Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2022

SECURE ENERGY

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position

As at (unaudited, in $ millions)	Notes	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		11	10
Accounts receivable and accrued receivables		473	345
Inventories		93	100
Prepaid expenses and other current assets		19	11
		596	466
Property, plant and equipment	5	1,534	1,646
Right-of-use assets		72	71
Intangible assets		173	180
Goodwill		351	349
Deferred tax asset		195	217
Other assets		10	8
Total Assets		2,931	2,937
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		393	279
Interest payable	7	4	4
Lease liabilities		27	27
Asset retirement obligations	8	20	19
Other liabilities		4	4
		448	333
Revolving credit facility	6	428	452
Secured and unsecured notes	7	649	755
Lease liabilities		81	82
Asset retirement obligations	8	95	171
Other liabilities	7	28	38
Total Liabilities		1,729	1,831
Shareholders' Equity			
Issued capital	9	1,680	1,670
Share-based compensation reserve		45	48
Foreign currency translation reserve		25	24
Deficit		(548)	(636)
Total Shareholders' Equity		1,202	1,106
Total Liabilities and Shareholders' Equity		2,931	2,937

The accompanying notes are an integral part of these condensed consolidated financial statements

SECURE ENERGY SERVICES INC.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited, in $ millions except share and per share data)	Notes	Three months ended June 30, 2022	Three months ended June 30, 2021 Restated (Note 2)	Six months ended June 30, 2022	Six months ended June 30, 2021 Restated (Note 2)
Revenue	**16**	**2,078**	512	**3,828**	1,173
Cost of sales	**11**	**1,943**	495	**3,592**	1,131
Gross margin		**135**	17	**236**	42
General and administrative expenses	**11**	**35**	20	**69**	37
Transaction and related costs	**11**	**9**	7	**18**	11
Operating profit (loss)		**91**	(10)	**149**	(6)
Interest, accretion and finance costs	**12**	**24**	4	**49**	9
Other (income) expense	**13**	**(1)**	2	**(15)**	2
Income (loss) before tax		**68**	(16)	**115**	(17)
Current tax expense		**—**	—	**—**	—
Deferred tax expense (recovery)		**14**	(3)	**23**	(3)
Net income (loss)		**54**	(13)	**92**	(14)
Net income (loss) attributable to:					
Shareholders of SECURE		**54**	(13)	**92**	(13)
Non-controlling interest		**—**	—	**—**	(1)
Other comprehensive gain (loss)					
Foreign currency translation adjustment		**2**	(4)	**1**	(6)
Total comprehensive income (loss)		**56**	(17)	**93**	(20)
Total comprehensive income (loss) attributable to:					
Shareholders of SECURE		**56**	(17)	**93**	(19)
Non-controlling interest		**—**	(2)	**—**	(3)
Basic net income (loss) per common share		**0.17**	(0.08)	**0.30**	(0.10)
Diluted net income (loss) per common share		**0.17**	(0.08)	**0.29**	(0.10)
Weighted average shares outstanding - basic	**9**	**309,831,621**	160,358,466	**309,335,228**	159,951,853
Weighted average shares outstanding - diluted	**9**	**313,071,825**	160,358,466	**312,560,669**	159,951,853

The accompanying notes are an integral part of these condensed consolidated financial statements

SECURE ENERGY SERVICES INC.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, in $ millions)	Notes	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Non-controlling interest	Deficit	Total Shareholders' Equity
Balance at January 1, 2022		**1,670**	**48**	**24**	**—**	**(636)**	**1,106**
Net income		—	—	—	—	92	**92**
Dividends declared	**9**	—	—	—	—	(4)	**(4)**
Foreign currency translation adjustment		—	—	1	—	—	**1**
Exercise of share units	**9**	10	(10)	—	—	—	**—**
Share-based compensation for equity-settled awards	**10**	—	7	—	—	—	**7**
Balance at June 30, 2022		**1,680**	**45**	**25**	**—**	**(548)**	**1,202**
Balance at January 1, 2021		**1,038**	**51**	**24**	**30**	**(426)**	**717**
Net loss		—	—	—	(1)	(15)	**(16)**
Dividends declared		—	—	—	—	(2)	**(2)**
Disposition of non-controlling interest		—	—	—	(26)	—	**(26)**
Foreign currency translation adjustment		—	—	(3)	(3)	—	**(6)**
Exercise of share units		10	(10)	—	—	—	**—**
Share-based compensation for equity-settled awards		—	4	—	—	—	**4**
Balance at June 30, 2021		**1,048**	**45**	**21**	**—**	**(443)**	**671**

The accompanying notes are an integral part of these condensed consolidated financial statements

SECURE ENERGY SERVICES INC.

Consolidated Statements of Cash Flows

(unaudited, in $ millions)	Notes	Three months ended June 30, 2022	Three months ended June 30, 2021 Restated (Note 2)	Six months ended June 30, 2022	Six months ended June 30, 2021 Restated (Note 2)
Cash flows from operating activities					
Net income (loss)		54	(13)	92	(14)
Adjustments for non-cash items:					
Depreciation, depletion and amortization	11	21	30	77	59
Interest, accretion and finance costs	12	24	4	49	9
Other (income) expense	13	(1)	1	(15)	1
Current and deferred tax expense		14	(3)	23	(3)
Share-based compensation		5	4	10	7
Interest paid		(37)	(4)	(43)	(9)
Income taxes paid		—	(1)	—	(1)
Asset retirement costs incurred	8	—	(1)	(6)	(2)
Funds flow from operations		80	17	187	47
Change in non-cash working capital		(12)	3	(19)	(3)
Net cash flows from operating activities		68	20	168	44
Cash flows from (used in) investing activities					
Purchase of property, plant and equipment	5	(19)	(7)	(32)	(13)
Business acquisition	4	(6)	—	(6)	—
Proceeds from dispositions	13	2	2	24	2
Restricted cash		—	(206)	—	(206)
Change in non-cash working capital		2	(3)	1	—
Net cash flows used in investing activities		(21)	(214)	(13)	(217)
Cash flows used in financing activities					
Draw (repayment) of credit facilities	6	64	(9)	(26)	(16)
Settlement of 2025 senior secured notes	7	(109)	—	(109)	—
Issuance of unsecured notes	7	—	200	—	200
Financing fees	6, 7	—	(5)	—	(5)
Lease liability principal payments		(6)	(2)	(12)	(5)
Dividends declared	9	(2)	(1)	(4)	(2)
Net cash flows (used in) from financing activities		(53)	183	(151)	172
Effect of foreign exchange on cash		(3)	1	(3)	1
(Decrease) increase in cash		(9)	(10)	1	-
Cash, beginning of period		20	17	10	7
Cash, end of period		11	7	11	7

The accompanying notes are an integral part of these condensed consolidated financial statements

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

SECURE Energy Services Inc. ("SECURE" or "the Corporation") is incorporated under the Business Corporations Act (Alberta). The Corporation's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "SES". The head office of the Corporation is located at 2300, 225 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 1N2. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7. On July 2, 2021, pursuant to a plan of arrangement under the Business Corporations Act (Alberta), SECURE acquired all of the issued and outstanding common shares of Tervita Corporation ("Tervita") and subsequently Tervita was amalgamated with SECURE (the "Transaction").

SECURE provides industry leading midstream infrastructure and environmental and fluid management to predominantly upstream oil and natural gas companies operating in western Canada and certain regions in the United States ("U.S."). SECURE's Midstream Infrastructure reportable segment includes a network of midstream processing and storage facilities, and crude oil and water pipelines located throughout key resource plays in western Canada, North Dakota and Oklahoma. SECURE's midstream infrastructure operations generate cash flows from oil production processing and disposal, produced water disposal, and crude oil storage, logistics, and marketing. The Environmental and Fluid Management reportable segment includes a network of owned, operated and marketed industrial landfills, hazardous and non-hazardous waste management and disposal, onsite abandonment, environmental solutions for site remediation and reclamation, bio-remediation, water treatment and recycling, emergency response, rail services, metal recycling services, as well as fluid management for drilling, completion and production activities.

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 and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. This limits the movement of the heavy equipment required for drilling and well servicing activities, and the level of activity of the Corporation's customers may, consequently, be reduced. 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 the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Environmental management project activity tends to be lower in the first half of the year due to the previously described factors and challenges of completing excavation work on frozen terrain in the first quarter. 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.

Basis of Presentation

The condensed consolidated financial statements of SECURE have been prepared by management in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB") in effect at the closing date of June 30, 2022. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021. These condensed consolidated financial statements are recorded and presented in Canadian dollars ($), which is SECURE's functional currency, and have been prepared on a historical cost basis, except for certain items that have been measured at fair value. All values are rounded to the nearest million dollars ($ millions), except where otherwise indicated. These condensed consolidated financial statements were approved by SECURE's Board of Directors on July 26, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2021. Unless otherwise stated, these policies have been consistently applied to all periods presented.

Voluntary change in accounting policy

Under the Corporation's previous accounting policy, SECURE used a risk-free interest rate based on the Bank of Canada published bond rates in the measurement of the present value of its asset retirement obligations. As disclosed in the annual audited consolidated financial statements for the year ended December 31, 2021, effective July 1, 2021, the Corporation elected to change its policy for the measurement of asset retirement obligations to utilize a credit-adjusted risk-free interest rate. The use of a credit-adjusted risk-free rate results in reliable and more relevant information for the readers of the consolidated financial statements as this methodology provides a more accurate representation of the value at which such liabilities could be transferred to a third party, provides a better indication of the risk associated with such obligations, and increases the comparability of the Corporation's financial statements to those of its peers.

Management has applied the voluntary change in accounting policy retrospectively, including the restatement of certain comparative amounts in these condensed consolidated financial statements. The tables below present the impact of the change in accounting policy to the consolidated statements of comprehensive income (loss) and the consolidated statements of cash flows for the three and six months ended June 30, 2021, for each of the line items impacted.

Impacts on the Consolidated Statement of Comprehensive Income (Loss)

	For the three months ended June 30, 2021			For the six months ended June 30, 2021		
	Previous policy	Adjustments	Restated	Previous policy	Adjustments	Restated
Cost of sales [(1)]	496	(1)	495	1,133	(2)	1,131
Interest, accretion and finance costs	4	—	4	8	1	9
Deferred tax recovery	(3)	—	(3)	(3)	—	(3)
Net loss	(14)	1	(13)	(15)	(1)	(14)

[(1)] The change in accounting policy impacted depreciation and depletion which is included in cost of sales.

Impacts on the Consolidated Statements of Cash Flows

	For the three months ended June 30, 2021			For the six months ended June 30, 2021		
	Previous policy	Adjustments	Restated	Previous policy	Adjustments	Restated
Net loss	(14)	1	(13)	(15)	1	(14)
Non-cash operating activities	37	(1)	36	74	(1)	73

3. ESTIMATES AND JUDGMENTS

The timely preparation of the Corporation's condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses, gains, losses, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset, liability or equity affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis, with any adjustments recognized in the period in which the estimate is revised.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities and equity include those related to the determination of cash generating units, depreciation, depletion and amortization, recoverability of assets, asset retirement obligations and accretion, other provisions and contingent liabilities, inventories, share-based compensation, deferred income taxes, provision for expected credit losses, fair value of derivative financial instruments, and net investments in foreign subsidiaries. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

4. BUSINESS ACQUISITIONS

On May 16, 2022, SECURE closed the acquisition of a metals recycling business formerly owned by Brooks Industrial Metals Ltd. for an aggregate purchase price of $6 million, settled in cash. Under the purchase agreement, SECURE acquired the assets and assumed the obligations and liabilities associated with the metals recycling business. Assets acquired included inventory of $1 million and property, plant and equipment of $4 million.The acquisition of the metals recycling business was accounted for using the acquisition method pursuant to IFRS 3, *"Business Combinations"*. Under the acquisition method, assets and liabilities are measured at their estimated fair value on the date of acquisition.

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022
Balance - beginning of period	**1,646**
Acquired upon close of Business Acquisition (Note 4)	4
Additions	32
Change in asset retirement obligations	(55)
Disposals	(12)
Depreciation and depletion	(83)
Foreign exchange effect	2
Balance - end of period	**1,534**

6. REVOLVING CREDIT FACILITY

SECURE's credit facilities at June 30, 2022, consist of an $800 million three-year revolving credit facility (the "Revolving Credit Facility") with nine financial institutions (with a maturity date of July 2, 2024) and a $30 million unsecured letter of credit facility guaranteed by Export Development Canada. The credit facility balances included on the statements of financial position at June 30, 2022, and December 31, 2021, were as follows:

	June 30, 2022	December 31, 2021
Amount drawn on Revolving Credit Facility	435	460
Unamortized financing costs	(7)	(8)
Total credit facility	**428**	**452**

	June 30, 2022	December 31, 2021
Maximum amount available	830	830
Less: Amount drawn on Revolving Credit Facility	(435)	(460)
Less: Letters of credit	(108)	(91)
Available amount (1)	**287**	**279**

(1) Subject to covenant restrictions discussed below.

As at June 30, 2022, the Corporation has liquidity of $298 million, consisting of $11 million in cash and $287 million in capacity on its credit facilities ($289 million as at December 31, 2021, consisting of $10 million in cash and $279 million in capacity on its credit facilities). At June 30, 2022, the Corporation was in compliance with all financial covenants contained in the Revolving Credit Facility.

	June 30, 2022	Covenant
Senior Debt to EBITDA	1.2	not to exceed 2.75
Total Debt to EBITDA	2.5	not to exceed 4.5
Interest coverage	4.4	not to be less than 2.5

7. SECURED AND UNSECURED NOTES

As at June 30, 2022, SECURE's secured and unsecured notes consist of the following:

- US$223 million aggregate principal amount of 11.00% senior second lien secured notes due December 1, 2025 (the "2025 senior secured notes") which are subordinate to the Revolving Credit Facility and are secured by substantially all tangible and intangible assets owned by the Corporation; and
- $340 million aggregate principal amount of 7.25% unsecured notes due December 30, 2026 (the "2026 unsecured notes").

During the three months ended June 30, 2022, SECURE settled US$77 million aggregate principal amount of 2025 senior secured notes at an average price of $110.10 per $100.00 principal amount plus accrued and unpaid interest. The settlements were completed in May and June 2022. The secured and unsecured notes balances included on the statements of financial position at June 30, 2022, and December 31, 2021, were as follows:

	Issuance	Maturity	June 30, 2022	December 31, 2021
2025 senior secured notes	Nov 2020	Dec 2025	287	380
Fair value premium on 2025 senior secured notes			27	41
2026 unsecured notes	July 2021	Dec 2026	340	340
Premium on issuance of 2026 unsecured notes			1	1
Unamortized financing costs			(6)	(7)
Total unsecured and senior secured notes			**649**	**755**

As at June 30, 2022, the fair value of the 2025 senior secured and 2026 unsecured notes was $313 million and $330 million, respectively. The fair value of the 2025 senior secured and 2026 unsecured notes is based on third party observable quotes and may not reflect the actual amounts payable by SECURE. The Corporation has entered into cross currency swaps ("CCS") to hedge foreign exchange exposure on the U.S. denominated 2025 senior secured notes, fixing the exchange rate on the principal repayments and a portion of the interest payments. During the three months ended June 30, 2022, the Corporation reduced its CCS position by US$65 million to US$235 million. The liability balance of these remaining derivative contracts amounted to $10 million at June 30, 2022 ($19 million at December 31, 2021) and was recorded in other liabilities on the consolidated statements of financial position.

8. ASSET RETIREMENT OBLIGATIONS

	June 30, 2022
Balance - beginning of period	**190**
Changes in discount rate and estimates	(74)
Accretion	6
Asset retirement obligations incurred	(6)
Foreign exchange effect	(1)
Balance - end of period	**115**
Current portion	20
Non-current portion	95

The Corporation's asset retirement obligations were estimated either by a third-party specialist or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation used a credit-adjusted risk-free discount rate ranging from 8.82% to 9.21% (December 31, 2021: 5.69% to 6.79%) with an implied inflation rate of 1.8% to calculate the net present value of its asset retirement obligations at June 30, 2022 (December 31, 2021: 1.8%).

9. SHAREHOLDERS' EQUITY

($ millions except for shares)	Number of Shares	Amount
Balance at December 31, 2021	**308,158,691**	**1,670**
Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") exercised	1,709,897	—
Transfer from reserves in equity	—	10
Balance at June 30, 2022	**309,868,588**	**1,680**

The Corporation declared dividends to holders of common shares for the three and six months ended June 30, 2022 of $2 million and $4 million, respectively (three and six months ended June 30, 2021: $1 million and $2 million, respectively). On June 15, 2022, the Corporation declared a dividend in the amount of $0.0075 (0.75 cents) per common share. Subsequent to June 30, 2022, the Corporation paid out this dividend to holders of common shares on record on July 1, 2022.

Basic and Diluted Income (Loss) Per Share

The following reflects the share data used in the basic and diluted income (loss) per share computations:

	For the three months ended,		For the six months ended,	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Weighted average number of shares - basic	309,831,621	160,358,466	309,335,228	159,951,853
Effect of dilution:				
RSUs and PSUs	**3,240,204**	—	**3,225,441**	—
Weighted average number of shares - diluted	**313,071,825**	160,358,466	**312,560,669**	159,951,853

The above calculation includes the effect of all RSUs and PSUs for the three and six months ended June 30, 2022. For the three and six months ended June 30, 2021, the effect of all RSUs and PSUs have been excluded as they are considered to be anti-dilutive.

10. SHARE-BASED COMPENSATION PLANS

The Corporation has a Unit Incentive Plan ("UIP") under which the Corporation may grant incentive units, comprised of RSUs and PSUs to employees and consultants, and a deferred share unit ("DSU") plan for non-employee directors of the Corporation. The terms of these plans remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2021. The following table summarizes the units outstanding at June 30, 2022:

	RSUs	PSUs	DSUs
Balance at December 31, 2021	1,578,111	3,418,184	1,136,200
Granted	1,223,270	1,630,516	105,505
Reinvested dividends	4,542	10,019	3,018
Redeemed for common shares	(809,747)	(900,150)	—
Redeemed for cash	—	—	(62,906)
Forfeited	(67,201)	(10,342)	—
Balance at June 30, 2022	**1,928,975**	**4,148,227**	**1,181,817**

The fair value of the RSUs and PSUs issued is determined using the five day volume weighted average share price at the grant date.

11. EXPENSES

The below table summarizes the disaggregation of expenses for the three and six months ended June 30, 2022 and 2021:

Three months ended June 30, 2022	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	41	19	**60**
Share-based compensation	1	4	**5**
Depreciation	9	2	**11**
Depletion	7	—	**7**
Amortization	3	—	**3**
Oil purchase/resale services expense	1,723	—	**1,723**
Other [(1)]	159	10	**169**
Total	**1,943**	**35**	**1,978**

Six months ended June 30, 2022	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	83	38	**121**
Share-based compensation	1	9	**10**
Depreciation	43	5	**48**
Depletion	23	—	**23**
Amortization	6	—	**6**
Oil purchase/resale services expense	3,114	—	**3,114**
Other [(1)]	322	17	**339**
Total	**3,592**	**69**	**3,661**

Three months ended June 30, 2021	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	17	9	**26**
Share-based compensation	1	3	**4**
Depreciation [(2)]	24	3	**27**
Depletion	2	—	**2**
Amortization	1	—	**1**
Oil purchase/resale services expense	395	—	**395**
Other [(1)]	55	5	**60**
Total	**495**	**20**	**515**

Six months ended June 30, 2021	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	33	15	**48**
Share-based compensation	1	6	**7**
Depreciation [(2)]	49	5	**54**
Depletion	4	—	**4**
Amortization	1	—	**1**
Impairment	—	—	**—**
Oil purchase/resale services expense	924	—	**924**
Other [(1)]	119	11	**130**
Total	**1,131**	**37**	**1,168**

[(1)] Other includes the remaining expenses not listed separately in the table above. The majority of these expenses are cost of products, repairs and maintenance, trucking and disposal and utilities, net of tariff fees associated with oil pipelines.

[(2)] Prior year amounts have been restated, refer to Note 2 for additional information.

Transaction and related costs

For the three months ended June 30, 2022, the Corporation incurred and expensed transaction and related costs of $9 million, consisting of $6 million related to legal and advisory fees for the completion of the Transaction, including the competition review process, and $3 million of integration costs. The integration costs primarily related to information technology expenditures.

For the six months ended June 30, 2022, the Corporation incurred and expensed transaction and related costs of $18 million consisting of $12 million related to legal and advisory fees for the completion of the Transaction, including the competition review process, and $6 million of integration costs. The integration costs primarily related to severance and information technology expenditures.

For the three and six months ended June 30, 2021, transaction and related costs amounted to $7 million and $11 million, respectively.

12. INTEREST, ACCRETION AND FINANCE COSTS

Interest, accretion and finance costs consists of the following for the three and six months ended June 30, 2022 and 2021:

	For the three months ended,		For the six months ended,	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Interest on senior secured notes, unsecured notes and Revolving Credit Facility	20	4	40	8
Amortization of debt issuance costs	1	—	2	—
Accretion of asset retirement obligations [(1)]	3	—	6	1
Interest on obligations under leases	—	—	1	—
Interest, accretion and finance costs	**24**	**4**	**49**	**9**

[(1)] Prior year amounts have been restated, refer to Note 2 for additional information.

13. OTHER (INCOME) EXPENSE

In the six months ended June 30, 2022, the Corporation sold assets, and realized a gain of $15 million which is recorded within other income. The assets sold were primarily unused agricultural land near Bruderheim, Alberta.

14. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

	June 30, 2022	December 31, 2021
Working capital [(1)]	199	183
Total debt	1,062	1,180
Shareholders' equity	1,202	1,106
	2,463	**2,469**

[(1)] Calculated as the difference between current assets less accounts payable and accrued liabilities and interest payable.

Total debt consists of the following:

	June 30, 2022	December 31, 2021
Amount drawn on credit facilities	435	460
2025 senior secured notes (principal)	287	380
2026 unsecured notes (principal)	340	340
	1,062	**1,180**

The Corporation's objective in capital management is to ensure adequate sources of capital are available to carry out its planned capital program, while maintaining operational activity, payment of dividends and stable cash flow so as to sustain the business for the long-term. Management considers the Corporation's working capital (current assets less accounts payable and accrued liabilities and interest payable), total amounts drawn on debt facilities and shareholders' equity as the components of capital to be managed.

15. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

	1 year or less	1-5 years	5 years and thereafter	Total
Crude oil transportation	36	100	10	**146**
Crude oil storage	10	41	35	**86**
Capital commitments	29	—	—	**29**
Total contractual obligations	**75**	**141**	**45**	**261**

Crude oil transportation commitments

Included in this number are committed crude oil volumes for pipeline throughput at certain of the Corporation's pipeline connected full service terminals. This amount reflects the total payment that would have to be made should the Corporation not deliver the committed pipeline volumes.

Crude oil storage commitment

SECURE has an arrangement for crude oil storage capacity at a major oil hub in western Canada. This amount is payable regardless of utilization.

Capital commitments

The amounts include various capital purchases for use in the Corporation's current and future capital projects. All amounts are current and due within one year.

Contingencies

During the normal course of business, SECURE is involved in legal proceedings, with several unresolved claims currently outstanding. The legal process of these claims has not advanced sufficiently to the point where it is practicable to assess the timing and financial effect of these claims, if any. SECURE does not anticipate that the financial position, results of operations or operations of the Corporation will be materially affected by the resolution of these legal proceedings.

Transaction update

On June 29, 2021, the Commissioner of Competition filed an application under Section 92 of the Competition Act (the "Section 92 Application") with the Competition Tribunal, which, was amended post-closing of the Transaction to seek the divestiture of unspecified assets. A hearing of the Section 92 Application was held in the second quarter of 2022. SECURE believes the resolution of such proceedings will not be material to the Corporation's financial results.

16. SEGMENT REPORTING

The Corporation reports results in the following two reportable segments:

- **Midstream Infrastructure** includes a network of midstream processing and storage facilities, and crude oil and water pipelines located throughout key resource plays in western Canada, North Dakota and Oklahoma. SECURE's midstream infrastructure operations generate cash flows from oil production processing and disposal, produced water disposal, and crude oil storage, logistics, and marketing.
- **Environmental and Fluid Management** includes a network of owned, operated and marketed industrial landfills, hazardous and non-hazardous waste management facilities, onsite abandonment, environmental solutions for site remediation and reclamation, bio-remediation, waste treatment and recycling, emergency response, rail services, metal recycling services, as well as fluid management for drilling, completion and production activities.

The Corporation reports activities not directly attributable to an operating segment under Corporate. Corporate division expenses consist of public company costs, share-based compensation, interest and finance costs, and personnel, office and other administrative costs relating to corporate employees and officers.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Corporation's condensed consolidated financial statements.

The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management for the three and six months ended June 30, 2022, and 2021.

Three months ended June 30, 2022	**Midstream Infrastructure**	**Environmental and Fluid Management**	**Corporate**	**Total**
Revenue excluding oil purchase and resale service	164	191	—	355
Oil purchase and resale service	1,723	—	—	1,723
Total revenue	**1,887**	**191**	**—**	**2,078**
Cost of sales excluding items listed separately below	(1,778)	(145)	—	(1,923)
Segment profit margin	**109**	**46**	**—**	**155**
G&A expenses excluding items listed separately below	(7)	(10)	(12)	(29)
Depreciation, depletion and amortization [(1)]	(6)	(14)	(1)	(21)
Share-based compensation [(1)]	—	—	(5)	(5)
Interest, accretion and finance costs	(1)	(1)	(22)	(24)
Transaction and related costs	—	—	(9)	(9)
Other income	—	—	1	1
Income (loss) before tax	**95**	**21**	**(48)**	**68**

Six Months Ended June 30, 2022	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Revenue excluding oil purchase and resale service	322	392	—	714
Oil purchase and resale service	3,114	—	—	3,114
Total revenue	**3,436**	**392**	**—**	**3,828**
Cost of sales excluding items listed separately below	(3,227)	(292)	—	(3,519)
Segment profit margin	**209**	**100**	**—**	**309**
G&A expenses excluding items listed separately below	(15)	(17)	(23)	(55)
Depreciation, depletion and amortization [1]	(37)	(38)	(2)	(77)
Share-based compensation [1]	—	—	(10)	(10)
Interest, accretion and finance costs	(3)	(2)	(44)	(49)
Transaction and related costs	—	—	(18)	(18)
Other (expense) income	(1)	4	12	15
Income (loss) before tax	**153**	**47**	**(85)**	**115**

Three months ended June 30, 2021	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Revenue excluding oil purchase and resale service	49	68	—	117
Oil purchase and resale service	395	—	—	395
Total revenue	**444**	**68**	**—**	**512**
Cost of sales excluding items listed separately below	(415)	(53)	—	(468)
Segment profit margin	**29**	**15**	**—**	**44**
G&A expenses excluding items listed separately below	(5)	(4)	(4)	(13)
Depreciation, depletion and amortization [1] [2]	(21)	(8)	(1)	(30)
Share-based compensation [1]	—	—	(4)	(4)
Interest, accretion and finance costs [2]	(1)	—	(3)	(4)
Transaction and related costs	—	—	(7)	(7)
Other expense	(2)	—	—	(2)
Income (loss) before tax	**—**	**3**	**(19)**	**(16)**

Six months ended June 30, 2021	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Revenue excluding oil purchase and resale service	100	149	—	249
Oil purchase and resale service	924	—	—	924
Total revenue	**1,024**	**149**	**—**	**1,173**
Cost of sales excluding items listed separately below	(965)	(112)	—	(1,077)
Segment profit margin	**59**	**37**	**—**	**96**
G&A expenses excluding items listed separately below	(9)	(8)	(8)	(25)
Depreciation, depletion and amortization [1] [2]	(40)	(17)	(2)	(59)
Share-based compensation [1]	—	—	(7)	(7)
Interest, accretion and finance costs [2]	(2)	—	(7)	(9)
Transaction and related costs	—	—	(11)	(11)
Other expense	(2)	—	—	(2)
Income (loss) before tax	**6**	**12**	**(35)**	**(17)**

[1] 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.

[2] Prior year amounts have been restated, refer to Note 2 for additional information.

As at June 30, 2022	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Current assets	320	274	2	**596**
Property, plant and equipment	1,288	233	13	**1,534**
Right-of-use assets	22	40	10	**72**
Intangible assets	149	24	—	**173**
Goodwill	248	103	—	**351**
Total assets	2,055	674	202	**2,931**
Current liabilities	296	134	18	**448**
Total liabilities	370	237	1,122	**1,729**

As at December 31, 2021	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Current assets	215	246	5	**466**
Property, plant and equipment	1,329	299	18	**1,646**
Right-of-use assets	23	37	11	**71**
Intangible assets	154	26	—	**180**
Goodwill	248	101	—	**349**
Total assets	1,968	709	260	**2,937**
Current liabilities	209	102	22	**333**
Total liabilities	304	237	1,290	**1,831**

Geographical Financial Information

	Canada		U.S.		Total	
Three months ended June 30,	**2022**	2021	**2022**	2021	**2022**	2021
Revenue	**2,067**	481	**11**	31	**2,078**	512
Six months ended June 30,	**2022**	2021	**2022**	2021	**2022**	2021
Revenue	**3,806**	1,112	**22**	61	**3,828**	1,173
As at June 30, 2022 and December 31, 2021	**2022**	2021	**2022**	2021	**2022**	2021
Total non-current assets	**2,236**	2,371	**99**	100	**2,335**	2,471

CORPORATE INFORMATION

DIRECTORS

Rene Amirault
Mark Bly (1) (3) (4)
Brad Munro (2) (4)
Kevin Nugent (1) (4)
Susan Riddell Rose (2) (4)
Jay Thornton (2) (3)
Deanna Zumwalt (1) (3)

[1] Audit Committee
[2] Human Resources and Compensation Committee
[3] Corporate Governance & Nominating Committee
[4] Environment, Social & Governance Committee

STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SES

AUDITORS

KPMG LLP
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

LEAD BANKERS

ATB Financial
National Bank of Canada
Canadian Imperial Bank of Commerce
Bank of Montreal
TD Canada Trust

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company
Calgary, Alberta

OFFICERS

Rene Amirault
President & Chief Executive Officer

Allen Gransch
Chief Operating Officer

Chad Magus
Chief Financial Officer

Michael Callihoo
General Counsel and Corporate Secretary

James Anderson
Senior Vice President, Fluids Management

David Engel
Senior Vice President, Landfill Solutions

Corey Higham
Senior Vice President, Midstream Operations

David Mattinson
Senior Vice President, Environmental Solutions

Mike Mikuska
Senior Vice President, Commercial & Transportation