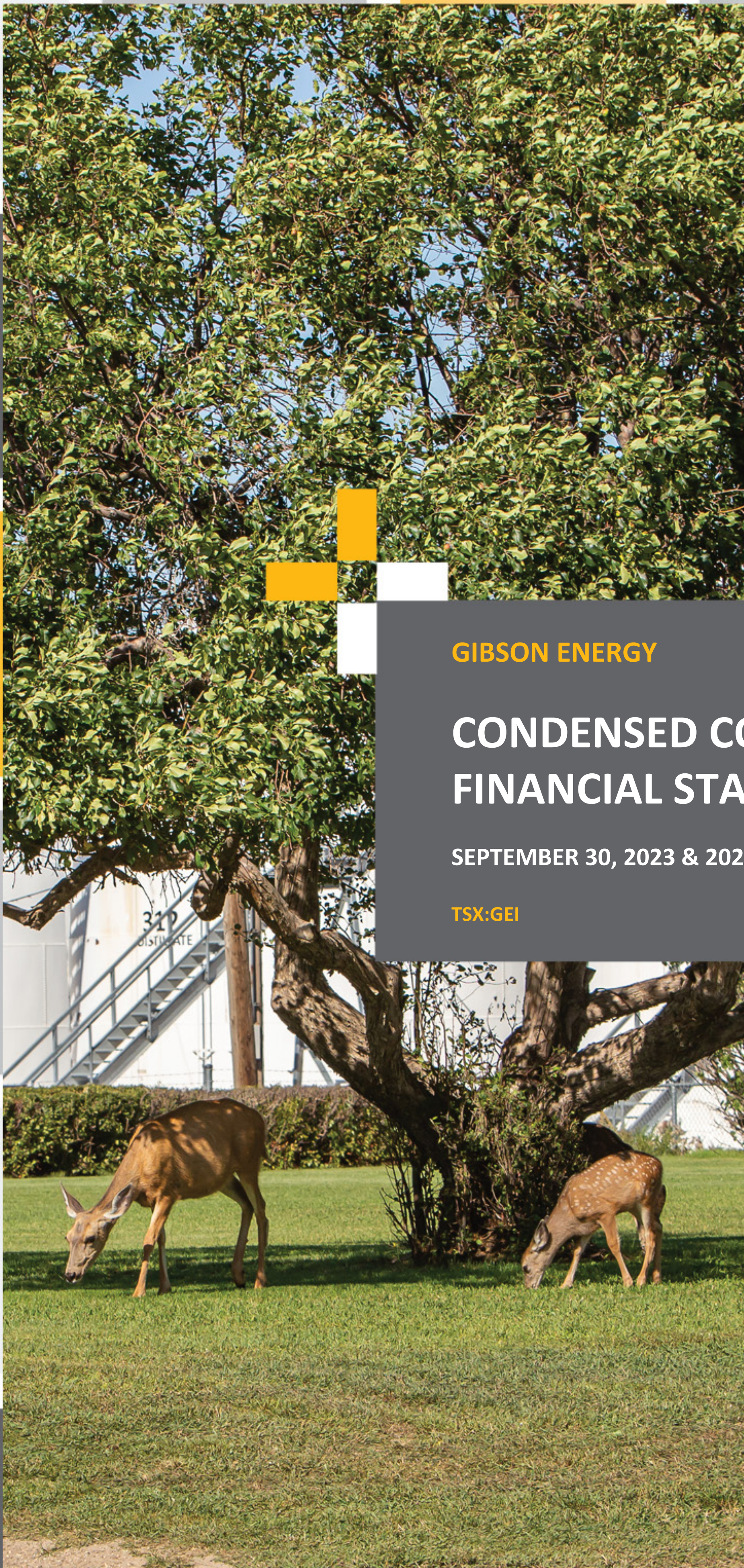

GIBSON ENERGY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 & 2022

TSX:GEI

Gibson Energy Inc.

Condensed Consolidated Balance Sheet (unaudited)

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

	Note	September 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		54,464	83,596
Trade and other receivables		786,311	464,305
Inventories	5	188,747	257,754
Income taxes receivable		1,449	273
Prepaid and other assets		17,635	9,682
Net investment in finance leases		1,333	5,914
		1,049,939	821,524
Non-current assets			
Property, plant and equipment	6	2,951,956	1,556,427
Right-of-use assets	7	55,964	47,739
Long-term prepaid and other assets		1,180	1,607
Net investment in finance leases		185,978	192,318
Investment in equity accounted investees	8	161,558	165,111
Deferred income tax assets		29,264	19,141
Intangible assets	9	133,771	29,063
Goodwill	4	395,229	362,068
		3,914,900	2,373,474
Total assets		4,964,839	3,194,998
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges		886,101	574,568
Dividends payable		63,044	52,896
Contract liabilities		27,882	21,029
Lease liabilities	11	30,996	37,196
		1,008,023	685,689
Non-current liabilities			
Long-term debt	10	2,645,904	1,646,772
Lease liabilities	11	36,866	34,504
Provisions	12	177,913	145,057
Other long-term liabilities		2,338	2,164
Deferred income tax liabilities		135,141	107,796
		2,998,162	1,936,293
Total liabilities		4,006,185	2,621,982
Equity			
Share capital	13	2,341,351	1,964,515
Contributed surplus		59,959	60,399
Accumulated other comprehensive income		90,032	48,233
Accumulated deficit		(1,532,688)	(1,500,131)
		958,654	573,016
Total liabilities and equity		4,964,839	3,194,998

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Operations (unaudited)

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

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022*	Nine months ended September 30, 2023	Nine months ended September 30, 2022*
Revenue	*15*	3,225,787	2,651,883	8,205,161	8,536,039
Cost of sales		3,112,908	2,537,240	7,851,715	8,255,828
Gross profit		112,879	114,643	353,446	280,211
Share of profit from equity accounted investees	*8*	(6,243)	(5,437)	(14,723)	(15,076)
General and administrative expenses	*4*	42,962	17,204	81,283	52,077
Other (gains) and losses, net		(2,373)	(5,604)	(5,245)	(10,902)
Operating income		78,533	108,480	292,131	254,112
Finance costs, net	*10*	50,222	16,426	80,357	47,112
Income before income taxes		28,311	92,054	211,774	207,000
Income tax expense	*14*	7,678	20,589	50,864	47,646
Net income		20,633	71,465	160,910	159,354
Earnings per share	*13*				
Basic earnings per share		0.11	0.49	1.10	1.09
Diluted earnings per share		0.11	0.48	1.09	1.07

**See Note 2 for reclassification of prior period results*

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Comprehensive Income (unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income	20,633	71,465	160,910	159,354
Other comprehensive income				
Items that may be reclassified subsequently to statement of operations				
Exchange differences from translating foreign operations	49,343	20,938	41,553	25,999
Items that will not be reclassified subsequently to statement of operations				
Remeasurement of post-employment benefit obligation, net of tax	—	962	246	962
Other comprehensive income, net of tax	49,343	21,900	41,799	26,961
Comprehensive income	69,976	93,365	202,709	186,315

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Changes in Equity (unaudited)

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

	Share Capital (Note 13)	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
Balance – January 1, 2022	1,997,255	66,002	24,310	(1,443,441)	644,126
Net Income	—	—	—	159,354	159,354
Other comprehensive income, net of tax	—	—	26,961	—	26,961
Comprehensive income	—	—	26,961	159,354	186,315
Share-based compensation	—	13,660	—	—	13,660
Tax effect of equity settled awards	688	(163)	—	—	525
Proceeds from exercise of stock options	23,841	—	—	—	23,841
Reclassification of contributed surplus on issuance of awards under equity incentive plan	22,034	(22,034)	—	—	—
Dividends on common shares ($0.37 per common share)	—	—	—	(162,550)	(162,550)
Repurchase of common shares under normal course issuer bid ("NCIB")	(47,319)	—	—	(39,430)	(86,749)
Balance – September 30, 2022	1,996,499	57,465	51,271	(1,486,067)	619,168
Balance – January 1, 2023	1,964,515	60,399	48,233	(1,500,131)	573,016
Net income	—	—	—	160,910	160,910
Other comprehensive income, net of tax	—	—	41,799	—	41,799
Comprehensive income	—	—	41,799	160,910	202,709
Share-based compensation	—	13,546	—	—	13,546
Tax effect of equity settled awards	463	(356)	—	—	107
Proceeds from exercise of stock options	1,535	—	—	—	1,535
Net proceeds from the issuance of common shares, after tax effects (note 13)	389,951	—	—	—	389,951
Reclassification of contributed surplus on issuance of awards under equity incentive plan	13,630	(13,630)	—	—	—
Dividends on common shares ($0.39 per common share)	—	—	—	(173,859)	(173,859)
Repurchase of common shares under NCIB	(28,743)	—	—	(19,608)	(48,351)
Balance – September 30, 2023	2,341,351	59,959	90,032	(1,532,688)	958,654

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

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

	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities					
Net income		20,633	71,465	160,910	159,354
Adjustments	*18*	107,962	84,618	243,423	224,591
Changes in items of working capital	*18*	64,320	62,000	40,165	172,011
Income tax payment, net	*18*	(2,900)	(11,412)	(25,244)	(27,702)
Net cash inflow from operating activities		190,015	206,671	419,254	528,254
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets	*6*	(41,465)	(39,179)	(87,521)	(119,074)
Acquisition, net of cash acquired	*4*	(1,458,596)	—	(1,458,596)	—
Realized loss on derivative financial instrument		(6,842)	—	(6,842)	—
Investment in equity accounted investees	*8*	—	—	(765)	—
Proceeds from sale of assets		—	(4)	26	8,239
Net cash outflow from investing activities		(1,506,903)	(39,183)	(1,553,698)	(110,835)
Cash flows from financing activities					
Payment of shareholder dividends		(55,235)	(54,196)	(163,711)	(160,090)
Interest paid, net		(25,082)	(21,378)	(56,993)	(49,095)
Proceeds from exercise of stock options		30	239	1,535	23,841
Lease payments	*11*	(8,575)	(7,510)	(26,268)	(27,630)
Repayment of credit facility, net	*10*	(85,000)	(25,000)	(90,000)	(110,000)
Proceeds from issuance of long-debt, net of issuance costs	*10*	1,088,042	—	1,088,042	—
Proceeds from issuance of common shares, net of issuance costs	*13*	385,883	—	385,883	—
Repurchase of shares under NCIB	*13*	—	(28,113)	(48,351)	(86,749)
Net cash inflow (outflow) from financing activities		1,300,063	(135,958)	1,090,137	(409,723)
Net (decrease) increase in cash and cash equivalents		(16,825)	31,530	(44,307)	7,696
Effect of exchange rate on cash and cash equivalents		16,074	1,900	15,175	1,799
Cash and cash equivalents – beginning of year		55,215	38,753	83,596	62,688
Cash and cash equivalents – end of quarter		54,464	72,183	54,464	72,183

See accompanying notes to the condensed consolidated financial statements

See note 18 for supplemental disclosures.

Note 1 Description of Business and Segmented Disclosure

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

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

The Company's reportable segments are:

Infrastructure, which includes a network of liquids infrastructure assets that include oil terminals, rail loading and unloading facilities, gathering pipelines, a crude oil processing facility, and other small terminals. The primary facilities within this segment include the Hardisty and Edmonton Terminals, which are the principal hubs for aggregating and exporting liquids and refined products out of the Western Canadian Sedimentary Basin; the Gateway Terminal, a liquids export terminal located in Ingleside, Texas, in the United States("U.S."), which connects the Permian and Eagle Ford basins to global exports; a crude oil processing facility in Moose Jaw, Saskatchewan (the "Moose Jaw Facility"); and gathering pipelines in Canada and U.S. The Infrastructure segment also includes the Company's share of equity pickup from equity accounted investees. Select assets are impacted by maintenance turnarounds typically occurring within the spring every few years.

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

This reporting structure provides a direct connection between the Company's operations, the services it provides to customers and the ongoing strategic direction of the Company. These reportable segments of the Company have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Company has aggregated certain operating segments into the above noted reportable segments through examination of the Company's performance which is based on the similarity of the goods and services provided and economic characteristics exhibited by these operating segments.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions.

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

a) Statement of operations

Three months ended September 30, 2023	**Infrastructure**	**Marketing**	**Total**
Revenue			
External	111,180	3,114,607	3,225,787
Inter-segmental	54,877	19,022	73,899
External and inter-segmental	166,057	3,133,629	3,299,686
Segment profit	137,727	17,900	155,627
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			25,581
Depreciation and impairment of right-of-use assets			7,095
Amortization and impairment of intangible assets			5,866
General and administrative			14,258
Acquisition and integration costs			19,959
Stock based compensation			6,455
Financial instrument loss *(note 16)*			430
Corporate foreign exchange gain			(2,550)
Interest expense, net			50,222
Net income before income tax			28,311
Income tax expense			7,678
Net income			20,633

Three months ended September 30, 2022	**Infrastructure**	**Marketing**	**Total**
Revenue			
External	78,296	2,573,587	2,651,883
Inter-segmental	54,409	18,035	72,444
External and inter-segmental	132,705	2,591,622	2,724,327
Segment profit	109,349	44,786	154,135
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			29,500
Depreciation and impairment of right-of-use assets			5,753
Amortization and impairment of intangible assets			1,938
General and administrative			10,374
Stock based compensation			4,569
Corporate foreign exchange gain			(6,479)
Interest expense, net			16,426
Net income before income tax			92,054
Income tax expense			20,589
Net income			71,465

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

Nine months ended September 30, 2023	**Infrastructure**	**Marketing**	**Total**
Revenue			
External	268,639	7,936,522	8,205,161
Inter-segmental	163,343	53,226	216,569
External and inter-segmental	431,982	7,989,748	8,421,730
Segment profit	336,483	123,962	460,445
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			64,212
Depreciation and impairment of right-of-use assets			20,241
Amortization and impairment of intangible assets			10,335
General and administrative			38,677
Acquisition and integration costs			19,959
Stock based compensation			15,344
Financial instrument loss *(note 16)*			430
Corporate foreign exchange gain			(884)
Interest expense, net			80,357
Net income before income tax			211,774
Income tax expense			50,864
Net income			160,910

Nine months ended September 30, 2022	**Infrastructure**	**Marketing**	**Total**
Revenue			
External	240,283	8,295,756	8,536,039
Inter-segmental	156,526	72,200	228,726
External and inter-segmental	396,809	8,367,956	8,764,765
Segment profit	326,143	81,705	407,848
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			88,917
Depreciation and impairment of right-of-use assets			18,928
Amortization and impairment of intangible assets			5,800
General and administrative			29,960
Stock based compensation			15,427
Corporate foreign exchange gain			(5,296)
Interest expense, net			47,112
Net income before income tax			207,000
Income tax expense			47,646
Net income			159,354

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

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

	Nine months ended September 30,	
Additions	**2023**	**2022**
Infrastructure	1,563,667	73,042
Marketing	—	16,430
Corporate	4,974	4,827
	1,568,641	94,299

b) Geographic Data

	Nine months ended September 30,	
Revenue	**2023**	**2022**
Canada	6,970,281	7,122,133
United States	1,234,880	1,413,906
Total revenue	8,205,161	8,536,039

	As at September 30,	
Non-current assets	**2023**	**2022**
Canada	1,810,735	1,734,093
United States	1,727,365	262,400
Total non-current assets (1)	3,538,100	1,996,493

1) *Excludes investment in finance leases, investments in equity accounted investees and deferred tax assets.*

Note 2 Basis of Preparation

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, as set out in IAS 34, “Interim Financial Reporting”.

These condensed consolidated financial statements are presented in Canadian dollars, the Company’s functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to US$ are to U.S. dollars. These statements do not include all disclosures required for the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

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

These condensed consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on October 30, 2023.

Note 3 Changes in Accounting Policies and Disclosures

New interpretations and amended standards adopted by the Company:

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

- 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
- 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:

- 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, which contains covenant(s), 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.

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

Note 4 Business Combination

On August 1, 2023, the Company completed the acquisition of South Texas Gateway Terminal LLC ("Gateway Terminal"), a wholly-owned subsidiary of the Company, for a total purchase price of US$1,099.5 million or $1,461.4 million, subject to customary closing adjustments. The acquisition was funded with a combination of equity and debt, with net proceeds of $385.9 million from subscription receipt offering (note 13) and $1,088.0 million from senior unsecured medium-term notes and unsecured hybrid notes offerings (note 10). Concurrent with the closing of the acquisition, the Company amended its revolving credit facility, increasing its capacity from $750.0 million to $1,000.0 million (note 10).

The Gateway 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 acquisition complements the Company's existing Edmonton and Hardisty Terminals by enhancing the liquids-focused infrastructure business, particularly with exposure to exporting production from the Permian basin.

The acquisition was accounted for using the acquisition method described in IFRS 3 — Business Combinations. Assets and liabilities have been measured at their estimated fair value on the date of the acquisition. Total consideration was allocated to the assets acquired or liabilities assumed, with any excess recognized as goodwill. The Company engaged an independent valuator to assist in determining the fair value of certain tangible assets using a cost based approach and the fair value of customer relationships recognized as intangible assets using an income approach. Working capital items and tax allocation are subject to post-close adjustments, which is expected to occur in fourth quarter of 2023.

The following table summarizes the fair value of the assets acquired and liabilities assumed:

As at	Note	**August 1, 2023** *(US$)*	**August 1, 2023,** *(CAD$)* [1]
Consideration			
Cash		1,099,496	1,461,396
Cash and cash equivalents		2,106	2,799
Trade and other receivables		13,442	17,866
Prepaid and other assets		57	76
Deferred income tax asset		4,526	6,016
Property, plant and equipment	*6*	986,982	1,311,847
Intangible assets [2]	*9*	86,417	114,861
Total assets		1,093,530	1,453,465
Trade payables and accrued charges		8,530	11,337
Provisions [3]	*12*	9,783	13,003
Other long-term liabilities		213	283
Total liabilities		18,526	24,623
Goodwill		24,492	32,554

1) *Exchange rate used to translate the U.S. denominated consideration, assets and liabilities is CAD $1.329/ $1.00 USD, the rate in effect on August 1, 2023.*

2) *Intangible assets will be amortized over their estimated useful lives of 5 years.*

3) *Decommissioning provision was estimated by discounting inflated cost estimates using a credit-adjusted risk-free rate upon closing of the acquisition. Subsequent remeasurement using a risk-free rate in accordance with the Company's accounting policy resulted in an increase in the present value of $28.5 million.*

The goodwill arising on the acquisition is attributable to the Company's expanded footprint in a major liquids export market and increasing crude oil export volume from the United States, primarily sourced from the Permian basin.

Since August 1, 2023, the Gateway Terminal has contributed revenue of $34.5 million and income before income taxes of $19.5 million to the consolidated financial results. If the business combination had occurred on January 1, 2023, management estimates that consolidated revenue would have been $8,325.5 million and net income before income taxes would have been $232.3 million for the nine months ended September 30, 2023. In determining these amounts, management assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on January 1, 2023. This pro forma information is not necessarily indicative of results of the combined entity if the acquisition occurred on those dates, or an indication of future performance.

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

Acquisition and integration costs of $20.0 million have been charged to general and administrative expenses in the condensed consolidated statement of operations for the three and nine months ended September 30, 2023.

Note 5 Inventories

	September 30, 2023	December 31, 2022
Crude oil, natural gas liquids and diluent	130,580	201,293
Asphalt	42,276	42,153
Wellsite fluids and distillate	15,891	14,308
	188,747	257,754

The cost of the inventory sold included in cost of sales was $7,664.6 million and $8,026.0 million for the nine months ended September 30, 2023, and 2022, respectively.

Note 6 Property, Plant and Equipment

	Land and Buildings	Pipelines and Connections	Storage	Facilities and Equipment	Assets under Construction	Total
Cost:						
At January 1, 2023	150,999	536,692	832,677	900,162	109,634	2,530,164
Acquisition (note 4)	164,650	—	491,199	655,998	—	1,311,847
Additions and adjustments	754	2,233	27,418	21,180	58,886	110,471
Disposals	—	—	(1,510)	(674)	—	(2,184)
Change in decommissioning provision	(69)	(1,925)	3,050	12,346	—	13,402
Effect of movements in exchange rates	3,040	37	9,095	12,054	56	24,282
At September 30, 2023	319,374	537,037	1,361,929	1,601,066	168,576	3,987,982
Accumulated depreciation and impairment:						
At January 1, 2023	55,499	176,614	244,625	496,999	—	973,737
Depreciation and adjustments	4,565	11,323	20,308	28,028	—	64,224
Disposals	—	—	(1,403)	(519)	—	(1,922)
Effect of movements in exchange rates	3	61	(25)	(52)	—	(13)
At September 30, 2023	60,067	187,998	263,505	524,456	—	1,036,026
Carrying amounts:						
At January 1, 2023	95,500	360,078	588,052	403,163	109,634	1,556,427
At September 30, 2023	259,307	349,039	1,098,424	1,076,610	168,576	2,951,956

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

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

Note 7 Right-of-use Assets

	Buildings	Rail Cars	Other	Total
Cost:				
At January 1, 2023	44,435	110,772	10,172	165,379
Additions and adjustments	519	13,761	6,682	20,962
Transfer from finance sub lease	—	8,825	—	8,825
Disposals	(176)	(46,194)	(5,100)	(51,470)
Effect of movements in exchange rates	—	—	(70)	(70)
At September 30, 2023	44,778	87,164	11,684	143,626
Accumulated depreciation and impairment:				
At January 1, 2023	24,830	84,736	8,074	117,640
Depreciation and adjustments	3,692	13,861	2,898	20,451
Disposals	(176)	(46,194)	(3,990)	(50,360)
Effect of movements in exchange rates	—	—	(69)	(69)
At September 30, 2023	28,346	52,403	6,913	87,662
Carrying amounts:				
At January 1, 2023	19,605	26,036	2,098	47,739
At September 30, 2023	16,432	34,761	4,771	55,964

Note 8 Investment in Equity Accounted Investees

	Ownership %	Share of Profit (Loss) for the period ended		Investment in Equity Accounted Investees at	
		September 30, 2023	September 30, 2022	September 30, 2023	December 31, 2022
Hardisty Energy Terminal Limited Partnership (“HET”)	50%	15,863	12,433	139,689	142,134
Zenith Energy Terminals Joliet Holdings LLC (“Zenith”)	36%	(1,140)	2,643	21,869	22,977
		14,723	15,076	161,558	165,111

The Company, as the operator, holds a 50 percent interest in HET, operating a Diluent Recovery Unit adjacent to the Company’s Hardisty Terminal. The Company also holds a 36 percent interest in Zenith which owns and operates a crude-by-rail and storage terminal and a pipeline connection to a common carrier crude oil pipeline in Joliet, Illinois. The Company’s share of profit or loss from these investments is included within the Infrastructure segment’s profit.

The Company received distributions for the three months ended September 30, 2023 of $6.2 million (three months ended September 30, 2022 – $8.5 million) and for the nine months ended September 30, 2023 of $19.0 million (nine months ended September 30, 2022 – $25.5 million).

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

Note 9 Intangible Assets

	Brands	Customer Relationships	Long-term Customer Contracts	Non-compete Agreements	Technology, Software and License	Total
Cost:						
At January 1, 2023	22,700	39,201	24,900	702	55,581	143,084
Acquisition (note 4)	—	114,861	—	—	—	114,861
Additions and adjustments	—	—	—	—	(1,619)	(1,619)
Disposals	—	—	—	—	(1,124)	(1,124)
Effect of movements in exchange rates	—	2,129	5	—	1	2,135
At September 30, 2023	22,700	156,191	24,905	702	52,839	257,337
Accumulated amortization and impairment:						
At January 1, 2023	22,700	39,201	13,307	702	38,111	114,021
Amortization and adjustments	—	3,899	1,522	—	4,925	10,346
Disposals	—	—	—	—	(908)	(908)
Effect of movements in exchange rates	—	96	11	—	—	107
At September 30, 2023	22,700	43,196	14,840	702	42,128	123,566
Carrying amounts:						
At January 1, 2023	—	—	11,593	—	17,470	29,063
At September 30, 2023	—	112,995	10,065	—	10,711	133,771

Note 10 Long-Term Debt

	Coupon Rate	Year of Maturity	September 30, 2023	December 31, 2022
Unsecured revolving credit facility	floating	2028	165,000	255,000
Senior unsecured notes	2.45%	2025	325,000	325,000
Senior unsecured notes	5.80%	2026	350,000	—
Senior unsecured notes	2.85%	2027	325,000	325,000
Senior unsecured notes	3.60%	2029	500,000	500,000
Senior unsecured notes	5.75%	2033	350,000	—
Senior unsecured notes	6.20%	2053	200,000	—
Unsecured hybrid notes	5.25%	2080	250,000	250,000
Unsecured hybrid notes	8.70%	2083	200,000	—
Unamortized issue discount and debt issue costs			(19,096)	(8,228)
			2,645,904	1,646,772

Unsecured revolving credit facility

The revolving credit facility is available to provide financing for working capital, fund capital expenditures and other general corporate purposes. The revolving credit facility permits letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the revolving credit facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. Secured Overnight Financing Rate or Canadian Bankers Acceptance Rate, as the case may be, plus an applicable margin. The applicable margin for borrowings under the revolving credit facility is subject to step up and step down based on the Company's credit rating and relative performance to selected environmental, social and governance targets. The Company must pay standby fees on the unused portion of the revolving credit facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to interest.

During the first quarter of 2023, the Company extended the maturity date of the unsecured revolving credit facility from April 2027 to February 2028, amongst other amendments. In conjunction with the acquisition of the Gateway Terminal, on August 1, 2023, the Company amended its revolving credit facility, increasing its capacity from $750.0 million to $1,000.0 million. The Company had $165.0 million drawn on its $1,000.0 million unsecured revolving credit facility as of September 30, 2023 (December 31, 2022 – $255.0 million). In addition, the Company has two bilateral demand facilities, which are available for use for general corporate purposes or letters of credit, totaling $150.0 million under which it had issued letters of credit totaling $38.3 million as at September 30, 2023 (December 31, 2022 – $37.5 million).

Senior unsecured notes

The following note 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 indenture(s) governing the terms of the Company's senior unsecured notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the senior unsecured notes at such prices and on such dates as set forth therein. In addition, the holders of the notes have the right to require the Company to repurchase the notes at the purchase prices set forth in the applicable indenture in the event of a change of control triggering event, being both a change in control of the Company or ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

The terms of the indentures contained contingent mandatory redemption clauses which expired on August 1, 2023, concurrent with the closing of the acquisition.

Unsecured hybrid notes

On July 12, 2023, the Company closed its offering of $200.0 million of unsecured hybrid notes, which carry an 8.70% per annum coupon rate and have a maturity date of July 12, 2083. Interest is payable semi-annually on January 12 and July 12 of each year the notes are outstanding from July 12, 2023, to, but excluding, July 12, 2028. From, and including, July 12, 2028, during each Interest Reset Period (as defined in the applicable indenture) during which the notes are outstanding, the interest rate on the unsecured hybrid notes will be reset at a fixed rate per annum equal to the 5-Year Government of Canada Yield on the business day prior to such Interest Reset Date (as defined in the applicable indenture) plus, (i) for the period from, and including, July 12, 2028 to, but not including, July 12, 2033, 5.041% and (ii) for the period from, and including, July 12, 2033, to, but not including, July 12, 2048, 5.291% and (iii) for the period from, and including, July 12, 2048 to, but not including, the maturity date, 6.041% in each case, to be reset by the Calculation Agent (as defined in the applicable indenture) on each Interest Reset Date and with the interest during such period payable in arrears, in equal semi-annual payments on January 12 and July 12 in each year.

The indenture governing the terms of the unsecured hybrid notes, as supplemented, contains certain redemption options whereby the Company can redeem all or part of the unsecured hybrid notes at such prices and on such dates as set forth therein. In addition, the holders of the unsecured hybrid notes have the right to require the Company to repurchase the unsecured hybrid notes at the purchase prices set forth in the applicable indenture in the event of a change in control triggering event, being both a change of control of the Company or a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

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

The terms of the indentures for the unsecured hybrid notes contained special mandatory redemption clauses which expired on August 1, 2023, concurrent with the closing of the acquisition.

The Company incurred aggregate debt issuance costs of $12.0 million related to the senior unsecured notes and unsecured hybrid notes offerings.

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

The components of finance costs are as follows:

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2023**	**2022**	**2023**	**2022**
Interest expense		34,044	17,145	70,352	47,150
Dividend equivalent payment on subscription receipts	*13*	7,804	—	7,804	—
Unrealized foreign currency financial instrument loss	*16*	5,871	—	—	—
Realized foreign currency financial instrument loss (1)	*16*	6,842	—	6,842	—
Capitalized interest	*6*	(509)	(1,270)	(1,225)	(2,004)
Interest expense, finance lease	*11*	803	705	2,152	2,203
Interest income		(4,633)	(154)	(5,568)	(237)
		50,222	16,426	80,357	47,112

1) *Comprised of net loss on foreign currency forward contracts related to the acquisition of the Gateway Terminal.*

Reconciliation of cash flows arising from financing activities

	Nine months ended September 30,	
	2023	**2022**
Opening balance	1,646,772	1,660,609
Proceeds from issuance of long-term debt, net of costs	1,088,042	—
Repayment of revolving credit facility, net	(90,000)	(15,000)
Net cash provided by financing activities	2,644,814	1,645,609
Deferred financing costs and other	1,090	1,163
Closing balance	2,645,904	1,646,772

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

Note 11 Lease Liabilities

	September 30, 2023
Opening balance	71,700
Additions	20,962
Disposals	(909)
Interest expense	2,152
Lease payments	(26,268)
Effect of movements in exchange rates	225
Closing balance	67,862
Less: current portion	30,996
Closing balance – non-current portion	36,866

The Company incurs lease payments primarily related to rail cars, head office facilities and vehicles. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets.

Note 12 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Note	September 30, 2023	December 31, 2022
Opening balance		145,057	180,270
Acquisition	*4*	13,003	—
Settlements		(3,918)	(7,204)
Additions	*6*	7,817	5,523
Change in estimated future cash flows	*6*	(9,414)	7,772
Change in discount rate (1)	*6*	21,952	(45,437)
Unwind of discount		3,206	3,632
Effect of movements in exchange rates		210	501
Closing balance		177,913	145,057

1) Includes the effect of the risk free rate applied to the Gateway Terminal provisions, calculated subsequent to the fair value amount, which was determined at the acquisition date using a credit adjusted risk free rate.

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 6.0% for 2023, 4.0% for 2024 and 2.0% thereafter, of estimated cash flows to settle the future liability for asset retirement and remediation obligations. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 3.9% at September 30, 2023 (3.3% at December 31, 2022).

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

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

Note 13 Share Capital and Share-based Compensation

Common Shares – Issued and Outstanding

	Number of Common Shares	Amount
At January 1, 2023	142,961,379	1,964,515
Issuance in connection with the exercise of stock options	91,574	1,535
Issued in connection with the acquisition (note 4)	20,010,000	389,951
Tax effect of equity settled awards	—	463
Reclassification of contributed surplus on issuance of awards under equity incentive plans	698,820	13,630
Repurchased common shares under NCIB	(2,110,200)	(28,743)
At September 30, 2023	161,651,573	2,341,351

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. Transaction costs related to the equity offering were $17.3 million ($13.2 million on post-tax basis), resulting in net proceeds of $385.9 million. Concurrent with the closing of the acquisition (note 4) on August 1, 2023, each subscription receipt was exchanged for one common share of the Company. Dividend equivalent payments of $0.39 per subscription receipt, as outlined in the offering, were made to holders of record at market close on July 31, 2023. The aggregate payment of $7.8 million was recognized as interest expense in the condensed consolidated statement of operations (note 10).

A dividend of $0.39 per share, declared on July 31, 2023, was paid on October 16, 2023.

During the quarter, the Company's NCIB was renewed with an expiry date of the earlier of September 15, 2024, and the date on which the maximum number of common shares that can be acquired pursuant to the NCIB has been purchased, allowing the repurchase of 7.5% of the public float of common shares or 9,812,193 common shares, in accordance with the applicable rules and policies of the TSX and applicable securities laws. The Company did not repurchase any shares under its NCIB for the three months ended September 30, 2023. For the nine months ended September 30, 2023, under the Company's NCIB, the Company repurchased 2.1 million common shares at a weighted average price of $22.91 per common share for a total cost of $48.4 million. Retained earnings was reduced by $19.6 million, representing the excess of the purchase price of common shares over their average carrying value.

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

Share Based Compensation

A summary activity under the equity incentive plan is as follows:

	Number of Shares	Weighted Average Exercise Price (in dollars)	Restricted Share Units	Performance Share Units	Deferred Share Units
	Stock Options		Number of Shares		
At January 1, 2023	452,677	20.88	631,132	839,873	771,990
Granted	—	—	457,736	350,040	128,540
Exercised and released for common shares	(91,574)	17.53	(330,875)	(361,086)	(9,665)
Forfeited	(5,000)	22.70	(31,428)	(21,884)	—
At September 30, 2023	356,103	21.04	726,565	806,943	890,865
Vested and exercisable at September 30, 2023	356,103	21.91	—	—	890,865

Per Share Amounts

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Weighted average common shares outstanding – Basic	154,687,779	145,438,667	146,397,265	146,866,364
Dilutive effect of stock options and other awards	1,364,162	2,468,898	1,403,827	2,676,730
Weighted average common shares – Diluted	156,051,941	147,907,565	147,801,092	149,543,094

Note 14 Income Taxes

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Current	1,860	10,555	23,800	29,656
Deferred	5,818	10,034	27,064	17,990
	7,678	20,589	50,864	47,646
Effective income tax rate	27.1 %	22.4 %	24.0 %	23.0 %

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

Note 15 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue from contracts with customers recognized at a point in time	3,114,607	2,573,587	7,936,522	8,295,756
Revenue from contracts with customers recognized over time	65,248	31,627	143,538	100,645
Total revenue from contracts with customers	3,179,855	2,605,214	8,080,060	8,396,401
Total revenue from lease arrangements	45,932	46,669	125,101	139,638
	3,225,787	2,651,883	8,205,161	8,536,039

Three months ended September 30, 2023	**Infrastructure**	**Marketing**	**Total**
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	32,191	—	32,191
Rail and other	4,861	—	4,861
External Product Revenue			
Crude, diluent and other products	—	2,539,980	2,539,980
Refined products	—	54,510	54,510
	37,052	2,594,490	2,631,542
U.S.			
External Service Revenue			
Terminals storage and throughput	28,196	—	28,196
External Product Revenue			
Crude, diluent and other products	—	409,246	409,246
Refined products and other	—	110,871	110,871
	28,196	520,117	548,313
Total revenue from contracts with customers	65,248	3,114,607	3,179,855

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

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

Nine months ended September 30, 2023	**Infrastructure**	**Marketing**	**Total**
Canada			
External Service Revenue			
Terminals storage and throughput / pipeline transportation	97,123	—	97,123
Rail and other	18,219	—	18,219
External Product Revenue			
Crude, diluent and other products	—	6,620,227	6,620,227
Refined products	—	115,890	115,890
	115,342	6,736,117	6,851,459
U.S.			
External Service Revenue			
Terminals storage and throughput	28,196	—	28,196
External Product Revenue			
Crude, diluent and other products	—	902,119	902,119
Refined products and other	—	298,286	298,286
	28,196	1,200,405	1,228,601
Total revenue from contracts with customers	143,538	7,936,522	8,080,060

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

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

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

Note 16 Financial Instruments

The Company's financial assets and financial liabilities consist of cash and cash equivalents, trade and other receivables, net investment in finance leases, trade payable and accrued charges, dividends payable, derivative financial instruments, equity investments, lease liabilities.

The value of the Company's derivative financial instruments is determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

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

For the financial instrument categorized in Level 3, the Company based its internal valuation model on broker pricing for the Alberta market, some observable market prices, extrapolated market prices, and estimated production discount rates. Some of these assumptions are not directly or indirectly observable and the valuation is considered a Level 3 measurement. The fair value of the renewable power contract is determined internally by the Company's risk management team, experienced in fair value measurements.

The following is a summary of the Company's risk management contracts outstanding:

	Carrying		Fair Value	
As at September 30, 2023	**Amount**	**Level 1**	**Level 2**	**Level 3**
Commodity futures	1,056	1,056	—	—
Commodity swaps	29	29	—	—
WTI differential futures	4,162	4,162	—	—
Foreign currency forwards	990	—	990	—
Financial assets (carried at fair value)	6,237	5,247	990	—
Commodity futures	179	179	—	—
Commodity swaps	2,015	2,015	—	—
WTI differential futures	399	399	—	—
Foreign currency forwards	2,169	—	2,169	—
Renewable power contracts	430	—	—	430
Financial liabilities (carried at fair value)	5,192	2,593	2,169	430
Long-term debt (carried at amortized cost)	2,645,904		2,480,311	

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

As at December 31, 2022	Carrying Amount	Fair Value Level 1	Level 2	Level 3
Commodity futures	414	414	—	—
Commodity swaps	45	45	—	—
WTI differential futures	2,236	2,236	—	—
Foreign currency forwards	1,475	—	1,475	—
Financial assets (carried at fair value)	4,170	2,695	1,475	—
Commodity futures	4,558	4,558	—	—
Commodity swaps	1,758	1,758	—	—
WTI differential futures	976	976	—	—
Foreign currency forwards	935	—	935	—
Financial liabilities (carried at fair value)	8,227	7,292	935	—
Long-term debt (carried at amortized cost)	1,646,772		1,513,243	

Renewable power contracts

During the three months ended September 30, 2023, the Company entered into a 15-year renewable power purchase agreement to purchase renewable electricity produced at a fixed rate. The fair value of the derivative instrument has been primarily based on the comparative contracted prices relative to both current and expected future pricing of electricity in the Province of Alberta. A 5% increase or decrease in average forward power prices would increase or decrease the Company's net income by $0.6 million. For the three and nine months ended September 30, 2023, the Company has recognized an unrealized loss of $0.4 million within other (gains) and losses, net in the condensed consolidated statement of operations.

Foreign currency forwards

During the three months ended September 30, 2023, the Company entered into a series of forward contracts for U.S.$120.0 million in order to minimize the impact of currency fluctuations on the Company's Gateway Terminal business. The mark to market gains and losses relating to these contracts, which expire over the next two years, are recognized within the Infrastructure segment. For the three months ended September 30, 2023, the Company recognized an unrealized loss of $0.7 million within the cost of goods sold in the condensed consolidated statement of operations.

Liquidity risk

Set out below is a maturity analyses of certain of the Company’s financial contractual obligations as at September 30, 2023. The maturity dates are the contractual maturities of the obligations, and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and three years	Between three and five years	After five years	Total
Trade payables and accrued charges (1)	857,212	—	—	—	857,212
Dividend payable	63,044	—	—	—	63,044
Long-term debt	—	675,000	490,000	1,500,000	2,665,000
Interest on long-term debt	118,576	224,477	169,819	2,063,085	2,575,957
Financial instruments liabilities	5,192	—	—	—	5,192
Lease liabilities	21,827	17,532	3,376	—	42,735
	1,065,851	917,009	663,195	3,563,085	6,209,140

1) *Excludes accrued interest and financial instruments liabilities.*

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

Note 17 Subsequent Events

On October 30, 2023, the Board declared a quarterly dividend of $0.39 per common share for the fourth quarter on its outstanding common shares. The dividend is payable on January 17, 2024, to shareholders of record at the close of business on December 29, 2023.

Note 18 Supplemental Cash Flow Information

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2023**	**2022**	**2023**	**2022**
Cash flows from operating activities					
Net income		20,633	71,465	160,910	159,354
Adjustments:					
Finance costs, net		50,222	16,426	80,357	47,112
Income tax expense		7,678	20,589	50,864	47,646
Depreciation and impairment of property, plant and equipment	*6*	25,581	29,500	64,212	88,917
Depreciation and impairment of right-of-use asset	*7*	7,095	5,753	20,241	18,928
Amortization and impairment of intangible assets	*9*	5,866	1,938	10,335	5,800
Share based compensation	*13*	6,455	4,569	15,344	15,427
Share of profit from investments in equity accounted investees	*8*	(6,243)	(5,437)	(14,723)	(15,076)
Distributions from equity accounted investees	*8*	6,196	8,514	19,042	25,475
(Gain) loss on sale of property, plant and equipment	*6*	—	1	188	(5,283)
Provisions	*12*	(688)	218	6,973	(1,331)
Net loss (gain) on fair value movement of financial instruments		6,369	2,889	(6,562)	(1,027)
Other		(569)	(342)	(2,848)	(1,997)
		107,962	84,618	243,423	224,591
Changes in items of working capital:					
Trade and other receivables		(89,968)	251,120	(301,669)	(43,122)
Inventories	*5*	21,996	64,240	68,769	66,815
Other current assets		(7,605)	2,128	(6,145)	(227)
Trade payables and accrued charges		154,712	(236,129)	272,620	159,897
Contract liabilities		(14,815)	(19,359)	6,590	(11,352)
		64,320	62,000	40,165	172,011
Income tax payment, net		(2,900)	(11,412)	(25,244)	(27,702)
Net cash inflow from operating activities		190,015	206,671	419,254	528,254

GIBSON ENERGY
1953 - 2023

GIBSONENERGY.COM