13,175	(29)
Amortization and impairment	2,193	1,941	252	4,469	3,862	607
Stock based compensation	4,743	4,703	40	8,889	10,858	(1,969)
Foreign exchange loss (gain)	1,199	(19)	1,218	1,666	1,183	483
Net interest expense	11,716	15,765	(4,049)	30,135	30,686	(551)
Income taxes	16,139	11,055	5,084	43,186	27,057	16,129

In the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022:

General and administrative, excluding depreciation and amortization

General and administrative expenses increased by $1.9 million and $4.8 million, primarily due to higher spending on certain technology initiatives and an increase in employee related costs in the current periods.

Depreciation and impairment

Depreciation and impairment expense decreased by $10.2 million and $20.8 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 was relatively consistent for the three months, while the decrease of $2.0 million for the six months was primarily due to the relative movement of the Company's share price in the comparable quarters, and an overall reduction in the number of PSUs awards issued in 2023.

Foreign exchange loss/(gain) not affecting segment profit

Foreign exchange loss/(gain) not affecting segment profit increased by $1.2 million and $0.5 million due to the net movements of the exchange rates during the three months and the six months.

Net interest expense

Net interest expense decreased by $4.0 million and $0.6 million, primarily due to an unrealized gain of $5.9 million pertaining to foreign currency forward contracts entered into during the current period in connection with the acquisition of STGT, partially offset by higher average interest rates as well as higher average draws on the Company's revolving credit facility during the current periods.

Income taxes

Income tax expense increased by $5.1 million for the three months, with deferred income tax expense of $9.7 million and current income tax expense of $6.4 million, compared to deferred income tax expense of $1.5 million and current income tax expense of $9.5 million. Income tax expense increased by $16.1 million for the six months, with deferred income tax expense of $21.2 million and current income tax expense of $21.9 million, compared to deferred income tax expense of $8.0 million and current income tax expense of $19.1 million. The increase in income taxes is driven by higher earnings in the current periods.

The effective tax rate was 23.5% for all respective periods.

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	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	2,613,334	2,366,040	2,499,372	2,651,883	3,195,704	2,688,452	2,119,027	1,807,633
Net income	52,026	88,251	63,891	71,465	35,919	51,970	43,917	35,996
Adjusted EBITDA [(1)]	115,708	154,839	137,334	149,413	113,572	120,660	103,762	110,716
Earnings per share								
Basic ($/share)	0.37	0.62	0.45	0.49	0.24	0.35	0.30	0.25
Diluted ($/share)	0.37	0.61	0.43	0.48	0.24	0.35	0.29	0.24

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:

- An environmental provision recorded in the second quarter of 2023
- 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

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 Sources

($ thousands)	Coupon Rate	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 [(1)]	5.25 %	2080	250,000	250,000
Unamortized issue discount and debt issue costs			(7,633)	(8,228)
Total debt outstanding			1,642,367	1,646,772
Lease liability			63,092	71,700
Cash and cash equivalents			(55,215)	(83,596)
			1,650,244	1,634,876
Total share capital			1,951,222	1,964,515
Total capital			3,601,466	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, acquisitions, 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. Furthermore, in anticipation of the closing of the STGT acquisition in the third quarter of 2023, the Company completed the related financing activities within and subsequent to the second quarter of 2023 as noted below. However, due to changes in the macro environment, including inflationary pressure, interest rate hikes from central banks, and continued volatility in global financial markets, the Company's ability to access financing in the capital markets at attractive terms in the future 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 an NCIB on the TSX, which will expire on August 30, 2023. During the six months ended June 30, 2023, the Company repurchased for cancellation 2.1 million common shares at an average price of $22.91 per common share for total consideration of $48.4 million. 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.

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 June 30, 2023, the Company had a cash balance of $55.2 million and had the ability to utilize borrowings under the revolving credit facility of $500.0 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 (June 30, 2022 - $35.2 million).

Subscription receipts

On June 22, 2023, the Company closed a bought deal offering of 20.0 million subscription receipts, including 2.6 million subscription receipts issued pursuant to the exercise in full by the underwriters of their over-allotment option. The subscription receipts were issued at $20.15 per subscription receipt for total gross proceeds of $403.2 million, excluding any transaction costs. Transaction costs related to the equity offering are approximately $17.1 million, resulting in net proceeds of $387.1 million. Upon closing of the planned acquisition of STGT, which is expected in the third quarter of 2023, each subscription receipt will be exchanged for one common share of the Company. 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 return to the holders of the subscription receipts the gross proceeds of the offering, plus accrued and unpaid interest.

Senior unsecured notes

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

- $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;
- $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
- $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.

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 and six months ended June 30, 2023, and 2022:

Statement of cash flows	**Three months ended June 30,**			**Six months ended June 30,**		
($ thousands)	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
Cash inflow (outflow)						
Operating activities	69,712	15,847	53,865	229,239	321,583	(92,344)
Investing activities	(25,703)	(23,801)	(1,902)	(46,795)	(71,652)	24,857
Financing activities	(28,804)	(7,725)	(21,079)	(209,926)	(273,765)	63,839
Net increase (decrease) in cash and cash equivalents	15,205	(15,679)	30,884	(27,482)	(23,834)	(3,648)

Cash Inflow from Operating Activities

Cash inflow from operating activities was $69.7 million and $229.2 million for the three and six months ended June 30, 2023, compared to $15.8 million and $321.6 million in the three and six months ended June 30, 2022. The changes were primarily driven by the following:

- Cash inflow from operations before income taxes and working capital changes of $121.1 million and $275.7 million, for the three and six months ended June 30, 2023, compared to $112.8 million and $227.9 million in the prior periods, primarily due to higher segment profit;
- The change in both the three and six months was also driven by changes in items of working capital balances, largely related to volatility in commodity prices and timing of the related settlements. Changes in working capital during the three months ended June 30, 2023, resulted in cash outflow of $40.6 million compared to cash outflow of $86.5 million in the prior period. Changes in the working capital during the six months ended June 30, 2023, resulted in cash outflow of $24.2 million compared to cash inflow of $110.0 million in the prior period.

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 $25.7 million and $46.8 million for the three and six months ended June 30, 2023, compared to $23.8 million and $71.7 million for the three and six months ended June 30, 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 three month period was relatively consistent. The decrease in the six month period 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 $28.8 million and $209.9 million for the three and six months ended June 30, 2023, compared to $7.7 million and $273.8 million for the three and six months ended June 30, 2022. The changes in the three month period are primarily due to lower net draws on the Company's revolving credit facility of $65.0 million compared to $95.9 million in the prior period and reduced proceeds from the exercise of stock options of $1.2 million compared to $8.6 million in the prior period, partially offset by lower repurchases of the Company's common shares under its NCIB of $21.5 million compared to $39.3 million in the prior period. The changes in the six month period are primarily due to the net repayment of the revolving credit facility of $5.0 million in the current period, compared to $85.0 million in the prior period, and lower repurchases of the Company's common shares under the NCIB of $48.4 million in the current period, compared to $58.6 million in the prior period. These changes were partially offset by the reduction in the proceeds from the exercise of stock options, which were $1.5 million for 2023, compared to $23.6 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 assesses 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 cost 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 June 30, 2023, the total consolidated debt to capitalization ratio was 51% and the consolidated interest coverage ratio was 11.0 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 June 30, 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 second quarter of 2023, the Board declared dividends of $0.39 per common share.

Contractual Obligations and Contingencies

The following table presents, as at June 30, 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	1,650,000	—	325,000	575,000	750,000
Interest payments on long-term debt	921,599	48,351	89,401	72,284	711,563
Lease and other commitments (1)	72,471	30,172	33,945	8,354	—
Total contractual obligations	2,644,070	78,523	448,346	655,638	1,461,563

(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.

The closing of the acquisition of STGT, and related financing activities described in "Liquidity and Capital Resources" represent commitments of the Company, dependent on the satisfaction of the conditions of closing. If the acquisition does not close by 5:00 p.m. (Eastern time) on December 14, 2023, or otherwise terminates, the subscription receipts will be cancelled, and the senior medium-term notes, and unsecured hybrid notes are required to be redeemed, as described under "Liquidity and Capital Resources". In addition, upon closing of the acquisition, several fees contingent on closing of the acquisition will become payable to the respective counterparties.

CAPITAL EXPENDITURES, ACQUISITIONS AND EQUITY INVESTMENTS

($ thousands)	**Three months ended June 30, 2023**	**Six months ended June 30, 2023**
Infrastructure	22,180	38,545
Corporate and other projects	508	621
Growth capital (1)	22,688	39,166
Equity investments	765	765
Replacement capital (1)	7,491	12,826
Total capital expenditures and equity investments	30,944	52,757

(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 primarily invests capital in constructing or acquiring infrastructure for the storage, transportation and optimization of liquids. The current strategy has been focused on expanding and augmenting existing terminals and associated infrastructure at the Hardisty Terminal, the Edmonton Terminal, its Moose Jaw Facility and also looking for growth opportunities that aligns with Company's strategy. Expansion and improvement of existing terminals and facilities will continue, especially when underpinned by long-term take-or-pay contracts with investment grade counterparties. The planned acquisition of STGT can also further expand the potential to provide an additional platform to continue to deploy growth capital. Currently, several projects, including the construction of three tanks at the Edmonton Terminal, are being undertaken in order to support shippers on the Trans Mountain pipeline expansion.

The following represents key activities with respect to major growth projects during the six months ended June 30, 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 an 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.
- The Company began construction on the recently announced two 435,000-barrel tanks at the Edmonton Terminal, under a long-term, take-or-pay contract with Cenovus Energy Inc., expected to be placed in-service in late 2024.

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.

On May 16, 2023, the Company announced the increase in its 2023 growth capital expenditure guidance up to $150.0 million. Including the planned acquisition, subject to successful close, the Company now expects total growth capital, acquisitions and equity investments of approximately $1.6 billion for 2023.

Planned Acquisition

On June 14, 2023, the Company announced that it had entered into an agreement to acquire 100% of the membership interests of STGT for U.S.$1,100.0 million, subject to customary closing adjustments. The acquisition is expected to close in the third quarter of 2023. 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. Through the transaction, the Company will expand and enhance its North American terminal footprint by establishing a third liquids hub underpinned by revenue from take-or-pay contracts. The take-or-pay counterparties are existing customers of the Company's current North American businesses and primarily have investment grade ratings, with the remaining customers being subsidiaries of large, high-quality global companies. After giving effect to the transaction, the Company's proportion of segment profit from infrastructure is expected to increase, with corresponding improvements in net income and cash flows from operating activities, partially offset by higher interest expenses, depreciation and amortization expense, income taxes and cash outflows from financing activities.

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 June 30, 2023, there were 141.6 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 June 30, 2023.

As at June 30, 2023, the Company has 20,010,000 subscription receipts outstanding, which will each be exchanged for one common share upon the closing of the planned acquisition of STGT. While the subscription receipts remain outstanding, they do not affect the calculation of the Company's basic or diluted earnings per share, as they remain contingent on closing of the proposed acquisition.

As at June 30, 2023, awards available to grant under the equity incentive plan were approximately 2.9 million.

As at July 28, 2023, 141.6 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 $15.0 million and $11.9 million as of June 30, 2023, and 2022. A 15% unfavorable change in crude oil and NGL prices would decrease the Company's net income by $15.0 million and $11.9 million as of June 30, 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 June 30, 2023, the Company had $250.0 million (June 30, 2022 – $185.0 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 $2.5 million (as at June 30, 2022 – $1.9 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. The acquisition of STGT is priced in US$ and in order to minimize the exposure to changes in exchange rates during the interim period, the Company has contracted U.S.$880.0 million in foreign exchange forwards, with an average rate of $1.32 to US$1.00. 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 $38.4 million (June 30, 2022 – $17.1 million).

As at June 30, 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 six months ended June 30, 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 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.

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.

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 June 30, 2023. There have been no changes in ICFR that occurred during the period beginning January 1, 2023, and ending on June 30, 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 and six months ended June 30, 2023, and 2022:

Three months ended June 30,	**Infrastructure**		**Marketing**		**Corporate & Adjustments**		**Total**	
($ thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Segment Profit	92,185	109,817	34,231	6,271	—	—	126,416	116,088
Unrealized loss on derivative financial instruments	—	—	150	6,124	—	—	150	6,124
General and administrative	—	—	—	—	(12,502)	(10,650)	(12,502)	(10,650)
Adjustments to share of profit from equity accounted investees	1,426	2,010	—	—	—	—	1,426	2,010
Other	—	—	—	—	218	—	218	—
Adjusted EBITDA	93,611	111,827	34,381	12,395	(12,284)	(10,650)	115,708	113,572

Six months ended June 30,	**Infrastructure**		**Marketing**		**Corporate and Adjustments**		**Total**	
($ thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Segment Profit	198,756	216,794	106,062	36,919	—	—	304,818	253,713
Unrealized gain on derivative financial instruments	—	—	(12,931)	(3,916)	—	—	(12,931)	(3,916)
General and administrative	—	—	—	—	(24,419)	(19,586)	(24,419)	(19,586)
Adjustments to share of profit from equity accounted investees	2,861	4,021	—	—	—	—	2,861	4,021
Other	—	—	—	—	218	—	218	—
Adjusted EBITDA	201,617	220,815	93,131	33,003	(24,201)	(19,586)	270,547	234,232

	Three months ended June 30,	
($ thousands)	**2023**	**2022**
Net Income	52,026	35,919
Income tax expense	16,139	11,055
Depreciation, amortization, and impairment charges	28,091	38,015
Net finance costs	11,716	15,765
Unrealized loss on derivative financial instruments	150	6,124
Stock based compensation	4,743	4,703
Adjustments to share of profit from equity accounted investees	1,426	2,010
Corporate foreign exchange loss (gain) and other	1,417	(19)
Adjusted EBITDA	115,708	113,572

($ thousands)	Six months ended June 30, 2023	2022
Net Income	140,277	87,889
Income tax expense	43,186	27,057
Depreciation, amortization, and impairment charges	56,246	76,454
Net finance costs	30,135	30,686
Unrealized gain on derivative financial instruments	(12,931)	(3,916)
Stock based compensation	8,889	10,858
Adjustments to share of profit from equity accounted investees	2,861	4,021
Corporate foreign exchange loss and other	1,884	1,183
Adjusted EBITDA	270,547	234,232

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 June 30, 2023	2022	Six months ended June 30, 2023	2022
Cash flow from operating activities	69,712	15,847	229,239	321,583
Adjustments:				
Changes in non-cash working capital and taxes paid	51,378	96,932	46,499	(93,721)
Replacement capital	(7,491)	(5,660)	(12,826)	(7,828)
Cash interest expense, including capitalized interest	(16,588)	(14,137)	(33,387)	(27,756)
Lease payments	(8,121)	(9,524)	(17,693)	(20,120)
Current income tax	(6,399)	(9,520)	(21,940)	(19,101)
Distributable cash flow	82,491	73,938	189,892	153,057

($ thousands)	Twelve months ended June 30, 2023	2022
Cash flow from operating activities	505,968	418,188
Adjustments:		
Changes in non-cash working capital and taxes paid	58,644	13,880
Replacement capital	(27,239)	(23,818)
Cash interest expense, including capitalized interest	(65,447)	(55,539)
Lease payments	(32,970)	(36,308)
Current income tax	(45,913)	(28,435)
Distributable cash flow	393,043	287,968

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 June 30,	
	2023	**2022**
Distributable cash flow	393,043	287,968
Dividends declared	217,490	211,379
Dividend payout ratio	55%	73%

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 June 30,	
	2023	**2022**
Long-term debt	1,642,367	1,576,186
Lease liabilities	63,092	73,917
Less: unsecured hybrid notes	(250,000)	(250,000)
Less: cash and cash equivalents	(55,215)	(38,753)
Net debt	1,400,244	1,361,350
Adjusted EBITDA	557,294	448,710
Net debt to adjusted EBITDA ratio	2.5	3.0

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 June 30,	
	2023	**2022**
Cash flow from operating activities	505,968	418,188
Distributable cash flow	393,043	287,968
Weighted average common shares outstanding - basic (*thousands of shares*)	143,755	146,616
Cash flow from operating activities per share ($/share)	3.52	2.85
Distributable Cash Flow per share ($/share)	2.73	1.96

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:

- o Growth capital expenditures reflect projects intended to improve the Company's profitability directly or indirectly.
- o Growth capital, acquisitions and equity investments includes growth capital expenditures, mergers and acquisitions, and amounts invested in the Company's equity investments intended to improve the investments profitability directly or indirectly.
- o 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.

	Three months ended June 30,		**Six months ended June 30,**	
($ thousands)	**2023**	**2022**	**2023**	**2022**
Segment revenue				
Infrastructure	133,838	135,021	265,925	264,104
Marketing	2,542,892	3,125,415	4,856,119	5,776,334
Total segment revenue	2,676,730	3,260,436	5,122,044	6,040,438
Revenue – inter-segmental	(63,396)	(64,732)	(142,670)	(156,282)
Total revenue – external	2,613,334	3,195,704	4,979,374	5,884,156
Segment profit				
Infrastructure	92,185	109,817	198,756	216,794
Marketing	34,231	6,271	106,062	36,919
Total segment profit	126,416	116,088	304,818	253,713

($ thousands)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Gross profit	94,777	73,674	240,567	165,568
Share of profit from equity accounted investees	3,292	6,036	8,480	9,639
Depreciation, amortization and impairment	25,667	35,829	51,412	72,098
Gain on sale of assets	(188)	147	(188)	5,406
Other income	2,480	227	4,096	773
Foreign exchange gain	388	175	451	229
Total segment profit	126,416	116,088	304,818	253,713

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 AIF and MD&A for the year ended December 31, 2022 , each of 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 NCIBs 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 NCIBs.

Risks related to the Acquisition of STGT

Risks related to the Closing of the Acquisition of STGT

The closing of the acquisition of STGT is subject to the satisfaction of certain closing conditions, including the receipt of required regulatory approvals. There is no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining regulatory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on the Company's ability to complete the acquisition and on Gibson's or STGT's business, financial condition, results of operations or cash flows. The Company intends to consummate the acquisition as soon as practicable after obtaining the required regulatory approvals and satisfying the required closing conditions.

Exchange Rate Risk

As the Company anticipates funding the purchase price of the acquisition from the net proceeds of its subscription receipt offering, the senior unsecured notes offering and the unsecured hybrid notes offering, which Gibson received in Canadian dollars, and the purchase price of the acquisition is denominated in U.S. dollars, a significant decline in the value of the Canadian dollar relative to the U.S. dollar could increase the cost to the Company of funding the purchase price of the acquisition.

The Company's consolidated results of operations may be negatively impacted by foreign currency fluctuations. As a result of the acquisition, a larger portion of the Company's earnings will be in U.S. dollars. Gibson's revenues, expenses and earnings that are denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the average exchange rates prevailing during the period. If the U.S. dollar were to weaken relative to the Canadian dollar, the amount of earnings reported in Gibson's consolidated statement of operations from U.S. dollar denominated business would decrease.

Unexpected Liabilities Related to the Acquisition

In connection with the acquisition, there may be liabilities associated with STGT's business that the Company failed to discover or was unable to quantify in the due diligence which it conducted in connection with the acquisition and the Company may not be indemnified for some or all of these liabilities.

Although the Company has conducted what it believes to be a prudent and thorough level of investigation with respect to STGT in connection with the acquisition, a certain degree of risk remains regarding the accuracy and completeness of information provided by STGT and the sellers during the course of the Company's evaluation of the acquisition or thereafter. While the Company has no reason to believe the information obtained from STGT and the sellers is misleading, untrue or incomplete, the Company cannot assure the accuracy or completeness of such information, nor can the Company compel the STGT or the sellers to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to the Company.

In connection with the acquisition, the Company has obtained a representation and warranty insurance policy package with combined coverage limits of up to $110.0 million. Such representation and warranty insurance policy is subject to certain exclusions and limitations. In addition, there may be circumstances for which the insurer may elect to limit such coverage or refuse to indemnify the Company or situations for which the coverage provided under the representation and warranty insurance policy may not be sufficient or applicable.

The discovery, existence or quantification of any such liabilities and the Company's inability to claim indemnification from the sellers or the provider of the representation and warranty insurance policy could have a material adverse effect on the Company's business, financial condition or future prospects.

Nature of the Acquisition

Acquisitions of terminal businesses are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as operational performance, status of and impact of policy, legislation and regulations and effective tax rates. Many of these factors are subject to change and are beyond Gibson's control. All such assessments involve a measure of engineering, environmental and regulatory uncertainty that could result in lower revenue or higher operating or capital expenditures than anticipated.

Financial and Operational Forecasts and Projections

The Company's financial and operational forecasts in connection with the acquisition are based on a number of assumptions, many of which are outside of Gibson's control, and, if the underlying assumptions prove to be inaccurate, the Company's actual financial and operational results may be different from the forecasts and such differences may be material. Such assumptions are further subject, to a significant degree, on future business decisions, some of which may change, and that could further cause Gibson's actual results to differ materially from those forecasted. Accordingly, Gibson's forecasts and projections are only an estimate of what Gibson's management believes to be realizable. Although Gibson considers the assumptions and estimates underlying the forecasts to be reasonable as of the date of thereof, those assumptions and estimates are inherently uncertain and subject to significant business, economic, financial, regulatory, technological and competitive risks and uncertainties, many of which are beyond our control and if our assumptions prove to be inaccurate, our actual results may differ materially from our forecasts.

Failure to Realize Acquisition Benefits

The Company believes that the acquisition will be beneficial. However, there is a risk that some or all of the expected benefits of the acquisition may fail to materialize, or may not occur within the time periods that Gibson anticipates. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

Moreover, a variety of factors, including those risk factors set forth in this MD&A, may adversely affect the Company's ability to achieve the anticipated benefits of the acquisition.

Integration of STGT

Although the Company expects to realize certain benefits as a result of the acquisition, there is a possibility that the Company is unable to successfully integrate STGT into its operations in order to realize the anticipated benefits of the acquisition or may be unable to do so within the anticipated timeframe.

To effectively integrate STGT into its current operations, Gibson must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to STGT. These efforts, together with the ongoing integration, will require substantial attention from Gibson's management. This diversion of management attention, as well as any other difficulties which Gibson may encounter in completing the acquisition and integration process, could have an adverse effect on Gibson's business, financial condition, results of operations and cash flows. There can be no assurance that Gibson will be successful in integrating STGT's operations or that the expected benefits of the acquisition will be realized.

Gibson will rely on Buckeye following Completion of the Acquisition for Certain Services

In connection with the acquisition, a wholly-owned subsidiary of the Company and Buckeye agreed to enter into an O&M agreement upon the closing of the acquisition pursuant to which Buckeye will operate, maintain, improve and repair the terminal and provide Gibson certain corporate, back-office services and, upon request, non-routine services with respect to the terminal following the closing of the acquisition during the 12 months following the end of the month in which the closing occurs. As a result, Gibson will be reliant on Buckeye's personnel, good faith, contractual compliance, expertise, technical resources and information systems, proprietary information and judgment in providing the services under the O&M agreement, where the Company's ability to manage operational risks may be limited. Accordingly, Gibson may be exposed to adverse developments in the business and affairs of Buckeye, its management and to its financial strength.

There can be no assurance that the services provided by Buckeye pursuant to the O&M agreement will be adequate for the Company to conduct STGT's operations and facilitate the efficient and effective transition of business operations as currently contemplated, or at all. If Buckeye does not perform the services under the O&M agreement as contemplated, the business, operations and financial performance of STGT may be negatively affected, which could have a material adverse effect on the business, financial condition and future performance of the Company. If, after the expiration of the O&M agreement, STGT is unable to perform these services or replace them in a timely manner or on terms and conditions as favorable as those under the O&M agreement, STGT may experience operational problems and an increase in its costs. In addition, the costs for the services to be provided under the O&M agreement may be higher than the costs for such services when the O&M agreement was agreed to.

Failure by Buckeye to meet its obligations under the O&M agreement could have a material adverse effect on STGT, its business, financial condition or financial performance, which could in turn have a material adverse effect on the business, financial condition and future performance of the Company.

Litigation and Public Attitude towards the Acquisition

The Company may be exposed to increased litigation from customers, suppliers, shareholders, or other third-parties in connection with the acquisition. Such litigation may have an adverse impact on the Company's business and results of operations or may cause disruptions to the Company's operations. Even if any such claims are without merit, defending against these claims can result in substantial costs and divert the time and resources of management.

Furthermore, public attitudes towards the acquisition and the Company's further investment in fossil fuel projects could result in negative press coverage and other adverse public statements affecting the Company. Adverse press coverage and other adverse statements could negatively impact the ability of the Company to achieve the benefits of the acquisition or take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Acquisition and Related Costs

The Company expects to incur significant costs associated with the acquisition and integrating the operations of Gibson and STGT. The majority of such costs will be non-recurring expenses resulting from the acquisition and will consist of transaction costs related to the acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of Gibson and STGT's respective businesses and such costs, if incurred, may have a negative effect on the Company's business, operations and financial performance and cash flows.

Increased Indebtedness

In financing the acquisition, Gibson incurred additional debt, including by way of borrowings under the revolving credit facility, and through the issuance of senior unsecured medium-term notes and unsecured hybrid notes, as described in "Liquidity and Capital Resources". Such borrowings and issuances of the notes, increased Gibson's consolidated indebtedness. Such additional indebtedness may increase Gibson's interest expense and debt service obligations and may have a negative effect on Gibson's results of operations and/or credit ratings. Such increased indebtedness may also make Gibson's results more sensitive to increases in interest rates. Gibson's degree of leverage could have other important consequences for purchasers, including: (i) having a negative effect on Gibson's issuer debt rating; (ii) it may limit Gibson's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; (iii) it may limit Gibson's ability to declare dividends on the Common Shares; (iv) Gibson may be vulnerable in a downturn in general economic conditions; and (v) Gibson may be unable to make capital expenditures that are important to its growth and strategies.

Gibson currently has an investment grade credit rating, however, its credit ratings could be lowered or withdrawn entirely by a rating agency if, in the rating agency's judgment, the circumstances warrant. Increased indebtedness arising from the acquisition could be a factor considered by the ratings agencies in downgrading Gibson's credit rating. If a rating agency were to downgrade Gibson's credit rating below investment grade, Gibson's borrowing costs could increase and its funding sources could decrease. In addition, a failure by Gibson to maintain an investment grade credit rating could affect its business relationships with suppliers and operating partners. A credit downgrade could also adversely affect the availability and cost of capital needed for the Company to fund growth investments.

Special Mandatory Redemption Risk relating to the senior unsecured medium-term notes and unsecured hybrid notes

If the acquisition of STGT does not close on or before 5:00 p.m. (Eastern time) on December 14, 2023, or, if prior to such time, the acquisition agreement is terminated in accordance with its terms, or Gibson announces to the public, or notifies the trustee in respect of the notes, that it does not intend to proceed with the acquisition, then the Company will be required to redeem all of the outstanding notes at a redemption price equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest, if any, to, but not including, the date of such special mandatory redemption.

If the Company redeems the notes pursuant to such special mandatory redemption, holders of notes may not obtain the return on their investment in the notes that they anticipated. Whether or not the special mandatory redemption is ultimately triggered, it may adversely affect trading prices for the notes prior to the date of the special mandatory redemption. There is no escrow account for, or security interest in, the proceeds from the sales of the notes for the benefit of holders of the notes and, accordingly, there is a risk the Company may not have sufficient funds to redeem the notes pursuant to the special mandatory redemption, as required.

Risks Relating to STGT's Business

Business Operations

While the risk factors set forth in Gibson's AIF and MD&A for the year ended December 31, 2022 relating to Gibson's business and operations apply equally in respect of the business and operations of STGT, as a result of the acquisition, if completed, Gibson will become subject to additional business risks unique to STGT's business as set forth below.

Commodity Transportation and Storage Activities

There are a variety of hazards and operating risks inherent to the transportation and storage of the products STGT handles, such as leaks; releases; the breakdown, underperformance or failure of equipment, facilities, information systems or processes; damage to pipelines; the compromise of information and control systems; spills at terminals and hubs; spills associated with loading and unloading harmful substances; adverse sea conditions (including storms and rising sea levels) and releases or spills from shipping vessels loaded at STGT marine terminals; operator error; labor disputes/work stoppages; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third-party systems or refineries on which STGT's assets depend; and catastrophic events or natural disasters such as fires, floods, explosions, earthquakes, acts of terrorists and saboteurs, cyber security breaches, and other similar events, many of which are beyond the Company or STGT's control. Additional risks include risks related to vessels capsizing, grounding and navigation errors.

The occurrence of any of these risks could result in serious injury and loss of human life, significant damage to property and natural resources, environmental pollution, significant reputational damage, impairment or suspension of operations, fines or other regulatory penalties, costs associated with responding to an investigation or enforcement action brought by a governmental agency, and revocation of regulatory approvals or imposition of new requirements, any of which also could result in substantial financial losses, including lost revenue and cash flow to the extent that an incident causes an interruption of service. In addition, the consequences of any operational incident (including as a result of adverse sea conditions) at one of STGT's marine terminals may be even more significant as a result of the complexities involved in addressing leaks and releases occurring in the ocean or along coastlines and/or the repair of marine terminals.

Coastal Natural Disasters

STGT's terminal and other assets are located and operate in areas that are susceptible to hurricanes, earthquakes, flooding and other natural disasters. These natural disasters could potentially damage or destroy the assets and disrupt the supply of the products transported. Many climate models indicate that global warming is likely to result in rising sea levels, increased frequency and severity of weather events such as winter storms, hurricanes and tropical storms, extreme precipitation and flooding. These climate-related changes could result in damage to STGT's physical assets, especially operations located in low-lying areas near coasts and river banks, and facilities situated in hurricane-prone and rain-susceptible regions. Natural disasters can similarly affect the facilities of STGT's customers. The timing, severity and location of these climate change impacts are not known with certainty, and these impacts are expected to manifest themselves over varying time horizons.

In addition, Gibson may experience increased insurance premiums and deductibles, or a decrease in available coverage, for assets in areas subject to severe weather. In either case, losses could exceed the Company's insurance coverage and Gibson's business, financial condition, results of operations and cash flows could be materially adversely affected.

Subsidence and Coastal Erosion

STGT's assets and operations could be impacted by subsidence and coastal erosion. Such processes potentially could cause serious damage to STGT's terminal facilities, which could affect STGT's ability to provide, terminalling, storage and transportation services in the manner presently provided or in a manner consistent with present plans. Additionally, such processes could impact STGT's customers who operate along the Texas Gulf Coast, and they may be unable to utilize such services. Subsidence and coastal erosion could also expose STGT's operations to increased risk associated with severe weather conditions, such as hurricanes, flooding, and rising sea levels. As a result, STGT may incur significant costs to repair and preserve STGT's facilities. Such costs could adversely affect the Company's business, financial condition, results of operations and cash flows.

Compliance with Legislation

Given the location and nature of STGT's business and operations, the Company may become subject to increased regulations, including with respect to health, safety and the environment. Compliance with such regulatory frameworks, or any additional regulations, may incur significant costs or may subject the Company to significant liabilities. Specifically, OPA, as amended imposes a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in U.S. waters. A "responsible party" includes the owner or operator of a facility or vessel or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages including natural resource damages. Under the OPA, vessels and shore facilities handling, storing, or transporting oil are required to develop and implement oil spill response plans, and vessels greater than 300 tonnes in weight must provide to the U.S. Coast Guard evidence of financial responsibility to cover the costs of cleaning up oil spills from such vessels. The OPA also requires that all newly constructed tank barges engaged in oil transportation in the U.S. be double hulled effective January 1, 2016. While the Company believes STGT is in substantial compliance with all of the oil spill-related and financial responsibility requirements, in the aftermath of the Deepwater Horizon incident in 2010, Congress has from time to time considered oil spill related legislation that could have the effect of substantially increasing financial responsibility requirements and potential fines and damages for violations and discharges subject to the OPA, and similar legislation. Any such changes in law affecting areas where STGT conducts business could materially affect its operations and may result in increased costs for the Company.

Terminal Competition

STGT competes with several other terminal facilities. Competition among terminal companies historically has been, and is expected to continue to be, intense. Competitive factors have in recent years included price, experience, equipment availability, technological expertise and reputation for quality and dependability. Revenues and earnings may be affected by the following factors: (i) changes in competitive prices and availability of trained personnel; (ii) fluctuations in the level of activity and major markets; (iii) general economic conditions; and (iv) governmental regulation. Additionally, in certain geographical areas, some competitors may have substantially greater operations, financial and other resources. Competing terminal facilities operators could enjoy an advantage over STGT if the environment for contract awards shifts to one characterized principally by intense price competition.

Attacks, Terrorism or Cyber Sabotage

The U.S. government has issued public warnings indicating that pipelines and other infrastructure assets might be specific targets of terrorist organizations or "cyber sabotage" events. For example, in May 2021, a ransomware attack on a major U.S. refined products pipeline forced the operator to temporarily shut down the pipeline, resulting in disruption of fuel supplies along the East Coast. Potential targets include STGT's terminals databases or operating systems. The occurrence of an attack could cause a substantial decrease in revenues and cash flows, increased costs to respond or other financial loss, significant reporting requirements, damage to STGT's and Gibson's reputation, increased regulation or litigation or inaccurate information reported from our operations. In the event of such an incident, Gibson may need to retain cybersecurity experts to assist us in stopping, diagnosing, and recovering from the attack. There is no assurance that adequate cyber sabotage and terrorism insurance will be available at rates we believe are reasonable in the near future. The potential for an attack may subject STGT's operations to increased risks and costs, and, depending on their ultimate magnitude, have a material adverse effect on the Company's business, results of operations, financial condition, cash flows, and/or business reputation.

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, including with respect to the acquisition of STGT;*
- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *the acquisition of STGT and the anticipated timing of the closing;*
- *the anticipated benefits of the STGT acquisition and the timing thereof;*
- *the Company's ability to satisfy the closing conditions including regulatory approvals and the timing thereof;*
- *the anticipated sources to fund the purchase price of the acquisition of STGT;*

- *the potential impact of exchange rate fluctuations on the effective purchase price of acquisition of STGT and the Company's ability to minimize such impact through the use of financial derivatives;*
- *the satisfaction of the escrow release conditions of the subscription receipts issued in connection with the acquisition of STGT, and the return of proceeds to the purchasers in the event the acquisition does not close;*
- *the exchange of the subscription receipts for common shares in connection with the closing the acquisition of STGT;*
- *the integration of the operations of the Company and STGT and the costs and timing thereof;*
- *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;*
- *the continued deployment of growth capital in connection with the acquisition of STGT;*
- *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 and potential changes to the services offered by the Company*
- *the desirability of Canadian oil and gas and the impact on the demand for the Company's services;*
- *the Company's ability to renew or renegotiate contracts;*
- *the Company's current projects supporting shippers on the Trans Mountain pipeline expansion;*
- *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 NCIB;*
- *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:

- *the satisfaction of all conditions to closing the acquisition of STGT and on the timeframe contemplated;*
- *the purchase price of the acquisition of STGT, subject to post-closing adjustments;*
- *the successful completion of the acquisition of STGT and Gibson's ability to obtain the anticipated benefits therefrom;*
- *the accuracy of historical and forward-looking operational and financial information and estimates provided by STGT and the sellers thereof;*
- *Gibson's ability to integrate the assets acquired pursuant to the acquisition of STGT into Gibson's operations;*
- *the accuracy of financial and operational projections of Gibson following completion of the acquisition of STGT;*
- *the completion of STGT's connection to the Cactus II Pipeline;*
- *Buckeye's ability to provide the necessary services pursuant to the O&M agreement following the closing of the acquisition of STGT;*
- *the anticipated effect of the acquisition and the related subscription receipt and Notes offerings Gibson's credit ratings;*
- *the anticipated effect of the acquisition on the consolidated capitalization of Gibson;*
- *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 MD&A for the year ended December 31, 2022 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

Buckeye: Buckeye Development & Logistics II LLC, the operator of the terminal owned by STGT

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

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 **OPA:** The Oil Pollution Act of 1990

O&M agreement: operating and maintenance agreement between Gibson and Buckeye

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

STGT: South Texas Gateway Terminal LLC, a Delaware limited liability company

U.S.: United States of America

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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