

An aerial photograph of an industrial site, likely a refinery or chemical plant. The facility features several large, cylindrical storage tanks, some painted white and others blue. A network of pipes and walkways with yellow safety railings connects the tanks. To the left, there is a white industrial building with a blue roof. In the background, a dirt road with a few vehicles and a dense forest are visible. A large green semi-transparent circle is overlaid on the bottom left of the image, containing the company's name and report title.

# Management's Discussion & Analysis 2020 Fourth Quarter Report

**SECURE**  
ENERGY

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The following management's discussion and analysis ("MD&A") of the financial position and results of operations of SECURE Energy Services Inc. ("SECURE", the "Corporation", "we", or "our") has been prepared by management and reviewed and approved by the Board of Directors of SECURE (the "Board of Directors" or the "Board") on February 25, 2021. The discussion and analysis is a review of the financial results of the Corporation prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

The MD&A's primary focus is a comparison of the financial performance for the three and twelve months ended December 31, 2020 to the three and twelve months ended December 31, 2019 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2020 and 2019 ("Annual Financial Statements").

All amounts are presented in Canadian dollars, unless otherwise stated, and all tabular amounts are in thousands of Canadian dollars, except share and per share amounts or as otherwise noted. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

## **CORPORATE OVERVIEW**

SECURE is a publicly traded energy infrastructure business listed on the Toronto Stock Exchange ("TSX") providing industry leading customer solutions to upstream oil and natural gas companies operating in western Canada and certain regions in the United States ("U.S.") through its network of midstream processing and storage facilities, crude oil and water pipelines, and crude by rail terminals located throughout key resource plays in western Canada, North Dakota and Oklahoma. SECURE's core Midstream Infrastructure operations generate cash flows from oil production pipelines and processing and disposal, produced water disposal, and crude oil storage, logistics, and marketing. SECURE also provides comprehensive environmental and fluid management for landfill disposal, onsite abandonment, remediation and reclamation, drilling, completion and production operations for oil and gas producers in western Canada.

For a complete description of services provided by the Corporation, please refer to the headings '*General Development of the Business*' and '*Description of Business*' in the Corporation's Annual Information Form for the year ended December 31, 2020 ("AIF").

## **2020 EXECUTIVE SUMMARY**

2020 was a year marked by unprecedented challenges for the oil and gas industry. The impact of the COVID-19 pandemic on the demand for oil was exacerbated by over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments. The result of these factors was a dramatic drop in crude oil and liquids pricing beginning in March 2020 which had deep negative consequences on producer cash flows. SECURE's customers responded by reducing capital investment, temporarily shutting in production and employing the highest degree of vigilance on operating costs. In May 2020, crude oil and liquids pricing started to recover, with steady improvements throughout the remainder of the year. However, on average, benchmark crude oil prices in 2020 remained 31% lower than the prior year.

### ***Resilient financial results***

The strategies employed by SECURE over the past several years to increase the stability of the Corporation's cash flows, including the addition of oil and water pipelines underpinned by long-term contracts, crude oil storage, production chemicals and recurring environmental project work, helped reduce the impact of low drilling and completion activity on the Corporation's results in 2020. The Corporation recorded Adjusted EBITDA<sup>1</sup> of \$136.2 million for the year ended December 31, 2020, a decrease of 24% compared to 2019. This reflects the level of SECURE's production and contracted volumes and the significant measures taken during the year to reduce operating and general and administrative ("G&A") expenses to adjust the Corporation's cost structure to levels consistent with activity levels, including:

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<sup>1</sup> Refer to the "Non-GAAP Measures" section herein.



- Reduced personnel costs by approximately 25%. Measures taken to reduce personnel costs included modified work schedules, job sharing, salary reductions and layoffs. SECURE expects annualized savings in excess of \$40 million as a result of the Corporation's leaner organizational structure, the majority of which is expected to endure even as activity levels increase.
- Utilized the Canadian Federal Government's wage subsidy program to reduce the impact of the downturn on our staff. In total in 2020, the Corporation recorded a \$23.9 million recovery in cost of sales and G&A expenses, primarily associated with the wage subsidy program.
- Restricted discretionary spending and suspended all non-essential travel for SECURE employees.

Also as a result of these cost containment measures, the following results were achieved during 2020:

- Reduced overall G&A expenses (excluding depreciation, depletion and amortization and share-based compensation) by \$28.2 million, or 37%, from the prior year. As a percentage of revenue (excluding oil purchase and resale), G&A expenses were 10% for the year ended December 31, 2020, down from 12% in the prior year.
- Increased Adjusted EBITDA margin<sup>2</sup> to 30%, up from 29% in the prior year.
- Increased the Midstream Infrastructure segment's profit margin<sup>2</sup> as a percentage of revenue (excluding oil purchase and resale) to 62%, up from 61% in the prior year.
- Increased the Environmental and Fluid Management segment's profit margin as a percentage of revenue to 23%, up from 20% in the prior year.

With these results, the Corporation demonstrated that SECURE's Midstream Infrastructure and production-based service offerings deliver strong cash flows that are sustainable at the low commodity prices and activity levels faced in 2020.

### ***Solid balance sheet***

Maintaining a strong balance sheet has always been a key priority for the Corporation. SECURE took additional steps in 2020 to maximize discretionary free cash flow and direct these funds towards debt reduction to best position the Corporation for long-term success:

- Reduced total capital expenditures by 47% from 2019, to \$71.3 million. \$53.0 million of the total spend related to growth and expansion capital, incurred primarily to construct the East Kaybob oil pipeline, a light oil and condensate gathering system underpinned by 15-year commitments from multiple producers, aligning with our underlying strategy to increase the stability of our cash flows through long-term fee for service contracts. The Corporation also incurred \$9.1 million of sustaining capital.
- Reduced the monthly dividend from \$0.0225 (2.25 cents) to \$0.0025 (0.25 cents) effective May 1, 2020. This reduction of the dividend results in annualized cash savings of approximately \$38 million. Following the June 2020 monthly dividend, the Corporation moved to a quarterly dividend, with the first payment of \$0.0075 (0.75 cents) per common share made in October 2020.
- Minimized counterparty risk and optimized working capital. The Corporation has a robust credit review process and worked closely with customers this year to ensure timely collection of receivables. As a result of these diligent procedures, the Corporation's credit losses in 2020 were in line with low historic averages. At December 31, 2020, the Corporation's working capital (current assets less accounts payable and accrued liabilities) was \$63.8 million, down from \$125.3 million at December 31, 2019.

During the year ended December 31, 2020, the Corporation extended the existing \$130 million second lien credit facility ("Second Lien Facility") by one year to July 31, 2022. There have been no changes to the remaining terms, conditions and covenants of the Second Lien Facility. The Corporation also entered into interest rate swaps to fix the interest rate for the Second Lien Facility at 5.5%. The extended term reduces near-term liquidity risk and provides the Corporation with increased financial flexibility.

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<sup>2</sup> Refer to the "Non-GAAP Measures" section herein.

The following table outlines SECURE's Senior and Total Debt to trailing twelve-month EBITDA ratios<sup>3</sup> at December 31, 2020, compared to the covenant thresholds outlined in our credit facility agreements.

	Dec 31, 2020	Threshold
Senior Debt to EBITDA	2.2	3.5
Total Debt to EBITDA	3.2	5.0

SECURE will continue to focus on managing the Corporation's financial position throughout 2021. Strong line of sight for significant discretionary free cash flow in 2021 will provide increased flexibility for continued debt repayment, opportunistic share repurchases, and midstream infrastructure growth in a manner consistent with SECURE's business strategy.

#### **Discretionary Free Cash Flow**

During the year ended December 31, 2020, SECURE generated discretionary free cash flow<sup>4</sup> of \$95.8 million, a decrease of 17% from 2019, as lower Adjusted EBITDA resulting from reduced activity levels was partially mitigated by additional cash saving initiatives employed in 2020, as described above. The Corporation utilized discretionary free cash flow to fund the capital program, with the remainder directed against outstanding debt. In total, the Corporation reduced the amount drawn on the Corporation's \$600 million first lien credit facility ("First Lien Facility") by \$54.9 million, or 17%, during 2020. At December 31, 2020, the First Lien Facility had \$269.5 million drawn, resulting in available capacity of \$330.5 million, subject to covenant restrictions.

#### **Environmental, Social and Governance ("ESG")**

SECURE recognizes that the long-term success of the Corporation goes beyond the financial results generated by the Corporation. SECURE is focused on connecting our strong employee culture with our corporate strategies to drive improved ESG performance. We are continually refining our strategies and processes to further enhance the sustainability of our business by incorporating ESG factors into our overall business strategy, risk management and business development. Our commitments to sustainability, including putting safety first, minimizing the environmental impacts of our operations, and creating positive relationships with stakeholders in the communities where we live and work, guide these strategies.

Over the past year, the Corporation has taken the following actions to advance our ESG framework and address key issues:

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Progressed a road map for achieving long-term emissions performance targets.</li> <li>• Introduced an environmental performance improvement initiative to reduce our power requirements, energy usage and emissions.</li> <li>• Registered for the Alberta Technology Innovation and Emissions Reduction regulation.</li> <li>• Continued improvement efforts for spill awareness and prevention.</li> </ul>	<ul style="list-style-type: none"> <li>• Formalized an Indigenous Relations policy and advanced community engagement practices.</li> <li>• Introduced a Supplier Code of Conduct extending our shared values and sustainability commitments to all vendors, contractors and consultants employed by the Corporation.</li> <li>• Formalized a long-term partnership with STARS Air Ambulance to further enhance our safety culture and commitment to communities in which we operate.</li> </ul>	<ul style="list-style-type: none"> <li>• Established an internal sustainability governance structure, with employees leading initiatives for improved ESG performance.</li> <li>• Increased the amount of women on the Board of Directors to 25%.</li> <li>• Linked executive compensation targets to key corporate sustainability goals.</li> </ul>

SECURE also acknowledges the larger role we are able to play in reducing the overall environmental impact associated with delivering energy to the world. This is core to our overall business strategy, and the Corporation is dedicated to working with customers to provide innovative midstream and environmental solutions that not only reduce costs, but also lower emissions, improve safety, manage water, recycle by-products, and protect the land.

<sup>3</sup> Refer to the "Liquidity and Capital Resources" section herein for details on the Corporation's covenant calculations.

<sup>4</sup> Refer to the "Non-GAAP Measures" section herein.

## OUTLOOK

Crude oil prices have started the year off higher, reaching a trailing 12-month high in February 2021 following the announcement of short-term production cuts by Saudi Arabia, and renewed optimism for rising energy demand with the deployment of COVID-19 vaccines underway. However, continuing near-term COVID-19 lockdowns, COVID-19 variants and longer-term over supply concerns create considerable uncertainty with regards to the outlook on oil and liquids prices. Nonetheless, with our 2020 results, the Corporation has demonstrated that SECURE's Midstream Infrastructure and production-based service offerings deliver strong cash flows that are sustainable at low commodity prices and activity levels, positioning the Corporation for success in the event of a longer-term economic downturn.

Based on current macroeconomic conditions and commodity prices, SECURE expects:

- Continued stability from our core Midstream Infrastructure business, of which approximately 35% is underpinned by contracted volumes associated with the Corporation's oil and water pipelines, which provides a base level of cash flows. Additionally, SECURE's business remains highly concentrated on production volumes and related services that historically represent approximately 75% of the Corporation's Adjusted EBITDA.
- Higher producer cash flows resulting from improved commodity prices. As a result, the Corporation expects an increase in drilling and completion activity from 2020 levels as producers seek to add production to offset natural declines occurring in 2020 in order to maintain flat production levels. SECURE anticipates that producers will remain focused on controlling costs and improving balance sheet strength in favor of production growth in the short-term. Over the medium-term, optimism on incremental pipeline egress with the expansion and/or optimization of Line 3 and Trans Mountain, which are set to provide additional capacity in excess of 1 million barrels of crude oil per day over the next few years, is expected to continue to drive increased activity levels in the Western Canadian Sedimentary Basin ("WCSB"). Furthermore, proposed Canadian liquefied natural gas export terminals are expected to increase exports of natural gas produced with world-class ESG standards over the next five years.
- Increased utilization at our Midstream Infrastructure facilities and landfills as higher drilling, completion and production volumes from increased activity levels require treating, processing and disposal. The majority of our network of long-life assets are located in high impact light oil and liquids rich resource plays where producers are expected to be the most active in the WCSB in 2021. The Corporation has capacity to increase facility throughput and disposal with minimal additional fixed costs, which should result in improved cost absorption.
- Increased abandonment, remediation and reclamation activity, primarily in the second half of 2021 and into 2022, as a result of the Canadian Federal Government's \$1.7 billion stimulus package to help fund the closure and reclamation of orphan and inactive wells in the WCSB. SECURE expects increased abandonment, remediation and reclamation activity to positively impact all Canadian operations over the term of the program, particularly within our Environmental Management group as a result of higher demand for environmental site assessments, onsite abandonment, remediation and reclamation management and decommissioning work. Waste volumes resulting from these activities will also require disposal; SECURE owns and operates six industrial landfills in Alberta capable of handling this waste.

- Progression of ESG initiatives within the Canadian oil and gas industry as demand for responsibly produced energy sources increases. Canada has best in class safety, environmental and social practices, and the natural resources to make it a reliable provider of sustainably produced energy. In addition to working with our customers to challenge what's possible and develop innovative solutions that are both cost effective and minimize the environmental impacts associated with the development of our shared resources, SECURE will continue to take proactive measures to reduce the environmental impact of our own operations, and positively contribute to the health, safety, and economic wellbeing of our employees and communities where we live and work.
- Ongoing consolidation within the oil and gas industry as producers strive to remain competitive. Consolidation provides an avenue for producers to eliminate redundant cost and achieve operational efficiencies, strengthen their balance sheets, and access new capital, allowing for growth that may otherwise not be possible. This is expected to benefit SECURE in many ways, including:
  - Reduced counterparty risk;
  - Higher volumes and utilization at existing facilities;
  - Improved economies of scale to support the economics for building and connecting oil and water pipelines and increases volumes using pipelines or incremental third party infrastructure;
  - Long-term partnerships to support the construction and operation of new midstream infrastructure; and
  - Accelerated clean up of the industry's environmental liabilities.
- To continue its prudent approach to capital spending. The Corporation has established a 2021 capital program of \$15 million, which includes \$12 million of sustaining capital. The capital budget will be reviewed quarterly in 2021 and may be revised in accordance with opportunities to connect producers to existing midstream infrastructure to further increase volumes and utilization on a long-term basis.
- To take advantage of the Corporation's specific service lines that do not have recurring or production-related revenue streams. With improved commodity prices and increased producer spending expected this year, these service lines are expected to increase the Corporation's discretionary free cash flow, which can be allocated against debt to strengthen SECURE's balance sheet, or provide incremental capital for continued midstream infrastructure growth, and/or to support opportunistic share repurchases.

The factors above are expected to drive higher year over year discretionary free cash flow. Throughout 2021, SECURE will continue to focus on maintaining financial resiliency and prioritize the repayment of debt and opportunistic share repurchases based on market conditions. The Corporation remains well positioned to respond to the market's needs as activity levels increase. SECURE's business is uniquely positioned to deliver economic and environmental benefits that make the oil and gas industry more efficient and sustainable. We are committed to helping our customers by working transparently with them to identify opportunities where we can provide innovative solutions that help their objectives of responsible development, while reducing costs. We believe that remaining focused on this strategy will ultimately contribute to our success in the long-term, despite market challenges faced along the way.

## ANNUAL HIGHLIGHTS

The operating and financial highlights for the years ended December 31, 2020, 2019 and 2018 can be summarized as follows:

(\$000's except share and per share data)	Twelve months ended Dec 31,		
	2020	2019	2018
Revenue (excludes oil purchase and resale)	459,674	613,205	694,135
Oil purchase and resale	1,363,982	2,440,071	2,239,281
Total revenue	1,823,656	3,053,276	2,933,416
Adjusted EBITDA <sup>(1)</sup>	136,205	180,172	190,521
Per share (\$), basic	0.86	1.13	1.17
Net (loss) income attributable to shareholders of SECURE	(85,209)	1,600	19,929
Per share (\$), basic and diluted	(0.54)	0.01	0.12
Cash flows from operating activities	148,723	196,604	186,515
Per share (\$), basic	0.94	1.24	1.14
Discretionary free cash flow <sup>(1)</sup>	95,819	115,870	145,988
Per share (\$), basic	0.60	0.73	0.90
Dividends per common share	0.11	0.27	0.27
Capital expenditures <sup>(1)</sup>	71,339	134,725	178,646
Total assets	1,424,579	1,647,651	1,583,501
Long-term liabilities	553,673	624,739	560,863
Common shares - end of period	158,700,373	156,460,158	159,274,147
Weighted average common shares			
basic	158,561,369	158,984,770	163,008,356
diluted	158,561,369	161,817,532	165,425,609

<sup>(1)</sup> Refer to "Non-GAAP measures" and "Operational Definitions" for further information.

- REVENUE OF \$1.8 BILLION FOR THE YEAR ENDED DECEMBER 31, 2020
  - Midstream Infrastructure segment revenue (excluding oil purchase and resale) in 2020 decreased by 35% over 2019 to \$200.7 million. The decrease in revenue is attributable to lower processing and disposal volumes at the Corporation's midstream infrastructure facilities due to lower period over period production volumes resulting from short-term shut-ins primarily impacting the second quarter of 2020, reduced drilling and completion activity across the WCSB and North Dakota since March 2020, and natural declines due to limited capital investment. Reduced overall volumes, compounded by lower crude and liquids pricing in the twelve months ended December 31, 2020, also negatively impacted recovered oil and crude oil marketing revenue compared to the prior year.
  - Partially offsetting these negative factors on the Midstream Infrastructure segment's revenue was increased stability provided by contracted volumes associated with SECURE's oil and water feeder pipelines, including full period contributions of contracted infrastructure added in 2019.
  - Oil purchase and resale revenue in 2020 decreased 44% over 2019 to \$1.4 billion. The decrease in revenues is a result of a 34% decrease in Canadian light oil benchmark pricing during 2020 from 2019, combined with reduced marketing activity as a result of lower production volumes and more limited opportunities to work with our customers to optimize pricing by utilizing multiple crude oil and condensate streams at SECURE's midstream facilities.
  - Environmental and Fluid Management segment revenue in 2020 decreased 15% over 2019 to \$258.9 million. Reduced drilling and completion activity in the WCSB decreased revenue generated from service lines supporting these activities. Revenue from these service lines, which includes drilling and completion fluid services, solids control equipment rentals, drilling waste management, water management, and industrial landfill disposal, was down approximately 30% for the twelve months ended December 31, 2020, from the prior year, consistent with the decline in the average active rig count.



Higher production chemical revenue generated from greater bid awards and growing market share, stable environmental consulting and project work resulting from further customer diversification outside of the oil and gas industry and contracts in the Fort McMurray region partially offset the extent of the decrease in revenue.

- ADJUSTED EBITDA OF \$136.2 MILLION FOR THE YEAR ENDED DECEMBER 31, 2020
  - Adjusted EBITDA in 2020 decreased 24% over 2019 to \$136.2 million primarily as a result of reduced period over period revenue as described above. The impact of reduced revenue was partially offset by a \$23.9 million recovery recorded in cost of sales and G&A expenses for wage subsidies, primarily related to the Canada Emergency Wage Subsidy (“CEWS”), a program provided by the Canadian Federal Government which reduced the impact of the downturn, the COVID-19 pandemic and related restrictions on the Corporation’s staffing levels. The impact of reduced activity on the Corporation’s Adjusted EBITDA was also mitigated by aggressive cost reduction measures started in April 2020 to align the Corporation’s fixed cost structure with current industry activity levels, which included organizational restructuring and associated personnel and salary reductions.
- NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF SECURE OF \$85.2 MILLION FOR THE YEAR ENDED DECEMBER 31, 2020
  - For the year ended December 31, 2020, net loss attributable to shareholders of SECURE was \$85.2 million, compared to income of \$1.6 million in 2019. In addition to the lower Adjusted EBITDA described above, the variance is primarily a result of impairment and restructuring charges incurred during the year.
    - *Impairment of non-current assets:* The impact of macroeconomic conditions, including the COVID-19 pandemic, on crude oil and liquids demand and supply fundamentals and commodity pricing outlook resulted in a significant pullback in customer activity levels in 2020 as producers prudently managed cash flows. Near-term crude oil and liquids pricing remains below recent year averages and considerable uncertainty exists with respect to short and medium-term activity levels. As such, SECURE determined that indicators of impairment existed in 2020 for several assets and cash generating units (“CGUs”). As a result of the ensuing impairment testing performed, non-cash impairment of \$34.4 million was recognized against the carrying value of property, plant and equipment, and \$15.7 million was recognized against the carrying value of intangible assets.
    - *Restructuring costs:* SECURE recorded expenses of \$16.4 million during 2020 related primarily to employee termination benefits resulting from restructuring plans undertaken by the Corporation to right-size the Corporation’s workforce to anticipated activity levels and streamline business processes which resulted in the suspension or termination of certain functions.
  - These negative variances were partially offset by a higher income tax recovery for 2020 resulting primarily from a higher pre-tax loss.
- CASH FLOWS FROM OPERATING ACTIVITIES OF \$148.7 MILLION FOR THE YEAR ENDED DECEMBER 31, 2020
  - The Corporation generated cash flows from operating activities of \$148.7 million in 2020, a decrease of 24% from 2019, primarily as a result of lower Adjusted EBITDA in the current year and restructuring costs incurred, partially offset by lower interest paid as a result of reduced debt outstanding and a lower weighted average interest rate.

- **CAPITAL EXPENDITURES OF \$71.3 MILLION FOR THE YEAR ENDED DECEMBER 31, 2020**

- SECURE's organic growth and expansion capital during 2020 of \$53.0 million was primarily related to the East Kaybob oil pipeline, the Corporation's second oil gathering system. This project aligns with our underlying strategy of increasing the stability of our cash flows through long-term contracts and fixed fee for service cash flows. In the prior year, SECURE directed \$103.4 million towards midstream infrastructure growth and expansion projects, including water pipelines, crude oil storage, and incremental processing and disposal capacity at various existing facilities.
- Sustaining capital of \$9.1 million for the year ended December 31, 2020, decreased by \$8.4 million from the prior year. SECURE is committed to maintaining capital discipline as we navigate this downturn, while continuing to ensure the integrity and safety of our assets for long-term sustainability.

- **FINANCIAL FLEXIBILITY**

- During the year ended December 31, 2020, the Corporation paid down its credit facilities by \$54.9 million. The 12% decrease in total amount drawn was primarily a result of SECURE's efforts to direct discretionary free cash flow, net of the 2020 capital program, against outstanding debt during the year. As at December 31, 2020, the Corporation had drawn \$399.5 million on its credit facilities, resulting in availability of \$330.5 million, subject to covenant restrictions, up from \$275.7 million at December 31, 2019.
- In September 2020, SECURE closed an amendment to its \$130 million Second Lien Facility to extend the term by one year to July 31, 2022. All other terms, conditions and covenants are unchanged.
- The following table outlines SECURE's Senior and Total Debt to trailing twelve-month EBITDA ratio at December 31, 2020, and December 31, 2019. SECURE remains well within compliance of all covenants related to its credit facilities at December 31, 2020.

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Covenant</b>
Senior Debt to EBITDA	<b>2.2</b>	2.0	3.5
Total Debt to EBITDA	<b>3.2</b>	2.8	5.0

- **DIVIDENDS OF \$17.3 MILLION FOR THE YEAR ENDED DECEMBER 31, 2020**

- During the year ended December 31, 2020, the Corporation declared dividends in the aggregate amount of \$17.3 million to holders of common shares. In total, \$14.2 million, representing a monthly dividend of \$0.0225 (2.25 cents) per share, was paid out prior to the May 1, 2020 reduction. Subsequently, the Corporation has declared dividends in the aggregate amount of \$3.2 million, representing a quarterly dividend of \$0.0075 (0.75 cents) per share.
- SECURE believes the sharing of excess cash flows with shareholders is a core business principle; as a result, management and the Board of Directors of the Corporation will continue to monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, debt, capital expenditures and other investment opportunities, as well as expected interest, lease and tax payments, and will look for opportunities to increase the dividend as business conditions warrant.

- **RENEWAL OF THE NORMAL COURSE ISSUER BID**

- The Corporation repurchased and cancelled 0.3 million common shares during the year ended December 31, 2020, compared to 5.4 million in the prior year.
- During the second quarter of 2020, SECURE renewed the normal course issuer bid ("NCIB") first initiated in May 2018 and renewed in 2019. Pursuant to the renewed NCIB, the Corporation may repurchase, from time to time, up to a maximum of 10,796,069 common shares of the Corporation. Any common shares purchased under the NCIB will be cancelled. The renewed NCIB period commenced on May 28, 2020, and will end on May 27, 2021, or such earlier date as the NCIB is completed or is terminated at the Corporation's election.

- The renewed NCIB provides the Corporation with an additional capital allocation alternative to acquire common shares under appropriate circumstances. The Board of Directors and senior management believe that, from time to time, the prevailing market price of the common shares may not fully reflect the underlying value of SECURE's business and future business prospects. In such circumstances, the repurchase of common shares under the NCIB represents an attractive investment for the Corporation and an opportunity to enhance shareholder value.

#### FOURTH QUARTER HIGHLIGHTS

The Corporation's operating and financial highlights for the three-month periods ended December 31, 2020 and 2019 can be summarized as follows:

(\$000's except share and per share data)	Three months ended Dec 31,		
	2020	2019	% change
Revenue (excludes oil purchase and resale)	118,606	156,998	(24)
Oil purchase and resale	356,109	596,073	(40)
Total revenue	474,715	753,071	(37)
Adjusted EBITDA <sup>(1)</sup>	36,640	46,894	(22)
Per share (\$), basic	0.23	0.30	(23)
Net (loss) income attributable to shareholders of SECURE	(37,794)	2,658	(1,522)
Per share (\$), basic and diluted	(0.24)	0.02	(1,300)
Cash flows from operating activities	42,305	49,401	(14)
Per share (\$), basic	0.27	0.31	(13)
Discretionary free cash flow <sup>(1)</sup>	26,259	30,310	(13)
Per share (\$), basic	0.17	0.19	(11)
Capital expenditures <sup>(1)</sup>	8,944	31,769	(72)
Dividends per common share	0.0075	0.0675	(89)
Total assets	1,424,579	1,647,651	(14)
Long-term liabilities	553,673	624,739	(11)
Common shares - end of period	158,700,373	156,460,158	1
Weighted average common shares			
Basic	158,664,323	157,097,902	1
Diluted	158,664,323	159,430,711	-

<sup>(1)</sup> Refer to "Non-GAAP measures" and "Operational Definitions" for further information.

#### • REVENUE OF \$474.7 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

- Midstream Infrastructure segment revenue (excluding oil purchase and resale) decreased 40% to \$47.2 million during the three months ended December 31, 2020 from the 2019 comparative period. Reduced drilling, completion and production volumes at the Corporation's facilities negatively impacted treating and disposal revenues. Reduced overall volumes, compounded by lower crude and liquids pricing in the three months ended December 31, 2020, also negatively impacted recovered oil and crude oil marketing revenue compared to the prior year period.
- Oil purchase and resale revenue for the three months ended December 31, 2020, decreased 40% from the 2019 comparative period to \$356.1 million. The decrease in revenues is a result of a 26% decrease in Canadian light oil benchmark pricing during the three-month period ended December 31, 2020 over the 2019 comparative period, combined with reduced marketing activity as a result of lower production volumes and more limited opportunities to work with our customers to optimize pricing by utilizing multiple crude oil and condensate streams at SECURE's midstream facilities. The gross margin associated with oil purchase and resale is nil.

- Environmental and Fluid Management segment revenue decreased 8% during the three months ended December 31, 2020 from the 2019 comparative to \$71.4 million. Reduced drilling and completion activity in the WCSB decreased revenue generated from service lines supporting these activities. Higher production chemical revenue generated from greater bid awards and growing market share, more reclamation and demolition jobs underway quarter over quarter and further customer diversification outside of the oil and gas industry partially offset the impact of the decrease in revenue.
- ADJUSTED EBITDA OF \$36.6 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
  - Adjusted EBITDA decreased 22% to \$36.6 million during the three months ended December 31, 2020 from the 2019 comparative period primarily as a result of lower revenues as described above, partially offset by cost reductions and a \$3.9 million recovery recorded in cost of sales and G&A expenses related to CEWS recorded in the current year quarter.
- NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF SECURE OF \$37.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
  - Net loss attributable to shareholders of SECURE was \$37.8 million during the three months ended December 31, 2020, compared to income of \$2.7 million for the 2019 comparative period. The variance is due primarily to \$34.4 million of non-cash impairment charges recorded against property, plant and equipment, as described above, net of the associated tax impact. The Corporation also recorded \$5.1 million of restructuring charges during the three months ended December 31, 2020.
- CASH FLOWS FROM OPERATING ACTIVITIES OF \$42.3 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
  - The Corporation generated cash flows from operating activities of \$42.3 million during the three months ended December 31, 2020, a decrease of 14% from the prior year comparative period. The impact of lower Adjusted EBITDA was partially offset by changes in non-cash working capital during the period corresponding to lower activity levels. SECURE carried total net working capital at December 31, 2020, of \$63.8 million, down from \$125.3 million at December 31, 2019.
- CAPITAL EXPENDITURES OF \$8.9 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
  - Total capital expenditures for the three months ended December 31, 2020 included \$6.1 million of organic growth and expansion capital related primarily to construction costs for the final segment of the East Kaybob oil pipeline.
  - Sustaining capital incurred in the three months ended December 31, 2020 of \$2.6 million relates primarily to well and facility maintenance.

## REPORTING CHANGES

The Corporation adjusted prior year comparative figures to present pipeline tariff fees charged as a recovery of cost of sales rather than revenue. As a result, revenue for the three and twelve months ended December 31, 2019 decreased \$5.0 million and \$19.2 million, respectively, with an offsetting decrease to cost of sales.

During 2020, the Corporation also realigned its reporting structure to reflect changes in the aggregation of operating segments based on the economic prospects of these operating segments. The results of the Corporation are now being reported in the following two reportable segments:

1. **Midstream Infrastructure** includes a network of midstream infrastructure assets that includes oil and water pipelines, midstream processing facilities, oil storage terminals, and crude by rail terminals throughout western Canada, North Dakota and Oklahoma. Midstream Infrastructure services include clean oil terminalling and storage, crude oil marketing, pipeline transportation, rail transloading, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, and oil purchase/resale service. The only change to this segment from prior periods is the removal of landfills.
2. **Environmental and Fluid Management** includes a network of landfill disposal facilities; onsite abandonment, remediation and reclamation management; a suite of comprehensive environmental management solutions provided by the Corporation to a diversified customer base; and drilling, completion and production fluid operations management for oil and gas producers in western Canada.

The new reporting structure provides a more direct connection between the Corporation's operations, the services it provides to customers and the ongoing strategic direction of the Corporation. Comparative information has been recast to conform to the current segmented reporting information. No changes were implemented with respect to the consolidated data as a result of the recast.

## **NON-GAAP MEASURES**

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-GAAP measures. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measure. These measures are intended as a complement to results provided in accordance with IFRS. The Corporation believes these measures provide additional useful information to analysts, shareholders and other users to understand the Corporation's financial results, profitability, cost management, liquidity and ability to generate funds to finance its operations. However, they should not be used as an alternative to IFRS measures because they do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. These non-GAAP measures are further explained below.

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Adjusted EBITDA is defined as net income before finance costs, taxes, depreciation, depletion, amortization, non-cash impairments on the Corporation's non-current assets, unrealized gains or losses on mark to market commodity transactions, share-based compensation, other income/expenses, and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue (excluding oil purchase and resale).

Adjusted EBITDA and Adjusted EBITDA margin are not recognized measures under IFRS and therefore may not be comparable to similar measures presented by other companies.

Management believes that in addition to net income, Adjusted EBITDA is a useful supplemental measure to enhance understanding of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed, how the results are taxed, how the results are impacted by non-cash charges, and charges that are irregular in nature or not reflective of SECURE's core operations. Management calculates these adjustments consistently from period to period to enhance comparability of this MD&A. Adjusted EBITDA is used by management to determine SECURE's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. Adjusted EBITDA is also used internally to set targets for determining employee variable compensation, largely because management believes that this measure is indicative of how the fundamental business is performing and being managed. Adjusted EBITDA margin is used as a supplemental measure by management to evaluate cost efficiency.

The following table reconciles the Corporation's net loss, being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA.



(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Net (loss) income</b>	<b>(38,328)</b>	2,203	(1,840)	<b>(87,187)</b>	191	(45,748)
<b>Add:</b>						
Depreciation, depletion and amortization <sup>(1)</sup>	39,037	34,689	13	144,118	132,252	9
Impairment <sup>(1)</sup>	34,401	-	100	50,124	-	100
Current tax (recovery) expense	(143)	(553)	(74)	1,151	(159)	(824)
Deferred tax (recovery) expense	(11,040)	1,969	(661)	(23,805)	(755)	3,053
Share-based compensation <sup>(1)</sup>	3,711	3,275	13	10,394	19,449	(47)
Interest, accretion and finance costs	3,659	4,969	(26)	24,876	24,915	-
Unrealized loss on mark to market commodity transactions <sup>(2)</sup>	292	342	(15)	108	4,279	(97)
Restructuring and other	5,051	-	100	16,426	-	100
<b>Adjusted EBITDA</b>	<b>36,640</b>	46,894	(22)	<b>136,205</b>	180,172	(24)

<sup>(1)</sup> Included in cost of sales and general and administrative expenses on the Consolidated Statements of Comprehensive Loss.

<sup>(2)</sup> Included in revenue and cost of sales on the Consolidated Statements of Comprehensive Loss.

Restructuring costs and other relate primarily to severance incurred as a result of significant measures taken to reduce the Corporation's cost structure during the year ended December 31, 2020, to align with expected industry activity levels. As a result of the measures taken, the Corporation reduced personnel costs by approximately 25% from 2019, resulting in an expected \$40 million reduction to cost of sales and general and administrative expenses on an annualized basis. In the prior year, severance or other minor restructuring costs incurred in the normal course of business were included in cost of sales or G&A expenses.

### **Discretionary Free Cash Flow**

Discretionary free cash flow is defined as net cash flows from operating activities adjusted for changes in non-cash working capital, sustaining capital expenditures, and lease payments. The Corporation may deduct or include additional items in its calculation of discretionary free cash flow that are unusual, non-recurring, or non-operating in nature. For the three and twelve months ended December 31, 2020, restructuring costs have been adjusted for as these charges are irregular in nature.

Discretionary free cash flow is not a recognized measure under IFRS and therefore may not be comparable to similar measures presented by other companies.

Discretionary free cash flow is used to assess the level of cash flow generated from ongoing operations. Management uses the discretionary free cash flow measure to evaluate the adequacy of internally generated cash flow to manage debt levels, invest in the growth and expansion of the business, or return capital to our shareholders.

The following table reconciles the Corporation's net cash flows from operating activities, being the most directly comparable measure calculated in accordance with IFRS, to free cash flow.

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Net cash flows from operating activities</b>	<b>42,305</b>	49,401	(14)	<b>148,723</b>	196,605	(24)
<b>Deduct:</b>						
Change in non-cash working capital	(14,756)	(7,113)	107	(43,683)	(41,779)	5
Sustaining capital <sup>(1)</sup>	(2,609)	(6,131)	(57)	(9,061)	(17,436)	(48)
Lease liability principal payment	(3,732)	(5,847)	(36)	(16,586)	(21,520)	(23)
<b>Adjust:</b>						
Restructuring costs	5,051	-	100	16,426	-	100
<b>Discretionary free cash flow</b>	<b>26,259</b>	30,310	(13)	<b>95,819</b>	115,870	(17)

<sup>(1)</sup> Refer to "Operational Definitions" for further information.

### **Segment profit margin**

Segment profit margin is calculated as the difference between revenue and cost of sales, excluding depreciation, depletion, amortization and share-based compensation expenses. Segment profit margin is not a recognized measure under IFRS and therefore may not be comparable to similar measures presented by other companies. Management analyzes segment profit margin and segment profit margin as a percentage of revenue excluding oil purchase and resale by segment as a key indicator of segment profitability. This non-GAAP measure is also used by management to quantify the operating costs inherent in the Corporation's business activities, prior to operational related depreciation, depletion and amortization and share-based compensation, and to evaluate segment cost control and efficiency.

The following table reconciles the Corporation's gross margin, being the most directly comparable measure calculated in accordance with IFRS, to consolidated segment profit margin.

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Gross margin	(25,440)	33,530	(176)	(2,568)	125,489	(102)
Add:						
Depreciation, depletion and amortization <sup>(1)</sup>	36,370	31,918	14	132,134	119,838	10
Impairment <sup>(1)</sup>	34,401	-	100	50,124	-	100
Share-based compensation <sup>(1)</sup>	924	1,485	(38)	3,486	5,876	(41)
Segment profit margin	46,255	66,933	(31)	183,176	251,203	(27)

<sup>(1)</sup> These charges are included in cost of sales on the Corporation's Consolidated Statements of Comprehensive Loss.

### **OPERATIONAL DEFINITIONS**

Certain operational definitions used by the Corporation throughout this MD&A are further explained below.

#### **Capital expenditures**

The Corporation classifies capital additions as either growth and expansion, acquisition or sustaining capital. Growth and expansion and acquisition capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business or asset acquisition. Sustaining capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion capital involves judgment by management. During the three and twelve months ended December 31, 2020, the Corporation also incurred non-recurring leasehold construction costs.

#### **Oil prices**

Canadian Light Sweet crude oil price is the benchmark price for light crude oil (40 American Petroleum Institute gravity) at Edmonton, Alberta. Western Texas Intermediary ("WTI") crude oil is the North American benchmark price for light crude oil.

### **RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2020**

To discuss the factors that have caused period to period variations in operating activities, the Corporation has divided the business into two reportable segments, as presented in Note 22 of the Annual Financial Statements. Total general and administration expenses by segment excludes corporate expenses and share-based compensation, as senior management reviews each segment's earnings before these expenses in assessing profitability and performance. The table below outlines the results by operating segment for the three and twelve months ended December 31, 2020 and 2019:

(\$000's)				
<b>Three months ended December 31, 2020</b>	<b>Midstream Infrastructure</b>	<b>Environmental and Fluid Management</b>	<b>Corporate</b>	<b>Total</b>
Revenue from services	47,203	71,403	-	118,606
Oil purchase and resale service	356,109	-	-	356,109
<b>Total revenue</b>	<b>403,312</b>	<b>71,403</b>	<b>-</b>	<b>474,715</b>
Cost of sales excluding items listed separately below	(375,275)	(53,185)	-	(428,460)
<b>Segment profit margin</b>	<b>28,037</b>	<b>18,218</b>	<b>-</b>	<b>46,255</b>
G&A expenses excluding items listed separately below	(2,023)	(4,301)	(3,583)	(9,907)
Depreciation, depletion and amortization <sup>(1)</sup>	(26,189)	(11,627)	(1,221)	(39,037)
Share-based compensation <sup>(1)</sup>	-	-	(3,711)	(3,711)
Interest, accretion and finance costs	(161)	(55)	(3,443)	(3,659)
Impairment	(34,401)	-	-	(34,401)
Restructuring costs and other	(153)	(3,251)	(1,647)	(5,051)
<b>Loss before tax</b>	<b>(34,890)</b>	<b>(1,016)</b>	<b>(13,605)</b>	<b>(49,511)</b>

(\$000's)				
<b>Year ended December 31, 2020</b>	<b>Midstream Infrastructure</b>	<b>Environmental and Fluid Management</b>	<b>Corporate</b>	<b>Total</b>
Revenue from services	200,724	258,950	-	459,674
Oil purchase and resale service	1,363,982	-	-	1,363,982
<b>Total revenue</b>	<b>1,564,706</b>	<b>258,950</b>	<b>-</b>	<b>1,823,656</b>
Cost of sales excluding items listed separately below	(1,440,335)	(200,145)	-	(1,640,480)
<b>Segment profit margin</b>	<b>124,371</b>	<b>58,805</b>	<b>-</b>	<b>183,176</b>
G&A expenses excluding items listed separately below	(13,680)	(16,769)	(16,630)	(47,079)
Depreciation, depletion and amortization <sup>(1)</sup>	(98,677)	(40,171)	(5,270)	(144,118)
Share-based compensation <sup>(1)</sup>	-	-	(10,394)	(10,394)
Interest, accretion and finance costs	(770)	(331)	(23,775)	(24,876)
Impairment	(34,401)	(15,723)	-	(50,124)
Restructuring costs and other	(4,089)	(9,492)	(2,845)	(16,426)
<b>Loss before tax</b>	<b>(27,246)</b>	<b>(23,681)</b>	<b>(58,914)</b>	<b>(109,841)</b>

(\$000's)				
<b>Three months ended December 31, 2019</b>	<b>Midstream Infrastructure</b>	<b>Environmental and Fluid Management</b>	<b>Corporate</b>	<b>Total</b>
Revenue from services	79,150	77,848	-	156,998
Oil purchase and resale service	596,073	-	-	596,073
<b>Total revenue</b>	<b>675,223</b>	<b>77,848</b>	<b>-</b>	<b>753,071</b>
Cost of sales excluding items listed separately below	(626,334)	(59,804)	-	(686,138)
<b>Segment profit margin</b>	<b>48,889</b>	<b>18,044</b>	<b>-</b>	<b>66,933</b>
G&A expenses excluding items listed separately below	(5,468)	(6,696)	(8,217)	(20,381)
Depreciation, depletion and amortization <sup>(1)</sup>	(20,237)	(13,103)	(1,349)	(34,689)
Share-based compensation <sup>(1)</sup>	-	-	(3,275)	(3,275)
Interest, accretion and finance costs	(284)	(139)	(4,546)	(4,969)
<b>Income (loss) before tax</b>	<b>22,900</b>	<b>(1,894)</b>	<b>(17,387)</b>	<b>3,619</b>

(\$000's)				
<b>Year ended December 31, 2019</b>	<b>Midstream Infrastructure</b>	<b>Environmental and Fluid Management</b>	<b>Corporate</b>	<b>Total</b>
Revenue from services	307,431	305,774	-	613,205
Oil purchase and resale service	2,440,071	-	-	2,440,071
<b>Total revenue</b>	<b>2,747,502</b>	<b>305,774</b>	<b>-</b>	<b>3,053,276</b>
Cost of sales excluding items listed separately below	(2,558,694)	(243,379)	-	(2,802,073)
<b>Segment profit margin</b>	<b>188,808</b>	<b>62,395</b>	<b>-</b>	<b>251,203</b>
G&A expenses excluding items listed separately below	(21,994)	(27,136)	(26,180)	(75,310)
Depreciation, depletion and amortization <sup>(1)</sup>	(79,572)	(47,823)	(4,857)	(132,252)
Share-based compensation <sup>(1)</sup>	-	-	(19,449)	(19,449)
Interest, accretion and finance costs	(1,253)	(549)	(23,113)	(24,915)
<b>Income (loss) before tax</b>	<b>85,989</b>	<b>(13,113)</b>	<b>(73,599)</b>	<b>(723)</b>

<sup>(1)</sup> Depreciation, depletion and amortization and share-based compensation have been allocated to cost of sales and general and administrative expenses on the Consolidated Statements of Comprehensive Loss based on function of the underlying asset or individual to which the charge relates.

## MIDSTREAM INFRASTRUCTURE SEGMENT

The Midstream Infrastructure segment has two separate business lines: Midstream Infrastructure services and oil purchase and resale services.

### Midstream Infrastructure services

The Midstream Infrastructure segment owns and operates a network of facilities throughout western Canada, North Dakota and Oklahoma. These facilities provide processing, storing, shipping and marketing of crude oil; processing of waste; and water treatment and disposal. SECURE also transports oil and water through pipelines direct to SECURE facilities. Processing services are primarily performed at full service terminals ("FSTs") and include waste processing and crude oil emulsion treating. SECURE's FSTs that are connected to export oil pipelines provide customers with an access point to process and/or treat their crude oil for shipment to market. Crude oil that does not meet pipeline specifications is processed through a crude oil emulsion treater. Clean crude oil and treated crude oil may be aggregated and stored on site temporarily until the volumes are ready to be shipped through gathering, transmission or feeder pipelines. Disposal services include produced and waste water disposal services through a network of disposal wells.

### Oil purchase and resale

SECURE's oil purchase and resale services enhance the service offering associated with SECURE's business of terminalling, transloading and marketing. By offering this service, SECURE's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At the Corporation's FSTs, SECURE meters the crude oil volumes and purchases the crude oil directly from customers. The Corporation then handles the shipment of crude oil down the pipeline. The Corporation may also purchase and resell crude oil to take advantage of marketing opportunities and increase profitability.

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Midstream Infrastructure services revenue (a)	47,203	79,150	(40)	200,724	307,431	(35)
Oil purchase and resale	356,109	596,073	(40)	1,363,982	2,440,071	(44)
<b>Midstream Infrastructure Revenue</b>	<b>403,312</b>	<b>675,223</b>	<b>(40)</b>	<b>1,564,706</b>	<b>2,747,502</b>	<b>(43)</b>
Cost of sales excluding items noted below	19,166	30,261	(37)	76,353	118,623	(36)
Depreciation and amortization	25,429	19,392	31	94,487	74,132	27
Impairment	34,401	-	100	34,401	-	100
Oil purchase and resale	356,109	596,073	(40)	1,363,982	2,440,071	(44)
<b>Midstream Infrastructure Cost of Sales</b>	<b>435,105</b>	<b>645,726</b>	<b>(33)</b>	<b>1,569,223</b>	<b>2,632,826</b>	<b>(40)</b>
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>28,037</b>	<b>48,889</b>	<b>(43)</b>	<b>124,371</b>	<b>188,808</b>	<b>(34)</b>
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue (a)</b>	<b>59%</b>	<b>62%</b>		<b>62%</b>	<b>61%</b>	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP Measures" for further information.

### Revenue (Midstream Infrastructure segment)

Revenue generated from Midstream Infrastructure services of \$47.2 million decreased 40% for the three months ended December 31, 2020, from the 2019 comparative period. The decrease was due to lower processing and disposal volumes tied to drilling and completion activity. Produced water, emulsion treating and terminalling volumes at the Corporation's midstream processing facilities also decreased primarily as a result of natural production declines in the WCSB, continued production shut-ins in North Dakota, and limited overflow volumes from producers with capacity to handle their own product. The factors above also negatively impacted recovered oil revenue, compounded by lower realized pricing on recovered oil. Lower crude and liquids pricing and less volatile differentials also limited the upside for price optimization at the Corporation's pipeline connected FSTs compared to the three months ended December 31, 2019, resulting in reduced crude oil marketing revenue.

Midstream Infrastructure services revenue for the twelve months ended December 31, 2020, of \$200.7 million decreased 35% from the prior year comparative period. The impact of the drop in oil prices and corresponding decrease in activity levels and crude oil marketing opportunities since the second quarter of 2020 was partially offset by higher processing and disposal volumes during the first two months of the year resulting primarily from infrastructure additions during 2019, including produced water pipelines added at Gold Creek and Tony Creek, crude oil storage at Kerrobert and Cushing and the Pipestone facility, along with various expansions at existing facilities.

The table below outlines average benchmark prices and volumes received at the Corporation's facilities in the three and twelve months ended December 31, 2020 and 2019.

	Three months ended Dec 31			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Average Benchmark Prices and Volumes</b>						
WTI (US\$/bbl)	\$ 42.66	\$ 56.96	(25)	\$ 39.40	\$ 57.02	(31)
Canadian Light Sweet (\$/bbl)	\$ 49.17	\$ 66.77	(26)	\$ 45.42	\$ 68.87	(34)
Water disposal volumes (in 000's m <sup>3</sup> )	1,013	1,862	(46)	4,624	7,050	(34)
Processing volumes (in 000's m <sup>3</sup> )	273	468	(42)	1,308	1,698	(23)
Recovery volumes (in 000's m <sup>3</sup> )	21	40	(48)	96	139	(31)
Crude oil terminalling and pipeline volumes (in 000's m <sup>3</sup> )	773	978	(21)	3,409	3,675	(7)

Disposal volumes decreased 46% and 34% during the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods as a result of production shut-ins, storage of production water for completions anticipated for 2021 and lower waste water volumes corresponding to limited producer completion activity. Production shut-ins across the Corporation's operating regions during the second quarter of 2020, carried into the back half of the year in North Dakota. Higher stability from the Corporation's pipeline connected water disposal facilities with contracted volumes helped to partially reduce the overall decrease to disposal volumes. During the twelve months ended December 31, 2020, the impact of the reductions to drilling, completion and production on disposal volumes beginning in March 2020 was partially offset by higher year over year activity levels during the first two months of the year.

Processing volumes decreased 42% and 23% during the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods due primarily to lower waste processing volumes corresponding to the decrease in drilling and completion activity beginning in March 2020. Emulsion treating volumes were also down due to lower overall production levels, particularly in North Dakota where second quarter production shut-ins were slower to come back online.

Oil volumes recovered through our processing operations decreased 48% and 31% during the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods, consistent with lower overall volumes received at the Corporation's midstream processing facilities. The impact of lower volumes on recovered oil revenue was compounded by lower benchmark oil pricing in the current year periods.

Crude oil terminalling and pipeline volumes remained relatively stable during the twelve months ended December 31, 2020 from 2019 despite production shut-ins earlier in the year. The marginal decline of 7% was primarily a result of reduced terminalling at certain facilities due to lower production, partially offset by the addition of the East Kaybob oil pipeline in June 2020, and stability of volumes associated with the contracted Kerrobert crude oil pipeline. For the three months ended December 31, 2020, crude oil terminalling and pipeline volumes declined 21% as lower terminalling volumes more than offset relative stability from the Corporation's oil pipelines.

Oil purchase and resale revenue in the Midstream Infrastructure segment decreased 40% and 44% to \$356.1 million and \$1.4 billion for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The decrease in the three and twelve months ended December 31, 2020, corresponds to the decrease in benchmark oil prices, compounded by reduced marketing activities compared to the prior year comparative periods.



### ***Cost of Sales (Midstream Infrastructure segment)***

Cost of sales from Midstream Infrastructure services, excluding depreciation, depletion and amortization, decreased 37% and 36% to \$19.2 million and \$76.4 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The decrease in cost of sales is primarily a result of lower variable costs associated with the decrease in the Midstream Infrastructure segment's activity levels, consistent with the decrease in revenue, the impact of cost reduction measures taken to align the segment's fixed cost structure with anticipated activity levels, which began to take effect in the second quarter, and the impact of wage subsidies recorded in the current year periods.

Operating depreciation, depletion and amortization ("DD&A") expense included in cost of sales relates primarily to the Midstream Infrastructure segment's facilities, and any gains or losses on sale or disposal of equipment. In the three and twelve months ended December 31, 2020, operational DD&A increased by 31% and 27% from the respective 2019 comparative periods due primarily to losses on disposal of assets taken out of use during the 2020 periods, and depreciation on new assets put into use since the first quarter of 2019.

Impairment expense of \$34.4 million for the three and twelve months ended December 31, 2020 relates primarily to non-cash impairment charges recorded against the Corporation's rail assets as a result of lower expected crude by rail activity.

### ***Segment Profit Margin (Midstream Infrastructure segment)***

The Midstream Infrastructure segment's profit margin decreased 43% and 34% to \$28.0 million and \$124.4 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. As a percentage of Midstream Infrastructure services revenue, segment profit margin was 59% for the three months ended December 31, 2020, down from 62% for the three months ended December 31, 2019. The variance is primarily a result of lower revenue and service mix factors, partially offset by fixed cost structure reductions and wage subsidies.

For the twelve months ended December 31, 2020, segment profit margin as a percentage of revenue (excluding oil purchase and resale) was 62%, up from 61% in the prior year. The positive variance is primarily a result of the cost reductions which began to take effect in April 2020, partially offset by service mix, including reduced marketing revenue and associated blending margins due to fewer optimization opportunities compared to the prior year.

### ***General and Administrative Expenses (Midstream Infrastructure segment)***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
G&A expense excluding depreciation and amortization	2,023	5,468	(63)	13,680	21,994	(38)
Depreciation and amortization	760	845	(10)	4,190	5,440	(23)
<b>Midstream Infrastructure G&amp;A expense</b>	<b>2,783</b>	<b>6,313</b>	<b>(56)</b>	<b>17,870</b>	<b>27,434</b>	<b>(35)</b>

G&A expense decreased by 56% and 35% to \$2.8 million and \$17.9 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The decrease is mainly due to lower personnel costs, including the benefit of wage subsidies primarily related to CEWS, and strict cost control measures restricting discretionary spending. Excluding depreciation and amortization, G&A expense as a percentage of the segment's services revenue was 4% and 7%, respectively, for the three and twelve months ended December 31, 2020, compared to 7% for both the three and twelve months ended December 31, 2019.

### ***Income Before Tax (Midstream Infrastructure segment)***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Midstream Infrastructure (Loss) Income before Tax</b>	<b>(34,890)</b>	<b>22,900</b>	<b>(252)</b>	<b>(27,246)</b>	<b>85,989</b>	<b>(132)</b>

Loss before tax of \$34.9 million and \$27.2 million for the three and twelve months ended December 31, 2020 was primarily a result of non-cash impairment charges of \$34.4 million recorded against property, plant and equipment in the three months ended December 31, 2020, combined with lower segment profit margin and increased depreciation and amortization expense in the 2020 periods.

Additionally, the Midstream Infrastructure segment incurred restructuring costs of \$0.2 million and \$4.1 million for the three and twelve months ended December 31, 2020, respectively, related to right sizing the Corporation's workforce to anticipated activity levels and streamlining business processes resulting in the suspension or termination of certain functions.

#### **ENVIRONMENTAL AND FLUID MANAGEMENT SEGMENT**

The Environmental and Fluid Management segment includes a network of landfill disposal facilities; onsite abandonment, remediation and reclamation management; a suite of comprehensive environmental management solutions provided by the Corporation to a diversified customer base; and drilling, completion and production fluid operations management for oil and gas producers in western Canada. Environmental and Fluid Management services offered include secure disposal of oilfield and industrial solid wastes into SECURE's owned or managed landfill network located in western Canada and North Dakota; project assessment and planning; environmental construction projects; demolition and decommissioning; and remediation and reclamation.

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Environmental and Fluid Management Revenue</b>	<b>71,403</b>	77,848	(8)	<b>258,950</b>	305,774	(15)
Cost of sales excluding items noted below	53,185	59,804	(11)	200,145	243,379	(18)
Depreciation, depletion, and amortization	10,941	12,526	(13)	37,647	45,706	(18)
Impairment	-	-	-	15,723	-	100
<b>Environmental and Fluid Management Cost of Sales</b>	<b>64,126</b>	72,330	(11)	<b>253,515</b>	289,085	(12)
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>18,218</b>	18,044	1	<b>58,805</b>	62,395	(6)
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue</b>	<b>26%</b>	23%		<b>23%</b>	20%	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation, depletion and amortization. Refer to "Non-GAAP Measures" for further information.

#### **Revenue (Environmental and Fluid Management segment)**

The Environmental and Fluid Management segment revenue decreased 8% and 15% to \$71.4 million and \$258.9 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. Reduced producer spending in the 2020 periods decreased drilling and completion activity, lowering drilling waste volumes at the Corporation's landfills and demand for fluid management associated with drilling and completions. Site rehabilitation revenue has been minimal in 2020 as slower deployment of government stimulus programs has delayed work into 2021.

The extent of the revenue decrease in the Environmental and Fluid Management segment was partially mitigated by higher revenue from production chemicals as the Corporation continues to win new bids and gain market share. SECURE has experience and expertise in key production fields where producers have been the most active in WCSB. As a result, the Corporation can provide tailored solutions and improved product formulations that optimize production, provide flow assurance and maintain the integrity of production assets. Additionally, stability from contracted operations in the Fort McMurray area, increased environmental project job volumes for customers outside of the oil and gas industry, and continued demand for environmental consulting services helped offset the impact of reduced drilling and completion activity on the segment.

#### **Cost of Sales (Environmental and Fluid Management segment)**

Cost of sales excluding DD&A decreased 11% and 18% to \$53.2 million and \$200.1 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The majority of the Environmental and Fluid Management segment's cost of sales are variable and will fluctuate with corresponding changes in activity levels and job mix. For the 2020 periods, the Corporation also benefited from lower expenses realized from initiatives reducing fixed costs and from lower salaries and wages resulting from reimbursements from the CEWS wage subsidy program.

Operating DD&A expense decreased by 13% and 18% to \$10.9 million and \$37.6 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The DD&A decrease relates primarily to lower landfill cell depletion resulting from reduced volumes in the current year periods, and from the elimination of intangible asset amortization following the write-off of the segment's intangible asset balance at March 31, 2020.

Impairment expense of \$15.7 million for the year ended December 31, 2020, is a result of a non-cash impairment charge against intangible assets recorded in March 2020.

#### ***Segment Profit Margin (Environmental and Fluid Management segment)***

Segment profit margin increased 1% and decreased 6% to \$18.2 million and \$58.8 million for the three and twelve months ended December 31, 2020 from the respective 2019 comparative periods. For the three months ended December 31, 2020, segment profit margin as a percentage of revenue of 26% increased from 23% in the prior year comparative period. The profit margin increase was primarily a result of service mix, the impact of wage subsidies and fixed cost reductions that began to take effect in the second quarter.

For the twelve months ended December 31, 2020, segment profit margin as a percentage of revenue increased to 23%, up from 20% in the prior year comparative period due to a greater proportion of higher margin work which included increased volumes of environmental project work and higher production chemical stimulation work in the second half of 2020. Wage subsidies and fixed cost reductions that began to take effect in the second quarter also contributed to improvements in segment profit margin.

#### ***General and Administrative Expenses (Environmental and Fluid Management segment)***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
G&A expense excluding depreciation and amortization	4,301	6,696	(36)	16,769	27,136	(38)
Depreciation and amortization	686	577	19	2,524	2,117	19
<b>Environmental and Fluid Management G&amp;A Expense</b>	<b>4,987</b>	<b>7,273</b>	<b>(31)</b>	<b>19,293</b>	<b>29,253</b>	<b>(34)</b>

G&A expenses decreased 31% and 34% to \$5.0 million and \$19.3 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. The decrease is primarily due to lower personnel related costs and reduced discretionary spending as the Corporation manages costs to correspond to current industry activity levels. Excluding depreciation and amortization, G&A expenses as a percentage of the segment's revenue was 6% for both the three and twelve months ended December 31, 2020, compared to 9% in each of the prior comparative periods.

#### ***Income Before Tax (Environmental and Fluid Management segment)***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Environmental and Fluid Management Loss before Tax</b>	<b>(1,016)</b>	<b>(1,894)</b>	<b>(46)</b>	<b>(23,681)</b>	<b>(13,113)</b>	<b>81</b>

The Environmental and Fluid Management segment had a loss before tax of \$1.0 million for the three months ended December 31, 2020, an improvement of \$0.9 million compared to the three months ended December 31, 2019. The increase was a result of higher segment profit margin, lower G&A expenses and lower operational DD&A expense, partially offset by restructuring charges of \$3.3 million. For the twelve months ended December 31, 2020, the segment's loss before tax of \$23.7 million increased \$10.6 million primarily as a result of a non-cash impairment charge of \$15.7 million recorded in the first quarter of 2020, as well as restructuring costs of \$9.5 million incurred related to organizational restructuring.

## CORPORATE INCOME AND EXPENSES

### Corporate Cost of Sales

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Cost of Sales</b>						
Share-based compensation expense	924	1,485	(38)	3,486	5,876	(41)

Corporate cost of sales of \$0.9 million and \$3.5 million for the three and twelve months ended December 31, 2020, is comprised of share-based compensation for employees directly associated with the revenue generating operations of the Corporation. Share-based compensation fluctuates based on the share price at the time of grant, any forfeitures of share-based awards, and the effects of vesting. The decrease in the 2020 periods is primarily due to forfeitures associated with head count reductions during the second quarter to align the Corporation's cost structure with anticipated activity levels, and a lower share price applied to the 2020 grant of units.

### Corporate General and Administrative Expenses

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
General and administrative expenses excluding items noted below	3,583	8,217	(56)	16,630	26,180	(36)
Depreciation and amortization	1,221	1,349	(9)	5,270	4,857	9
Share-based compensation expense	2,787	1,790	56	6,908	13,573	(49)
<b>Total Corporate G&amp;A expenses</b>	<b>7,591</b>	<b>11,356</b>	<b>(33)</b>	<b>28,808</b>	<b>44,610</b>	<b>(35)</b>

Included in Corporate G&A expenses are all public company costs, salaries, and office costs relating to corporate employees and officers, any support services that are shared across all operational business segments, and share-based compensation for all employees, other than as recorded to Corporate cost of sales as noted above.

Corporate G&A expenses excluding depreciation and amortization and share-based compensation expense decreased 56% and 36% to \$3.6 million and \$16.6 million in the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods primarily as a result of lower personnel costs resulting from restructuring efforts and wage subsidies, and lower discretionary spending.

Share-based compensation included in G&A expenses of \$2.8 million for the three months ended December 31, 2020 increased \$1.0 million from the prior year comparative period as a result of revaluing the liability associated with cash-settled share units at a higher period end share price. For the twelve months ended December 31, 2020, share-based compensation expense decreased by \$6.7 million from 2019 as a result of forfeitures associated with headcount reductions and a lower share price applied to the 2020 grant of units.

### Restructuring Costs and Other

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
<b>Restructuring costs and other</b>	<b>1,647</b>	<b>-</b>	<b>100</b>	<b>2,845</b>	<b>-</b>	<b>100</b>

Restructuring costs and other recorded to the Corporate segment were \$1.6 million and \$2.8 million for the three and twelve months ended December 31, 2020, respectively. These costs primarily relate to severance paid to corporate employees or officers as a result of measures taken to reduce the Corporation's cost structure to align with expected industry activity levels.

## Interest and Finance Costs

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Interest and finance costs	3,443	4,546	(24)	23,775	23,113	3

Interest and finance costs includes interest expense, amortization of financing fees, interest expense related to lease liabilities, all realized and unrealized foreign exchange differences arising from translation gains and losses that are not recorded to other comprehensive income and all realized and unrealized gains or losses related to interest rate swaps on the Corporation's credit facilities.

Overall interest and finance costs decreased 24% to \$3.4 million and increased 3% to \$23.8 million for the three and twelve months ended December 31, 2020, from the respective 2019 comparative periods. For the three-month period, the variance was a result of lower interest rates on the First Lien Facility and a lower average debt balance outstanding. For the year ended December 31, 2020, these positive factors were offset by a larger unrealized loss associated with the Corporation's interest rate swap on the Second Lien Facility.

## Foreign Currency Translation Adjustment

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Foreign currency translation loss, net of tax	7,769	2,693	188	2,456	7,386	(67)

Included in other comprehensive loss for the three and twelve months ended December 31, 2020, are foreign translation losses of \$7.8 million and \$2.5 million, respectively. These losses relate to foreign currency translation adjustments resulting from the conversion of the assets, liabilities and financial results of the Corporation's ongoing U.S. operations for the three and twelve months ended December 31, 2020, at a lower period end rate due to the appreciation of the Canadian dollar relative to the U.S. dollar during the respective periods. The foreign currency translation adjustment included in the consolidated statements of comprehensive loss does not impact net loss for the period.

## Income Taxes

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Income taxes						
Current tax (recovery) expense	(143)	(553)	(74)	1,151	(159)	(824)
Deferred tax (recovery) expense	(11,040)	1,969	(661)	(23,805)	(755)	3,053
Total income tax (recovery) expense	(11,183)	1,416	(890)	(22,654)	(914)	2,379

For the three months ended December 31, 2020, the Corporation's income tax recovery was \$11.2 million compared to income tax expense of \$1.4 million for the prior year comparative period. The variance is as a result of lower pre-tax income in the current year period, particularly associated with non-cash impairments recorded.

For the twelve months ended December 31, 2020, income tax recovery of \$22.7 million increased \$21.7 million from the prior year as a result of lower pre-tax income in the current year period which more than offset a deferred tax recovery of \$6.7 million recorded in the prior year related to step reductions to the Alberta corporate income tax rates.



## SUMMARY OF QUARTERLY RESULTS

### Seasonality

In Canada, the level of activity in the oilfield is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads. As a result, road bans are implemented prohibiting heavy loads from being transported in certain areas, limiting the movement of heavy equipment required for drilling, completions and well servicing activities. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to SECURE's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's midstream infrastructure and fluid management activity levels. In the areas in which SECURE operates, the second quarter has generally been the slowest quarter as a result of spring break-up. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

The table below summarizes unaudited consolidated quarterly information for each of the eight most recently completed fiscal quarters.

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	118,606	103,499	65,546	172,022	156,998	149,097	134,230	172,880
Oil purchase and resale	356,109	348,674	225,644	433,555	596,073	577,877	654,618	611,503
Total revenue	474,715	452,173	291,190	605,577	753,071	726,974	788,848	784,383
Net (loss) income attributable to shareholders of SECURE	(37,794)	(4,588)	(20,889)	(21,952)	2,658	(500)	(1,678)	1,259
Per share - basic	(0.24)	(0.03)	(0.13)	(0.14)	0.02	0.00	(0.01)	0.01
Per share - diluted	(0.24)	(0.03)	(0.13)	(0.14)	0.02	0.00	(0.01)	0.01
Weighted average shares - basic	158,664,323	158,577,224	158,488,825	158,513,800	157,097,902	158,075,674	160,371,354	160,440,879
Weighted average shares - diluted	158,664,323	158,577,224	158,488,825	158,513,800	159,430,711	158,075,674	160,371,354	163,456,268
Adjusted EBITDA <sup>(1)</sup>	36,640	37,018	20,453	42,094	46,894	43,173	34,966	55,139

<sup>(1)</sup> Refer to "Non-GAAP measures" for further information.

### Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with SECURE's historical growth and acquisitions, and fluctuating commodity prices impacting industry activity, variations in quarterly results are attributable to several other factors as well.

In the last several months of 2018, crude oil benchmark price and commodity price differential volatility resulting from a lack of pipeline egress out of the WCSB resulted in a pull back on producer budgets in 2019. Weather-related issues also had an impact on activity levels during 2019, with a prolonged spring break-up and an unusually wet third quarter. Producers were unwilling to incur additional costs due to weather related issues if the oil and gas activity could be delayed until ground conditions improved. The poor weather also impacted the execution of planned remediation and demolition programs and landfill disposal volumes in the Environmental and Fluid Management segment. The rapid and dramatic decline in crude oil prices at the end of the first quarter of 2020 resulting from oil demand destruction caused by COVID-19 and over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments began to have an additional adverse impact on the Corporation's results in March 2020, and resulted in negative quarter over quarter variances throughout 2020.

Each previous quarter was also impacted by the date at which an acquisition occurred or any one of the constructed or acquired facilities commenced operations. For a complete description of SECURE's assets and operations, please refer to the heading 'Description of Business' in the AIF which includes a description of the date of acquisitions or the dates on which each of SECURE's facilities commenced operations.

The following summarizes the facilities commissioned and acquisitions completed that have impacted the quarterly results for the past two years:

- In April 2019, SECURE acquired a 27% interest in a storage facility in Cushing, Oklahoma;
- In October 2019, the Corporation's Pipestone water disposal facility commenced operations. SECURE added three other produced water pipelines in 2019, connecting producer batteries/gas plants to SECURE's midstream infrastructure at Gold Creek (two) and Tony Creek (one); and
- In July 2020, the Corporation's East Kaybob oil pipeline commenced operations.

In addition to the above, SECURE has completed several improvements and expansions to increase capacity capabilities at existing facilities, including construction of produced water pipelines at existing facilities, primarily in the Montney and Duvernay regions of Alberta, and in the Bakken region of North Dakota.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Corporation's objective in capital program management is to ensure adequate sources of capital are available to carry out our capital plan, while maintaining operational growth, payment of dividends and stable cash flow so as to sustain the business for the long-term.

Management considers capital to be the Corporation's long-term borrowings less cash plus shareholders' equity. The Corporation's overall capital management strategy remains unchanged from prior periods. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures. This includes the Board of Directors reviewing the Corporation's results on a monthly basis, and capital spending to approved limits on a quarterly basis.

The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized limits, Adjusted EBITDA on all of its operations, and Senior and Total Debt to Adjusted EBITDA.

SECURE's credit facilities consist of the \$600 million First Lien Facility, the \$130 million Second Lien Facility and a \$75 million letter of credit facility. At December 31, 2020, the Corporation had drawn \$269.5 million on the First Lien Facility, resulting in available capacity of \$330.5 million, subject to covenant restrictions. The First Lien Facility matures June 30, 2023.

The Corporation's Second Lien Facility was fully drawn at December 31, 2020. During the three months ended December 31, 2020, the Corporation extended the term of the Second Lien Facility by one year to July 31, 2022. There have been no changes to the remaining terms, conditions and covenants of the Second Lien Facility. The Corporation has also entered into interest rate swaps to fix the interest rate for the Second Lien facility at 5.5% to the maturity date. The Second Lien Facility is secured by substantially all of the Corporation's assets, but is subordinate to the Corporation's First Lien Facility.

The Corporation had issued \$40.0 million letters of credit against the letter of credit facility at December 31, 2020, relating primarily to transportation and regulatory obligations.

The Corporation's credit facilities require that SECURE maintain certain coverage ratios, as follows:

- The Senior Debt to EBITDA ratio shall not exceed 3.5:1;
- The Total Debt to EBITDA ratio shall not exceed 5.0:1; and
- The interest coverage ratio, defined as EBITDA divided by interest expense on Total Debt, shall not be less than 2.5:1.

Senior and Total Debt and EBITDA are defined in the Corporation's lending agreements. Senior Debt is calculated as the amounts drawn on the Corporation's First Lien facility and finance leases entered into by the Corporation as defined by the old lease accounting standard International Accounting Standard 17 Leases ("IAS 17"), less cash balances above \$5 million. Total Debt is equal to Senior Debt plus amounts drawn under the Corporation's Second Lien Facility and any unsecured debt.

EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, less any operating lease payments as defined by IAS 17, minority interest losses, non-recurring losses, non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis.

At December 31, 2020, SECURE was in compliance with all covenant requirements under the Corporation's credit facilities. The following table outlines the Corporation's financial covenant ratios as at December 31, 2020 and December 31, 2019.

	Dec 31, 2020	Dec 31, 2019	% Change
Senior Debt to EBITDA	2.2	2.0	10
Total Debt to EBITDA	3.2	2.8	14
Interest coverage	6.4	7.4	(14)

Issued capital of \$1.0 billion increased 2% at December 31, 2020, compared to December 31, 2019, as capital issued through the conversion of restricted share units and performance share units into common shares under the Corporation's Unit Incentive Plan during the twelve months ended December 31, 2020, more than offset share repurchases under the Corporation's normal course issuer bid during the first quarter of 2020.

Liquidity risk is the risk that the Corporation will not be able to meet our financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of the Corporation's liquidity reflects estimates, assumptions and judgments relating to current market conditions.

Market events that resulted in low and volatile oil prices beginning in March 2020 resulted in lower revenue and cash flows for the Corporation due to reduced drilling, completion and production volumes and demand for associated services as customer's reduced spending levels and shut-in uneconomic production and naturally declining production due to reduced reinvestment. SECURE's business is highly concentrated on production volumes or related services that represent approximately 75% of the Corporation's Adjusted EBITDA. A portion of these production volumes are contracted and/or fee-for-service contracts that are expected to provide a degree of cash flow stability.

Additionally, prudent measures were taken at the end of March 2020 to reduce the Corporation's cost structure to align with expected activity levels for the remainder of the year. As a result, the Corporation expects sufficient liquidity to fund its operations, working capital requirements, dividends and capital program with cash flow from operations, with excess cash flow available to pay down debt. However, the ultimate duration and magnitude of the impact on the economy of COVID-19 and the financial effect to the Corporation is not known at this time, creating a significant level of uncertainty in our industry which may challenge the assumptions and estimates used in the Corporation's forecasts.

On March 24, 2020, the Corporation announced that the monthly dividend would be reduced to \$0.0025 (0.25 cents) per common share, effective for the May 2020 dividend. This reduction of the dividend results in annualized cash savings of approximately \$38 million. Additionally, following the June 2020 dividend, the Corporation has moved to a quarterly dividend, with the first payment of \$0.0075 (0.75 cents) per common share made in October 2020. SECURE believes the sharing of excess cash flows with shareholders is a core business principle; as a result, management and the Board of Directors of the Corporation will continue to monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, debt, capital expenditures and other investment opportunities, as well as expected interest, lease and tax payments, and will look for opportunities to increase the dividend as business conditions warrant.

To meet financial obligations, the Corporation may further adjust the amount of its dividends, draw on its First Lien Facility up to the covenant restrictions, divest assets, issue subordinated debt, or obtain equity financing. The declaration and payment of dividends is at the discretion of the Board and is dependent upon, among other things, financial performance, compliance with debt covenants and the factors referred to under the heading "*Risk Factors*" in the AIF. While the Corporation has had success in obtaining financing in the past, access to capital may be more difficult in the current or future economic and operating environment. Refer to the '*Access to Capital*' discussion in the '*Risk Factors*' section of the Corporation's AIF.

Refer to Note 18 of the Annual Financial Statements for further disclosure of the Corporation's liquidity risk and Note 21 of the Annual Financial Statements for details of the Corporation's contractual obligations and contingencies at December 31, 2020.

The following provides a summary and comparison of the Corporation's operating, investing and financing cash flows for the three and twelve months ended December 31, 2020, and 2019.

### ***Net Cash Flows from Operating Activities***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Net cash flows from operating activities	42,305	49,401	(14)	148,723	196,605	(24)

Net cash flows from operating activities decreased 14% in the three months ended December 31, 2020 from the comparative period of 2019 due primarily to lower Adjusted EBITDA, partially offset by changes in non-cash working capital corresponding to reduced industry activity levels.

For the twelve months ended December 31, 2020, net cash flows from operating activities decreased 24% primarily due to lower Adjusted EBITDA as well as restructuring costs incurred during the current year.

### ***Investing Activities***

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Capital expenditures <sup>(1)</sup>						
Growth and expansion capital expenditures	6,100	25,638	(76)	53,021	103,423	(49)
Business acquisitions	-	-	-	-	13,866	(100)
Leasehold construction costs	235	-	100	9,257	-	100
Sustaining capital expenditures	2,609	6,131	(57)	9,061	17,436	(48)
Total capital expenditures	8,944	31,769	(72)	71,339	134,725	(47)

The Corporation's capital expenditures of \$8.9 million for the three months ended December 31, 2020, decreased \$22.8 million from the 2019 comparative period. During the three months ended December 31, 2020, SECURE's largest capital expenditures related to progressing construction of the final segment of the East Kaybob oil pipeline system. In the prior year comparative period, costs incurred related to the acquisition of a second produced water transfer and injection pipeline at the Gold Creek facility, the tie-in of two disposal wells in North Dakota, and ongoing optimization projects at existing facilities.

Total capital expenditures decreased 47% to \$71.3 million in the twelve months ended December 31, 2020 from the 2019 comparative period. In addition to construction related to the East Kaybob oil pipeline system, the Corporation incurred certain carryover costs related to the tie in of two disposal wells drilled and completed in 2019 in North Dakota, and increasing processing and disposal capacity and creating efficiencies at various other facilities.

There were no business acquisitions completed during the three or twelve months ended December 31, 2020. During the second quarter of 2019, SECURE incurred \$13.9 million to acquire a 27% interest in a crude oil storage facility located in Cushing, Oklahoma, and a 51% interest in an adjacent 80-acre parcel of undeveloped land. The facility was constructed in 2015 and is strategically located on 10 acres of land in South Cushing with long-term connection agreements in place, ultimately providing connectivity to all major inbound and outbound pipelines in Cushing. Having access to multiple Canadian crude streams and well-connected tankage will benefit our customers getting their product to market at the optimum price. SECURE's majority investment in the 80-acre parcel of land provides the Corporation with significant optionality to develop additional midstream infrastructure in one of North America's key trading hubs.

## Financing Activities

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Repurchase and cancellation of shares under NCIB	-	(7,439)	(100)	(1,531)	(34,707)	(96)
(Repayment) draw on credit facility	(31,555)	5,830	(641)	(54,859)	40,872	(234)
Financing fees	-	(2)	(100)	(195)	(1,362)	(86)
Lease liability principal payment	(3,732)	(5,847)	(36)	(16,586)	(21,520)	(23)
Dividends	(1,190)	(10,616)	(89)	(17,343)	(42,952)	(60)
Changes in non-cash working capital	-	-	-	1,190	-	100
Net cash flows used in financing activities	(36,477)	(18,074)	102	(89,324)	(59,669)	50

As at December 31, 2020, the Corporation had drawn \$399.5 million on its credit facilities compared to \$454.3 million as at December 31, 2019. The decrease relates to cash flows from operating activities in excess of capital expenditures and dividend payments, as well as the recovery of working capital. Subject to covenant restrictions, as at December 31, 2020, the Corporation had \$330.5 million of available credit capacity under its First Lien Facility, and \$35.0 million available under its letter of credit facility. At December 31, 2020, the Corporation was in compliance with all covenants related to its credit facilities.

During the three months ended December 31, 2020, the Corporation made its first quarterly dividend payment of \$0.0075 (0.75 cents) on October 15, 2020, to shareholders of record on October 1, 2020. During the twelve months ended December 31, 2020, the Corporation also paid monthly dividends of \$0.0225 per common share for each of the first four months of the year, \$0.0025 per common share for May and June for a total of \$16.2 million paid. The Corporation declared the next quarterly dividend of \$0.0075 (0.75 cents) on December 15, 2020, which was paid to shareholders of record on January 1, 2021 on January 15, 2021.

Management and the Board of Directors of the Corporation will monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, debt, capital expenditures and other investment opportunities, as well as expected interest, lease and tax payments.

During the second quarter of 2020, SECURE renewed the NCIB whereby the Corporation can repurchase up to a maximum of 10,796,069 common shares of the Corporation from May 28, 2020 to May 27, 2021, subject to daily limits in accordance with the terms of the NCIB. Transactions under the NCIB will depend on future market conditions. SECURE retains the discretion whether to make purchases under the NCIB, and to determine the timing, amount and acceptable price of any such purchases, subject at all times to applicable TSX and other regulatory requirements. The following table outlines the shares repurchased and cancelled during the three and twelve months ended December 31, 2020 and 2019.

	Three months ended Dec 31,			Year ended Dec 31,		
	2020	2019	% Change	2020	2019	% Change
Shares repurchased and cancelled under the NCIB	-	1,611,892	(100)	336,500	5,393,392	(94)
Total cost	\$ -	\$ 7,439	(100)	\$ 1,531	\$ 34,707	(96)

During the three months ended December 31, 2020, the Corporation did not repurchase any shares under the NCIB. For the twelve months ended December 31, 2020, the Corporation repurchased and cancelled 336,500 shares.

## CONTRACTUAL OBLIGATIONS

Refer to Note 21 of the Annual Financial Statements for disclosure related to contractual obligations.

## BUSINESS RISKS

A discussion of SECURE's business risks is set out in the Corporation's AIF under the heading 'Risk Factors', which is incorporated by reference herein. This section does not describe all risks applicable to the Corporation, its industry or its business, and is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.



The dramatic decline in oil prices in March 2020, and the ongoing COVID-19 pandemic has resulted in an unprecedented situation. The prudent response from SECURE's customers was to significantly reduce capital spending in 2020. This decision impacted both drilling and completions activity in 2020 and production volumes that were shut-in due to uneconomic crude oil prices or that naturally declines due to lower capital spending. The current challenging economic climate may continue to have significant adverse impacts on the Corporation in 2021, including, but not limited to:

- Public health measures effected by local governments to protect the health system and slow the spread of COVID-19 could result in the temporary suspension of operations which could have material impacts on the Corporation's financial results;
- Material declines in revenue and cash flows due to reduced drilling, completion and production volumes and demand for associated services as customers reduce spending levels and shut-in uneconomic production;
- Declines in revenue and operating activities could result in increased impairment charges on long-term assets;
- Increased risk of non-performance by the Corporation's customers which could materially increase collection risk of accounts receivable and customer defaults on contracts; and
- Increased restructuring charges as the Corporation aligns its structure and personnel to the dynamic environment.

The situation is dynamic and the ultimate duration and magnitude of the impact of the COVID-19 pandemic on the economy and the financial effect on the Corporation is not known at this time. Estimates and judgments made by management in the preparation of the Annual Financial Statements are subject to a higher degree of measurement uncertainty during this volatile period.

## OUTSTANDING SHARE CAPITAL

As at February 25, 2021, there are 159,573,439 common shares issued and outstanding. In addition, as at February 25, 2021, the Corporation had the following share-based awards outstanding and exercisable or redeemable:

Balance as at February 25, 2021	Issued	Exercisable
Share Options	63,333	63,333
Restricted Share Units	1,413,709	-
Performance Share Units	2,507,840	-

## OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2020 and December 31, 2019, the Corporation did not have any material off-balance sheet arrangements.

## FINANCIAL AND OTHER INSTRUMENTS

As at December 31, 2020, the Corporation's financial instruments include cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, long-term borrowings, lease liabilities and derivative instruments. The fair values of these financial instruments approximate their carrying amount due to the short-term maturity of these instruments except long-term borrowings and derivative instruments. Long-term borrowings approximate their fair values due to the variable interest rates applied, which approximate market interest rates. Derivative instruments are fair valued at each period end in accordance with their classification of fair value through profit or loss. The Corporation utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity price curves, foreign currency exchange rates and interest rates.

The estimated fair value of all derivative financial instruments is based on observable market data. The use of financial instruments exposes the Corporation to credit, liquidity, foreign currency, interest rate and market risk. A discussion of how these and other risks are managed can be found in the AIF under the heading 'Risk Factors' and a discussion of the corresponding classification and amounts of income, expenses, gains and losses associated with these financial instruments and their fair value can be found in Note 18 of the Corporation's Annual Financial Statements.

Of the Corporation's financial instruments, cash, accounts receivable, and derivative instruments contain credit risk. The credit risk associated with cash is minimized as all cash is held at major financial institutions. The Corporation provides credit to customers in the normal course of operations. The Corporation's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Corporation's accounts receivable are due from companies in the oil and natural gas industry and are subject to normal industry credit risks. Given the policies and procedures in place, management is appropriately managing its credit risk, however with the severe and sudden decline in oil prices in March 2020, the Corporation has taken measures to address increased collection risk on trade receivables.

The Corporation's exposure to losses in the event that counterparties to derivative instruments are unable to meet the terms of the contracts is considered very low as commodity derivative trades are all done with a large commodity futures exchange, and interest rate and foreign exchange hedges are done with major financial institutions.

Funds drawn under the First Lien Facility are managed through a combination of bankers' acceptance loans and U.S. dollar London Inter-bank Offered Rate ("LIBOR") loans which bear interest at a floating interest rate. Therefore, to the extent that the Corporation borrows under this facility, the Corporation is at risk to rising interest rates and foreign exchange rates. Exposure to foreign exchange rate changes is mitigated using cross currency swaps to hedge foreign exchange exposure on U.S. denominated long-term debt, fixing the exchange rate on the U.S. dollar loan amounts for the purposes of interest and principal repayments. The Corporation has managed a portion of its interest rate risk through derivative instruments to effectively fix the interest rate on the \$130 million Second Lien Facility until July 31, 2022.

## **ACCOUNTING POLICIES**

SECURE's significant accounting policies are set out in Note 2 of the Annual Financial Statements. There were no revised standards or amendments to IFRS issued that impacted the Annual Financial Statements.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

In the preparation of the Corporation's Annual Financial Statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the condensed consolidated financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Corporation's Annual Financial Statements have been set out in Note 3 of the Corporation's Annual Financial Statements.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") means the controls and other procedures of SECURE that are designed to provide reasonable assurance that information required to be disclosed by SECURE in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by SECURE in its annual filings or other reports filed or submitted under securities legislation is accumulated and communicated to SECURE's management including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("ICFR"), as defined in NI 52-109 means a process designed by, or under the supervisions of SECURE's CEO and CFO, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation used the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission in the design of its ICFR. SECURE's ICFR includes policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of SECURE;

- Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of SECURE are being made only in accordance with authorizations of management; and
- Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of SECURE's assets that could have a material effect on the financial statements.

There was no change to the Corporation's ICFR that occurred during the most recent interim or annual period ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2020. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2020.

Management, including the CEO and CFO, does not expect that the Corporation's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Corporation have been detected.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Refer to Note 21 of the Corporation's Annual Financial Statements for disclosure related to legal proceedings and regulatory actions.

## **RELATED PARTIES**

Refer to Note 20 of the Corporation's Annual Financial Statements for disclosure related to related parties.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as "forward-looking statements"). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to SECURE, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of SECURE and speak only as of the date of this document.

In particular, this document contains or implies forward-looking statements pertaining but not limited to: management's expectations with respect to the duration of the COVID-19 pandemic and related restrictions and the related effect on demand for oil, supply and demand balance, and our operations generally; the outlook for oil and liquids prices; spending by producers and the impact of this on SECURE's activity levels; the oil and natural gas industry in Canada and the U.S., including drilling, completion and production activity levels for 2021 and beyond in the Corporation's operating areas, and the related impact on SECURE's business, operations and financial results; increased year over year discretionary cash flow; the effect of the current economic conditions on the future demand for SECURE's services and the impact on SECURE's cash flows and impairment charges on long-term assets; SECURE's financial resiliency and corporate priorities, including of debt repayment and share repurchases, and strategies to achieve such priorities; increased restructuring costs; the benefits of contracted and/or fee-for-service contracts on SECURE's cash flow and the expected stability of such sources; the benefit of production concentrated volumes on SECURE's cash flow and the expected stability of such sources of cash flow; the timing and stability of contributions from new projects; incremental pipeline egress in the WCSB over the next few years, LNG projects, and the impact on oil and gas drilling, completion, production and export activity and the timing thereof; the expansion or optimization of pipelines and other infrastructure and the related impact on pipeline capacity; capacity at the Corporation's existing facilities; increases to the Corporation's throughput at existing facilities and costs thereof; Canada's ESG standards; the impact consolidation of oil and gas production companies may have to the business, operations and results of the Corporation; the impact the Canadian Federal Government's orphan and inactive well fund may have to the business, operations and results of the Corporation; increased abandonment and

reclamation activity in the oil and gas industry and the related effect on SECURE's results of operations and the timing thereof; the Corporation's ability to control costs and align the Corporation's cost structure with expected industry activity levels; the expected impacts and amounts of the Corporation's cost and capital expenditure reductions; the Corporation's proposed 2021 capital expenditure programs, including growth and expansion and sustaining capital expenditures; future dividend payments and expected cash savings resulting from the reduction of the Corporation's cash dividend payments; future opportunities to increase dividend payments; the amount and timing of government stimulus programs and the related effect on the Corporation's operations; debt service; and the Corporation's ability to meet obligations and commitments and operate within any credit facility restrictions, including the financial covenants related to our debt facilities; the sufficiency of the Corporation's liquidity and expectations that our capital investment, working capital, debt repayment, share repurchases and cash dividends will be funded from internally generated cash flows; the Corporation's credit risk levels and its ability to collect on trade receivables; expected benefits customers will receive from our midstream and environmental solutions; key factors driving the Corporation's success; demand for the Corporation's services and products; industry fundamentals driving the success of SECURE's core operations; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; and access to capital.

Forward-looking statements are based on certain assumptions that SECURE has made in respect thereof as at the date of this document regarding, among other things: the impact of COVID-19, including related government responses related thereto and lower global energy pricing on oil and gas industry exploration and development activity levels and production volumes (including as a result of demand and supply shifts caused by COVID-19 and the actions of OPEC and non-OPEC countries); the success of SECURE's operations and growth projects; the Corporation's competitive position remaining substantially unchanged; future acquisition and sustaining costs will not significantly increase from past acquisition and sustaining costs; that counterparties comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts or the completion and operation of the relevant facilities; that there are no unforeseen material costs in relation to the Corporation's facilities and operations; and that prevailing regulatory, tax and environmental laws and regulations apply.

Forward-looking statements involve significant known and unknown risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to under the heading "Risk Factors" in the AIF. In addition, the effects and impacts of the COVID-19 outbreak, the rapid decline in global energy prices and the length of time to significantly reduce the global threat of COVID-19 on SECURE's business, the global economy and markets are unknown at this time and could cause SECURE's actual results to differ materially from the forward-looking statements contained in this document.

Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by applicable securities laws, SECURE does not intend, or assume any obligation, to update these forward-looking statements.

#### **ADDITIONAL INFORMATION**

Additional information, including the AIF, is available on available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.SECURE-energy.com](http://www.SECURE-energy.com).