

# Management's Discussion & Analysis

## 2022 Second Quarter Report



**SECURE  
ENERGY**

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## ABOUT THIS MD&A

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") on July 26, 2022. The MD&A 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.

This MD&A's primary focus is a comparison of the financial performance for the three and six months ended June 30, 2022 to the three and six months ended June 30, 2021, and should be read in conjunction with the Corporation's condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2022 and 2021 ("Interim Financial Statements") and the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2021 and 2020 ("Annual Financial Statements").

All amounts are presented in Canadian dollars, unless otherwise stated, and all tabular amounts are in millions 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. Effective July 1, 2021, SECURE voluntarily changed its accounting policy with respect to the discounting of asset retirement obligations and as a result certain comparative information has been restated in this MD&A. Refer to the 'Accounting Policies' section of this MD&A for a description of the changes and the impact on the Corporation's Interim Financial Statements.

This MD&A contains references to the following financial measures that do not have a standardized meaning as prescribed under IFRS ("non-GAAP and other specified financial measures"): Adjusted EBITDA, Adjusted EBITDA per share, Adjusted EBITDA Margin, Total Segment Profit Margin, Discretionary Free Cash Flow, Discretionary Free Cash Flow per share, Working Capital, Total Debt, Liquidity and certain supplemental financial measures. Refer to the 'Non-GAAP and other specified financial measures' section of this MD&A for a full discussion on management's use of non-GAAP and other specified financial measures, including, where applicable, reconciliations to the most directly comparable IFRS measure.

On July 2, 2021 (the "Acquisition Date"), 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 (collectively, the "Transaction"). SECURE issued approximately 147.6 million common shares following which Tervita amalgamated with SECURE. The common shares of Tervita were delisted from the Toronto Stock Exchange ("TSX") at the close of market on July 6, 2021. Following completion of the Transaction, Tervita ceased to make separate filings as a reporting issuer. The Interim Financial Statements and this MD&A include financial results for Tervita since the Acquisition Date. Refer to the 'Legal Proceedings and Regulatory Actions' section of this MD&A for ongoing *Competition Act* (Canada) ("Competition Act") matters related to the Transaction.

## CORPORATE OVERVIEW

SECURE is a publicly traded energy infrastructure and environmental business listed on the TSX. 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.

SECURE's Environmental and Fluid Management reportable segment 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.

For a complete description of services provided by the Corporation, please refer to the heading '*Description of the Business and Facilities*' in the Corporation's Annual Information Form for the year ended December 31, 2021 ("AIF") which is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) and our website at [www.secure-energy.com](http://www.secure-energy.com). Other than the information set out under the heading '*Risk Factors*' in the AIF, which is incorporated by reference herein, the AIF does not constitute part of this MD&A.

## **OPERATIONAL DEFINITIONS**

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

### **Capital expenditures**

The Corporation classifies capital additions as either growth, acquisition or sustaining capital. Growth 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 growth capital involves judgment by management.

### **Oil prices**

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

## FINANCIAL AND OPERATING HIGHLIGHTS

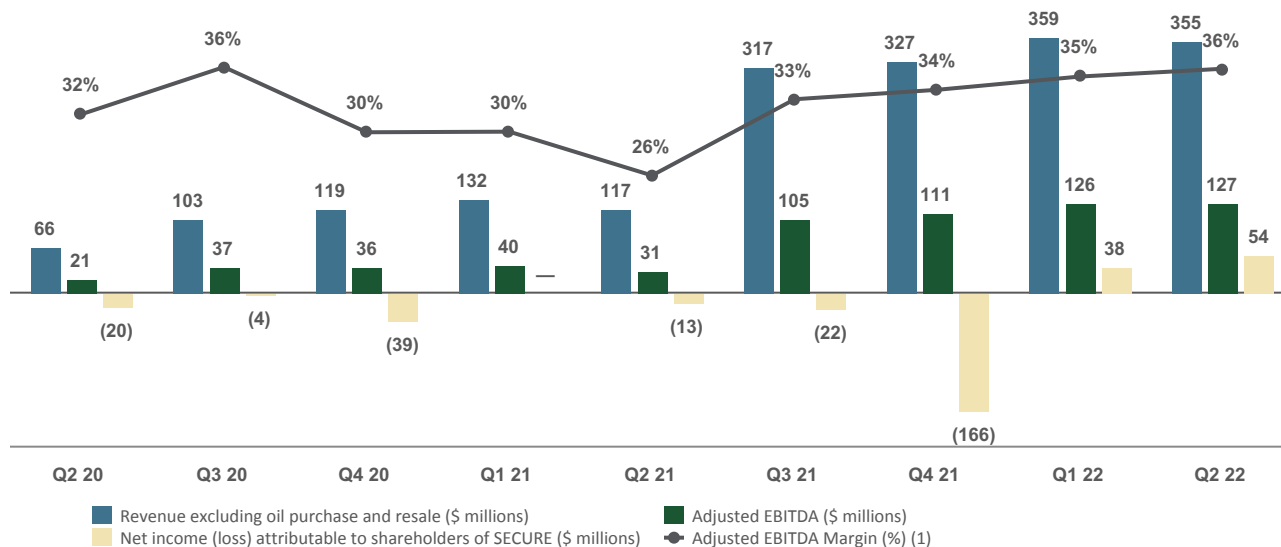
The Corporation's operating and financial highlights for the three and six months ended June 30, 2022 and 2021 can be summarized as follows:

(\$ millions except share and per share data)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% change	2022	2021	% change
Revenue (excludes oil purchase and resale)	355	117	203	714	249	187
Oil purchase and resale	1,723	395	336	3,114	924	237
Total revenue	2,078	512	306	3,828	1,173	226
Adjusted EBITDA <sup>(1)</sup>	127	31	310	253	71	256
Per share (\$), basic <sup>(1)</sup>	0.41	0.19	116	0.82	0.44	86
Per share (\$), diluted <sup>(1)</sup>	0.41	0.19	116	0.81	0.44	84
Net income attributable to shareholders of SECURE <sup>(2)</sup>	54	(13)	515	92	(13)	808
Per share (\$), basic and diluted	0.17	(0.08)	313	0.30	(0.08)	475
Funds flow from operations	80	17	371	187	47	298
Per share (\$), basic and diluted <sup>(1)</sup>	0.26	0.11	136	0.60	0.29	107
Discretionary free cash flow <sup>(1)</sup>	66	18	267	166	47	253
Per share (\$), basic and diluted <sup>(1)</sup>	0.21	0.11	91	0.54	0.29	86
Capital expenditures <sup>(1)</sup>	19	7	171	32	13	146
Dividends per common share	0.0075	0.0075	—	0.0150	0.0150	—
Total assets <sup>(2)</sup>	2,931	1,510	94	2,931	1,510	94
Long-term liabilities <sup>(2)</sup>	1,281	480	167	1,281	480	167
Common shares - end of period	309,868,588	160,499,821	93	309,868,588	160,499,821	93
Weighted average common shares:						
Basic	309,831,621	160,358,466	93	309,335,228	159,951,853	93
Diluted	313,071,825	160,358,466	95	312,560,669	159,951,853	95

<sup>(1)</sup> Refer to the "Non-GAAP and other specified financial measures" and "Operational Definitions" sections in this MD&A for further information.

<sup>(2)</sup> Prior year amounts have been restated, refer to the "Accounting Policies" section in this MD&A for additional information.

### Quarterly Revenue, Adjusted EBITDA and Net Income (Loss)



1. Refer to the "Non-GAAP and other specified financial measures" section in this MD&A for further information.

## SECOND QUARTER HIGHLIGHTS

- **Integration cost savings of \$67 million realized** - achieved an incremental \$14 million of annualized cost savings impacting Adjusted EBITDA<sup>1</sup> in the second quarter of 2022, increasing realized cost savings from \$53 million to \$67 million on an annual run-rate basis. As a result, the Corporation has now achieved 89% of the \$75 million cost savings target in the first twelve months following completion of the Transaction. The \$14 million achieved in the quarter is mainly a result of a reduction of headcount and corporate overhead costs, and operational optimizations. In the three months ended June 30, 2022, \$9 million of costs related to the Transaction and integration of the legacy businesses were incurred of which \$6 million was associated with the competition review process.
- **Revenue (excluding oil purchase and resale) of \$355 million** - an increase of 203% compared to the second quarter of 2021 with Midstream Infrastructure revenue (excluding oil purchase and resale) increasing by \$115 million to \$164 million and Environmental and Fluid Management revenue increasing by \$123 million to \$191 million for the quarter. These increases were primarily due to additional revenue associated with the Transaction and an increase in energy-related industry activity levels as benchmark oil and natural gas prices were strong in the quarter. Both reportable segments benefited from improved industry activity levels, driving incremental volumes at Midstream Infrastructure facilities and industrial landfills, and demand for drilling and completion related services as underpinned by an increase in average active rig count of approximately 47%. Higher crude oil pricing in the second quarter of 2022 also positively impacted recovered oil revenue and contributed to the increase in oil purchase and resale revenue which increased by 336% to \$1.7 billion compared to the comparative 2021 period.
- **Net income attributable to shareholders of \$54 million and \$0.17 per share** - an increase of \$67 million or \$0.26 per common share compared to the second quarter of 2021, as general industry conditions continued to strengthen. The increase was primarily driven by the impact of the Transaction and lower depreciation, depletion and amortization (“DD&A”), partially offset by higher general and administrative (“G&A”) expenses, higher finance costs associated with debt assumed upon closing the Transaction and a higher non-cash deferred tax expense.
- **Adjusted EBITDA of \$127 million and \$0.41 per basic share<sup>1</sup>** - an increase of 310% and 116% compared to the second quarter of 2021, respectively, primarily due to the contributions from the Transaction and related synergies, demonstrating the strength and scale of the combined business. In addition, higher oil and natural gas prices resulted in improved energy market conditions and increased activity levels in a number of the Corporation’s operating areas, which led to higher processing and disposal volumes at our Midstream Infrastructure facilities and landfills and increased demand for services related to drilling and completion activity within the Environmental and Fluid Management segment.
- **Adjusted EBITDA margin<sup>1</sup> of 36%** - increased from 26% in the second quarter of 2021, due to the positive impact from the cost savings mentioned above and higher revenue contributing to improved fixed cost absorption, particularly in the service lines impacted by the increased drilling and completion activity.
- **Funds flow from operations of \$80 million** - an increase of \$63 million from the prior year comparative period, or 136% per basic share, driven by the increase in Adjusted EBITDA, partially offset by higher interest payments of \$37 million in the quarter, including semi-annual interest coupon payments on the Corporation’s fixed debt.
- **Discretionary free cash flow<sup>1</sup> of \$66 million** - which was used primarily, in addition to our Revolving Credit Facility, to purchase and settle US\$77 million aggregate principal amount of our 2025 senior secured 11% notes, as well as fund the Corporation’s quarterly dividend, transaction related costs and

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<sup>1</sup> Non-GAAP financial measure/ratio. Refer to the “Non-GAAP and other specified financial measures” section of this MD&A.

growth capital expenditures. At June 30, 2022, SECURE carried Working Capital<sup>2</sup> of \$199 million, an increase of \$12 million in the quarter.

- **Midstream Infrastructure segment profit margin of 66%** - increased from 59% in the second quarter of 2021, driven by synergies related to the Transaction and increased activity.
- **Environmental and Fluid Management segment profit margin of 24%** - increased from 22% in the second quarter of 2021, primarily driven by synergies related to the Transaction.
- **G&A expense before DD&A and share-based compensation as a percentage of revenue (excluding oil purchase and resale) of 8%** - an improvement of 3% compared to 11% in the second quarter of 2021, driven by synergies related to the Transaction and supported by increased activity levels.
- **Improved our Total Debt to EBITDA covenant ratio<sup>3</sup> to 2.5x** - Adjusted EBITDA and cash generation was supported by an improved commodity pricing environment, increased industry activity and a limited amount of investment in working capital. The Corporation's ability to repay debt was further aided as modest capital spending was required to support our business. The debt reduction is consistent with our current capital allocation objective to target lower debt levels and moves us closer to achieving our near-term debt targets.
- **Settled US\$77 million of our 11% 2025 senior secured notes** - the Corporation remains focused on improving our capital structure and as such, the Corporation opportunistically repurchased US\$77 million aggregate principal amount of our 11% 2025 senior secured notes in the quarter.
- **Liquidity<sup>2</sup> of \$298 million** - decreased by \$92 million from March 31, 2022 primarily due to funding the repurchase of US\$77 million aggregate principal amount of 2025 senior secured notes.

As at June 30, 2022, the Corporation had drawn \$435 million aggregate principal amount on the revolving credit facility and a total of \$108 million of letters of credit ("LCs") have been issued against SECURE's credit facilities resulting in \$298 million of Liquidity (available capacity under SECURE's credit facilities and cash on hand, subject to covenant restrictions).

The following table outlines SECURE's covenant ratios<sup>3</sup>, calculated in accordance with the Corporation's credit facilities, at June 30, 2022, and December 31, 2021:

	June 30, 2022	Covenant	December 31, 2021
Senior Debt to EBITDA	1.2	not to exceed 2.75	1.5
Total Debt to EBITDA	2.5	not to exceed 4.5	3.4
Interest coverage	4.4	not to be less than 2.5	3.4

- **Growth capital expenditures of \$2 million** - related to the expansion of a water disposal facility which is backstopped by a commercial agreement with an existing customer at the facility.
- **Sustaining capital expenditures of \$17 million** - related primarily to well and facility maintenance, landfill cell expansions and asset integrity and inspection programs.
- **Declared dividends of \$2 million** - representing \$0.0075 (0.75 cents) per common share for the quarter.

<sup>2</sup> Capital management measure. Refer to the "Non-GAAP and other specified financial measures" section of this MD&A.

<sup>3</sup> Calculated in accordance with the Corporation's credit facility agreements. Refer to the "Liquidity and Capital Resources" section of this MD&A for additional information.

## OUTLOOK

During the second half of the year, the Corporation expects the benchmark crude oil price will continue to fluctuate supported by macroeconomic factors such as significant inflationary pressures, geopolitical risk premium due to the current war in Ukraine, as well as continued changes to the supply and demand outlook. Notwithstanding the fluctuation in the price of benchmark crude, the economics and producer cash flows remain robust, and therefore we expect strong energy industry activity in the second half of the year. The Corporation will continue to benefit from our focus on cost control, realized synergies from the Transaction and industry activity, including increased demand for drilling and completion services, incremental facility volumes, increased recovered oil revenue and crude oil marketing opportunities.

During the second half of 2022, we expect to see the following:

- Completion of the \$75 million in synergies and cost savings. In the twelve months since the Transaction, we have realized \$67 million or 89% of synergies impacting Adjusted EBITDA on an annual run-rate basis. We expect to execute on the remaining \$8 million of administrative and operational synergies by the end of this year. The operational synergies will contribute a partial benefit in 2022 with the full run rate of \$75 million cost savings in 2023. Additional savings through initiatives such as improving our capital structure as well as minimizing sustaining capital by managing underutilized assets, are expected to provide incremental discretionary free cash flow beyond our \$75 million cost savings target that impact Adjusted EBITDA.
- Increased utilization at our midstream processing facilities as higher drilling, completion and production volumes from increased activity levels require additional treating, processing, terminalling and disposal. The Corporation has significant capacity to increase facility throughput and disposal with minimal incremental fixed costs or additional capital. Higher drilling and completion activity is expected to continue to have a positive impact on our drilling and production services business within the Environmental and Fluid Management segment. In addition, we have been able to pass through price increases to offset some of the cost pressures we are currently experiencing due to higher inflation.
- Increased volumes at the Corporation's industrial landfills and industrial waste facilities as both industry activity and abandonment, remediation and reclamation activity continue to trend higher 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 within Alberta, Saskatchewan and British Columbia, which is scheduled to end in the first quarter of 2023. In addition, there is direction from the Alberta Energy Regulator requiring energy producers and other companies that have retirement obligations related to inactive (non-producing) wells and facilities to spend an amount each year towards addressing those obligations (which amount has recently been increased from \$422 million to \$700 million for 2023), and a similar program initiated by the Saskatchewan provincial government is expected to begin in 2023. SECURE anticipates policy changes to increase abandonment, remediation and reclamation activity to positively impact all of SECURE's Canadian operations, particularly within the Environmental and Fluid Management segment as a result of higher demand for environmental site assessments, onsite abandonment, remediation and reclamation management and decommissioning work.

One of SECURE's key priorities remains debt repayment. As clearly demonstrated in the first half of the year, we expect to use discretionary free cash flow and any proceeds from non-core asset sales to reduce debt further. We will also continue to look for opportunities to improve our capital structure with the ultimate goals of reducing interest costs and increasing flexibility. As we achieve our leverage targets, in addition to strengthening our balance sheet, we are committed to allocating capital towards increased shareholder returns as an important element of our capital allocation framework, as well as incremental organic growth opportunities that provide stable cash flow. These shareholder returns may include further debt repayment, increased dividends, share buybacks, or a combination thereof. SECURE will continue to work diligently to manage inflationary costs that will likely continue through the year; including purchasing materials in bulk, working with customers and negotiating with suppliers or finding alternate suppliers.



We expect sustaining capital in 2022 to be approximately \$55 million, including capital expenditures related to landfill expansions of approximately \$15 million. We expect to incur approximately \$45 million of growth capital in 2022 which will be focused on projects that contain long-term agreements and tie into existing infrastructure that strategically aligns with our customer needs as we both reduce costs and lower emissions. In the first half of 2022, we spent \$27 million in maintenance capital and \$5 million in growth capital. Assisting customers to recycle and reduce wherever possible continues to be part of our long-term strategy and other opportunities such as carbon dioxide infrastructure will continue to be evaluated as part of our Environmental, Social and Governance (“ESG”) goals and business strategy.

### ***Summary***

In closing, industry fundamentals remain favourable and provide support for our business outlook in the second half of 2022. Our priorities are to achieve the remaining \$8 million of run-rate synergies impacting Adjusted EBITDA, continue to optimize operations and realize cost savings between business units, and use our discretionary free cash flow to strengthen our balance sheet by further reducing debt. With our efforts to date and the continuing hard work of our employees, we believe we are well positioned to achieve all of these priorities in the second half of the year.

## **NON-GAAP AND OTHER SPECIFIED FINANCIAL MEASURES**

Certain measures in this MD&A do not have any standardized meaning as prescribed under IFRS and are considered non-GAAP and other specified financial measures as defined in National Instrument 52-112. These measures are identified and presented, where appropriate, together with reconciliations to the most directly comparable 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.

This MD&A includes the following non-GAAP and other specified financial measures: Adjusted EBITDA and Discretionary Free Cash Flow (non-GAAP Financial Measures), Adjusted EBITDA Margin, Adjusted EBITDA per basic and diluted share and Discretionary Free Cash Flow per basic and diluted share (non-GAAP Financial Ratios), Segment Profit Margin (Total of Segment Measure), Working Capital, Total Debt and Liquidity (Capital Management Measures), and certain supplemental financial measures as discussed in this section. These non-GAAP and other specified financial measures are further explained below.

### **Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA per share**

Adjusted EBITDA is calculated as noted in the table below and reflects 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 per basic and diluted share is defined as Adjusted EBITDA divided by basic and diluted weighted average common shares.

Adjusted EBITDA and Adjusted EBITDA margin are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies.

Management believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure to enhance investors' 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 investors and management to evaluate cost efficiency.

The following table reconciles the Corporation's net income (loss), being the most directly comparable financial measure disclosed in the Corporation's Interim Financial Statements, to Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021. For all prior periods, Adjusted EBITDA is reconciled to its most directly comparable financial measure under IFRS in SECURE's MD&A for the respective period. All such reconciliations are in the non-GAAP and other specified financial measures advisory section of the applicable MD&A, each of which are available on SECURE's SEDAR profile at [www.sedar.com](http://www.sedar.com) and each such reconciliation is incorporated by reference herein.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Net income (loss) <sup>(1)</sup></b>	<b>54</b>	(13)	515	<b>92</b>	(14)	(757)
<b>Adjustments:</b>						
Depreciation, depletion and amortization <sup>(1)(2)</sup>	21	30	(30)	77	59	31
Deferred tax expense	14	(3)	(567)	23	(3)	(867)
Share-based compensation <sup>(2)</sup>	5	4	25	10	7	43
Interest, accretion and finance costs <sup>(1)</sup>	24	4	500	49	9	444
Unrealized loss (gain) on mark to market transactions <sup>(3)</sup>	1	—	100	(1)	—	100
Other (income) expense	(1)	2	(150)	(15)	2	(850)
Transaction and related costs	9	7	29	18	11	64
<b>Adjusted EBITDA</b>	<b>127</b>	31	310	<b>253</b>	71	256

<sup>(1)</sup> Prior year amounts have been restated, refer to the "Accounting Policies" section of this MD&A for additional information.

<sup>(2)</sup> Included in cost of sales and/or general and administrative expenses on the Consolidated Statements of Comprehensive Income (Loss).

<sup>(3)</sup> Net balance. Includes amounts presented in revenue and cost of sales on the Consolidated Statements of Comprehensive Income (Loss).

In the three and six months ended June 30, 2022 and 2021, transaction and related costs included costs associated with the Transaction and integration of the acquired Tervita business.

The Corporation also adjusted for other (income) expense resulting mainly from a gain on the sale of non-core assets, primarily vacant agricultural land, realized and unrealized foreign exchange gains or losses, realized and unrealized gains or losses related to the cross currency swaps to hedge foreign exchange exposure on U.S. dollar denominated debt and other non-cash expenses including the loss of control of a former subsidiary and a loss on the settlement of 2025 senior secured notes.

### Discretionary Free Cash Flow and Discretionary Free Cash Flow per share

Discretionary free cash flow is defined as funds flow from operations adjusted for sustaining capital expenditures, and lease payments (net of sublease receipts). 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. Discretionary free cash flow per basic and diluted share is defined as discretionary free cash flow divided by basic and diluted weighted average common shares. For the three and six months ended June 30, 2022 and 2021, transaction and related costs have been adjusted as they are costs outside the normal course of business.

Discretionary free cash flow and discretionary free cash flow per share are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other companies.

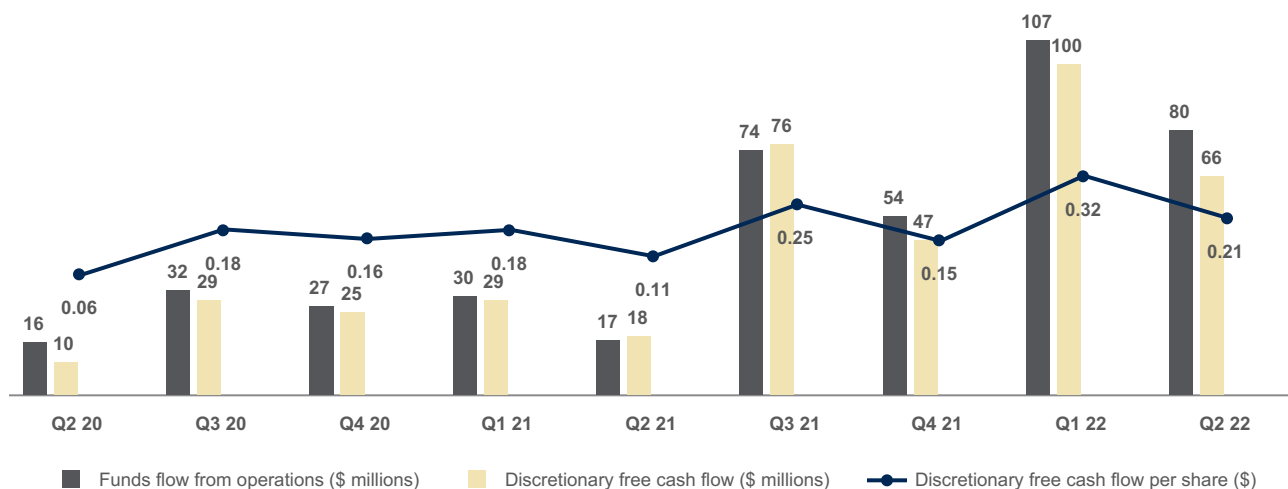
Discretionary free cash flow and discretionary free cash flow per share are used by investors and management to assess the level of cash flow generated from ongoing operations. Management uses the discretionary free cash flow and discretionary free cash flow per share measures to evaluate the adequacy of internally generated cash flow to manage debt levels, invest in the growth of the business, or return capital to our shareholders.

The following table reconciles the Corporation's funds flow from operations, being the most directly comparable financial measure disclosed in the Corporation's Interim Financial Statements, to discretionary free cash flow for the three and six months ended June 30, 2022 and 2021. For all prior periods, discretionary free cash flow is reconciled to its most directly comparable financial measures under IFRS in SECURE's MD&A for the respective periods. All such reconciliations are in the non-GAAP and other specified financial measures advisory section of the applicable MD&A, each of which are available on SECURE's SEDAR profile at [www.sedar.com](http://www.sedar.com) and each such reconciliation is incorporated by reference herein.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Funds flow from operations</b>	<b>80</b>	17	371	<b>187</b>	47	298
<b>Adjustments:</b>						
Sustaining capital <sup>(1)</sup>	(17)	(4)	325	(27)	(6)	350
Lease liability principal payment (net of sublease receipts)	(6)	(2)	200	(12)	(5)	140
Transaction and related costs	9	7	29	18	11	64
<b>Discretionary free cash flow</b>	<b>66</b>	18	267	<b>166</b>	47	253

<sup>(1)</sup> Refer to the "Operational Definitions" section of this MD&A for further information.

### Funds Flow from Operations, Discretionary Free Cash Flow and Discretionary Free Cash Flow per share



### Total Segment Profit Margin

Segment profit margin is calculated as the difference between revenue and cost of sales, excluding depreciation, depletion, amortization, impairment, and share-based compensation expenses. 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. Segment profit margin 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, impairment 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 financial measure disclosed in the Corporation's Interim Financial Statements, to total and consolidated segment profit margin.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Gross margin <sup>(1)</sup></b>	<b>135</b>	17	694	<b>236</b>	42	462
<b>Add:</b>						
Depreciation, depletion and amortization <sup>(1)(2)</sup>	19	27	(30)	72	54	33
Share-based compensation <sup>(2)</sup>	1	1	—	1	1	—
<b>Segment profit margin</b>	<b>155</b>	45	244	<b>309</b>	97	219

<sup>(1)</sup> Prior year amounts have been restated, refer to the "Accounting Policies" section of this MD&A for additional information.

<sup>(2)</sup> These charges are included in cost of sales on the Corporation's Consolidated Statements of Comprehensive Income (Loss).

## Capital management measures

This MD&A includes the following capital management measures: Working Capital, Total Debt and Liquidity. Working Capital is calculated as the difference between current assets less accounts payable and accrued liabilities and interest payable. Liquidity is calculated as the total of cash and the available borrowing amount under the Corporation's Revolving Credit Facility and SECURE LC Facility. Total Debt is calculated as the total of amounts drawn on the Corporation's Revolving Credit Facility and SECURE LC Facility, the principal amount outstanding on the 2025 senior secured notes and the principal outstanding on the 2026 unsecured notes. Management analyzes Working Capital, Total Debt and Liquidity as part of the Corporation's overall capital management strategy to ensure adequate sources of capital are available to maintain operational activities, carry out the Corporation's planned capital program, fund dividend payments and have sufficient cash sources to sustain the business for the long-term. Refer to Note 6 and Note 14 of the Interim Financial Statements for additional information.

## Supplemental financial measures

This MD&A includes funds flow from operations per basic and diluted share as a supplemental financial measure and is calculated as funds flow from operations, as determined in accordance with IFRS, divided by basic and diluted weighted average common shares.

## RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

In order 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 outlined in the '*Corporate Overview*' above, and presented in Note 16 of the Interim Financial Statements.

- **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.

Total G&A 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.

During the second quarter of 2022 an increase to the Company's credit-adjusted risk-free discount rate used in the calculation of net present value of asset retirement obligations resulted in a \$42 million reduction to our liability. In order to reflect the impact of this balance sheet change through the income statement, operating DD&A expense for Midstream Infrastructure and Environmental and Fluid Management were reduced by \$15 million and \$11 million, respectively, for the three months ended June 30, 2022.

The tables below outline the results by reportable segment for the three and six months ended June 30, 2022 and 2021:

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

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

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

<b>Six months ended June 30, 2021</b>	<b>Midstream Infrastructure</b>	<b>Environmental and Fluid Management</b>	<b>Corporate</b>	<b>Total</b>
Revenue excluding oil purchase and resale service	100	149	—	249
Revenue from sale of goods	—	—	—	—
Oil purchase and resale service	924	—	—	924
<b>Total revenue</b>	<b>1,024</b>	<b>149</b>	<b>—</b>	<b>1,173</b>
Cost of sales excluding items listed separately below	(965)	(112)	—	(1,077)
<b>Segment profit margin</b>	<b>59</b>	<b>37</b>	<b>—</b>	<b>96</b>
G&A expenses excluding items listed separately below	(9)	(8)	(8)	(25)
Depreciation, depletion and amortization <sup>(1)(2)</sup>	(40)	(17)	(2)	(59)
Share-based compensation <sup>(1)</sup>	—	—	(7)	(7)
Interest, accretion and finance costs <sup>(2)</sup>	(2)	—	(7)	(9)
Transaction and related costs	—	—	(11)	(11)
Other expense	(2)	—	—	(2)
<b>Income (loss) before tax</b>	<b>6</b>	<b>12</b>	<b>(35)</b>	<b>(17)</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 Income (Loss) based on function of the underlying asset or individual to which the charge relates.

<sup>(2)</sup> Prior year amounts have been restated, refer to the "Accounting Policies" section of this MD&A for additional information.

## MIDSTREAM INFRASTRUCTURE SEGMENT

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

### *Midstream Infrastructure*

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 waste treatment and disposal. SECURE also transports oil and water through pipelines direct to SECURE facilities. Processing services are primarily performed at midstream processing facilities and include waste processing and crude oil emulsion treating. SECURE's midstream processing facilities 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 enhance the service offering associated with SECURE's business of terminalling 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 midstream processing facilities, SECURE meters the crude oil volumes and purchases the crude oil directly from customers. The Corporation then processes, transports to a pipeline-connected midstream processing facility, if necessary, and 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.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue (excluding oil purchase and resale)	164	49	235	322	100	222
Oil purchase and resale	1,723	395	336	3,114	924	237
<b>Midstream Infrastructure Revenue</b>	<b>1,887</b>	<b>444</b>	<b>325</b>	<b>3,436</b>	<b>1,024</b>	<b>236</b>
<b>Cost of Sales</b>						
Cost of sales excluding items noted below	55	20	175	113	41	176
Depreciation <sup>(1)</sup>	3	19	(84)	30	37	(19)
Amortization	3	1	200	6	1	500
Oil purchase and resale	1,723	395	336	3,114	924	237
<b>Midstream Infrastructure Cost of Sales</b>	<b>1,784</b>	<b>435</b>	<b>310</b>	<b>3,263</b>	<b>1,003</b>	<b>225</b>
<b>Segment Profit Margin <sup>(2)</sup></b>	<b>109</b>	<b>29</b>	<b>276</b>	<b>209</b>	<b>59</b>	<b>254</b>
<b>Segment Profit Margin <sup>(2)</sup> as a % of revenue <sup>(3)</sup></b>	<b>66%</b>	<b>59%</b>		<b>65%</b>	<b>59%</b>	

<sup>(1)</sup> Prior year amounts have been restated, refer to the "Accounting Policies" section of this MD&A for additional information.

<sup>(2)</sup> Calculated as revenue less cost of sales excluding depreciation, depletion, amortization and impairment.

<sup>(3)</sup> Excluding oil purchase and resale.

### *Revenue (Midstream Infrastructure segment)*

Revenue (excluding oil purchase and resale) of \$164 million for the three months ended June 30, 2022, increased 235% from the 2021 comparative period. Through the Transaction, SECURE increased its facility footprint substantially, which when combined with increasing oil and gas activity, drove increased volumes and

higher realized prices for recovered oil, as well as more volumes for marketing and blending opportunities, all resulting in a significant increase in revenue.

For the six months ended June 30, 2022, revenue (excluding oil purchase and resale) increased 222% from the 2021 comparative period driven by the same factors described above.

The table below outlines average benchmark prices and volumes received at the Corporation's facilities for the three and six months ended June 30, 2022 and 2021.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Average Benchmark Prices and Volumes</b>						
WTI (US\$/bbl)	\$ 108.41	\$ 66.03	64	\$ 101.35	\$ 61.94	64
Canadian Light Sweet (\$/bbl)	\$ 136.34	\$ 76.29	79	\$ 127.00	\$ 72.46	75
Water disposal volumes (in 000's m3)	2,233	1,036	116	4,407	2,078	112
Processing volumes (in 000's m3)	919	339	171	1,854	718	158
Recovery volumes (in 000's m3)	67	26	158	133	52	156
Crude oil terminalling and pipeline volumes (in 000's m3)	1,357	808	68	2,592	1,643	58

Water disposal and processing volumes for the three months ended June 30, 2022, increased by 116% and 171%, respectively, from the 2021 comparative period as through the Transaction, SECURE increased its facility footprint resulting in a substantial increase in volumes. In addition, improved overall production levels and higher waste processing volumes corresponding to increased drilling and completion activity positively impacted results in the first half 2022. For the six months ended June 30, 2022, water disposal and processing volumes increased by 112% and 158%, respectively, from the 2021 comparative period driven by the same factors described for the three months ended June 30, 2022.

For the three and six months ended June 30, 2022, oil volumes recovered through our processing operations increased by 158% and 156%, respectively, from the 2021 comparative periods, consistent with overall volume variances at the Corporation's midstream processing facilities as described above.

Crude oil terminalling and pipeline volumes increased by 68% and 58% for the three and six months ended June 30, 2022, from the respective 2021 comparative periods primarily due to the number of facilities acquired through the Transaction.

Oil purchase and resale revenue for the three and six months ended June 30, 2022, increased 336% and 237% from the 2021 comparative periods to \$1.7 billion and \$3.1 billion, respectively. The increase is primarily driven by the increase in marketing volumes associated with the midstream facilities acquired through the Transaction. In addition, revenue increased as a result of a 79% and 75% increase in Canadian light oil benchmark pricing during the three and six months ended June 30, 2022.

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

Cost of sales from Midstream Infrastructure services, excluding depreciation, amortization and oil purchase and resale, increased 175% and 176% for the three and six months ended June 30, 2022, from the 2021 comparative periods. The increase in cost of sales is primarily a result of higher costs associated with the increase in the Midstream Infrastructure segment's facility footprint and associated activity levels, consistent with the increase in revenue, as a result of the Transaction.

Operating DD&A expense included in cost of sales relates primarily to the Midstream Infrastructure segment's facilities, and any gains or losses on the sale or disposal of equipment. For the three months ended June 30, 2022, operational DD&A decreased by 70% from the 2021 comparative period driven by adjustments associated with the change in asset retirement obligations in the quarter. For the six months ended June 30, 2022, operational DD&A was flat from the 2021 comparative period, primarily attributable to the increase in asset base associated with the Transaction, offset by asset retirement obligation adjustments and



the write-downs recorded in the fourth quarter of 2021 attributable to the suspension or closure of facilities to maximize efficiencies of the existing facility network.

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

The Midstream Infrastructure segment's profit margin increased 276% for the three months ended June 30, 2022, from the 2021 comparative period consistent with the increase in revenue described above. As a percentage of Midstream Infrastructure revenue (excluding oil purchase and resale), segment profit margin was 66% for the three months ended June 30, 2022, compared to 59% for the same period of 2021. The increase in segment profit margin as a percentage of revenue (excluding oil purchase and resale) is attributable to higher disposal, processing, terminalling and pipeline volumes, higher oil prices leading to higher recovered oil and crude oil marketing revenue, as well as the benefit from the realized integration cost savings associated with the Transaction.

For the six months ended June 30, 2022, the Midstream Infrastructure segment's profit margin increased 254% from the 2021 comparative period due to the factors described above. As a percentage Midstream Infrastructure revenue (excluding oil purchase and resale), segment profit margin was 65% for the six months ended June 30, 2022, compared to 59% for the same period of 2021.

### **G&A Expenses (Midstream Infrastructure segment)**

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
G&A expense excluding depreciation and amortization	7	5	40	15	9	67
Depreciation and amortization	—	1	(100)	1	2	(50)
<b>Midstream Infrastructure G&amp;A expense</b>	<b>7</b>	<b>6</b>	<b>17</b>	<b>16</b>	<b>11</b>	<b>45</b>
<b>% of Midstream Infrastructure revenue <sup>(1)</sup></b>	<b>4%</b>	<b>10%</b>		<b>5%</b>	<b>9%</b>	

<sup>(1)</sup> Calculated based on G&A expense excluding depreciation and amortization and revenue excluding oil purchase and resale.

G&A expense excluding depreciation and amortization of \$7 million and \$15 million for the three and six months ended June 30, 2022, increased by \$2 million and \$6 million from the respective 2021 comparative periods. The increase is primarily due to incremental expenses associated with the Tervita business acquired in the Transaction. The Corporation continues to maintain cost control measures limiting discretionary spending.

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

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Midstream Infrastructure Income before Tax</b>	<b>95</b>	<b>—</b>	<b>100</b>	<b>153</b>	<b>6</b>	<b>2,450</b>

The Midstream Infrastructure segment's income before tax was \$95 million and \$153 million for the three and six months ended June 30, 2022, compared to \$nil and \$6 million in the respective 2021 comparative periods. The increase is primarily driven by the increase in segment profit margin as a result of the Transaction and lower depreciation and amortization.

## **ENVIRONMENTAL AND FLUID MANAGEMENT SEGMENT**

The Environmental and Fluid Management 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, waste treatment and recycling, emergency response, rail services, metal recycling, as well as fluid management for drilling, completion and production activities. Services offered include disposal of oilfield and industrial solid wastes into SECURE's owned, operated or managed landfill network located in western Canada and North Dakota; project assessment and planning; demolition and decommissioning; remediation and reclamation; and emergency response. Metal

recycling includes the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations.

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Environmental and Fluid Management Revenue</b>	<b>191</b>	68	181	<b>392</b>	149	163
<b>Cost of Sales</b>						
Cost of sales excluding items noted below	145	53	174	292	112	161
Depreciation	6	5	20	13	12	8
Depletion	7	2	250	23	4	475
<b>Environmental and Fluid Management Cost of Sales</b>	<b>158</b>	60	163	<b>328</b>	128	156
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>46</b>	15	207	<b>100</b>	37	170
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue</b>	<b>24%</b>	22%		<b>26%</b>	25%	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation, depletion, amortization and impairment.

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

The Environmental and Fluid Management segment revenue increased 181% to \$191 million for the three months ended June 30, 2022, from the 2021 comparative period. The increase was largely driven by the impacts of the Transaction which increased SECURE's landfill facility footprint and increased revenue in existing environmental management service offerings. In addition, revenue increased as a result of new services acquired through the Transaction that expanded SECURE's environmental management service offerings to include hazardous and non-hazardous waste disposal facilities, waste treatment, metal recycling facilities and rail services. The revenue generated from the metal recycling facilities acquired in the Transaction has significantly increased driven by metal prices that have been at record high levels since 2021.

The revenue increase was also driven by substantial growth in services related to drilling and completion activity compared to the corresponding 2021 period which was impacted by lower drilling and completion activity as commodity prices were still recovering from 2020 lows and producers were cautious in ramping up their drilling programs. Activity levels started to recover in the second half of 2021 and continued through the first half of 2022. The higher activity levels resulted in increased revenues generated from our drilling fluids business and higher drilling waste volumes at the Corporation's industrial landfills.

For the six months ended June 30, 2022, Environmental and Fluid Management segment revenue increased 163% to \$392 million driven by the same factors described above.

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

Cost of sales excluding DD&A and impairment increased 174% and 161% for the three and six months ended June 30, 2022, from the 2021 comparative periods. The increase is primarily due to the impacts from the Transaction as a 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. Cost of sales was also impacted by higher disposal costs due to increased leachate generation at the Corporation's industrial landfills which is impacted by wet weather. The Corporation has also been experiencing inflationary pressures most notably in our Fluids Management business.

Operating DD&A expense increased by 86% to \$13 million for the three months ended June 30, 2022 from the 2021 comparative period. The DD&A increase relates primarily to higher landfill cell depletion resulting from higher volumes in 2022 as well as the incremental depletion and depreciation associated with the assets acquired in the Transaction, partially lowered by the impact of discount rate changes in landfills' asset retirement obligations and the associated asset values. For the six months ended June 30, 2022, operating DD&A expense increased by 125% to \$36 million driven by the same factors described above.

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

Segment profit margin increased 207% and 170% to \$46 million and \$100 million for the three and six months ended June 30, 2022, respectively, from the 2021 comparative periods primarily due to the positive impact of the Transaction. For the three and six months ended June 30, 2022, segment profit margin as a percentage of revenue was 24% and 26%, respectively, which is in line with the 22% and 25% segment profit margins in the prior year comparative periods.

### **G&A Expenses (Environmental and Fluid Management segment)**

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
G&A expense excluding depreciation and amortization	10	4	150	17	8	113
Depreciation and amortization	1	1	—	2	1	100
<b>Environmental and Fluid Management G&amp;A Expense</b>	<b>11</b>	<b>5</b>	<b>120</b>	<b>19</b>	<b>9</b>	<b>111</b>
<b>% of Environmental and Fluid Management revenue <sup>(1)</sup></b>	<b>5%</b>	<b>6%</b>		<b>4%</b>	<b>5%</b>	

<sup>(1)</sup> Calculated based on G&A expense excluding depreciation and amortization.

G&A expenses of \$10 million and \$17 million for the three and six months ended June 30, 2022, increased \$6 million and \$9 million, respectively, from the 2021 comparative periods. The increase is primarily due to incremental expenses associated with the Tervita business acquired pursuant to the Transaction. Excluding depreciation and amortization, G&A expenses as a percentage of the segment's revenue was 5% and 4% for the three and six months ended June 30, 2022, respectively, compared to 6% and 5% in the comparative prior year periods. The decrease is primarily due to the significant increase in revenue as described above.

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

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Environmental and Fluid Management Income before Tax</b>	<b>21</b>	<b>3</b>	<b>600</b>	<b>47</b>	<b>12</b>	<b>292</b>

The Environmental and Fluid Management segment income before tax increased by \$18 million to \$21 million for the three months ended June 30, 2022, primarily driven by the increase in segment profit margin, partially offset by higher DD&A.

For the six months ended June 30, 2022, Environmental and Fluid Management segment income before tax increased by \$35 million to \$47 million driven by the same factors described above and a gain on disposition recognized in other income, partially offset by higher DD&A. The gain on disposition is related to the sale of a non-core consulting service line in the Environmental Solutions business that was not material to SECURE.

## CORPORATE INCOME AND EXPENSES

### Corporate G&A Expenses

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
G&A expenses excluding items noted below	12	4	200	23	8	188
Depreciation and amortization	1	1	—	2	2	—
Share-based compensation expense	4	3	33	9	6	50
<b>Total Corporate G&amp;A expenses</b>	<b>17</b>	<b>8</b>	<b>113</b>	<b>34</b>	<b>16</b>	<b>113</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.

Corporate G&A expenses excluding DD&A and share-based compensation expense increased \$8 million to \$12 million for the three months ended June 30, 2022, from the comparative 2021 period, primarily as a result of a larger Corporate function due to the increased size of SECURE following the completion of the Transaction. For the six months ended June 30, 2022, Corporate G&A expenses increased \$15 million to \$23 million due to the same factors described above.

Share-based compensation included in G&A expenses of \$4 million and \$9 million for the three and six months ended June 30, 2022, respectively, increased by \$1 million and \$3 million from the corresponding prior year comparative periods. The increase was primarily a result of higher number of units outstanding and higher fair value at grant date associated with the units in the first quarter of 2022 compared to the comparative periods in 2021, and revaluing the liability associated with cash-settled units at a higher period end share price compared to the 2021 periods.

### Transaction and Related Costs

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Transaction and related costs</b>	<b>9</b>	<b>7</b>	<b>29</b>	<b>18</b>	<b>11</b>	<b>64</b>

Transaction and related costs recorded to the Corporate segment were \$9 million for the three months ended June 30, 2022, 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, transaction and related costs recorded to the Corporate segment were \$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.

All of the costs recorded for the three and six months ended June 30, 2021, related to legal and advisory fees in order to advance the Transaction.

### Interest and Finance Costs

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Interest and finance costs</b>	<b>22</b>	<b>3</b>	<b>633</b>	<b>44</b>	<b>7</b>	<b>529</b>

Corporate interest and finance costs includes interest expense (net of amortization of the fair value premium associated with the 2025 senior secured notes), amortization of financing fees, interest expense on lease liabilities and all realized and unrealized gains or losses related to interest rate swaps on the Corporation's senior secured credit facilities.

Overall interest and finance costs increased 633% and 529% to \$22 million and \$44 million for the three and six months ended June 30, 2022, respectively, from the 2021 comparative periods. On the completion of the Transaction, SECURE assumed Tervita's debt which included amounts owing under a revolving credit facility and the 2025 senior secured notes. The assumption of Tervita's debt resulted in an increase to average debt outstanding and a higher weighted average interest rate than the comparative prior year period. Refer to the 'Liquidity and Capital Resources' section of this MD&A for details of SECURE's debt borrowings and Note 12 in the Interim Financial Statements for additional information related to interest and finance costs.

### **Other Income**

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Other income</b>	<b>1</b>	—	100	<b>12</b>	—	100

Other income for the six months ended June 30, 2022, primarily includes a gain on the sale of vacant land. In addition it includes all realized and unrealized foreign exchange gains and losses and all realized and unrealized gains or losses related to the cross currency swaps to hedge foreign exchange exposure on U.S. dollar denominated debt.

### **Foreign Currency Translation Adjustment**

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Foreign currency translation (gain) loss, net of tax</b>	<b>(2)</b>	4	(150)	<b>(1)</b>	6	(117)

For the three and six months ended June 30, 2022, the foreign currency translation gain amounted to \$2 million and \$1 million, respectively. This gain relates 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 six months ended June 30, 2022, at a higher period end rate due to the depreciation of the Canadian dollar relative to the U.S. dollar during each respective period. The foreign currency translation adjustment included in the consolidated statements of comprehensive income (loss) does not impact net income (loss) for the period.

### **Income Taxes**

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Deferred tax expense (recovery)</b>	<b>14</b>	(3)	(567)	<b>23</b>	(3)	(867)

For the three and six months ended June 30, 2022, the Corporation's income tax expense was \$14 million and \$23 million, respectively, compared to a recovery of \$3 million for the three and six months ended June 30, 2021. The variance in the quarter is as a result of higher pre-tax income in the current year periods.

## **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 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.

The second quarter of 2022 was unseasonably warm, resulting in a shorter spring break-up period that did not impact activity levels as significantly as compared to previous years.

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

(\$ millions except share and per share data)	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (excluding oil purchase and resale)	355	359	327	317	117	132	119	103
Oil purchase and resale	1,723	1,391	1,013	936	395	529	356	349
Total revenue	2,078	1,750	1,340	1,253	512	661	475	452
Net income (loss) attributable to shareholders of SECURE <sup>(1)</sup>	54	38	(166)	(22)	(13)	—	(39)	(4)
Per share - basic and diluted	0.17	0.12	(0.54)	(0.07)	(0.08)	—	(0.25)	(0.03)
Per share - diluted	0.17	0.12	(0.54)	(0.07)	(0.08)	—	(0.25)	(0.03)
Weighted average shares - basic	309,831,621	308,833,319	308,135,731	306,474,523	160,358,466	159,540,722	158,664,323	158,577,224
Weighted average shares - diluted	313,071,825	312,043,772	308,135,731	306,474,523	160,358,466	159,540,722	158,664,323	158,577,224
Adjusted EBITDA <sup>(2)</sup>	127	126	111	105	31	40	36	37

<sup>(1)</sup> Represents net (loss) income from continuing operations and total net (loss) income attributable to shareholders of SECURE. Prior year amounts have been restated, refer to the "Accounting Policies" section of this MD&A for additional information.

<sup>(2)</sup> Refer to the "Non-GAAP measures" section of this MD&A for further information.

### Quarterly Review Summary

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

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 the effects of the COVID-19 pandemic and oversupply concerns stemming from failed negotiations between OPEC+ countries on production curtailments began to have an adverse impact on the Corporation's results in March 2020, and resulted in a decrease in production volumes due to temporary shut-ins of uneconomic production by producers and drilling and completion activity as customers spending levels reduced. In response to the COVID-19 pandemic and the impacts on the oil and gas industry, the Corporation took significant measures to reduce its cost structure to align with expected industry activity levels.

Starting in the first quarter of 2021, higher crude oil prices resulted in improved activity levels across all business units and increased utilization at a number of the Corporation's midstream processing facilities and landfills as higher drilling, completion and production volumes from increased activity levels required treating, processing and disposal. The higher drilling and completion activity positively impacted the drilling fluids and production services business in the Environmental and Fluid Management segment.

During the third quarter of 2021, the Corporation closed the Transaction which significantly impacted the results in the second half of 2021 as SECURE increased its Midstream Infrastructure footprint and expanded its Environmental and Fluid Management service offerings.

During the fourth quarter of 2021, the Corporation recorded a non-cash impairment charge of \$247 million attributable to the suspension or closure of facilities in order to achieve the integration cost savings related to the Transaction and assets assigned value in the purchase price allocation of the Transaction that do not have continuing value to SECURE.

Since the close of the Transaction, the Corporation has executed on realizing the integration cost savings identified at the time of the Transaction and along with the continued improvement in oil prices and corresponding increase in industry activity, has seen positive impacts on the quarter over quarter results.

## **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, to sustain the business for the long-term.

Management considers capital to be the Corporation's working capital (current assets less accounts payable and accrued liabilities and interest payable), total amounts drawn on debt borrowings (Revolving Credit Facility, 2025 senior secured notes and 2026 unsecured notes) and 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 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 incurred capital expenditures compared to authorized limits, Adjusted EBITDA on all of its operations, discretionary free cash flow and the covenant ratios as defined in the Corporation's lending agreements which are discussed further below.

### ***Debt Borrowings***

The Corporation's debt borrowings as at June 30, 2022 consisted of:

- The Revolving Credit Facility, an \$800 million three-year Revolving Credit Facility with nine financial institutions (with a maturity date of July 2, 2024). All the amounts borrowed under the Revolving Credit Facility are secured by substantially all tangible and intangible assets owned by the Corporation. Total amount drawn was \$435 million. LCs issued against the Revolving Credit Facility in the amount of approximately \$80 million reduce the amount available to be drawn under the Revolving Credit Facility.
- The SECURE LC Facility, a \$30 million unsecured letter of credit facility guaranteed by Export Development Canada. At June 30, 2022, SECURE has currently issued LCs in the amount of approximately \$28 million against the SECURE LC Facility.
- The 2025 senior secured notes, consisting of US\$223 million aggregate principal amount of 11% senior second lien secured notes due December 1, 2025. These are subordinate to the Revolving Credit Facility and are secured by substantially all tangible and intangible assets owned by the Corporation.
- The 2026 unsecured notes, consisting of \$340 million aggregate principal amount of 7.25% unsecured notes due December 30, 2026. \$140 million aggregate principal amount of the 2026 unsecured notes were issued at a price of \$100.75, representing a yield of approximately 7.0%.

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, reducing SECURE's weighted average interest cost. The settlements were completed in May and June 2022 and were funded by discretionary free cash flow and funds available under the Revolving Credit Facility.

Amounts borrowed under the Revolving Credit Facility bear interest at the Corporation's option of either the Canadian prime rate plus 1.50% to 3.00% or the bankers' acceptance rate plus 2.50% to 4.00%, depending, in each case, on the ratio of Total Debt to EBITDA as defined in the Revolving Credit Facility. Interest on \$130 million of the Revolving Credit Facility has been fixed at 5.5% per annum through the use of interest rate swaps until July 31, 2022.

The interest payments on the 2025 senior secured notes and 2026 unsecured notes occur in June and December during the term of the debt. This will typically result in lower discretionary free cash flow generated in the second and fourth quarter.

The Corporation has entered into cross currency swaps 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 cross currency swaps 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 and was recorded in other liabilities on the consolidated statements of financial position.

The Corporation's credit ratings issued by S&P Global Ratings ("S&P"), Fitch Ratings ("Fitch") and Moody's Investor Service, Inc. ("Moody's"), providing increased transparency and comparability for debt investors and other capital market participants, remained unchanged as at June 30, 2022 as follows:

	S&P	Fitch	Moody's
Corporate Rating	B	B+	B1
2025 senior secured notes	BB-	BB	B1
2026 unsecured notes	B	B+	B3

### ***Revolving Credit Facility Covenants***

At June 30, 2022, the Corporation was in compliance with all financial covenants contained in the Revolving Credit Facility.

The following table outlines SECURE's covenant ratios, calculated in accordance with the Revolving Credit Facility, at June 30, 2022, and December 31, 2021:

	June 30, 2022	December 31, 2021	% Change
Senior Debt to EBITDA	1.2	1.5	(20)
Total Debt to EBITDA	2.5	3.4	(26)
Interest coverage	4.4	3.4	29

### ***Issued capital***

Issued capital of \$1.7 billion increased 1% at June 30, 2022, compared to December 31, 2021, as a result of the common shares issued through the conversion of restricted share units and performance share units into common shares under the Corporation's Unit Incentive Plan during the six months ended June 30, 2022.

### ***Liquidity risk***

Liquidity risk is the risk that the Corporation will not be able to meet our financial obligations when 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.

The Corporation is impacted by oil and gas prices, which can be susceptible to volatility at times, and their impacts on drilling and completion activity. SECURE's Midstream Infrastructure reportable segment is highly concentrated on production volumes or related services that historically represent approximately 75% of the segment's segment profit margin. 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.

Since October 2020, the Corporation has declared a quarterly dividend of \$0.0075 (0.75 cents) per common share. Subsequent to the close of the Transaction, the Corporation maintained the quarterly dividend at \$0.0075 (0.75 cents) per common share. The decision whether or not to pay dividends and the amount of any such dividends are subject to the sole discretion of the Board, which regularly evaluates the Corporation's proposed dividend payments.

SECURE believes the sharing of excess cash flows with shareholders is a core business principle; as a result, management and the Board 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, tax, transaction and implementation costs, and will look for opportunities to return additional



capital after the successful integration of the business acquired pursuant to the Transaction and as business conditions warrant.

To meet financial obligations, the Corporation may adjust the amount of its dividends, draw on the Revolving Credit 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 future depending on the economic and operating environment. Refer to the "Access to Capital" discussion in the "Risk Factors" section of the Corporation's AIF.

The Corporation expects to direct a majority of its Discretionary Free Cash Flow to repaying debt in 2022 which should result in improvement in the Corporation's liquidity position.

As at June 30, 2022, the Corporation had \$298 million in Liquidity consisting of \$11 million in cash and \$287 million in available borrowing capacity on its Revolving Credit Facility and SECURE LC Facility, subject to covenant restrictions. Refer to Note 21 of the Annual Financial Statements for further disclosure of the Corporation's liquidity risk and Note 15 of the Interim Financial Statements for details of the Corporation's contractual obligations and contingencies at June 30, 2022.

The following provides a summary and comparison of the Corporation's operating, investing and financing cash flows for the three and six months ended June 30, 2022 and 2021.

### Net Cash Flows from Operating Activities

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Net cash flows from operating activities	68	20	240	168	44	282

The Corporation generated cash flows from operating activities of \$68 million for the three months ended June 30, 2022, an increase of \$48 million from the prior year comparative period. Higher Adjusted EBITDA in the current year period was partially offset by transaction related costs and a \$15 million increase in non-cash working capital for the three months ended June 30, 2022 compared to the comparative 2021 period.

For the six months ended June 30, 2022, the Corporation generated cash flows from operating activities of \$168 million, an increase of 282% from the comparative period of 2021. The increase was driven by the same factors described above.

### Investing Activities

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Capital expenditures <sup>(1)</sup>						
Growth capital expenditures	2	3	(33)	5	7	(29)
Sustaining capital expenditures	17	4	325	27	6	350
Total capital expenditures	19	7	171	32	13	146

<sup>(1)</sup> Refer to the "Operational definitions" section of this MD&A for further information.

The Corporation's total capital expenditures increased by \$12 million and \$19 million for the three and six months ended June 30, 2022, respectively, from the corresponding 2021 comparative periods driven primarily by the increased facility footprint following the Transaction. Of the total spend, \$17 million and \$27 million related to sustaining capital during the three and six months ended June 30, 2022. Growth capital of \$2 million and \$5 million for three and six months ended June 30, 2022, related largely to the expansion of a water disposal facility which is backstopped by a commercial agreement with an existing customer at the facility.

In the prior year comparative periods, growth capital expenditures incurred related largely to connecting an additional segment of the East Kaybob oil pipeline that was first commissioned in 2020.

### Financing Activities

	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Draw (repayment) of credit facilities	64	(9)	(811)	(26)	(16)	63
Settlement of 2025 senior secured notes	(109)	—	100	(109)	—	100
Issuance of unsecured notes	—	200	(100)	—	200	(100)
Financing fees	—	(5)	(100)	—	(5)	(100)
Lease liability principal payments	(6)	(2)	200	(12)	(5)	140
Dividends	(2)	(1)	100	(4)	(2)	100
Net cash flows (used in) from financing activities	(53)	183	(129)	(151)	172	(188)

During the three months ended June 30, 2022, the Corporation reduced Total Debt by \$23 million, including settling US\$77 million aggregate principal amount of our 2025 senior secured notes. The reduction of Total Debt was funded by discretionary free cash flow generated during the quarter.

The Corporation pays a quarterly dividend of \$0.0075 (0.75 cents), resulting in a spend of \$2 million and \$4 million for the three and six months ended June 30, 2022, respectively. On June 15, 2022, the Corporation declared a quarterly dividend of \$0.0075 (0.75 cents), which was paid to shareholders of record on July 1, 2022.

### CONTRACTUAL OBLIGATIONS

Refer to Note 15 of the Interim Financial Statements for disclosure related to contractual obligations.

### BUSINESS RISKS

A discussion of SECURE's business risks is set out in the AIF under the heading 'Risk Factors', which is incorporated by reference herein, including risks related to the Transaction and the business acquired in connection therewith. 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 of significance to this MD&A. If any of the risks or uncertainties set out in the AIF or this MD&A actually occur, the Corporation's business, financial condition, operating results or share price could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.

#### Inflation

If our development, operation or labour costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through corresponding increases in the costs of our products and services to our customers. Our inability or failure to do so could harm our business, financial condition and results of operations. Further, there can be no assurance that any governmental action to mitigate inflationary cycles will be taken or be effective. Central banks have increased interest rates in response to inflation, and additional rate increases are expected. Governmental action, such as the imposition of higher interest rates or wage controls, may also negatively impact SECURE's costs and may magnify the risks identified in this MD&A and in the AIR, including as set out under the heading 'Risk Factors - Interest Rates' in the SECURE's AIF. Continued inflation, any governmental response thereto, or SECURE's inability to offset inflationary effects may have a material adverse effect on our business, results of operations, financial condition or value of our share price.

### *International Conflict*

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets, as well as increased cybersecurity risks. The global economy has been greatly affected by the war between Russia and Ukraine. The ongoing conflict and associated sanctions levied against Russia have led to sharp increases in, and supply shortages of, key commodities. Uncertainty regarding the duration and ultimate effects of the war have raised global concerns over the potential for major disruptions in oil and natural gas supply and continuing commodity price volatility. Any additional sanctions or other international action may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. Specifically, as a major exporter of oil and natural gas, any disruption of supply of oil and natural gas from Russia may cause a supply shortage globally and significantly impact commodity prices. Volatility in commodity prices may adversely affect our business, financial condition and results of operations. Reductions in commodity prices may affect oil and natural gas activity levels and therefore adversely affect the demand for, or price of, our services.

The extent and duration of the war in Ukraine and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified by the Corporation in the AIF, including those relating to commodity price volatility and global financial conditions. The situation is rapidly changing and unforeseeable impacts, including on SECURE, our stakeholders, and counterparties on which we rely and transact with, may materialize and may have an adverse effect on our business, results of operation and financial condition.

### *Competition Act Matters*

On June 29, 2021, the Commissioner of Competition (the “Commissioner”) filed an application under Section 92 of the Competition Act (the “Section 92 Application”) with the Competition Tribunal and served SECURE with a notice of application to block the closing of the Transaction under Section 92 of the Competition Act. Since then the Section 92 Application was amended to seek the divestiture of unspecified assets. The a hearing of the Commissioner's application under Section 92 of the Competition Act was held in the second quarter of 2022.

SECURE believes that the Transaction will be beneficial to customers and result in significant cost savings and other efficiencies that will benefit SECURE, its customers, and the Canadian economy. In connection with, or as a result of, a challenge by the Commissioner of the Transaction under the Competition Act, including the Commissioner's pending application under Section 92 of the Competition Act (“the Application”), SECURE may be required to divest certain of its assets or be subject to another remedy (including a behavioral remedy) which in any case may adversely affect SECURE's ability to achieve the anticipated benefits of the Transaction and financial projections related thereto. SECURE may incur significant costs in connection with its defense of the Application and any additional challenge by the Commissioner to the Transaction. SECURE believes the resolution of such proceedings will not be material to the Corporation's asset base or Adjusted EBITDA.

### *Oil Prices and the COVID-19 Pandemic*

The rapid global spread of COVID-19, and its variants, and measures taken in response by governments and health authorities around the world, including travel restrictions, quarantines, business and school closures, and restrictions on public gatherings, resulted, and may again result in, the significant slow-down in economic activity and reduce the demand for and price of commodities closely linked to SECURE's business and financial condition. The Corporation's business, operations and financial condition could be materially adversely affected by the COVID-19 pandemic or other outbreaks, epidemics, or other health crises.

While demand is normalizing and many jurisdictions have adjusted or lifted restrictions in response to changing infection rates, the situation remains fluid as COVID-19 and its variants, some of which may be more transmissible and carry increased health risks, continue to be a concern. Governments are continuing to closely monitor the spread of COVID-19 and its variants, which may lead to the maintenance or reintroduction of emergency measures to counter any resurgence of such viruses. Accordingly, ongoing uncertainty with respect

to the pandemic, including the potential of further commodity price volatility and changes to global financial conditions, may have significant adverse impacts on the Corporation.

The situation is dynamic and the ultimate duration and scope of the effect of the COVID-19 pandemic on future developments cannot be predicted at this time, including the rate and extent to which normal economic and operating conditions resume; and the impact of these and other factors on SECURE's stakeholders, particularly those upon whom the Corporation has a major reliance, including its customers, vendors and employees. Estimates and judgments made by management in the preparation of the Interim Financial Statements are subject to a higher degree of measurement uncertainty during a volatile period. For a full discussion of SECURE's risks related to the COVID-19 pandemic, see "*Risk Factors – COVID-19 Pandemic*" in the AIF.

### **OUTSTANDING SHARE CAPITAL**

As at July 26, 2022, there are 309,868,588 common shares issued and outstanding. In addition, as at July 26, 2022, the Corporation had the following share-based awards outstanding and exercisable or redeemable:

<b>Balance as at July 26, 2022</b>	<b>Issued</b>	<b>Exercisable</b>
Restricted Share Units	1,931,594	—
Performance Share Units	4,153,801	—

### **OFF-BALANCE SHEET ARRANGEMENTS**

At June 30, 2022 and December 31, 2021, the Corporation did not have any material off-balance sheet arrangements.

### **FINANCIAL AND OTHER INSTRUMENTS**

As at June 30, 2022, the Corporation's financial instruments include cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, interest payable, the Revolving Credit Facility, 2025 senior secured notes, 2026 unsecured notes, lease liabilities and derivative instruments. The fair values of these financial instruments approximate their carrying amount due to the short-term maturity of the instruments, except for the Revolving Credit Facility, 2025 senior secured notes and the 2026 unsecured notes. The Revolving Credit Facility's carrying value approximate its fair values due to the variable interest rates applied, which approximate market interest rates. The fair value of the 2026 unsecured notes is influenced by changes in risk-free interest rates and the market assessment of credit risk. The fair value of the 2025 senior secured notes is influenced by the same factors as the 2026 unsecured notes as well as foreign currency fluctuation.

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 21 of the Corporation's Annual Financial Statements.

Of the Corporation's financial instruments, cash, accounts receivable and accrued receivables 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. A significant portion 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.

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 Revolving Credit 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 and the 2025 senior secured notes are U.S. dollar denominated debt. On March 5, 2021, the Financial Conduct Authority, the regulatory supervisor of USD LIBOR's administrator, announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, one-month, three-month, six-month, and 12-month USD LIBOR tenor settings. A replacement of LIBOR, if and when concluded, will replace LIBOR as the benchmark for U.S. dollar loans under the terms of our Revolving Credit Facility. To the extent that the Corporation borrows under the Revolving Credit Facility, the Corporation is at risk to rising interest rates and foreign exchange rates in addition to its exposure to rising foreign exchange rates with respect to its senior secured notes. Exposure to foreign exchange rate changes is mitigated using cross currency swaps to hedge foreign exchange exposure on U.S. denominated 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 \$130 million of funds drawn on its Revolving Credit 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 new accounting standards or amendments to IFRS issued that materially impacted the Interim Financial Statements.

### ***Voluntary Change in Accounting Policy***

As disclosed in Note 2 of the Annual Financial Statements, 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 discount rate. Under the Corporation's previous accounting policy, SECURE used a risk-free discount rate based on the Bank of Canada published bond rates in the measurement of the present value of its asset retirement obligations. 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 consolidated financial statements to those of its peers.

Management has applied the voluntary change in accounting policy retrospectively. The Interim Financial Statements have been restated to reflect adjustments made as a result of this change. The tables below present the impact of the change in accounting policy to the consolidated statements of comprehensive loss and the statements of cash flows, for each of the line items impacted.

## a) Impacts on the Consolidated Statements 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 <sup>(1)</sup>	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)

<sup>(1)</sup> The change in accounting policy impacted depreciation and depletion which is included in cost of sales.

## b) Impacts on the Consolidated Statements of Cash Flow

	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

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the Corporation's Interim 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 Interim 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 Interim Financial Statements have been set out in Note 3 of each of the Corporation's Interim Financial Statements and 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, 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 June 30, 2022 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

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**

On June 29, 2021 the Commissioner of Competition filed the Section 92 Application with the Competition Tribunal seeking 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 asset base or Adjusted EBITDA. See "Risk Factors – Competition Act Matters" in the AIF for further information on the proceedings under the Competition Act relating to the Transaction.

Refer to Note 15 of the Corporation's Interim Financial Statements for disclosure related to legal proceedings and regulatory actions and its impact on contingencies.

## **RELATED PARTIES**

Refer to Note 23 of the Corporation's Annual Financial Statements for disclosure of related parties. There have been no other material related party transactions or significant changes to those disclosed in the Annual Financial Statements.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained or incorporated by reference in this MD&A 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 MD&A, the words "achieve", "advance", "anticipate", "believe", "can be", "capacity", "commit", "continue", "could", "deliver", "drive", "enhance", "ensure", "estimate", "execute", "expect", "focus", "forecast", "forward", "future", "goal", "grow", "integrate", "intend", "may", "maintain", "objective", "ongoing", "opportunity", "outlook", "plan", "position", "potential", "prioritize", "realize", "remain", "result", "seek", "should", "strategy", "target", "will", "would" and similar expressions, as they relate to SECURE, its management, or the combined company, are intended to identify forward-looking statements. Such statements reflect the current views of SECURE and speak only as of the date of this MD&A.

In particular, this MD&A contains or implies forward-looking statements pertaining but not limited to: SECURE's priorities for the second half of 2022 and beyond, including related to ESG, debt reduction and strengthening its balance sheet, and its ability to achieve such priorities; SECURE's ability to repay debt and achieve its near-term debt targets; using a majority of discretionary free cash flow in 2022 to repay debt; the impact of acquisitions on SECURE's market presence and business; SECURE's ability to execute and deliver on the expected benefits of the Transaction, including the continued successful integration the legacy Tervita business to become a more resilient, profitable and efficient business, and the timing thereof; benefits to SECURE from its focus on cost control, realized synergies from the Transaction and industry activity, included increased demand for drilling and completion services, incremental facility volumes, increased recovered oil revenue and crude oil marketing opportunities; achieving \$8 million in synergies related to the Transaction by the end of the year and the full \$75 cost savings in 2023; improving our capital structure and minimizing our sustaining capital by managing underutilized assets to generate incremental discretionary free cash flow beyond our \$75 million cost savings target; higher commodity prices and broader economic factors supporting an increased rig count; sustained inflationary pressures and increased interest rates, their impact on SECURE's business and SECURE's ability to

manage such pressures; the impact of increased industry activity on SECURE's business, including increased utilization at SECURE's midstream facilities; the end of the Canadian Federal Government's stimulus package and its impact on SECURE's business; the impact of new or existing mandatory spend requirements for retirement obligations on SECURE's business, and the introduction of such requirements; SECURE's discretionary free cash flow and the use and portion of such discretionary free cash flow and proceeds from non-core asset sales to reduce debt; the reduction of our more expensive debt; SECURE's ability to increase throughput with minimal incremental fixed costs or additional capital; including growth opportunities that provide stable cash flow, and increased shareholder returns; the form, amount and timing of shareholder returns; SECURE's capital expenditure guidance; sustaining and growth capital requirements focusing on projects to reduce customers' emissions and ESG goals; long-term opportunities, including carbon sequestration; maintaining cost control by limiting discretionary spending; the impact of fluctuations of industry activity levels and job mix on cost of sales; SECURE's dividend policy, the declaration of dividends thereunder and the continued monitoring of such policy by the Board and management; the Corporation's ability to fund its capital needs and the amount thereof; methods and sources of liquidity to meet SECURE's financial obligations, including adjustments to dividends, drawing on credit facilities, issuing debt, obtaining equity financing or divestitures; SECURE's liquidity position and access to capital; and maintaining financial resiliency.

Forward-looking statements are based on certain assumptions that SECURE has made in respect thereof as at the date of this MD&A regarding, among other things: economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest rates, exchange rates, and inflation; the changes in market activity and growth will be consistent with industry activity in Canada and the U.S. and growth levels in similar phases of previous economic cycles; the impact of the COVID-19 pandemic (including its variants) and geopolitical events, including government responses related thereto and their impact on global energy pricing, oil and gas industry exploration and development activity levels and production volumes; the ability of the Corporation to realize the anticipated benefits of the Transaction; the resolution of the review of the Transaction under the Competition Act on terms acceptable to the Corporation; SECURE's ability to successfully integrate Tervita's legacy business; anticipated sources of funding being available to SECURE on terms favourable to SECURE; the success of the Corporation's operations and growth projects; the Corporation's competitive position; the Corporation's ability to attract and retain customers (including Tervita's historic customers); 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; that prevailing regulatory, tax and environmental laws and regulations apply or are introduced as expected, and the timing of such introduction; the end of the Canadian Federal Government's stimulus package; increases to the Corporation's share price and market capitalization over the long term; the Corporation's ability to repay debt and return capital to shareholders; the Corporation's ability to obtain and retain qualified staff and equipment in a timely and cost-efficient manner; the Corporation's ability to access capital and insurance; operating and borrowing costs, including costs associated with the acquisition and maintenance of equipment and property; the ability of the Corporation and our subsidiaries to successfully market our services in the WCSB and the U.S.; an increased focus on ESG, sustainability and environmental considerations in the oil and gas industry; the impacts of climate-change on the Corporation's business; the current business environment remaining substantially unchanged; present and anticipated programs and expansion plans of other organizations operating in the energy service industry resulting in an increased demand for the Corporation's and our subsidiaries' services; future acquisition and maintenance costs; the Corporation's ability to achieve its ESG and sustainability targets and commitments; and other risks and uncertainties described in the AIF and from time to time in filings made by SECURE with securities regulatory authorities.

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: general global financial conditions, including general economic conditions in Canada and the U.S.; the effect of the COVID-19 pandemic (including its variants) and geopolitical



events and governmental responses thereto on economic conditions, commodity prices and the Corporation's business and operations; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; a transition to alternative energy sources; the Corporation's inability to retain customers; risks inherent in the energy services industry, including physical climate-related impacts; the Corporation's ability to generate sufficient cash flow from operations to meet our current and future obligations; the seasonal nature of the oil and gas industry; increases in debt service charges including changes in the interest rates charged under the Corporation's current and future debt agreements; inflation and supply chain disruptions; the Corporation's ability to access external sources of debt and equity capital and insurance; disruptions to our operations resulting from events out of our control; the timing and amount of stimulus packages and government grants relating to site rehabilitation programs; the cost of compliance with and changes in legislation and the regulatory and taxation environment, including uncertainties with respect to implementing binding targets for reductions of emissions and the regulation of hydraulic fracturing services and services relating to the transportation of dangerous goods; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; impairment losses on physical assets; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; supply chain disruption; the Corporation's ability to effectively complete acquisition and divestiture transactions on acceptable terms or at all; a failure to realize the benefits of the Transaction and risks related to the associated business integration; the inaccuracy of pro forma information prepared in connection with the Transaction; risks related to a new business mix and significant shareholder; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations, including those associated with the Transaction; the Corporation's ability to integrate technological advances and match advances of our competition; credit, commodity price and foreign currency risk to which the Corporation is exposed in the conduct of our business; compliance with the restrictive covenants in the Corporation's current and future debt agreements; the Corporation's or our customers' ability to perform their obligations under long-term contracts; misalignment with our partners and the operation of jointly owned assets; the Corporation's ability to source products and services on acceptable terms or at all; the Corporation's ability to retain key or qualified personnel; uncertainty relating to trade relations and associated supply disruptions; the effect of changes in government and actions taken by governments in jurisdictions in which the Corporation operates, including in the U.S.; the effect of climate change activism on our operations and ability to access capital and insurance; exposure of the Corporation's information technology systems to external threats and the effects of any unauthorized access to such system and potential disclosure of confidential information; the Corporation's ability to bid on new contracts and renew existing contracts; potential closure and post-closure costs associated with landfills operated by the Corporation; the Corporation's ability to protect our proprietary technology and our intellectual property rights; legal proceedings and regulatory actions to which the Corporation may become subject, including in connection with the review of the Transaction under the Competition Act and any claims for infringement of a third parties' intellectual property rights; the Corporation's ability to meet its ESG targets or commitments and the costs associated therewith; claims by, and consultation with, Indigenous Peoples in connection with project approval; disclosure controls and internal controls over financial reporting; and those risk factors identified in the AIF and from time to time in filings made by the Corporation with securities regulatory authorities.

Although forward-looking statements contained in this MD&A 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 MD&A 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 the 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). Other than the information set out under the heading 'Risk Factors' in the

AIF, which is incorporated by reference herein, the AIF and any information on the Corporation's website do not constitute part of this MD&A.