GIBSON ENERGY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 & 2022

TSX:GEI

Independent auditor's report

To the Shareholders of Gibson Energy Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and customer relationships recognized as intangible assets acquired in a business combination *Refer to note 3 – Material Accounting Policies, note 5 – Business Combination, and note 9 – Property, Plant and Equipment, and note 12, Intangible Assets to the consolidated financial statements.* On August 1, 2023, the Company, through its indirect subsidiary, completed the acquisition of South Texas Gateway Terminal LLC for a total purchase price of $1,464.6 million. Management accounted for this transaction using the acquisition method of accounting. Under this method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The fair values of the assets acquired on the date of acquisition included $1,307.2 million of property, plant and equipment and $102.7 million of customer relationships recognized as intangible assets. Management estimated a significant portion of the fair values of the property, plant and equipment acquired using a replacement cost approach and the key assumption used included historical costs adjusted for inflation. Management estimated the fair value of the customer relationships acquired using an income approach and the key assumption used included estimation of the likelihood of renewal of existing contracts.	Our approach to addressing the matter included the following procedures, among others: • Read the purchase agreement. • Evaluated how management determined the fair values of the property, plant and equipment and the customer relationships acquired, which included the following: – Tested the appropriateness of the approaches used and the mathematical accuracy of the calculations. – Tested the underlying data used in the calculations. – Under the replacement cost approach, tested the reasonableness of the key assumption used by management related to historical costs adjusted for inflation by considering (i) the historical cost of the property, plant and equipment of South Texas Gateway Terminal LLC; and (ii) external industry and market data with the assistance of professionals with specialized skill and knowledge in the field of valuation. – Under the income approach, tested the reasonableness of the key assumption related to the estimation of the likelihood of renewal of existing contracts by considering (i) the current and past performance of South Texas Gateway Terminal; and (ii) the existing revenue contracts.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the fair values of the property, plant and equipment acquired and (ii) the significant judgment made by management in estimating the fair values of the property, plant and equipment and customer relationships acquired including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing the audit procedures. Professionals with skill and knowledge in the field of valuation assisted us in performing our procedures.	
Impairment assessment of goodwill *Refer to note 3 – Material accounting policies and note 13 – Goodwill to the consolidated financial statements.* The Company had goodwill of $410.2 million as at December 31, 2023. Management performs an impairment assessment annually or more frequently if events or circumstances indicate that the carrying value may be impaired. An impairment assessment is conducted over a group of assets that generate independent cash inflows; management has grouped these cash generating units (CGUs) at the operating segment level for the purpose of the goodwill impairment assessment. An impairment loss is recognized if the carrying amount of an operating segment to which the goodwill relates exceeds its recoverable amount. The recoverable amounts of the operating segments were based on a fair value less cost of disposal method using either a discounted cash flow approach or an earnings multiple approach. Key assumptions used in the discounted cash flow approach included revenue growth rates, terminal value, and discount rate. Key assumptions used in the earnings multiple approach were budgeted earnings before interest, taxes, depreciation and amortization less corporate expenses (EBITDA) and earnings multiples.	Our approach to addressing the matter involved the following procedures, among others: • Tested the operating effectiveness of internal controls related to the impairment assessment of goodwill. • Evaluated how management determined the recoverable amounts of the operating segments, which included the following: – Tested the appropriateness of the method and approaches used and the mathematical accuracy of the calculations. – Tested the underlying data used by management in the discounted cash flow approach and the earnings multiple approach. – When an earnings multiple approach was used, tested the reasonableness of the significant assumptions used by management in determining the budgeted EBITDA by considering (i) the current and past performance of the operating segments; (ii) external market and industry data; and (iii) evidence obtained in other areas of the audit. – When a discounted cash flow approach was used, tested the reasonableness of the revenue growth rates by considering management's strategic plans approved by the Board, industry growth rates and available third party and customer data.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgment made by management in determining the recoverable amounts of the operating segments, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing the audit procedures. Professionals with skill and knowledge in the field of valuation assisted us in performing our procedures.	– Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonability of the earnings multiples, discount rate and terminal value.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Reynold Tetzlaff.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 20, 2024

Gibson Energy Inc.

Consolidated Balance Sheet

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

	Note	As at December 31, 2023	2022
Assets			
Current assets			
Cash and cash equivalents		143,758	83,596
Trade and other receivables	*6*	660,820	464,578
Inventories	*7*	246,709	257,754
Prepaid and other assets		14,145	9,682
Net investment in finance leases	*8*	1,480	5,914
		1,066,912	821,524
Non-current assets			
Property, plant and equipment	*9*	2,937,138	1,556,427
Right-of-use assets	*10*	52,355	47,739
Other assets		153	1,607
Net investment in finance leases	*8*	185,543	192,318
Investment in equity accounted investees	*11*	161,127	165,111
Deferred income tax assets	*19*	17,396	19,141
Intangible assets	*12*	116,026	29,063
Goodwill	*5,13*	410,225	362,068
		3,879,963	2,373,474
Total assets		4,946,875	3,194,998
Liabilities and equity			
Current liabilities			
Trade payables and accrued charges	*16*	753,508	574,568
Dividends payable	*18*	63,048	52,896
Contract liabilities	*20*	112,003	21,029
Lease liabilities	*15*	28,014	37,196
		956,573	685,689
Non-current liabilities			
Long-term debt	*14*	2,711,543	1,646,772
Lease liabilities	*15*	33,991	34,504
Provisions	*17*	194,242	145,057
Other long-term liabilities		2,412	2,164
Deferred income tax liabilities	*19*	135,644	107,796
		3,077,832	1,936,293
Total liabilities		4,034,405	2,621,982
Equity			
Share capital	*18*	2,341,267	1,964,515
Contributed surplus		65,113	60,399
Accumulated other comprehensive income		48,525	48,233
Accumulated deficit		(1,542,435)	(1,500,131)
		912,470	573,016
Total liabilities and equity		4,946,875	3,194,998

Commitments and contingencies *(note 25)*

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "James M. Estey"
James M. Estey (Director)

(signed) "Diane A. Kazarian"
Diane A. Kazarian (Director)

Gibson Energy Inc.

Consolidated Statements of Operations

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

		Year ended December 31,	
	Note	**2023**	**2022**
Revenue	*20*	11,014,694	11,035,411
Cost of sales	*21, 22*	10,531,366	10,640,976
Gross profit		483,328	394,435
Share of profit from equity accounted investees	*11*	(22,120)	(20,926)
General and administrative expenses	*21, 22, 23*	104,061	70,348
Other gains, net		(223)	(10,061)
Operating income		401,610	355,074
Finance costs, net	*14*	116,276	64,939
Income before income taxes		285,334	290,135
Income tax expense	*19*	71,123	66,890
Net income		214,211	223,245
Earnings per share	*18*		
Basic earnings per share		1.43	1.53
Diluted earnings per share		1.41	1.50

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Comprehensive Income

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

	Year ended December 31, 2023	2022
Net income	214,211	223,245
Other comprehensive income		
Items that may be reclassified subsequently to statement of operations		
Exchange differences from translating foreign operations	243	21,593
Items that will not be reclassified subsequently to statement of operations		
Remeasurement of post-employment benefit obligation, net of tax	49	2,330
Other comprehensive income, net of tax	292	23,923
Comprehensive income	214,503	247,168

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Changes in Equity

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

	Share Capital (Note 18)	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	—	—	—	223,245	223,245
Other comprehensive income, net of tax	—	—	23,923	—	23,923
Comprehensive income	—	—	23,923	223,245	247,168
Share-based compensation	—	18,229	—	—	18,229
Tax effect of equity settled awards	680	250	—	—	930
Proceeds from exercise of stock options	24,068	—	—	—	24,068
Reclassification of contributed surplus on issuance of awards under equity incentive plan	24,082	(24,082)	—	—	—
Dividends on common shares ($1.48 per common share)	—	—	—	(215,446)	(215,446)
Repurchase of common shares under normal course issuer bid ("NCIB")	(81,570)	—	—	(64,489)	(146,059)
Balance – December 31, 2022	1,964,515	60,399	48,233	(1,500,131)	573,016
Balance – January 1, 2023	1,964,515	60,399	48,233	(1,500,131)	573,016
Net income	—	—	—	214,211	214,211
Other comprehensive income, net of tax	—	—	292	—	292
Comprehensive income	—	—	292	214,211	214,503
Share-based compensation	—	18,546	—	—	18,546
Tax effect of equity settled awards	150	(60)	—	—	90
Proceeds from exercise of stock options	1,622	—	—	—	1,622
Net proceeds from the issuance of common shares, after tax effects (note 18)	389,951	—	—	—	389,951
Reclassification of contributed surplus on issuance of awards under equity incentive plan	13,772	(13,772)	—	—	—
Dividends on common shares ($1.56 per common share)	—	—	—	(236,907)	(236,907)
Repurchase of common shares under NCIB	(28,743)	—	—	(19,608)	(48,351)
Balance – December 31, 2023	2,341,267	65,113	48,525	(1,542,435)	912,470

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Cash Flows

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

		Year ended December 31,	
	Note	**2023**	**2022**
Cash flows from operating activities			
Net income		214,211	223,245
Adjustments	*27*	353,211	293,491
Changes in items of working capital	*27*	37,730	119,197
Income tax payment, net	*27*	(30,296)	(37,621)
Net cash inflow from operating activities		574,856	598,312
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	*9*	(130,420)	(140,381)
Acquisition, net of cash acquired	*5*	(1,461,766)	—
Realized loss on derivative financial instrument	*14*	(6,842)	—
Investment in equity accounted investees	*11*	(765)	(2,259)
Proceeds from sale of assets		27	8,240
Net cash outflow from investing activities		(1,599,766)	(134,400)
Cash flows from financing activities			
Payment of shareholder dividends	*18*	(226,755)	(213,869)
Finance costs paid, net		(67,546)	(59,249)
Proceeds from exercise of stock options		1,622	24,068
Lease payments	*15*	(35,896)	(35,397)
Repayment of credit facility, net	*14*	(25,000)	(15,000)
Proceeds from issuance of long-debt, net of issuance costs	*14*	1,088,042	—
Proceeds from issuance of common shares, net of issuance costs	*18*	385,883	—
Repurchase of shares under NCIB	*18*	(48,351)	(146,059)
Net cash inflows (outflow) from financing activities		1,071,999	(445,506)
Net increase in cash and cash equivalents		47,089	18,406
Effect of exchange rate on cash and cash equivalents		13,073	2,502
Cash and cash equivalents – beginning of year		83,596	62,688
Cash and cash equivalents – end of year		143,758	83,596

See accompanying notes to the consolidated financial statements

See notes 14, 15 and 18 for reconciliation of movement of financial liabilities and equity.

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 had the following principal subsidiaries as at December 31, 2023:

Name	Place of business / Country of Incorporation	Nature of business
Gibson Energy Infrastructure Partnership	Canada	Marketing and Infrastructure
Moose Jaw Refinery Partnership	Canada	Crude oil processing
South Texas Gateway Terminal LLC	U.S.	Infrastructure

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; the DRU which is located adjacent to the Hardisty Terminal; 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

Year ended December 31, 2023	Infrastructure	Marketing	Total
Revenue			
External	400,756	10,613,938	11,014,694
Inter-segmental	215,930	89,738	305,668
External and inter-segmental	616,686	10,703,676	11,320,362
Segment profit	494,451	148,436	642,887
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			95,993
Depreciation and impairment of right-of-use assets			27,640
Amortization and impairment of intangible assets			18,845
General and administrative			49,570
Acquisition and integration costs			22,042
Share-based compensation			20,944
Financial instrument loss *(note 24)*			1,296
Corporate foreign exchange loss			4,947
Finance costs, net			116,276
Net income before income tax			285,334
Income tax expense			71,123
Net income			214,211

Year ended December 31, 2022	Infrastructure	Marketing	Total
Revenue			
External	318,372	10,717,039	11,035,411
Inter-segmental	207,438	111,195	318,633
External and inter-segmental	525,810	10,828,234	11,354,044
Segment profit	434,998	122,020	557,018
Corporate and other reconciling items:			
Depreciation and impairment of property, plant and equipment			107,353
Depreciation and impairment of right-of-use assets			29,184
Amortization and impairment of intangible assets			7,942
General and administrative			40,196
Share-based compensation			20,543
Corporate foreign exchange gain			(3,274)
Finance costs, net			64,939
Net income before income tax			290,135
Income tax expense			66,890
Net income			223,245

(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:

	Year ended December 31,	
Additions	**2023**	**2022**
Infrastructure	1,610,826	94,203
Marketing	—	16,430
Corporate	6,221	6,592
	1,617,047	117,225

b) Geographic Data

	Year ended December 31,	
Revenue	**2023**	**2022**
Canada	9,420,184	9,328,696
United States	1,594,510	1,706,715
Total revenue	11,014,694	11,035,411

	As at December 31,	
Non-current assets	**2023**	**2022**
Canada	1,834,835	1,766,701
United States	1,681,062	230,203
Total non-current assets [1]	3,515,897	1,996,904

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

c) Major Customers

Primarily in connection with the marketing business, the Company had one customer which individually accounted for more than 10% of revenue for the year ended December 31, 2023, amounting to $1,195.5 million of revenue. During the year ended December 31, 2022, the Company had two customers which individually accounted for more than 10% of revenue, amounting to $1,424.7 million and $1,207.8 million.

Note 2 Basis of Preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These 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 consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on February 20, 2024.

Note 3 Material Accounting Policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the applicable years presented.

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items that are recorded at fair value on a recurring basis as required by the respective accounting standards.

b) Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries together with its interest in joint arrangements.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases.

Joint arrangements represent activities where the Company has joint control established by a contractual agreement. Joint control requires unanimous consent for the relevant financial and operational decisions. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets. Where the Company has assessed the nature of its joint arrangements to be joint operations, it has recognized its proportionate share of revenue, expenses, assets and liabilities relating to these joint operations. The Company's joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The joint ventures are adjusted thereafter for the post-acquisition change in the Company's share of the equity accounted investment's net assets. The Company's consolidated financial statements include its share of the equity accounted investment's profit or loss and other comprehensive income, until the date that joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. Distributions from investments in equity accounted investees are recognized when received.

Acquisition of an incremental ownership in a joint arrangement where the Company maintains joint control is recorded at cost or fair value if acquired as part of a business combination. Where the Company has a partial disposal, including a deemed disposal, of a joint arrangement and maintains joint control, the resulting gains or losses are recorded in earnings at the time of disposal.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements. Gains arising from transactions with investments in equity accounted investees are eliminated against the investment to the extent of Company's interest in the investee. Losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

c) Foreign currency translation

The financial statements for each of the Company's subsidiaries and joint arrangements are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets and operating results of foreign operations are recorded in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of operations.

d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the consolidated statement of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as general and administrative expenses when incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated statement of operations in the period of acquisition.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in the consolidated statement of operations. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

At the acquisition date, any goodwill acquired is allocated to each of the operating segments expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

e) Intangible assets

Intangible assets are stated at cost, less accumulated amortization and impairment losses.

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives as follows:

Long-term customer contracts	6 – 10 years
Customer relationships	5 – 12 years
Technology, software and license	3 – 10 years

The expected useful lives and method of amortization of intangible assets are reviewed on an annual basis and, if necessary, changes in expected useful life are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate carrying value may not be recoverable.

f) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses.

The initial cost of an asset comprises of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditures on major maintenance refits or repairs comprises of the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged to write off the cost of assets, other than assets that are work in progress, using the straight-line method over their expected useful lives.

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

The useful lives of the Company's property, plant and equipment are as follows:

Buildings	10 – 43 years
Pipelines and Connections	8 – 50 years
Storage	20 – 43 years
Facilities	10 – 43 years
Equipment	5 – 40 years
Disposal Wells	20 – 25 years

The expected useful lives, method of depreciation and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes are accounted for prospectively. During 2022, certain expected useful lives were revised, as disclosed in note 9 of the consolidated financial statements.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of operations in the period the item is derecognized.

g) Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of possible impairment exist. Goodwill is monitored for impairment by management at the operating segment level. The Company also assesses during each reporting period whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include, but are not limited to, changes in the Company's business plans, economic performance of the assets, reduced operational activity, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal ("FVLCD") and its value in use (VIU). Impairments are recognized immediately in the consolidated statement of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash generating unit with its recoverable amount, that is, the higher of FVLCD and VIU. VIU is usually determined on the basis of discounted estimated future net cash flows. In determining FVLCD, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss in respect of goodwill is not reversible after it has been recognized. Otherwise, an impairment loss may be reversed if a triggering event occurs indicating a change in the recoverable amount. If there is an indication that impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

h) Inventories

Inventories are carried at the lower of cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

i) Leases - lessee

All leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in the consolidated statement of operations.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects exercising that option. These lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

j) Leases - lessor

Leases in contractual arrangements which transfer substantially all the risks and benefits of ownership of property to the lessee are accounted for as finance leases, while all other leases are accounted for as operating leases.

Finance leases are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the consolidated statement of operations as it is earned over the lease term.

k) Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably and outflow of cash is less than remote. Contingent assets are not recognized but are disclosed when an inflow of economic benefits is probable.

Decommissioning liabilities

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Actual expenditures incurred are charged against the accumulated liability.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statement of operations. Other than the unwinding of the discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

Environmental liabilities

Environmental liabilities are recognized when remediation is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure using a risk-free discount rate.

l) Employee benefits

Defined contribution pension plans

The Company's defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The Company's equity incentive plan allows for the granting of stock options, restricted share units with time based vesting (RSUs), performance share units (PSUs) with performance based vesting and deferred share units (DSUs) that vest on the date such employee redeems the DSUs after their cessation of employment with the Company.

The fair value of grants made under the employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the consolidated statement of operations with a corresponding impact to contributed surplus.

The fair value of RSUs, PSUs and DSUs is equal to the Company's five day weighted average share price at the date of grant.

The fair value of options is measured by using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on a combination of the historical stock price of the Company and also of comparable companies in the industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada's Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model.

m) Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are included in finance costs.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the consolidated statement of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Company maintains provisions for uncertain income tax positions using the best estimate of the amount expected to be paid in resolution of the uncertainty. To ensure the adequacy of these provisions, the Company reviews uncertain tax positions at the end of each reporting period to give effect to changes in facts and circumstances and the availability of new information.

n) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer, either at a point in time or over time. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money.

Revenue generated through the provision of services charged through long-term fixed-fee contracts related to infrastructure assets and includes a fixed and/or take-or-pay portion for the use of the infrastructure and a variable portion related to the servicing of volume throughput. The Company accounts for individual services separately if they are distinct, indicated by the fact that they are separately identifiable from other services provided and the customer can benefit from these distinct services. The stand-alone prices on services are determined by the rates listed within the individual contracts related to the service. The Company recognizes revenue over time as services are provided on a monthly basis, consistent with when the services are billed and paid. Long-term take-or-pay contracts, under which shippers are obligated to pay fixed amounts evenly over the contract period regardless of volumes shipped, may contain breakage rights. Breakage amounts are earned by shippers when minimum volume commitments are not utilized during the period but under certain circumstances can be used to offset overages in future periods, subject to expiry periods. The Company recognizes revenue associated with breakage at the earlier of when the breakage volume is shipped, the rights expires or when it is determined that the likelihood that the shipper will utilize the right is remote.

Revenue generated through the purchasing, selling, storing and optimizing of hydrocarbon products as well as by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities are typically short to long term in accordance with a customer's current product demands which are generally grouped as spot sales where no commitment exists prior to the day of the transaction, term sales where a commitment exists over a period of time for negotiated sales, and evergreen sales where contracts are automatically renewed on a month to month basis. The Company accounts for individual product sales separately if they are distinct, indicated by the fact that they are separately identifiable from other enforceable rights and obligations and the customer can benefit from these distinct services. The stand-alone prices on product sales are determined by the rates listed within market indexes and benchmarks and usually include quality or transportation adjustments. The Company recognizes revenue at a point in time as products are delivered and control of the product has transferred to the customer, consistent with when the products are billed and paid. All payments received before delivery are recorded as a contract liability and are recognized as revenue when delivery occurs, assuming all other criteria are met. Revenue from buy/sell transactions which are monetary transactions containing commercial substance is recognized on a gross-basis as separate performance obligation. Revenue from buy/sell transactions of non-monetary exchanges of similar products, which lack commercial substance, are recognized on a net basis.

o) Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, costs related to transportation, inventory write downs and reversals, and gains and losses on derivative financial instruments relating to commodities.

p) Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other equity awards were exercised or converted into common shares.

q) Non-derivative financial instruments

Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash on hand and short-term deposits, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value and maturity of three months or less from the date of acquisition.

A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days past the due date) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Financial liabilities

Financial liabilities classified as other liabilities include trade payables and accrued charges, dividends payable, and long-term debt. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement, modification or cancellation of liabilities are recognized in the consolidated statement of operations.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

r) Derivative financial instruments

Derivative financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices, share-based compensation and foreign currency, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded immediately in the consolidated statement of operations.

s) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of assets and liabilities acquired in a business combination

Assets acquired and liabilities assumed in a business combination are recorded at fair value. The total compensation in a business combination or asset acquisition are allocated to the underlying acquired assets and assumed liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding future events. This allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities, as well as future net earnings due to the impact of fair value of assets on future depreciation, amortization expense and impairment tests. The fair value of property, plant and equipment and intangible assets are estimated using valuation techniques, including market prices, discounted cash flows or replacement costs. Property, plant and equipment was valued using a replacement cost approach, and customer relationships recognized as intangible assets were valued using an income approach. The Company makes significant judgements in the application of these techniques, including forecasting cash flows, estimating the probability of contract renewal for intangible assets, and replacement costs, depreciation and obsolescence factors, as well as inflation rates for property, plant and equipment.

Impairment assessment of non-financial assets

The Company tests annually whether goodwill of an operating segment has suffered any impairment. The recoverable amounts of the operating segments are determined based on the higher of VIU and FVLCD calculations that require the use of estimates. The Company also assesses whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable.

In the impairment analysis of the Company's assets, some of the key assumptions used are budgeted earnings before interest, taxes, depreciation and amortization less corporate expenses ("EBITDA") which involves estimating revenue growth rates, future commodity prices, expected sales volumes, cost structures, multiples of comparable public companies of the operating segment, terminal value and discount rates.

These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Provisions

Provisions for decommissioning and environmental remediation are recorded when it is considered probable and the costs can be reasonably estimated. The eventual costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and constructive obligations, the application of new technologies, and the Company's past experience in comparable decommissioning and environmental remediation activities. The Company uses third-party evaluators, where determined necessary, to obtain the estimates of the decommissioning and environmental provision.

ii) Critical judgements in applying the Company's accounting policies

Critical judgements in determining lease terms

The Company uses hindsight in determining the lease term where a contract contains options to extend or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Identification of cash-generating unit ("CGU")

For the purposes of impairment testing, assets are grouped at the lowest levels of assets which generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets, which is a CGU. The allocation of assets into a CGU requires significant judgement and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructure and the way in which management monitors performance.

Impairment of non-financial assets

The assessment of impairment of non-financial assets involves judgement of whether or or not events or changes in circumstances indicate that the carrying value of an asset or CGU or group of CGUs may exceed its recoverable amount. The Company utilizes internal and external sources of information, including but not limited to; changes in the technological, economic or legal environment; indications of obsolesce or physical damage; or evidence that the economic performance of the asset or CGU is worse than expected.

Joint arrangements

The determination of joint control requires judgment about the influence the Company has over the financial and operating decisions of an arrangement and the extent of the benefits it obtains based on the facts and circumstances of the arrangement during the reporting period. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Ownership percentage alone may not be a determinant of joint control. Once joint control has been determined, the arrangement is classified as a joint venture or a joint operation, depending on the rights and obligations of the parties to the agreement.

Investment in finance leases

In determining whether certain of the Company's long-term tank storage arrangements are, or contain, a lease, the Company must use judgement in assessing whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where such rights do not exist, the arrangement is considered a service contract. For those arrangements considered to be a lease, further judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company, to appropriately account for the arrangement as a finance or operating lease. These judgements can be significant as to how the Company classifies amounts related to the arrangements as property, plant and equipment or net investment in finance lease on the balance sheet. The Company has determined, based on the terms and conditions of certain arrangements, that substantial risks and rewards to the ownership of certain storage tanks have been transferred to the customer, and accordingly, these storage tanks have been recognized as an investment in finance lease.

Current and deferred taxation

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to realize and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in consolidated statement of operations in the period in which the change occurs. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Note 4 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 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 was effective immediately, however, the Company does not currently operate in jurisdictions where related legislation is enacted or substantially enacted. As and when the legislation becomes enacted in applicable jurisdictions, the Company will utilize this exception.

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 5 Business Combination

On August 1, 2023, the Company, through its indirect subsidiary, completed the acquisition of South Texas Gateway Terminal LLC and as a result, its South Texas Gateway Terminal ("Gateway Terminal"), for a total purchase price of US$1,101.9 million or $1,464.6 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 receipts (note 18) and $1,088.0 million from senior unsecured medium-term notes and unsecured hybrid notes offerings (note 14).

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 of South Texas Gateway Terminal LLC was accounted for using the acquisition method described in IFRS 3 — Business Combinations. Assets and liabilities have been measured at their assessed fair values 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 replacement cost approach and the fair value of customer relationships recognized as intangible assets using an income approach. Key assumptions used in determining the fair value were; estimation of the historical costs adjusted for inflation for property, plant and equipment, and estimation of the likelihood of renewal of existing contracts for customer relationships recognized as intangible assets.

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

	Note	As at August 1, 2023	
		(US$)	*(CAD$)* (1)
Consideration			
Cash		1,101,940	1,464,644
Cash and cash equivalents		2,165	2,878
Trade and other receivables		13,312	17,694
Prepaid and other assets		407	541
Deferred income tax asset		4,526	6,016
Property, plant and equipment	*9*	983,511	1,307,234
Intangible asset (2)	*12*	77,302	102,746
Total assets		1,081,223	1,437,109
Trade payables and accrued charges		6,365	8,461
Provisions (3)	*17*	9,783	13,003
Other long-term liabilities		213	283
Total liabilities		16,361	21,747
Goodwill (4)		37,078	49,282

(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 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.

(4) Goodwill of $226.6 million will be deductible for tax purposes

The goodwill arising from the acquisition is attributable to the Gateway Terminal's location and unique ability to load very large crude carriers.

Since August 1, 2023, the Gateway Terminal has contributed income before income taxes of $51.5 million to the consolidated financial results. If the business combination had occurred on January 1, 2023, management estimates that net income before income taxes would have been $305.8 million for the year ended December 31, 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 $22.0 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2023.

Note 6 Trade and Other Receivables

		As at December 31,	
	Note	**2023**	**2022**
Trade receivables		604,335	445,832
Allowance for doubtful accounts		(278)	(272)
Trade receivables, net		604,057	445,560
Risk management assets	*24*	22,812	4,170
Taxes receivable	*19*	33,445	13,213
Other		506	1,635
		660,820	464,578

Note 7 Inventories

	As at December 31,	
	2023	**2022**
Crude oil, natural gas liquids and diluent	195,535	201,293
Asphalt	36,555	42,153
Wellsite fluids and distillate	14,619	14,308
	246,709	257,754

The cost of the inventory sold included in cost of sales was $10,298.8 million and $10,355.0 million for the years ended December 31, 2023, and 2022, respectively.

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

Note 8 Net Investment in Finance Leases

The Company has entered into certain fixed term contractual arrangements where the Company has assessed the risks and rewards of ownership of the asset have passed to the customer. These arrangements are accounted for as finance leases:

	As at December 31,	
	2023	**2022**
Total minimum lease payments receivable	583,865	627,565
Residual value	61,267	67,951
Unearned income	(458,109)	(497,284)
	187,023	198,232
Less: current portion	1,480	5,914
Net investment in finance lease: non-current portion	185,543	192,318

The minimum lease receivables are expected to be as follows:

2024	38,906
2025	39,172
2026	39,445
2027	39,727
2028	40,191
2029 and later	386,424

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

Note 9 Property, Plant and Equipment

	Land and Buildings	Pipelines and Connections	Storage	Facilities and Equipment	Assets under Construction	Total
Cost:						
As at January 1, 2023	150,999	536,692	832,677	900,162	109,634	2,530,164
Acquisition (note 5)	166,103	—	392,348	748,783	—	1,307,234
Additions and adjustments	2,664	3,973	41,575	55,858	46,353	150,423
Disposals	—	—	(1,510)	(674)	—	(2,184)
Change in decommissioning provision	35	64	11,464	18,965	—	30,528
Effect of movements in exchange rates	(1,257)	(2,664)	(2,975)	(5,658)	(170)	(12,724)
As at December 31, 2023	318,544	538,065	1,273,579	1,717,436	155,817	4,003,441
Accumulated depreciation and impairment:						
As at January 1, 2023	55,499	176,614	244,625	496,999	—	973,737
Depreciation and adjustments	6,902	16,968	28,856	42,741	—	95,467
Disposals	—	—	(1,403)	(519)	—	(1,922)
Effect of movements in exchange rates	(27)	(320)	(184)	(448)	—	(979)
As at December 31, 2023	62,374	193,262	271,894	538,773	—	1,066,303
Carrying amounts:						
As at January 1, 2023	95,500	360,078	588,052	403,163	109,634	1,556,427
As at December 31, 2023	256,170	344,803	1,001,685	1,178,663	155,817	2,937,138

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

	Land and Buildings	Pipelines and Connections	Storage	Facilities and Equipment	Assets under Construction	Total
Cost:						
As at January 1, 2022	134,335	494,245	823,434	911,950	136,399	2,500,363
Additions and adjustments	502	33,040	30,346	78,428	(28,014)	114,302
Disposals	(1,764)	—	(91)	(24,169)	—	(26,024)
Reclassified from (to) net investment in finance leases, net	—	—	2,629	(42,099)	—	(39,470)
Reclassifications	17,710	6,307	(2,512)	(21,505)	—	—
Change in decommissioning provision	(235)	(3,352)	(22,411)	(5,694)	—	(31,692)
Effect of movements in exchange rates	451	6,452	1,282	3,251	1,249	12,685
As at December 31, 2022	150,999	536,692	832,677	900,162	109,634	2,530,164
Accumulated depreciation and impairment:						
As at January 1, 2022	35,200	151,747	219,540	481,240	—	887,727
Depreciation and adjustments	5,658	21,117	26,781	53,515	—	107,071
Disposals	(471)	—	(76)	(22,610)	—	(23,157)
Effect of movements in exchange rates	60	594	284	1,158	—	2,096
As at December 31, 2022	55,499	176,614	244,625	496,999	—	973,737
Carrying amounts:						
As at January 1, 2022	99,135	342,498	603,894	430,710	136,399	1,612,636
As at December 31, 2022	95,500	360,078	588,052	403,163	109,634	1,556,427

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

Change in accounting estimates

During the fourth quarter of 2022, the Company performed an annual review of the useful lives estimates for the property, plant, and equipment assets. The review was based on the current conditions of the company's assets, operational history and economic environment where the Company operates, along with the results of asset integrity assessments conducted over the course of past several years. As a result of this review, effective October 1, 2022, the following changes were made to the Company's estimates of the useful lives for various asset groups:

	Previous useful lives estimates	Revised useful lives estimates
Buildings	10 – 20 years	10 – 20 Years
Equipment	3 – 20 years	5 – 40 Years
Pipelines and connections	8 – 30 years	8 – 50 Years
Storage	20 – 30 years	20 – 40 Years
Facilities	10 – 25 years	10 – 35 Years

The adjustment was treated as a change in accounting estimate and accounted for prospectively, resulting in a decrease in the pre-tax depreciation expense of $11.2 million for the fourth quarter of 2022. No material adjustments to useful life assumptions were made during the year ended December 31, 2023.

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

Note 10 Right-of-use Assets

	Buildings	Rail Cars	Other	Total
Cost:				
As at January 1, 2023	44,435	110,772	10,172	165,379
Additions and adjustments	519	17,038	7,253	24,810
Transfer from finance sub lease	—	8,825	—	8,825
Disposals	(176)	(46,194)	(5,100)	(51,470)
Effect of movements in exchange rates	(30)	—	(274)	(304)
As at December 31, 2023	44,748	90,441	12,051	147,240
Accumulated depreciation and impairment:				
As at January 1, 2023	24,830	84,736	8,074	117,640
Depreciation and adjustments	4,942	18,794	4,079	27,815
Disposals	(176)	(46,194)	(3,990)	(50,360)
Effect of movements in exchange rates	(24)	—	(186)	(210)
As at December 31, 2023	29,572	57,336	7,977	94,885
Carrying amounts:				
As at January 1, 2023	19,605	26,036	2,098	47,739
As at December 31, 2023	15,176	33,105	4,074	52,355

	Buildings	Rail Cars	Other	Total
Cost:				
As at January 1, 2022	44,749	100,810	6,059	151,618
Additions and adjustments	117	15,584	3,777	19,478
Disposals	(490)	(5,622)	336	(5,776)
Effect of movements in exchange rates	59	—	—	59
As at December 31, 2022	44,435	110,772	10,172	165,379
Accumulated depreciation and impairment:				
As at January 1, 2022	20,322	74,741	3,973	99,036
Depreciation and adjustments	4,941	15,573	3,959	24,473
Disposals	(464)	(5,622)	—	(6,086)
Reclassification	—	44	(44)	—
Effect of movements in exchange rates	31	—	186	217
As at December 31, 2022	24,830	84,736	8,074	117,640
Carrying amounts:				
As at January 1, 2022	24,427	26,069	2,086	52,582
As at December 31, 2022	19,605	26,036	2,098	47,739

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

Note 11 Investment in Equity Accounted Investees

	Ownership %	Share of Profit for the year December 31, 2023	2022	Investment in Equity Accounted Investees as at December 31, 2023	2022
Hardisty Energy Terminal Limited Partnership ("HET")	50%	21,798	18,572	138,762	142,134
Zenith Energy Terminals Joliet Holdings LLC ("Zenith")	36%	322	2,354	22,365	22,977
		22,120	20,926	161,127	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 year ended December 31, 2023, of $26.3 million (year ended December 31, 2022 – $32.3 million).

Noted below is summarized financial information (presented at 100%):

Net income and comprehensive income	Year ended December 31, 2023	2022
Revenue	86,265	77,229
Cost of sales	11,978	6,629
General and administrative	21,141	19,347
Depreciation and amortization	12,044	15,482
Other gains	(3,386)	(7,893)
Net income and comprehensive income	44,488	43,664
Net income and comprehensive income attributable to the Company	22,120	20,926

Balance sheet	As at December 31, 2023	2022
Current assets (1)	22,542	21,609
Non-current assets (2)	326,700	333,110
Current liabilities	14,612	22,475
Non-current liabilities (3)	27,328	16,323

(1) Includes cash and cash equivalents of $20.2 million (2022: $18.9 million)

(2) Includes property, plant and equipment (net) of $325.6 million (2022: $331.9 million)

(3) Comprised of provisions of $14.5 million (2022: $16.3 million)

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

Note 12 Intangible Assets

	Brands	Customer Relationships	Long-term Customer Contracts	Technology, Software and Other	Total
Cost:					
As at January 1, 2023	22,700	39,201	24,900	56,283	143,084
Acquisition (note 5)	—	102,746	—	—	102,746
Additions and adjustments	—	—	—	4,011	4,011
Disposals	—	—	—	(1,101)	(1,101)
Effect of movements in exchange rates	—	(669)	(493)	(3)	(1,165)
As at December 31, 2023	22,700	141,278	24,407	59,190	247,575
Accumulated amortization and impairment:					
As at January 1, 2023	22,700	39,201	13,307	38,813	114,021
Amortization and adjustments	—	9,003	2,250	7,499	18,752
Disposals	—	—	—	(759)	(759)
Effect of movements in exchange rates	—	(212)	(251)	(2)	(465)
As at December 31, 2023	22,700	47,992	15,306	45,551	131,549
Carrying amounts:					
As at January 1, 2023	—	—	11,593	17,470	29,063
As at December 31, 2023	—	93,286	9,101	13,639	116,026

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

	Brands	Customer Relationships	Long-term Customer Contracts	Technology, Software, and Other	Total
Cost:					
As at January 1, 2022	22,700	57,851	59,346	62,345	202,242
Additions and adjustments	—	—	—	1,892	1,892
Disposals	—	(19,442)	(35,388)	(7,998)	(62,828)
Effect of movements in exchange rates	—	792	942	44	1,778
As at December 31, 2022	22,700	39,201	24,900	56,283	143,084
Accumulated amortization and impairment:					
As at January 1, 2022	22,700	57,851	46,538	40,798	167,887
Amortization and adjustments	—	—	2,029	5,913	7,942
Disposals	—	(19,442)	(35,388)	(7,921)	(62,751)
Effect of movements in exchange rates	—	792	128	23	943
As at December 31, 2022	22,700	39,201	13,307	38,813	114,021
Carrying amounts:					
As at January 1, 2022	—	—	12,808	21,547	34,355
As at December 31, 2022	—	—	11,593	17,470	29,063

Note 13 Goodwill

The changes in the carrying amount of goodwill are as follows:

	Note	Year ended December 31, 2023	2022
Opening balance		362,068	359,875
Acquisition	*5*	49,282	—
Effect of movements in exchange rates		(1,125)	2,193
Closing balance		410,225	362,068

Goodwill is monitored for impairment at the operating segment level and allocated as follows:

	As at December 31, 2023	2022
Terminals	244,642	195,662
U.S. Pipelines	33,011	33,834
Moose Jaw Facility	89,017	89,017
Marketing Canada	43,555	43,555
	410,225	362,068

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

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2023, $325.6 million, net of impairment, relates to goodwill recognized on the acquisition of the Company on December 12, 2008.

On November 30, 2023, the Company carried out its annual impairment test with respect to goodwill. For all operating segments the recoverable amount was greater than the carrying value, including goodwill.

Key assumptions used in 2023 impairment test

The recoverable amount of the operating segments were based on FVLCD method using either a discounted cash flow approach or an earnings multiple approach. The Company referenced approved budgets and cash flow forecasts, trailing twelve-month EBITDA, implied multiples and appropriate discount rates in the valuation calculations. The implied multiple is calculated by utilizing multiples of comparable public companies for each operating segment. To determine fair value, historic and implied forward market multiples were applied to each operating segment's budgeted EBITDA less corporate expenses. In calculating fair value for each operating segment, other than U.S. Pipelines, the Company used implied forward market multiples that ranged from 6 to 11. Cash flows were projected based on past experience, actual operating results and the 2024 budget.

The recoverable amount of the U.S. Pipelines segment was determined by discounting the forecasted future cash flows generated from continued use of the operating segment due to the absence of sufficient historical results. The model calculated the present value of the estimated future earnings of the above stated operating segment. Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the long-term business plan
- The terminal value multiple of 7x is based on management's best estimate of transaction multiples over the longer term
- The discount rate of 11.5% reflects the size, risk profile and circumstances of the operating segment based on past experience and industry expectations

The fair value of each operating segment was categorized as a Level 3 fair value, based on the use of unobservable inputs.

Note 14 Long-Term Debt

	Coupon Rate	Year of Maturity	As at December 31, 2023	2022
Unsecured revolving credit facility	floating	2028	230,000	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			(18,457)	(8,228)
			2,711,543	1,646,772

Unsecured revolving credit facility

The revolving credit facility of $1,000.0 million 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 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. On February 10, 2023, the Company extended the maturity date of the revolving credit facility from April 2027 to February 2028, amongst other amendments. 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 has two bilateral demand facilities, available for general corporate purposes or letters of credit, totaling $150.0 million under which it had issued letters of credit totaling $38.0 million (December 31, 2022 – $37.5 million).

Senior unsecured notes

The following note offerings closed on July 12, 2023:

The senior unsecured notes carrying a fixed 5.80% per annum coupon rate have semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2026;

The senior unsecured notes carrying a fixed 5.75% per annum coupon rate have semi-annual interest payment dates of January and July 12 and a maturity date of July 12, 2033; and

The senior unsecured notes carrying a fixed 6.20% per annum coupon rate have 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 a ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

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 ratings decline of the applicable notes to below an investment grade rating, as such terms are defined in the applicable indenture.

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

Covenants

The Company is required to meet certain specific and customary affirmative and negative financial covenants under various debt agreements. As at December 31, 2023, the Company was in compliance with all of its covenants.

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

The components of finance costs are as follows:

		Year ended December 31,	
	Note	**2023**	**2022**
Interest expense		106,898	64,860
Dividend equivalent payment on subscription receipts	*18*	7,804	—
Realized foreign currency financial instrument loss	*24*	6,842	—
Capitalized interest	9	(1,820)	(2,304)
Interest expense, finance lease	*15*	2,904	2,908
Interest income		(6,352)	(525)
		116,276	64,939

Reconciliation of cash flows arising from financing activities:

	Year ended December 31,	
	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	(25,000)	(15,000)
Net cash provided by financing activities	2,709,814	1,645,609
Deferred financing costs and other	1,729	1,163
Closing balance	2,711,543	1,646,772

Note 15 Lease Liabilities

	Year ended December 31,	
	2023	**2022**
Opening balance	71,700	81,779
Additions	24,810	19,382
Disposals	(909)	—
Interest expense	2,904	2,908
Lease payments	(35,896)	(35,397)
Effect of movements in exchange rates	(604)	3,028
Closing balance	62,005	71,700
Less: current portion	28,014	37,196
Closing balance – non-current portion	33,991	34,504

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.

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

Note 16 Trade Payables and Accrued Charges

Trade payables and accrued charges comprise of the following items:

		As at December 31,	
	Note	**2023**	**2022**
Trade payables		661,360	530,212
Accrued compensation charges		14,466	15,447
Taxes payable	*19*	3,666	969
Risk management liabilities	*24*	21,029	8,227
Interest payable		47,046	13,969
Other		5,941	5,744
		753,508	574,568

Note 17 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:

		Year ended December 31,	
	Note	**2023**	**2022**
Opening balance		145,057	180,270
Acquisition	*5*	13,003	—
Settlements		(4,162)	(7,204)
Additions	*9*	7,817	5,523
Change in estimated future cash flows	*9*	(9,414)	7,772
Change in discount rate [(1)]	*9*	38,476	(45,437)
Unwind of discount		4,481	3,632
Effect of movements in exchange rates		(1,016)	501
Closing balance		194,242	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 4.0% for 2024 and 2.0% thereafter, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $492.8 million and $293.4 million at December 31, 2023, and 2022, respectively.

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 3.0% and 3.3% at December 31, 2023, and 2022, respectively. The change in the risk-free rate results in an adjustment in cost to the corresponding asset. Changes in the estimated future cash flows above represent revisions made as a result of the Company's review of the amount of future cash flows to settle decommissioning obligations for select assets. The undiscounted cash flows at the decommissioning are calculated using an estimated timing of economic outflows ranging up to 43 years with the majority estimated around 30 years.

A one percent increase or decrease in the risk-free rate would decrease or increase the provision by $39.9 million (December 31, 2022 – $26.5 million), with a corresponding adjustment to property, plant and equipment.

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

Note 18 Share Capital

a) Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding-up of the Company. There were no issued and outstanding preferred shares as at December 31, 2023 or 2022. The unsecured hybrid notes include terms which could result in issuing conversion preference shares.

b) Common Shares – Issued and Outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2023 or 2022.

	Number of Common Shares	Amount
As at January 1, 2022	146,627,082	1,997,255
Issued in connection with the exercise of stock options	1,321,639	24,068
Tax effect of equity settled awards	—	680
Reclassification of contributed surplus on issuance of awards under equity incentive plans	1,001,058	24,082
Purchased common shares under NCIB	(5,988,400)	(81,570)
As at December 31, 2022	142,961,379	1,964,515
Issued in connection with the exercise of stock options	96,574	1,622
Tax effect of equity settled awards	—	150
Reclassification of contributed surplus on issuance of awards under equity incentive plans	702,160	13,772
Net proceeds from the issuance of common shares, after tax effects (note 5)	20,010,000	389,951
Purchased common shares under NCIB	(2,110,200)	(28,743)
As at December 31, 2023	161,659,913	2,341,267

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 5) 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 finance cost in the consolidated statement of operations (note 14).

A dividend of $0.39 per share, declared on October 30, 2023, was paid on January 17, 2024. For the year ended December 31, 2023, the Company declared total dividends of $1.56 per common share.

Under the NCIB, the Company is permitted to repurchase for cancellation up to 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. On September 13, 2023, the Company extended its NCIB from August 30, 2023, to September 14, 2024.

During the year ended December 31, 2023 the Company purchased 2,110,200 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)

c) Per Share Amounts

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

	Year ended December 31, 2023	2022
Weighted average common shares outstanding – Basic	150,243,493	146,221,479
Dilutive effect of stock options and other awards	1,441,730	2,592,961
Weighted average common shares – Diluted	151,685,223	148,814,440

The dilutive effect of 1.4 million (December 31, 2022 – 2.6 million) stock options and other awards for the year ended December 31, 2023, have been included in the determination of the weighted average number of common shares outstanding. No (December 31, 2022 – 0.1 million) stock options for the year ended December 31, 2023, have not been included in the determination of weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net income per share.

Note 19 Income Taxes

The major components of income tax are as follows:

	Year ended December 31, 2023	2022
Current tax expense	38,891	46,310
Adjustments and true ups in respect of prior years	(7,174)	(3,236)
Total current tax provision	31,717	43,074
Deferred tax expense	32,877	21,672
Origination and reversal of temporary differences	6,529	2,144
Total deferred tax expense	39,406	23,816
Net income tax expense	71,123	66,890

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

The income tax expense differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to income before income taxes. These differences result from the following items:

	Year ended December 31, 2023	2022
Income before income tax	285,334	290,135
Statutory income tax rate	23.47%	23.40%
Computed income tax expense	66,968	67,892
Changes in income tax expense (recovery) resulting from:		
Statutory and other rate differences	(236)	120
Other items, including adjustments and true ups in prior years	2,037	(762)
Foreign exchange losses	2,354	(360)
Net income tax expense	71,123	66,890
Effective income tax rate	24.93%	23.05%

The gross movement on the deferred income tax account is as follows:

	Year ended December 31, 2023	2022
Opening balance:	88,655	66,749
Effect of changes in foreign exchange rates	303	(1,692)
Business combinations	(6,015)	—
Income statement expense	39,406	23,816
Tax relating to components of other comprehensive income and contributed surplus	118	462
Tax credited directly to equity	(4,219)	(680)
Closing balance	118,248	88,655

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

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Non-capital Losses Carried Forward**	**Asset Retirement Obligations**	**Goodwill, Intangibles, and Other**	**Total**
As at January 1, 2022	31,783	19,543	18,233	69,559
Charged to the statement of operations	(2,733)	178	5,301	2,746
Charged to other comprehensive income	—	—	(462)	(462)
Effect of changes in foreign exchange rates	1,982	81	261	2,324
Tax charged directly to equity	—	—	680	680
As at December 31, 2022	31,032	19,802	24,013	74,847
Amendment to IAS 12 *(Note 4)*	—	14,188	11,187	25,375
As at January 1, 2023	31,032	33,990	35,200	100,222
Charged to the statement of operations	(5,088)	10,912	(8,023)	(2,199)
Charged to other comprehensive income	—	—	(118)	(118)
Business combinations *(Note 5)*	—	218	65,907	66,125
Effect of changes in foreign exchange rates	(632)	(38)	(95)	(765)
Tax charged directly to equity	—	—	4,219	4,219
As at December 31, 2023	25,312	45,082	97,090	167,484

Deferred tax liabilities	**Investments in Equity Accounted Investees**	**Property, Plant and Equipment and Other**	**Total**
As at January 1, 2022	(4,407)	(131,901)	(136,308)
(Credited) / charged to the statement of operations	(9,645)	(16,917)	(26,562)
Effect of changes in foreign exchange rates	—	(632)	(632)
As at December 31, 2022	(14,052)	(149,450)	(163,502)
Amendment to IAS 12 *(Note 4)*	—	(25,375)	(25,375)
As at January 1, 2023	(14,052)	(174,825)	(188,877)
Credited to the statement of operations	(2,261)	(34,946)	(37,207)
Business combinations *(Note 5)*	—	(60,109)	(60,109)
Effect of changes in foreign exchange rates	—	461	461
As at December 31, 2023	(16,313)	(269,419)	(285,732)

Income tax losses carry forward

At December 31, 2023, and 2022, the Company had losses available to offset income for tax purposes of $112.3 million and $136.9 million, respectively. Certain losses arising in taxable years beginning after December 31, 2018, may be carried forward indefinitely with the net operating loss deduction limited to 80% of taxable income which is determined without regard to the deduction.

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

At December 31, 2023, the Company has $112.3 million of the losses available in the U.S. that expire as follows:

December 31, 2036	51,465
December 31, 2037	13,018
December 31, 2039 and beyond	47,865
	112,348

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries, except for investments in equity accounted investees, as the Company can control the timing of the reversal of the temporary difference and the reversal is not probable in the foreseeable future.

Note 20 Revenue

	Year ended December 31, 2023	2022
Revenue from contracts with customers recognized at a point in time	10,613,938	10,717,039
Revenue from contracts with customers recognized over time	224,979	164,519
Total revenue from contracts with customers	10,838,917	10,881,558
Total revenue from lease arrangements	175,777	153,853
	11,014,694	11,035,411

During the year ended December 31, 2023, the Company recognized $21.0 million (2022 – $31.7 million) of revenue which was included in the contract liability balance at the beginning of the period. The Company expects that the performance obligations represented by the $112.0 million contract liability balance as at December 31, 2023 will be recognized as revenue during 2024.

Year ended December 31, 2023	Infrastructure	Marketing	Total
External Service Revenue			
Terminals storage and throughput / pipeline transportation	202,283	—	202,283
Rail and other	22,696	—	22,696
External Product Revenue			
Crude, diluent and other products	—	10,064,084	10,064,084
Refined products	—	549,854	549,854
Total revenue from contracts with customers	224,979	10,613,938	10,838,917

Year ended December 31, 2022 (1)	Infrastructure	Marketing	Total
External Service Revenue			
Terminals storage and throughput / pipeline transportation	128,581	—	128,581
Rail and other	35,938	—	35,938
External Product Revenue			
Crude, diluent and other products	—	10,123,543	10,123,543
Refined products	—	593,496	593,496
Total revenue from contracts with customers	164,519	10,717,039	10,881,558

(1) Comparative period information has been updated to present total revenue from contracts with customers, rather than separate disclosure by geographic region with no change to total consolidated revenue.

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

Note 21 Depreciation, Amortization and Impairment

		Year ended December 31,	
	Note	**2023**	**2022**
Depreciation and impairment of property, plant and equipment	9	95,993	107,353
Depreciation and impairment of right-to-use assets	10	27,640	29,184
Amortization and impairment of intangible assets	12	18,845	7,942
		142,478	144,479

Depreciation, amortization and impairment have been expensed as follows:

	Year ended December 31,	
	2023	**2022**
Cost of sales	131,297	135,111
General and administrative	11,181	9,368
	142,478	144,479

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

Note 22 Employee Salaries and Benefits

	Year ended December 31, 2023	2022
Salaries and wages	93,714	82,146
Post employment benefits	3,922	4,434
Share-based compensation	20,944	20,543
Termination costs	1,572	1,807
	120,152	108,930

Employee salaries and benefits have been expensed as follows:

	Year ended December 31, 2023	2022
Cost of sales	72,491	63,959
General and administrative	47,661	44,971
	120,152	108,930

Compensation of key management

Compensation awarded to the Company's directors and senior executive officers was:

	Year ended December 31, 2023	2022
Salaries and wages	6,056	6,287
Post employment benefits	101	105
Share-based compensation	8,705	9,012
	14,862	15,404

Note 23 Share-based Compensation

The Company has established an equity incentive plan which permits the award of stock options, RSUs, PSUs and DSUs for executives, directors, employees, and consultants of the Company. Stock options provide the holder with the right to exercise an option to purchase a common share, upon vesting, at a price determined on the date of grant. RSUs give the holder the right to receive, upon vesting, either a common share or a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in the current and prior period are expected to be settled by delivery of common shares and accordingly, were considered an equity-settled award for accounting purposes. Stock options and RSUs granted generally vest equally each year over a three year period. RSUs granted with specific performance criteria are designated as PSUs. PSU's vest at the end of the three year period and depends on the achievement of certain performance criteria. DSUs are similar to RSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At December 31, 2023, common share awards available to grant under the equity incentive plan are approximately 3.6 million.

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

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

	Number of Shares	Weighted Average Exercise Price (in dollars)
	Stock Options	
As at January 1, 2022	1,808,996	19.01
Exercised and released for common shares	(1,321,639)	18.21
Forfeited	(34,680)	24.90
As at December 31, 2022	452,677	20.88
Exercised and released for common shares	(96,574)	17.53
Forfeited	(5,000)	21.98
As at December 31, 2023	351,103	21.98
Vested and exercisable at December 31, 2022	432,673	21.03
Vested and exercisable at December 31, 2023	351,103	21.98

Additional information regarding stock options outstanding as of December 31, 2023 is as follows:

Outstanding			Exercisable		
Number Outstanding	**Weighted Average remaining contractual life (years)**	**Exercise Price (in dollars)**	**Number Outstanding**	**Weighted Average remaining contractual life (years)**	**Exercise Price (in dollars)**
24,434	1.20	17.53	24,434	1.20	17.53
42,000	0.21	19.97	42,000	0.21	19.97
26,000	2.20	22.18	26,000	2.20	22.18
258,669	0.21	22.70	258,669	0.21	22.70
351,103	0.42		351,103	0.42	

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

A summary of RSUs, PSUs and DSUs activity is set forth below:

	Number of Units		
	Restricted Share Units	**Performance Share Units**	**Deferred Share Units**
As at January 1, 2022	755,736	935,851	730,949
Granted	357,254	490,430	149,133
Exercised and released for common shares	(390,406)	(502,560)	(108,092)
Forfeited	(91,452)	(83,848)	—
As at December 31, 2022	631,132	839,873	771,990
Granted	479,224	350,321	179,320
Exercised and released for common shares	(331,310)	(361,188)	(9,665)
Forfeited	(38,905)	(26,054)	—
As at December 31, 2023	740,141	802,952	941,645
Vested and exercisable at December 31, 2022			771,990
Vested and exercisable at December 31, 2023			941,645

Share-based compensation expense was $18.5 million and $18.2 million for the years ended December 31, 2023, and 2022, respectively, and is included in general and administrative expenses.

The Company did not award any stock options for the years ended December 31, 2023, and 2022.

The fair value of RSUs, PSUs and DSUs was determined using the five days weighted average stock price prior to the date of grant.

Note 24 Financial Instruments

a) Non-Derivative financial instruments

Non-derivative financial instruments are comprised of cash and cash equivalents, trade and other receivables, net investment in finance lease, trade payables and accrued charges, dividends payable and long-term debt.

Cash and cash equivalents, trade and other receivables, trade payables and accrued charges and dividends payable are recorded at amortized cost which approximates fair value due to the short-term nature of these instruments.

Long-term debt, including the revolving credit facility, are recorded at amortized cost using the effective interest method of amortization. As at December 31, 2023, the carrying amount of long-term debt was $2,730.0 million less debt discount and issue costs of $18.5 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $2,686.4 million. As at December 31, 2022, the carrying amount of long-term debt was $1,655.0 million less debt discount and issue costs of $8.2 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,513.2 million.

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

Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table provides a summary of the Company's offsetting trade and other receivables and trade payables and accrued charges:

	As at December 31,			
	2023		2022	
	Trade and Other Receivables	Trade Payable and Accrued Charges	Trade and Other Receivables	Trade Payable and Accrued Charges
Gross amounts	1,281,764	1,404,200	932,688	1,093,643
Amount offset	(1,121,381)	(1,121,381)	(810,032)	(810,032)
Net amount	160,383	282,819	122,656	283,611

b) Derivative financial instruments (recurring fair value measurements)

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

As at December 31, 2023	Carrying Amount	Fair Value Level 1	Level 2	Level 3
Commodity futures	1,985	1,985	—	—
Commodity swaps	6,071	6,071	—	—
WTI differential futures	8,010	8,010	—	—
Foreign currency forwards	4,725	—	4,725	—
Foreign currency options	2,021	—	2,021	—
Financial assets (carried at fair value)	22,812	16,066	6,746	—
Commodity futures	5,892	5,892	—	—
Commodity swaps	6,817	6,817	—	—
WTI differential futures	5,507	5,507	—	—
Foreign currency forwards	1,517	—	1,517	—
Renewable power contracts	1,296	—	—	1,296
Financial liabilities (carried at fair value)	21,029	18,216	1,517	1,296
Long-term debt (carried at amortized cost)	2,711,543		2,686,445	

(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	

The fair value of financial instruments is classified as a non-current asset (long-term prepaid expense and other assets) or liability (other long-term liabilities) if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

The impact of the movement in the fair value of financial instruments has been recognized within cost of sales in the consolidated statements of operations.

i) Commodity financial instruments

The Company enters into futures and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil, natural gas liquids and petroleum products.

ii) Foreign currency financial instruments

The Company enters into foreign currency forwards or options contracts from time to time to manage the foreign currency risk pertaining to future transactions and cash flows denominated in foreign currencies, primarily in US$.

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.

The Company used the following techniques to value financial instruments categorized in Level 2:

- The fair value of foreign currency forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.
- The fair value of foreign currency options are determined using inputs which include forward exchange rates, time value and volatility factors.

iii) Renewable power contract financial instruments

For the financial instruments categorized in Level 3, the Company based its internal valuation model on broker pricing for the Alberta electricity 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 therefore 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.

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

c) Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As a part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury and risk management functions are responsible for implementing the policies and providing a centralised service to the Company for identifying, evaluating and monitoring financial risks.

i) Foreign currency risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed by using foreign currency forward contracts and options. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates remain constant, the impact on net income and equity would be as follows:

	As at December 31,	
	2023	**2022**
U.S. Dollar Forwards		
Favorable 5% change	14,227	10,206
Unfavorable 5% change	(14,227)	(10,206)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options.

The impact of translating the net assets of the Company's U.S. operations into Canadian dollars is excluded from this sensitivity analysis.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates. A 1% increase or decrease in interest rates would, based on current rates and balances, decrease or increase the Company's net income by $2.3 million (as at December 31, 2022 – $2.6 million).

iii) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGLs, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity prices.

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's derivative positions because of fluctuations in commodity prices leaving all other variables constant, in particular, foreign currency rates. The Company believes that a 15% volatility in crude oil and NGL related prices is a reasonable possible change.

	As at December 31,	
	2023	**2022**
Crude oil and NGL related prices		
Favorable 15% change	26,330	34,249
Unfavorable 15% change	(26,330)	(34,249)

Renewable power contract

During the year ended December 31, 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. For the year ended December 31, 2023, the Company has recognized an unrealized loss of $1.3 million within other (gains) and losses, net in the consolidated statement of operations. The following table summarizes the impact to net income due to a change in the fair value of the power purchase agreement due to changes in forward power prices, leaving all other variables constant. The Company believes that a 15% volatility in forward power prices is a reasonable possible change.

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

	As at December 31,	
	2023	**2022**
Forward power prices		
Favorable 15% change	11,648	—
Unfavorable 15% change	(11,648)	—

iv) Credit risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. 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 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.

The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The provision is based on an individual account-by-account analysis and prior credit history.

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. The Company defines current as outstanding accounts receivable under 30 days past due. The Company believes the unimpaired amounts that are past due by greater than 30 days are fully collectible based on historical default rates of customers and assessment of counterparty credit risk through established credit management techniques as discussed above. The following table details the aging of trade and other receivables:

	As at December 31,	
	2023	**2022**
Current	654,730	461,609
Past due 31-60 days	3,738	875
Past due over 60 days	2,352	1,821
Total trade and other receivables	660,820	464,305

The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is low. The counterparties are generally major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies. The Company's cash equivalents are placed in time deposits with investment grade international banks and financial institutions.

v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Cash and cash equivalents and the revolving credit facility are available and are expected to be available to satisfy the Company's short and long-term requirements. As at December 31, 2023, the Company had a revolving credit facility of $1,000.0 million and two credit facilities totaling $150.0 million. As at December 31, 2023, $230.0 million (December 31, 2022 – $255.0 million) was drawn against the revolving credit facility and the Company had outstanding issued letters of credit of $38.0 million (December 31, 2022 – $37.5 million).

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

The terms of the unsecured senior notes, unsecured hybrid notes and revolving credit facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. As at December 31, 2023, the Company was in compliance with these covenants.

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at December 31, 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)	685,433	—	—	—	685,433
Dividend payable	63,048	—	—	—	63,048
Long-term debt	—	675,000	555,000	1,500,000	2,730,000
Interest on long-term debt	118,576	217,412	167,503	2,042,823	2,546,314
Financial instruments liabilities	21,029	—	—	—	21,029
Lease liabilities	30,261	30,943	3,724	—	64,928
	918,347	923,355	726,227	3,542,823	6,110,752

(1) Excludes accrued interest and financial instruments liabilities.

d) Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, lease liabilities and working capital. To maintain or adjust the capital structure, the Company may draw on its revolving credit facility, issue notes or issue equity and/or adjust its operating costs and/or capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including ‘current and non-current borrowings' as shown in the consolidated balance sheet, and lease liabilities) less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the consolidated balance sheet.

	As at December 31, 2023	2022
Total financial liability borrowings	2,773,548	1,718,472
Less: cash and cash equivalents	(143,758)	(83,596)
Net debt (1)	2,629,790	1,634,876
Total share capital	2,341,267	1,964,515
Total capital	4,971,057	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. 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.

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the revolving credit facility are sufficient to service this debt and support ongoing operations.

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

Note 25 Commitments and Contingencies

a) Commitments

Minimum payments required under commitments, net of sub-lease income, are as follows:

	Payments due by period				
	Total	**Less than 1 year**	**Between 1 and 3 years**	**Between 3 and 5 years**	**More than 5 years**
Long-term debt	2,730,000	—	675,000	555,000	1,500,000
Interest payments on long-term debt	2,546,314	118,576	217,412	167,503	2,042,823
Lease and other commitments (1)	82,378	32,245	36,101	6,010	8,022
Total contractual obligations	5,358,692	150,821	928,513	728,513	3,550,845

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

b) Commitments to Equity Accounted Investees

The Company does not have any funding commitments for its equity investments as at December 31, 2023.

c) 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. Although the outcome of these claims are 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. 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 provision for such legal claims. 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, may result in the recognition of estimated decommissioning and environmental remediation obligations. Estimates of decommissioning and environmental remediation obligations can change significantly based on such factors such as operating experience and changes in legislation and regulations.

Note 26 Subsequent Events

On February 20, 2024, the Board declared a quarterly dividend of $0.41 per common share, an increase of $0.02 per common share for the first quarter on its outstanding common shares. The dividend is payable on April 17, 2024, to shareholders of record at the close of business on March 28, 2024.

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

Note 27 Supplemental Cash Flow Information

		Year ended December 31,	
	Note	**2023**	**2022**
Cash flows from operating activities			
Net income		214,211	223,245
Adjustments:			
Finance costs, net		116,276	64,939
Income tax expense		71,123	66,890
Depreciation and impairment of property, plant and equipment	*9*	95,993	107,353
Depreciation and impairment of right-of-use asset	*10*	27,640	29,184
Amortization and impairment of intangible assets	*12*	18,845	7,942
Share-based compensation	*23*	20,944	20,543
Share of profit from investments in equity accounted investees	*11*	(22,120)	(20,926)
Distributions from equity accounted investees	*11*	26,309	32,324
Loss (gain) on sale of property, plant and equipment	*9*	183	(5,285)
Provisions	*17*	7,747	(934)
Net gain on fair value movement of financial instruments		(6,826)	(4,027)
Other		(2,903)	(4,512)
		353,211	293,491
Changes in items of working capital:			
Trade and other receivables	*6*	(203,429)	234,918
Inventories	*7*	10,214	(174)
Other current assets		(2,085)	6,142
Trade payables and accrued charges	*16*	141,967	(109,931)
Contract liabilities		91,063	(11,758)
		37,730	119,197
Income tax payment, net		(30,296)	(37,621)
Net cash inflow from operating activities		574,856	598,312

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