Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

SECURE ENERGY

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Secure Energy Services Inc.

Opinion

We have audited the consolidated financial statements of Secure Energy Services Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2021, December 31, 2020 and January 1, 2020
- the consolidated statements of comprehensive loss for the years ended December 31, 2021 and December 31, 2020
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2021 and December 31, 2020
- the consolidated statements of cash flows for the years ended December 31, 2021 and December 31, 2020
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, December 31, 2020 and January 1, 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and December 31, 2020 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the recoverable amount of goodwill contained in the group of cash generating units within the Midstream Infrastructure segment and the landfill cash generating units

Description of the matter

We draw attention to note 2, note 3, note 8 and note 9 to the financial statements. Goodwill is tested for impairment at least annually or more frequently if there is an indication that a cash generating unit ("CGU") or group of CGUs to which the goodwill relates may be impaired. When the carrying amount of a CGU or group of CGUs to which the goodwill relates exceeds its recoverable amount the goodwill with respect thereto is considered impaired and its carrying amount is reduced to its recoverable amount. The Entity completed the annual goodwill impairment tests on the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs. Total goodwill at December 31, 2021 pertaining to the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs was $331 million. For the year ended December 31, 2021, the Entity has not recognized any impairment relating to goodwill.

The estimated recoverable amount of the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs involves certain significant assumptions including the:

- Forecasted income before finance costs, taxes, depreciation, depletion and amortization, non-cash impairments on non-current assets, gains or losses on mark to market transactions; share based compensation and certain other income and expenses ("adjusted EBITDA")
- Discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of goodwill contained in the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the Entity's significant assumptions. In addition, specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's 2021 actual adjusted EBITDA to the amount budgeted for 2021 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the forecasted adjusted EBITDA used in the estimate of the recoverable amount for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs by:

- Comparing the forecasted 2022 adjusted EBITDA for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs to the 2022 budget for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs to assess consistency with other significant assumptions used by the Entity in other estimates used in the financial statements
- Comparing the forecasted adjusted EBITDA for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs to historical results. We took into account changes in conditions and events affecting the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs to assess the adjustments or lack of adjustments made by the Entity in arriving at forecasted adjusted EBITDA
- Comparing certain underlying assumptions in the forecasted adjusted EBITDA for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs to certain market data.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Entity's discount rates by comparing the discount rates to market and other external data.
- Assessing the reasonableness of the Entity's estimates of the recoverable amounts for the group of CGUs within the Midstream Infrastructure segment and the landfill CGUs by comparing the Entity's estimates to market metrics and other external data.

Evaluation of the acquisition date fair value for property, plant and equipment related to the acquisition of Tervita Corporation

Description of the matter

We draw attention to note 2, note 3 and note 4 to the financial statements. On July 2, 2021, the Entity acquired all of the issued and outstanding common shares of Tervita Corporation ("Tervita"). The Entity recorded property, plant and equipment ("PP&E") of $856 million. The acquisition date fair value for PP&E was based on the estimated depreciated replacement cost approach.

The Entity engaged an independent third-party valuator to estimate the depreciated replacement cost at the acquisition date.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value for PP&E related to the acquisition of Tervita as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the approach and significant assumptions with respect to the estimated acquisition date fair value of PP&E. In addition, specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the competence, capabilities and objectivity of the independent third-party valuator engaged by the Entity
- We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the appropriateness of the application of the depreciated replacement cost approach and the reasonableness of the fair value of PP&E estimated by the independent third-party valuator engaged by the Entity.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 2, 2022

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position

As at (in $ millions)	Notes	December 31, 2021	December 31, 2020 Restated (Note 2)	January 1, 2020 Restated (Note 2)
Assets				
Current assets				
Cash		**10**	7	9
Accounts receivable and accrued receivables	**21**	**345**	144	228
Inventories	**5**	**100**	48	65
Prepaid expenses and other current assets		**11**	9	12
		466	208	314
Property, plant and equipment	**6**	**1,646**	1,107	1,192
Right-of-use assets	**7**	**71**	32	50
Intangible assets	**8**	**180**	18	40
Goodwill	**8**	**349**	11	11
Deferred tax asset	**20**	**217**	—	—
Other assets		**8**	—	—
Total Assets		**2,937**	1,376	1,607
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		**279**	144	189
Interest payable	**12**	**4**	—	—
Lease liabilities	**14**	**27**	10	18
Asset retirement obligations	**13**	**19**	3	3
Other liabilities		**4**	—	—
		333	157	210
Revolving credit facility	**11**	**452**	399	453
Secured and unsecured notes	**12**	**755**	—	—
Lease liabilities	**14**	**82**	25	31
Asset retirement obligations	**13**	**171**	52	47
Deferred tax liabilities	**20**	**—**	26	50
Other liabilities	**12**	**38**	—	—
Total Liabilities		**1,831**	659	791
Shareholders' Equity				
Issued capital	**15**	**1,670**	1,038	1,018
Share-based compensation reserve		**48**	51	62
Foreign currency translation reserve		**24**	24	27
Non-controlling interest	**10**	**—**	30	33
Deficit		**(636)**	(426)	(324)
Total Shareholders' Equity		**1,106**	717	816
Total Liabilities and Shareholders' Equity		**2,937**	1,376	1,607

Approved by the Board of Directors:

"SIGNED" *"SIGNED"*
Grant Billing *Deanna Zumwalt*

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

SECURE ENERGY SERVICES INC.

Consolidated Statements of Comprehensive Loss

For the years ended December 31,

(in $ millions except share and per share data)	Notes	2021	2020 Restated (Note 2)
Revenue	25	3,766	1,824
Cost of sales	18	3,826	1,822
Gross margin		(60)	2
General and administrative expenses	18	111	67
Transaction and restructuring costs	4, 18	39	16
Operating profit (loss)		(210)	(81)
Interest, accretion and finance costs	19	60	28
Other expense		3	—
Loss before tax		(273)	(109)
Current tax (recovery) expense	20	(2)	1
Deferred tax recovery	20	(67)	(24)
Net loss		(204)	(86)
Net loss attributable to:			
Shareholders of SECURE		(203)	(85)
Non-controlling interest		(1)	(1)
Other comprehensive loss			
Foreign currency translation adjustment		(3)	(3)
Total comprehensive loss		(207)	(89)
Total comprehensive loss attributable to:			
Shareholders of SECURE		(203)	(88)
Non-controlling interest		(4)	(1)
Basic and diluted loss per common share	17	(0.87)	(0.54)
Weighted average shares outstanding - basic and diluted	17	234,226,176	158,561,369

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

SECURE ENERGY SERVICES INC.

Consolidated Statements of Changes in Shareholders' Equity

(in $ millions)	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Non-controlling interest	Deficit	Total Shareholders' Equity
Balance at January 1, 2021 (Restated, Note 2)		**1,038**	**51**	**24**	**30**	**(426)**	**717**
Net loss		—	—	—	(1)	(203)	**(204)**
Dividends declared	**15**	—	—	—	—	(7)	**(7)**
Disposition of non-controlling interest	**10**	—	—	—	(26)	—	**(26)**
Foreign currency translation adjustment		—	—	—	(3)	—	**(3)**
Issue of share capital for business acquisition	**4**	621	—	—	—	—	**621**
Exercise of share units	**15**	11	(11)	—	—	—	**—**
Share-based compensation for equity-settled awards	**16**	—	8	—	—	—	**8**
Balance at December 31, 2021		**1,670**	**48**	**24**	**—**	**(636)**	**1,106**
Balance at January 1, 2020 (Restated, Note 2)		**1,018**	**62**	**27**	**33**	**(324)**	**816**
Net loss		—	—	—	(1)	(85)	**(86)**
Dividends declared		—	—	—	(2)	(17)	**(19)**
Foreign currency translation adjustment		—	—	(3)	—	—	**(3)**
Exercise of share units		22	(22)	—	—	—	**—**
Share-based compensation for equity-settled awards		—	11	—	—	—	**11**
Shares cancelled under normal course issuer bid ("NCIB")		(2)	—	—	—	—	**(2)**
Balance at December 31, 2020 (Restated, Note 2)		**1,038**	**51**	**24**	**30**	**(426)**	**717**

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

SECURE ENERGY SERVICES INC.

Consolidated Statements of Cash Flows

For the years ended December 31,

(in $ millions)	Notes	2021	2020 Restated (Note 2)
Cash flows (used in) from operating activities			
Net loss		**(204)**	(86)
Adjustments for non-cash items:			
Depreciation, depletion and amortization	**18**	**173**	141
Interest, accretion and finance costs	**19**	**60**	28
Other expense		**4**	3
Current and deferred tax recovery	**20**	**(69)**	(23)
Impairment of non-current assets	**9**	**269**	50
Share-based compensation	**16**	**13**	10
Interest paid		**(61)**	(19)
Income taxes (paid) recovered		**(1)**	1
Asset retirement costs incurred		**(8)**	—
Funds flow from operations		**176**	105
Change in non-cash working capital		**(102)**	44
Net cash flows from operating activities		**74**	149
Cash flows (used in) from investing activities			
Purchase of property, plant and equipment and intangible assets	**6**	**(43)**	(71)
Cash acquired through business acquisition	**4**	**10**	—
Proceeds from dispositions		**8**	4
Partnership distributions to non-controlling interest		**—**	(2)
Change in non-cash working capital		**(18)**	9
Net cash flows used in investing activities		**(43)**	(60)
Cash flows (used in) from financing activities			
Repayment of credit facilities	**11**	**(57)**	(55)
Redemption of 2025 senior secured notes	**12**	**(264)**	—
Issuance of unsecured notes	**12**	**341**	—
Financing fees	**11, 12**	**(17)**	—
Settlement of debt-related derivatives		**(8)**	—
Lease liability principal payments	**14**	**(16)**	(17)
Dividends declared	**15**	**(7)**	(17)
Repurchase and cancellation under NCIB	**15**	**—**	(2)
Sublease payments received		**1**	—
Change in non-cash working capital		**1**	1
Net cash flows used in financing activities		**(26)**	(90)
Effect of foreign exchange on cash		**(2)**	(1)
Increase (decrease) in cash		**3**	(2)
Cash, beginning of period		**7**	9
Cash, end of period		**10**	7

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

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

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

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

The following material operating entities have been consolidated within SECURE's consolidated financial statements for the years ended December 31, 2021 and 2020.

Subsidiaries	Country	Functional Currency	% Interest
SECURE Energy Services Inc.	Canada	Canadian Dollar	Parent company
SECURE Energy (Drilling Services) Inc.	Canada	Canadian Dollar	100%
SECURE Energy [1]	Canada	Canadian Dollar	100%
SECURE Energy Services USA LLC	USA	US Dollar	100%

[1] SECURE Energy (Onsite Services) Inc. was wound up in 2021 and the assets were contributed to SECURE Energy, a newly created partnership.

Basis of Presentation

The consolidated financial statements of SECURE have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date of December 31, 2021.

These consolidated financial statements are recorded and presented in Canadian dollars ($), which is SECURE's functional currency, and have been prepared on a historical cost basis, except for certain items that have been measured at fair value as detailed in Note 2. All values are rounded to the nearest million dollars ($ millions), except where otherwise indicated. The accounting policies described in Note 2 have been applied consistently to all periods presented in these consolidated financial statements, except as noted herein. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year. The timely preparation of financial statements requires that management make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. See Note 3 for a description of significant estimates and judgments used in the preparation of the consolidated financial statements.

These consolidated financial statements were approved by SECURE's Board of Directors on March 2, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of SECURE and its subsidiaries. All inter-company balances and transactions are eliminated on consolidation.

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and liabilities assumed are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed. Goodwill recognized is allocated to the cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the acquisition.

The measurement of goodwill is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities. The measurement period is from the acquisition date to the date SECURE receives complete information about the facts and circumstances that existed as of the acquisition date and does not exceed one year from the acquisition date. If the initial accounting for an acquisition is incomplete by the end of a reporting period, provisional amounts are reported and are adjusted retrospectively during the measurement period. Additional assets or liabilities are also recognized during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. Transaction costs associated with business combinations, other than those related to issuing debt or equity securities, are expensed as incurred.

c) Revenue recognition

The Corporation has many different business lines, service offerings, products and integrated solutions to meet customer needs. Revenue is recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

- Revenue associated with services provided at the Corporation's facilities and landfills such as processing, disposal, transportation, terminalling and rail transloading are recognized when the services are rendered.
- Revenue from the sale of crude oil and natural gas liquids is recorded when title to the product transfers to the customer and SECURE has fulfilled its performance obligation of delivery of product.
- Revenue from drilling fluid services is recognized when services are provided and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluid inventory.
- Revenue from the sale of production chemicals, minerals and ferrous and non-ferrous metals is recognized at the point of sale, when the customer takes ownership of the products.
- Revenue from rental equipment is recognized once the asset is delivered to the customer, over the term of the rental agreement at pre-determined rates.
- Revenue from environmental projects is typically recognized when services are provided. For related projects where a performance obligation is satisfied over time, revenue may be recognized based on an appropriate input method determined by the physical portion of work performed depending on the nature of the project.

Revenue is measured net of trade discounts and volume rebates as they are incurred in relation to the goods and services provided.

d) Inventories

Inventories are comprised of crude oil, natural gas liquids, drilling fluids, minerals, specialty chemicals, production chemicals, ferrous and non-ferrous metals and spare parts. Inventories, other than crude oil and natural gas liquids held for trading purposes, are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The cost of drilling fluids is determined on a weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory in transit is recognized at the point of shipment. Any inventory write-downs are included in cost of sales. The reversal of previous write-downs to inventories is permitted when there is a subsequent increase to the value of inventories.

Crude oil and natural gas liquids held for trading purposes are measured at fair value less costs to sell with changes to fair value less costs to sell recognized in net income. The fair value is determined based on the market price of crude oil and natural gas liquids on the measurement date.

e) Property, plant and equipment

Land is measured at cost, net of accumulated impairment losses, if any. Property, plant and equipment is stated at cost, net of accumulated depreciation, depletion and/or accumulated impairment losses, if any. Such costs include geological and geophysical, drilling of wells, labour and materials, site investigation, equipment and facilities, contracted services and borrowing costs for long-term construction projects if the recognition criteria are met. Overhead costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by management are capitalized. These costs include compensation costs paid to internal personnel dedicated to capital projects. When significant parts of plant and equipment are required to be replaced, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively.

Repair and maintenance costs are recognized in net income or loss as incurred. The present value of the expected cost for the asset retirement obligation of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Costs related to assets under construction are capitalized when incurred. Assets under construction or refurbishment are not depreciated until they are complete and available for use in the manner intended by management.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds.

An item of property, plant and equipment and any significant part is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net income or loss when the asset is derecognized.

f) Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets resulting from a business combination are initially recorded at fair value. Fair value is estimated by management taking into account its highest and best use associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life.

g) Depreciation, depletion and amortization

Capital expenditures are not depreciated until assets are substantially complete and ready for their intended use. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation and depletion

Depreciation of property, plant and equipment, other than caverns and landfill cells, is based on a straight line basis and is calculated over the estimated useful life of the asset as follows:

Buildings	10 to 45 years
Plant equipment and disposal wells	2 to 25 years
Rental and mobile equipment	2 to 25 years
Office and computer equipment	3 to 10 years
Crude oil pipelines	40 years

Caverns and landfill cells are depleted based on units of total capacity utilized in the period.

Amortization

Amortization of intangible assets is recorded on a straight line basis over the estimated useful life of the intangible asset as follows:

Non-competition agreements	2 to 5 years
Customer relationships	5 to 15 years
Licenses, patents and permits	3 to 20 years

h) Impairment of non-financial assets

The non-financial assets of the Corporation are comprised of property, plant and equipment, right-of-use assets, goodwill and intangible assets.

The Corporation assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication of impairment exists, or when annual goodwill impairment testing is performed, the Corporation estimates the CGU's recoverable amount. An asset or CGU's recoverable amount is the higher of its fair value less costs to dispose ("FVLCD") and its value in use. In determining fair value less costs to dispose, recent market transactions are taken into account, if available. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in net income or loss.

Goodwill is tested for impairment at least annually. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGUs compared to the individual CGU or group of CGUs' respective carrying amount(s).

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or CGU's recoverable amount.

Any reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in net income or loss.

Impairment losses related to assets under construction; property, plant and equipment; goodwill and intangible assets are included with cost of sales or general and administrative expenses on the consolidated statements of comprehensive loss.

i) Leases

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation. Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Corporation's incremental borrowing rate where the rate implicit in the lease is not readily determinable. Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Corporation subleases the right-of-use asset, it is derecognized to the extent the Corporation does not control the use of the asset. The right-of-use asset is tested for impairment if the sublease income does not exceed the Corporation's costs related to the right-of-use asset. As an intermediate lessor, the Corporation recognizes a lease receivable for the sublease.

The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The Corporation determines its incremental borrowing rate by applying interest rates from external financing sources and adjusting the rate to reflect the term of the lease. Lease payments on short-term leases or leases on which the underlying asset is of low value are accounted for as expenses on a straight-line basis in net income or loss.

j) Government grants

Government assistance related to current expenses is recorded by the Corporation as a reduction of the related expenses that the assistance is intended to compensate.

k) Restructuring costs

Restructuring costs are recognized when the Corporation has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

l) Financial instruments

Classification

Financial Instruments are classified upon initial recognition into one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive loss ("FVTOCI"), or amortized cost.

The Corporation determines the classification of financial assets at initial recognition. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive loss.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Fair value measurement

The Corporation has classified its financial instrument fair values based on the required three-level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Derivative financial instruments

The Corporation may utilize derivative financial instruments, such as, but not limited to, physical and financial contracts, futures, swaps and options, to manage certain exposures to fluctuations in commodity prices, foreign exchange rates and interest rates as part of its overall risk management program. These derivative financial instruments are not generally used for speculative positions and are not designated as hedges. They are initially recognized at fair value at the date the derivative contracts are entered into on the Corporation's consolidated statements of financial position as either an asset, when the fair value is positive, or a liability, when the fair value is negative. The derivative contracts are subsequently remeasured to their fair value at the end of each reporting period, with the resulting gain or loss included in the statements of comprehensive loss.

Certain physical commodity contracts are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered into for the purpose of receipt or delivery of products in accordance with the Corporation's own purchase, sale or usage requirements are not considered to be derivative financial instruments. Settlement on these physical contracts is recognized in the statements of comprehensive loss over the term of the contracts as they occur.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in comprehensive loss. The asset, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Derecognition

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within the accumulated other comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in net earnings.

m) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized in net income or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognized in interest, accretion and finance costs in net income or loss.

Provisions can include onerous contracts. A contract is considered onerous when the Corporation identifies that the unavoidable costs of meeting the contractual obligations exceed the expected benefits to be received. When such a contract includes a lease, an onerous provisions is recognized for the non-lease components at the present value of the unavoidable costs under the contract. Any adjustments are recognized in the consolidated statements of comprehensive income or loss as other expense.

n) Asset retirement obligations

Asset retirement obligations associated with well sites, facilities, pipelines and landfills are measured at the present value of the expenditures expected to be incurred. The Corporation uses a credit-adjusted risk-free rate in the measurement of the present value of its asset retirement obligations. The associated asset retirement cost is capitalized as part of the related asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in the discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost. Accretion is expensed as incurred and recognized in the consolidated statements of comprehensive loss as interest, accretion and finance costs. The estimated future costs of the Corporation’s asset retirement obligations are reviewed at each reporting period and adjusted as appropriate.

o) Shareholders’ equity

Common shares are presented in issued capital within shareholders’ equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from issued capital, net of any tax effects.

p) Share-based compensation

Equity-settled transactions

The Corporation also has a unit incentive plan (“UIP”) under which the Corporation may grant restricted share units (“RSUs”) and performance share units (“PSUs”) to its employees.

Under the terms of the UIP, the RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in equity or cash at the discretion of the Corporation, in the amount equal to the fair value of the RSU on that date.

The fair value of the RSUs issued is equal to the Corporation’s five day weighted average share price on the grant date. The fair value is expensed over the vesting term on a graded vesting basis. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of RSUs that vest.

Under the terms of the UIP, the date or dates on which all or a portion of the PSUs shall vest and any performance conditions to such vesting, is designated by the Board of Directors at the time of grant. PSUs will be settled in equity or cash, at the discretion of the Corporation, at the amount equal to the fair value of the PSU on that date. The fair value of the PSUs issued is equal to the Corporation’s five day weighted average share price on the grant date and is adjusted for the estimate of the outcome of the performance conditions. The fair value is expensed over the vesting term on a graded vesting basis. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

Cash-settled transactions

The Corporation has a deferred share unit ("DSU") plan for its non-employee directors. The DSUs vest immediately and the fair value of the liability and the corresponding expense is recognized in the consolidated statements of comprehensive loss at the grant date. Subsequently, at each reporting date between the grant date and settlement date, the fair value of the liability is revalued with any changes in the fair value recognized in net income or loss for the period. When the awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. The liability is included in accounts payable and accrued liabilities in the consolidated statements of financial position and the expense is included in general and administrative expenses in the consolidated statements of comprehensive loss.

q) Income or loss per share

The Corporation calculates net income or loss per share by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per share reflects the potential dilution that would occur if in-the-money share options and other equity awards were exercised or converted into common shares. Diluted earnings per share is calculated by dividing net income available to common shareholders by the total of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, utilizing the treasury method, arising from the exercise of in-the-money share options and other equity awards. The treasury method for outstanding options assumes that the use of proceeds that could be obtained upon exercise of options in computing diluted income or loss per share are used to purchase the Corporation's common shares at the average market price during the period. For RSUs and PSUs, the treasury stock method assumes that the deemed proceeds related to unrecognized share-based compensation are used to repurchase shares at the average market price during the period.

r) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities in the various jurisdictions in which the Corporation operates. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, by the reporting date, in the various jurisdictions where the Corporation operates and generates taxable income.

Current income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

Deferred income tax

The Corporation follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net income or loss or other comprehensive income or loss in the period they occur.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

s) Foreign currency translation and transactions

Entities who transact in currencies that are not their functional currency translate monetary assets and liabilities at period-end exchange rates and non-monetary items at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in net income or loss in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Corporation translates assets and liabilities at period-end rates and income and expense accounts at average exchange rates in effect during the period. Adjustments resulting from these translations are reflected in total comprehensive income or loss as foreign currency translation adjustments.

Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign currency translation reserve in the cumulative amount of foreign currency translation differences.

t) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The reportable segments of the Corporation have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Corporation's chief operating decision maker, identified as the Corporation's President and Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available.

The Corporation has aggregated the identified operating segments into two reportable segments through examination of the Corporation's performance which is based on the similarity of services and goods provided and economic characteristics exhibited by the operating segments.

Voluntary change in accounting policy

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

Management has applied the voluntary change in accounting policy retrospectively. The consolidated 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 financial position, the consolidated statements of comprehensive loss and the statements of cash flows, for each of the line items impacted.

Impacts on the Consolidated Statements of Financial Position

As at	December 31, 2021	December 31, 2020			January 1, 2020		
	Adjustments	Previous policy	Adjustments	Restated	Previous policy	Adjustments	Restated
Assets							
Property, plant and equipment	(44)	1,155	(48)	1,107	1,233	(41)	1,192
Liabilities and equity							
Asset retirement obligations	(49)	108	(53)	55	94	(44)	50
Deferred tax liabilities	1	25	1	26	49	1	50
Deficit	4	(430)	4	(426)	(327)	3	(324)

Impacts on the Consolidated Statement of Comprehensive Loss

For the year ended December 31,	2021	2020		
	Adjustments	Previous policy	Adjustments	Restated
Cost of sales [1]	(2)	1,826	(4)	1,822
Interest, accretion and finance costs	1	25	3	28
Deferred tax recovery	—	(24)	—	(24)
Net loss	1	(87)	1	(86)

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

Impacts on the Consolidated Statements of Cash Flow

For the year ended December 31,	2021	2020		
	Adjustments	Previous policy	Adjustments	Restated
Net loss	1	(87)	1	(86)
Non-cash operating activities	(1)	210	(1)	209

3. ESTIMATES AND JUDGMENTS

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

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities and equity are outlined below. Readers are cautioned that the following list is not exhaustive and other items may also be affected by estimates and judgments.

Significant judgments

Determining CGUs

For the purpose of assessing impairment of non-financial assets, the Corporation must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has identified CGUs based on facility type, service line and/or geographical area.

Significant estimates and assumptions

Recoverability of assets

The Corporation assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgment.

Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-financial asset, CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use.

The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Corporation normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil and gas industry, future sustaining capital costs, discount rates, tax rates, and forecasted income before finance costs, taxes, depreciation, depletion and amortization, non-cash impairments on non-current assets, realized gains or losses on mark to market transactions, share based compensation and certain other income and expenses. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

Depreciation, depletion and amortization

Determination of which components of an item of property, plant and equipment represent a significant cost to the asset as a whole and identifying the consumption patterns along with the useful lives and residual values of these significant parts involve management judgment and estimates. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs. Amounts recorded for depletion on the landfill cells are based on estimates of the total capacity utilized in the period.

Asset retirement obligations and accretion

The amounts recorded for asset retirement obligations are based on management's best estimate of the costs to abandon and reclaim the wells, facilities, pipelines and landfills, and the estimated time period in which these costs are expected to be incurred in the future. In determining the asset retirement obligation, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Corporation's operations are affected by federal, provincial, state and local laws and regulations concerning environmental protection. The Corporation's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Other provisions and contingent liabilities

The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Inventories

The Corporation evaluates its inventory to ensure it is carried at the lower of cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to cost of sales. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in cost of sales in the period in which the reversal occurred.

Share-based compensation

The Corporations has a Unit Incentive Plan under which the Corporation may grant awards to certain employees in the form of restricted share units and performance share units (collectively, the "Awards"). The Corporation follows the fair-value method to record share-based compensation expense with respect to these Awards granted. To record share-based compensation expense, the Corporation estimates the fair value of the Awards granted using assumptions related to the outcome of performance conditions. Accounting for the Awards within shareholder's equity requires management's judgment with respect to the future settlement. Management has assumed the Awards will be settled in equity based on past practice and current intentions.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized on the statements of financial position based on the results from operating activities or due to the implementation of tax planning strategies which will create sufficient taxable profit to offset the deferred tax assets. Judgment is required in determining the amount of deferred tax assets to be recognized, based on the likely timing and the level of future taxable profits available for their utilization in conjunction with the execution of certain tax planning opportunities and the likely timing of reversal. The Corporation assesses the recognition of deferred tax assets each reporting period.

Provision for expected credit losses

The Corporation uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses, which is reviewed by management on a monthly basis. Management makes these assessments after taking into consideration the differing loss patterns in its customer base grouping's while also considering payment history, credit worthiness and the current economic environment. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Fair value of derivative financial instruments

The Corporation reflects the fair value of derivative financial instruments based on estimated valuation models and methodologies that utilize observable market data, including forward commodity prices and foreign exchange rates. As a result of changes in key assumptions, the actual amounts may vary significantly from estimated amounts.

Purchase price equations

The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment, intangible assets, asset retirement obligations, right-of-use assets and associated lease obligations, and deferred tax assets generally require significant judgment. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, and goodwill. Future net income (loss) will be affected as the fair value on initial recognition impacts future depreciation, depletion and amortization, asset impairment or reversal, or goodwill impairment. The measurement of the estimated fair value of acquired property, plant, and equipment and acquired intangible assets is based on several assumptions including projected revenue, cash flows associated with the acquired assets, discount rates, customer attrition rates, the estimated depreciated replacement cost and market conditions at the date of acquisition. With respect to the acquisition of Tervita, the Corporation engaged an independent third-party valuator to assist in estimating the fair value of the acquired property, plant and equipment, and intangible assets.

Net investments in foreign subsidiaries

Determination of whether an advance to a foreign subsidiary constitutes a net investment involves judgments about the outcomes of future events, specifically related to the timing and amount of repayment of the advance by the foreign subsidiary. Unrealized foreign gains and losses from advances classified as net investments are recorded as foreign currency translation adjustments in other comprehensive loss. The accumulated foreign currency translation adjustments are reclassified to net income when the foreign subsidiary is disposed of, or the advance is repaid.

4. BUSINESS ACQUISITIONS

a) Transaction summary

On March 8, 2021, SECURE entered into an arrangement agreement with Tervita to combine in an all-share transaction pursuant to which SECURE would acquire all the issued and outstanding common shares of Tervita on the basis of 1.2757 common shares of SECURE for each outstanding common share of Tervita (the “Transaction”). On July 2, 2021, the Transaction closed, resulting in the issuance of approximately 147.6 million common shares of SECURE and following which Tervita amalgamated with SECURE. The common shares of Tervita were delisted from the TSX at the close of market on July 6, 2021.

The statutory waiting period for the completion of the Transaction under the Competition Act (Canada) expired on June 30, 2021. On June 29, 2021, the Commissioner of Competition filed an application under Section 92 of the Competition Act (the “Section 92 Application”) with the Competition Tribunal, which, was amended post-closing, to seek the dissolution of the Transaction or the divestiture of unspecified assets. The Commissioner has subsequently advised SECURE and the Competition Bureau that he intends to narrow the scope of his application and relief sought, and will no longer seek a dissolution of the Transaction, with a formal amendment to the Commissioner’s application forthcoming. A hearing of the Section 92 Application is scheduled to occur before the Competition Tribunal in the second quarter of 2022. SECURE believes the resolution of such proceedings will not be material to the Corporation’s financial results.

Prior to the Transaction, Tervita was an environmentally focused waste service provider in Canada, providing a broad and integrated array of services and environmental management solutions for customers in the energy, industrial, and natural resource sectors, predominantly in western Canada. Tervita provided a comprehensive suite of environmental solutions covering every stage of the customers’ project life cycle, from development to reclamation, helping to minimize environmental impact while maximizing recovery of valuable resources.

The Transaction was accounted for using the acquisition method pursuant to IFRS 3, *“Business Combinations”*. Under the acquisition method, assets and liabilities are measured at their estimated fair value on the date of acquisition with the exception of income tax, share-based compensation, lease liabilities and right-of-use assets. With the closing of the Transaction, all litigation between SECURE and Tervita has been discontinued.

b) Purchase price allocation

As consideration for the Transaction, SECURE issued approximately 147.6 million common shares with a fair value of $621 million based on the June 30, 2021, closing share price of $4.21, as reported by the TSX. There was no contingent consideration applicable to the Transaction.

The following table summarizes the details of the consideration and recognized amounts of assets acquired and liabilities assumed at the date of the Transaction:

As at	July 2, 2021
Consideration	
Common shares	621
Total Consideration	**621**
Identifiable Assets Acquired	
Cash	10
Accounts receivable and accrued receivables	128
Inventories	9
Prepaid expenses and other assets	24
Property, plant and equipment	856
Right-of-use assets	47
Intangible assets	225
Deferred tax asset	176
Liabilities Assumed	
Accounts payable and accrued liabilities	(141)
Interest payable	(7)
Revolving credit facility	(118)
Senior secured notes	(693)
Asset retirement obligations	(92)
Lease liabilities	(84)
Other liabilities	(57)
Total Net Identifiable Assets	**283**
Goodwill	338

c) Transaction Costs

The Corporation incurred and expensed Transaction-related costs of $39 million for the year ended December 31, 2021, consisting of $25 million related to legal and advisory fees for the completion of the Transaction, including the competition review process, and $14 million of integration costs. The integration costs primarily related to severance.

d) Pro forma Revenue and Loss Before Tax

If the Transaction closed on January 1, 2021, pro forma revenue and net loss before tax for the year ended December 31, 2021, is estimated to be $4.7 billion and $271 million, respectively.

5. INVENTORIES

	December 31, 2021	December 31, 2020
Crude oil and natural gas liquids	35	8
Production chemicals	20	15
Drilling fluids	27	15
Minerals	7	6
Metals	6	—
Spare parts and supplies	5	4
Total inventories	**100**	**48**

Production chemicals, drilling fluids, minerals and metals inventory recognized as cost of sales in the consolidated statements of comprehensive loss for the year ended December 31, 2021, were $182 million (2020: $104 million).

6. PROPERTY, PLANT AND EQUIPMENT

The amounts included in assets under construction consist of assets associated with a variety of ongoing projects. During the year ended December 31, 2021, $2 million (2020: $3 million) of directly attributable capitalized salaries and overhead were added to property, plant and equipment.

	Assets Under Construction (WIP)	Land and Buildings	Plant Equipment, Pipelines, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
Cost:						
January 1, 2020 (Restated)	**54**	**154**	**1,449**	**106**	**50**	**1,813**
Additions[1]	73	3	85	1	15	**177**
Change in asset retirement cost	—	—	2	—	—	**2**
Disposals	(5)	(2)	(22)	(3)	—	**(32)**
Transfers[1]	(102)	—	—	(1)	—	**(103)**
Foreign exchange effect	1	—	(6)	—	—	**(5)**
December 31, 2020 (Restated)	**21**	**155**	**1,508**	**103**	**65**	**1,852**
Acquired upon close of Business Acquisition (Note 4)	23	136	585	100	12	**856**
Additions[1]	41	—	35	11	2	**89**
Change in asset retirement cost	—	—	44	—	—	**44**
Disposals	(2)	—	(9)	(4)	(3)	**(18)**
Disposition of non-controlling interest (Note 10)	—	—	(27)	—	(2)	**(29)**
Transfers[1]	(48)	—	—	—	—	**(48)**
Foreign exchange effect	—	—	(2)	—	—	**(2)**
December 31, 2021	**35**	**291**	**2,134**	**210**	**74**	**2,744**
Accumulated depreciation and depletion:						
January 1, 2020 (Restated)	**—**	**(36)**	**(497)**	**(56)**	**(32)**	**(621)**
Depreciation and depletion	—	(6)	(90)	(7)	(6)	**(109)**
Impairment (Note 9)	(2)	(4)	(27)	(1)	—	**(34)**
Disposals	—	—	15	2	—	**17**
Foreign exchange effect	—	—	2	—	—	**2**
December 31, 2020 (Restated)	**(2)**	**(46)**	**(597)**	**(62)**	**(38)**	**(745)**
Depreciation and depletion	—	(11)	(109)	(18)	(9)	**(147)**
Impairment (Note 9)	—	(25)	(177)	(12)	(4)	**(218)**
Disposals	—	—	3	1	1	**5**
Disposition of non-controlling interest (Note 10)	—	—	3	—	—	**3**
Foreign exchange effect	—	—	4	—	—	**4**
December 31, 2021	**(2)**	**(82)**	**(873)**	**(91)**	**(50)**	**(1,098)**
Net book value:						
December 31, 2021	**33**	**209**	**1,261**	**119**	**24**	**1,646**
December 31, 2020 (Restated)	**19**	**109**	**911**	**41**	**27**	**1,107**

[1] Costs related to assets under construction are transferred to property, plant and equipment and classified by nature of the asset when available for use in the manner intended by management.

7. RIGHT-OF-USE ASSETS

	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
Cost:					
December 31, 2019	27	11	36	3	77
Additions	—	—	4	—	4
Disposals	—	(2)	(6)	(1)	(9)
December 31, 2020	27	9	34	2	72
Acquired upon close of Business Acquisition (Note 4)	30	—	7	10	47
Additions	2	—	5	2	9
Disposals	(7)	(5)	(4)	—	(16)
December 31, 2021	**52**	**4**	**42**	**14**	**112**

	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
Accumulated depreciation:					
December 31, 2019	(6)	(5)	(16)	—	(27)
Depreciation	(6)	(3)	(11)	—	(20)
Disposals	—	2	5	—	7
December 31, 2020	(12)	(6)	(22)	—	(40)
Depreciation	(6)	(1)	(8)	—	(15)
Disposals	7	4	3	—	14
December 31, 2021	**(11)**	**(3)**	**(27)**	**—**	**(41)**

	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
Net book value:					
December 31, 2021	**41**	**1**	**15**	**14**	**71**
December 31, 2020	**15**	**3**	**12**	**2**	**32**

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill

	December 31, 2021	December 31, 2020
Balance - beginning of period	**11**	11
Acquired upon close of business acquisition (Note 4)	**338**	—
Balance - end of period	**349**	**11**

The allocation of goodwill to the groups of CGUs is as follows:

	December 31, 2021	December 31, 2020
Canadian Midstream Processing	**248**	—
Landfills	**83**	—
Environmental Solutions	**13**	6
Integrated Fluids Solutions	**5**	5
Total allocation to CGUs	**349**	**11**

Intangible Assets

	Non-Competition Agreements	Customer Relationships	Licenses, Permits & Patents	Trade Name	Total
Cost:					
December 31, 2019	71	134	25	—	230
Additions	—	—	1	—	1
December 31, 2020	71	134	26	—	231
Acquired upon close of Business Acquisition (Note 4)	—	94	108	23	225
Additions	—	—	2	—	2
Disposition of non-controlling interest (Note 10)	—	(17)	—	—	(17)
December 31, 2021	**71**	**211**	**136**	**23**	**441**
Accumulated amortization:					
December 31, 2019	(70)	(103)	(17)	—	(190)
Amortization	(1)	(5)	(1)	—	(7)
Impairment (Note 9)	—	(8)	(8)	—	(16)
December 31, 2020	(71)	(116)	(26)	—	(213)
Amortization	—	(7)	(4)	—	(11)
Impairment (Note 9)	—	—	(17)	(23)	(40)
Disposition of non-controlling interest (Note 10)	—	3	—	—	3
December 31, 2021	**(71)**	**(120)**	**(47)**	**(23)**	**(261)**
Net book value:					
December 31, 2021	**—**	**91**	**89**	**—**	**180**
December 31, 2020	**—**	**18**	**—**	**—**	**18**

9. IMPAIRMENT

The Corporation's non-current assets are tested for impairment in accordance with the accounting policy stated in Note 2.

Regardless if any indicators of impairment are present, the Corporation must complete an annual impairment assessment for any CGU, or group of CGUs, whose net carrying value includes an allocation of goodwill. SECURE completed this review as at December 31, 2021, for one CGU within the Midstream Infrastructure segment and three within the Environmental and Fluid Management segment. No impairment was identified as a result of these impairment tests.

The Corporation used the value in use method to determine the recoverable amount of these CGUs for the purpose of impairment testing, determined by using discounted cash flows. Inherent in the value in use approach are key assumptions that are subjective and represent reasonable estimates with respect to factors affecting operations including economic, operational and market conditions. These conditions are sensitive to change and could affect fair value.

The cash flow projections included specific estimates for five years and a terminal valuation. Cash flows for the next fiscal year are based on the Corporation's budget. The budget is based on past performance as well as management's assessment of economic conditions, including commodity prices, expected market trends, and growth strategy. For future years not included in the budget, assumptions are made based on past performance, anticipated oil and gas industry activity, and the unique market characteristics of the CGU. The terminal valuation is determined based on management's estimate of the long-term compound growth rate of annual net earnings excluding depreciation, depletion, amortization, impairment, accretion, share-based compensation, interest, and taxes. The discount rate used to calculate the net present value of cash flows is based on estimates of the Corporation's weighted average cost of capital, adjusted to consider the nature of the assets being valued and their specific risk profile. Changes in the general economic environment could result in significant changes to this estimate. The Corporation used after-tax discount rates ranging from 11.5% - 12.2% (pre-tax discount rate range of 14.3% - 16.0%) and a terminal growth rate of 2%.

The estimated value in use for all CGUs are sensitive to changes in the discount rate. An increase of 1% in the after-tax discount rate and a decrease of 1% in the terminal growth rate would not have resulted in an impairment being recognized.

The Corporation also assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. As a result of these assessments, the Corporation recorded the following asset impairments for the years ended December 31, 2021 and 2020:

For the year ended December 31,	2021	2020
Property, plant and equipment	218	34
Intangible assets	40	16
Equity-accounted investee	11	—
Total impairment	**269**	**50**

A total $161 million of impairment were recognized for sites in the midstream processing facilities and landfills CGUs that were either suspended or closed or planned to be suspended or closed in 2021 and 2022. The suspension or closure of these facilities is due to the Corporation executing its facility rationalization strategy in order to realize cost synergies associated with the acquisition of Tervita and optimizing the use of its facility network. Included in the $161 million impairment is $17 million which was recognized against the carrying value of intangible assets and is associated with facility permits. Therefore, the total impairment recorded against the carrying value of property, plant and equipment amounted to $144 million.

The Corporation also recognized $62 million of impairment related to assets that were assigned value in the purchase price allocation of the Tervita acquisition. As required under IFRS 3, the purchase price allocation reflects the fair value to third party market participants at the time of closing the Transaction; however, as the acquired Tervita business is integrated and rationalized, the underlying value to SECURE must be reflected. The impairment includes $39 million associated with property, plant and equipment and $23 million related to trade names acquired from Tervita.

For the crude by rail facilities CGU, the Corporation fully impaired the remaining asset value during 2021 resulting in impairment of $21 million. This impairment was in addition to a $31 million impairment recognized for the year ended December 31, 2020. The impairment recognized in 2020 was determined using the fair value less costs of disposal ("FVLCD") method whereby the Corporation utilized Level 3 inputs, including internal estimates based on market indicators and onsite assessments in determining FVLCD as there were limited market transactions with assets of this nature. In 2021, market indicators changed supporting the full impairment of the remaining value.

The Corporation also completed a review of certain equipment withdrawn from active use or where use is significantly less than capacity and where the assets had not been repurposed or otherwise deployed. As a result, an additional $14 million was recognized in 2021, against the carrying value of property, plant and equipment.

As disclosed in Note 10, the Corporation lost control of a subsidiary for accounting purposes as the Corporation no longer had substantive potential voting rights related to its investment in a crude oil storage business which owns a crude oil storage facility located in Cushing, Oklahoma. At April 11, 2021, the Corporation determined the fair value of its investment amounted to $11 million. During the fourth quarter of 2021, the Corporation identified impairment indicators for this equity-accounted investee due to the low activity levels at the storage facility and impaired the investment.

In 2020, the Corporation recognized impairments in addition to the $31 million impairment related to the crude by rail facilities CGU, consisting of $16 million impairment on intangible assets in the drilling and production services CGU and $3 million of property, plant and equipment that was withdrawn from active use where it had not been repurposed or otherwise deployed. The total impairments recorded in 2020 amounted to $50 million.

10. EQUITY-ACCOUNTED INVESTEE

On April 11, 2019, the Corporation acquired a 27% interest in a crude oil storage business which owns a crude oil storage facility located in Cushing, Oklahoma. SECURE had an option to purchase the remaining 73% interest in the business within two years of the acquisition. The call option provided SECURE with control due to substantive potential voting rights and as such, SECURE applied the acquisition method of accounting for business combinations and consolidated the statements of financial position and comprehensive income of the acquired business for the periods subsequent to the acquisition date.

On April 11, 2021, the option to acquire the remaining 73% interest in the business expired without being exercised. As a result of the call option expiry, SECURE lost control of this subsidiary for accounting purposes as the Corporation no longer has substantive potential voting rights.

In accordance with IFRS 10, *"Consolidated Financial Statements"*, SECURE derecognized the assets, liabilities, and non-controlling interest of the former subsidiary from the consolidated statement of financial position, recognized the investment retained in the former subsidiary at its fair value as at April 11, 2021, and recognized a $2 million loss associated with the loss of control attributable to the former controlling interest. The loss has been recorded in other expense on the consolidated statement of comprehensive loss. The carrying amount of the investment retained in the former subsidiary will be increased or decreased to recognize SECURE's share of the investee's profit or loss, and distributions received will reduce the carrying amount of the investment. As at December 31, 2021, the equity-accounted investee was fully impaired. Refer to Note 9.

11. REVOLVING CREDIT FACILITY

Prior to the closing of the Transaction, SECURE's senior secured credit facilities consisted of a $600 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions (with a maturity date of June 30, 2023), a $130 million second lien credit facility ("Second Lien Facility") with a syndicate of three financial institutions (with a maturity date of July 31, 2022) and two bilateral Letter of Credit Facilities totaling $75 million ("$75 million LC Facilities") with a financial institution.

On July 2, 2021, in connection with the closing of the Transaction, SECURE entered into an $800 million three-year revolving credit facility (the "Revolving Credit Facility") with nine financial institutions (with a maturity date of July 2, 2024). The Revolving Credit Facility was used to replace and repay SECURE's First Lien Facility and Second Lien Facility, Tervita's first lien credit facility, and letters of credit outstanding against the $75 million LC Facilities. SECURE also entered into a $30 million unsecured letter of credit facility guaranteed by Export Development Canada (the "new SECURE LC Facility"). At December 31, 2021, a total of $25 million of letters of credit have been issued against the new SECURE LC Facility.

The credit facility balances included on the statements of financial position at December 31, 2021, and December 31, 2020, were as follows:

	December 31, 2021	December 31, 2020
Amount drawn on Revolving Credit Facility	460	—
Amount drawn on First Lien Facility	—	269
Amount drawn on Second Lien Facility	—	130
Unamortized financing costs	(8)	—
Total credit facility	**452**	**399**

	December 31, 2021	December 31, 2020
Maximum amount available	830	805
Less: Amount drawn on Revolving Credit Facility	(460)	(399)
Less: Letters of credit	(91)	(40)
Available amount [(1)]	**279**	**366**

[(1)] Subject to covenant restrictions discussed below.

Amounts borrowed under the Revolving Credit Facility bear interest at SECURE's option of either the Canadian prime rate plus 1.50% to 3.00% or the banker 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, as a result of the previous Second Lien Facility. The Revolving Credit Facility is subject to customary terms, conditions and covenants, including the following financial covenants:

- the Senior Debt to EBITDA ratio is not to exceed (i) 3.00 to 1.0 for the first fiscal quarter immediately following the effective date (September 30, 2021) and the next two fiscal quarters immediately thereafter (December 31, 2021, and March 31, 2022) and (ii) 2.75 to 1.0 at the end of each fiscal quarter thereafter;
- the Total Debt to EBITDA ratio is not to exceed (i) 4.75 to 1.0 for the first fiscal quarter immediately following the effective date and the next two fiscal quarters immediately thereafter and (ii) 4.50 to 1.0 at the end of each fiscal quarter thereafter; and
- the Interest Coverage Ratio (defined as EBITDA to Interest charges) is not to be less than 2.50 to 1.0.

The Revolving Credit Facility also requires that the aggregate principal amount of all unsecured, senior secured notes, and the principal amount outstanding under the Revolving Credit Facility, will not exceed $1.5 billion.

Total Debt as defined by the Revolving Credit Facility includes the aggregate of all debt (including lease liabilities) minus the aggregate amount of readily available cash, cash equivalents and investment grade securities in excess of $5 million. Senior Debt is defined as Total Debt excluding the principal amount outstanding under the 2025 senior secured notes and the principal amount outstanding under any unsecured notes, including the 2026 unsecured notes (Note 12).

EBITDA is defined by the Revolving Credit Facility as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis. Interest charges are defined to include interest expense on Total Debt. At December 31, 2021, the Corporation was in compliance with all financial covenants contained in the Revolving Credit Facility. The following table outlines the Corporation's covenant ratios as at December 31, 2021:

	December 31, 2021	Covenant
Senior Debt to EBITDA	1.5	not to exceed 3.0
Total Debt to EBITDA	3.4	not to exceed 4.75
Interest coverage	3.4	not to be less than 2.5

12. SECURED AND UNSECURED NOTES

On close of the Transaction, SECURE assumed Tervita's US$500 million aggregate principal amount of 11.00% senior second lien secured notes due December 1, 2025 (the "2025 senior secured notes"). The 2025 senior secured notes were measured at fair value in the purchase price allocation in accordance with IFRS 3, *"Business Combinations"* and as a result a fair value premium was recognized which will be amortized over the term of the 2025 senior secured notes. The 2025 senior secured notes are secured by substantially all tangible and intangible assets owned by the Corporation.

On June 30, 2021, the Corporation closed the private placement of $200 million aggregate principal amount of 7.25% unsecured notes due December 30, 2026 (the "2026 unsecured notes") with funds released from escrow on July 2, 2021. The proceeds of the 2026 unsecured notes were used to: (i) fund the redemption of US$100 million aggregate principal amount of the US$500 million aggregate principal amount of 2025 senior secured notes at a redemption price of 105.50%, plus accrued and unpaid interest to, but not including, the redemption date of July 16, 2021; (ii) repay a portion of outstanding indebtedness under the Revolving Credit Facility; and (iii) pay fees and expenses incurred in connection with the note issuance and for general corporate purposes. The redemption of the US$100 million aggregate principal amount of 2025 senior secured notes resulted in a gain on extinguishment of debt of $8 million and has been recorded in other expense on the consolidated statement of comprehensive loss.

On October 4, 2021, the Corporation closed an additional private placement of $140 million aggregate principal amount of 2026 unsecured notes at an issue price of $100.75, representing a yield of approximately 7%. The proceeds were used to redeem another US$100 million aggregate principal amount of 2025 senior secured notes at a redemption price of 105.50% plus accrued but unpaid interest to, but not including, the redemption date. The redemptions were completed on October 7 and 8, 2021. The redemption of the US$100 million aggregate principal amount of 2025 senior secured notes resulted in a gain on extinguishment of debt of $7 million and has been recorded in other expense on the consolidated statement of comprehensive loss.

The unsecured notes and senior secured notes balances included on the statements of financial position at December 31, 2021 and 2020, were as follows:

	Principal	Issuance	Maturity	December 31, 2021	December 31, 2020
2026 unsecured notes	$340	July 2021	Dec 2026	340	—
Premium on issuance of 2026 unsecured notes				1	—
2025 senior secured notes	US$300	Nov 2020	Dec 2025	380	—
Fair value premium on 2025 senior secured notes				41	—
Unamortized financing costs				(7)	—
Total unsecured and senior secured notes				**755**	**—**

As at December 31, 2021, the fair value of the 2026 unsecured and 2025 senior secured notes was $340 million and $438 million, respectively. The fair value of the 2026 unsecured and 2025 senior secured notes is based on third party observable quotes and may not reflect the actual amounts payable by SECURE. The Corporation has entered into cross currency swaps ("CCS") to hedge foreign exchange exposure on the U.S. denominated 2025 senior secured notes, fixing the exchange rate on US$300 million principal repayments and a portion of the interest payments. The liability balance of these derivative contracts amounted to $19 million at December 31, 2021, and was recorded in other liabilities on the statements of financial position.

13. ASSET RETIREMENT OBLIGATIONS

	December 31, 2021	December 31, 2020 (Restated - Note 2)
Balance - beginning of period	**55**	50
Acquired upon close of business acquisition (Note 4)	**92**	—
Additions	**—**	2
Changes in discount rate and estimates	**44**	(1)
Accretion	**7**	4
Asset retirement obligations incurred	**(8)**	—
Foreign exchange effect	**—**	—
Balance - end of period	**190**	**55**
Current portion	**19**	3
Non-current portion	**171**	52

The Corporation’s asset retirement obligations were estimated either by a third-party specialist or management based on the Corporation’s estimated costs to remediate, reclaim and abandon the Corporation’s facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2021 to be $190 million (December 31, 2020 (restated): $55 million) based on a total future liability of $454 million as at December 31, 2021 (December 31, 2020: $118 million). The Corporation used a credit-adjusted risk-free discount rate ranging from 5.69% to 6.79% (December 31, 2020: 5.52% to 6.85%) and an inflation rate of 1.8% to calculate the net present value of its asset retirement obligations at December 31, 2021 (December 31, 2020: 1.5%).

The Corporation expects to incur the majority of the costs over the next 25 years. $19 million classified as a current liability at December 31, 2021 is expected to be incurred within the next 12 months.

The Corporation has issued $86 million (December 31, 2020: $28 million) of performance bonds and $52 million (December 31, 2020: $10 million) for letters of credit issued in relation to the Corporation’s asset retirement obligations.

14. LEASES

The Corporation incurs lease payments related to corporate and field offices, warehouses, rail cars, vehicles, equipment and surface leases. Leases are entered into and exist in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Corporation has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments, except for short-term leases and leases of low-value assets which have been charged to cost of sales and general and administrative expenses in the consolidated statements of comprehensive loss.

	December 31, 2021	December 31, 2020
Balance - beginning of period	**35**	49
Acquired upon close of business acquisition (Note 4)	**84**	—
Additions	**7**	2
Interest expense	**4**	2
Principal and interest payments	**(20)**	(19)
Foreign exchange effect	**(1)**	1
Balance - end of period	**109**	**35**
Current portion	**27**	10
Non-current portion	**82**	25

15. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common voting shares of no par value.

Unlimited number of preferred shares of no par value, none of which have been issued.

Issued and outstanding

($ million except for shares)	Number of Shares	Amount
Balance at December 31, 2019	**156,460,158**	**1,018**
RSUs and PSUs exercised	2,576,715	—
Transfer from reserves in equity	—	22
Shares repurchased and cancelled under NCIB	(336,500)	(2)
Balance at December 31, 2020	**158,700,373**	**1,038**
RSUs and PSUs exercised	1,906,746	—
Transfer from reserves in equity	—	11
Shares issued as consideration for business acquisition (Note 4)	147,551,572	621
Balance at December 31, 2021	**308,158,691**	**1,670**

The Corporation declared dividends to holders of common shares for the year ended December 31, 2021, of $7 million (2020: $17 million).

On December 15, 2021, the Corporation declared a dividend in the amount of $0.0075 (0.75 cents) per common share. Subsequent to December 31, 2021, the Corporation paid out this dividend to holders of common shares on record on January 1, 2022.

In May 2020, SECURE entered into an NCIB whereby the Corporation could purchase for cancellation up to a maximum of 10,796,069 common shares of the Corporation from May 28, 2020, to May 27, 2021, or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Corporation's election. The NCIB expired on May 27, 2021, and was not renewed. No shares were repurchased under the NCIB during the year ended December 31, 2021 (2020: 336,500 shares for a total cost of $2 million under a previous NCIB).

16. SHARE-BASED COMPENSATION PLANS

The aggregate number of common shares issuable pursuant to the exercise of RSUs and PSUs granted under the Plans shall not exceed seven percent of the issued and outstanding common shares of SECURE calculated on a non-diluted basis at the time of the grant.

At December 31, 2021, a total of 22 million common shares were reserved for issuance under the Corporation's UIP.

Unit Incentive Plans

The Corporation's UIP allows the Corporation to issue RSUs and PSUs that are settled in equity or cash at the discretion of the Corporation. Unless otherwise directed by the Board of Directors, one third of each RSU grant vests and is redeemed on each of the first, second, and third anniversaries of the date of grant. RSUs terminate and cease to be redeemable on December 31 of the third year following the year in which the grant of the RSU was made.

The Corporation issues PSUs to senior management and key employees. The Board of Directors shall designate, at the time of grant, the date or dates which all or a portion of the PSUs shall vest and any performance conditions to such vesting.

DSU Plan

The Corporation has a DSU plan for non-employee members of the Board of Directors. Under the terms of the plan, DSUs awarded will vest immediately and will be settled in cash in the amount equal to the previous five day's weighted average price of the Corporation's common shares on the date the members of the Board of Directors specify upon the holder resigning from the Board of Directors.

The following table summarizes the units outstanding under the UIP and DSU Plan:

	RSUs	PSUs	DSUs
Balance at December 31, 2019	3,150,759	2,468,681	490,642
Granted	1,126,579	1,279,817	182,287
Reinvested dividends	141,502	138,712	26,262
Redeemed for common shares	(1,570,285)	(1,006,430)	—
Forfeited	(553,041)	(379,431)	—
Balance at December 31, 2020	2,295,514	2,501,349	699,191
Granted	636,859	1,613,663	641,772
Reinvested dividends	14,349	23,826	2,089
Redeemed for common shares	(1,232,795)	(673,951)	(206,852)
Forfeited	(135,816)	(46,703)	—
Balance at December 31, 2021	**1,578,111**	**3,418,184**	**1,136,200**

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

As at December 31, 2021, $7 million (2020: $2 million) was included in accounts payable and accrued liabilities for outstanding DSUs and share-based compensation included in the statements of comprehensive loss relating to DSUs was $3 million for the year ended December 31, 2021 (2020: nil).

17. LOSS PER SHARE

The basic and diluted weighted average number of shares used in the basic and diluted loss per share computations was 234,226,176 shares for the year ended December 31, 2021 (2020: 158,561,369). The effect of all RSUs and PSUs for the year ended December 31, 2021, and 2020, have been excluded as they are considered to be anti-dilutive.

18. EXPENSES

The below table summarizes the disaggregation of expenses for the years ended December 31, 2021 and 2020:

Year ended December 31, 2021	**Cost of Sales**	**General and Administrative Expense**	**Total**
Employee compensation and benefits	119	40	**159**
Share-based compensation	2	11	**13**
Depreciation	132	14	**146**
Depletion	15	—	**15**
Amortization	11	1	**12**
Impairment	265	4	**269**
Oil purchase/resale services expense	2,873	—	**2,873**
Other [(1)]	409	41	**450**
Total	**3,826**	**111**	**3,937**

Year ended December 31, 2020	**Cost of Sales**	**General and Administrative Expense**	**Total**
Employee compensation and benefits	70	31	**101**
Share-based compensation	3	7	**10**
Depreciation [(2)]	114	12	**126**
Depletion	8	—	**8**
Amortization	7	—	**7**
Impairment	50	—	**50**
Oil purchase/resale services expense	1,364	—	**1,364**
Other [(1)]	206	17	**223**
Total	**1,822**	**67**	**1,889**

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

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

During the year ended December 31, 2020, the Corporation recorded $16 million of restructuring costs, primarily associated with severance and related costs as a result of measures taken to reduce the Corporation's fixed cost structure to align with industry activity declines resulting from the COVID-19 pandemic and decreased oil demand.

19. FINANCE COSTS

	December 31, 2021	December 31, 2020
Interest on senior secured notes, unsecured notes and Revolving Credit Facility	46	21
Amortization of debt issuance costs	3	1
Accretion of asset retirement obligations	7	4
Interest on obligations under leases	4	2
Interest, accretion and finance costs	**60**	**28**

20. INCOME TAXES

The income tax (recovery) expense differs from that expected by applying the combined federal and provincial income tax rates of 24.0% (2020: 24.9%) to loss before tax for the following reasons:

	December 31, 2021	December 31, 2020 (Restated Note 2)
Loss before tax	(273)	(109)
Combined federal and provincial income tax rate	24.0%	24.9%
Expected combined federal and provincial income tax recovery	(66)	(27)
Non-taxable gain on debt extinguishment	(8)	—
Share-based compensation	2	1
Non-deductible expenses	3	—
Tax rate changes and foreign rate differential	(1)	2
Loss from non-controlling interest	1	1
Adjustments related to prior years	—	—
Total income tax recovery	**(69)**	**(23)**

The movement in the Corporation's deferred tax balances during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020 (Restated Note 2)
Movement in deferred income tax balances during the year		
Net deferred tax assets (liabilities) at beginning of year	(26)	(50)
Recognized in profit or loss	67	24
Deferred tax assets (liabilities) from acquisitions	176	—
Net deferred income tax assets (liabilities)	**217**	(26)

Included above in the deferred tax assets are $825 million (2020: $100 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. The gross non-capital losses in the U.S. are $44 million (2020: $43 million). $36 million will expire between 2033 and 2036 and $8 million have no expiry period. The gross non-capital losses in Canada are $781 million (2020: $57 million) and expire between 2032 and 2041. The increase in non-capital losses are a result of the Transaction in 2021. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. The recognition involves the Corporation assessing when the deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available to offset the tax assets when they do reverse. This assessment requires assumptions and assessments regarding future taxable income and is therefore inherently uncertain.

The Corporation has capital loss carryforwards in Canada and other deductible temporary differences for which it is unlikely that sufficient future taxable income will be available. Accordingly, the Corporation has not recognized a deferred tax asset for these items:

	December 31, 2021	December 31, 2020
Tax losses (capital)	6	6
Deductible temporary differences	7	—
Total	13	6

The significant components of the Corporation's deferred income tax assets (liabilities) are comprised of the following:

	December 31, 2021	December 31, 2020 (Restated Note 2)
Deferred income tax balances:		
Non-capital loss carry forwards	198	24
Property, plant and equipment	(44)	(86)
Goodwill and intangible assets	(20)	23
Asset retirement obligations	54	12
Lease obligations and related assets	11	—
Other	18	1
Net deferred income tax assets (liabilities)	217	(26)

21. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments consist of cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, interest payable, Revolving Credit Facility, 2026 unsecured notes, 2025 senior secured notes, and lease liabilities.

The carrying value of cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, interest payable and lease liabilities is estimated to be their fair value. This is due to the fact that transactions which give rise to these balances arise in the normal course of trade, have industry standard payment terms and are of a short-term nature.

The Corporation's Revolving Credit Facility, unsecured and senior secured notes are recorded at amortized cost using the effective interest rate method ("EIR"). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest, accretion and finance costs on the consolidated statements of comprehensive loss. 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 2026 unsecured notes and 2025 senior secured notes are influenced by changes in risk-free interest rates and the market assessment of credit risk (Note 12).

The table below reconciles the movements of financial liabilities to cash flows arising from financing activities:

	Revolving Credit Facility	Senior Secured and Unsecured Notes
January 1, 2020	453	—
Changes from financing cash (outflows) inflows:		
Repayment of credit facilities	(55)	—
Liability related changes:		
Change in unamortized financing costs	1	—
December 31, 2020	**399**	**—**
Changes from financing cash (outflows) inflows:		
Repayment of credit facilities	(57)	—
Issuance of 2026 unsecured notes	—	341
Redemption of 2025 senior secured notes	—	(264)
Liability related changes:		
Acquired upon close of business acquisition (Note 4)	118	693
Change in unamortized financing costs	(8)	(7)
Change in fair value premium	—	(34)
Premium included in redemption cash outflow	—	14
Realized foreign exchange effect included in redemption cash outflow	—	10
Foreign exchange effect	—	2
December 31, 2021	**452**	**755**

Derivative financial instruments

The Corporation periodically enters into derivative contracts in order to manage exposure to commodity price risk associated with sales, purchases and inventories of crude oil, natural gas liquids and petroleum products. The Corporation may also enter into derivative contracts to manage risk associated with foreign exchange movements on its estimated future net cash inflows denominated in U.S. dollars and interest rate risk. These risk management derivatives are a component of the Corporation's overall risk management program and are captured under accounts payable and other liabilities on the statement of financial position.

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

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	—	1	—	—
Foreign currency forwards	—	21	—	—
Interest rate swaps	—	1	—	4
	—	23	—	4

The derivative financial instruments noted above are measured using Level 2 inputs. There were no transfers between levels in the fair value hierarchy in either 2021 or 2020.

The changes in the fair value of the Corporation's risk management contracts are as follows:

	Commodity Contracts	Foreign Currency Contracts	Interest Rate Swaps	Total
Fair value of contracts outstanding at December 31, 2019	—	—	(3)	**(3)**
Changes in fair value during the year	—	—	(1)	(1)
Foreign exchange effect	—	—	—	—
Fair value of contracts outstanding at December 31, 2020	**—**	**—**	**(4)**	**(4)**
Acquired upon close of business acquisition (Note 4)	—	(19)	—	(19)
Changes in fair value during the year	(1)	—	3	2
Foreign exchange effect	—	(2)	—	(2)
Fair value of contracts outstanding at December 31, 2021	**(1)**	**(21)**	**(1)**	**(23)**

The impact of the movement in fair value of foreign currency derivative financial instruments and interest rate derivative financial instruments have been included in other expense and interest, accretion and finance costs, respectively.

Risk Management

The Corporation is exposed to a number of different risks arising from financial instruments. These risk factors include market risks (commodity price risk, foreign currency risk and interest rate risk), credit risk, and liquidity risk.

a) Market Risk

Market risk is the risk or uncertainty arising from market price movements and their impact on the future performance of the business.

i) Commodity price risk

The Corporation is exposed to changes in the price of crude oil, natural gas liquids, and oil related products, such as inventory purchased as base stock for drilling fluids. Crude oil prices have historically fluctuated widely and are affected by numerous factors outside of the Corporation's control. Crude oil prices are primarily based on West Texas Intermediate ("WTI") plus or minus a differential to WTI based on the crude oil type and other contributing market conditions including market access. As part of normal operating activities, the Corporation is required to hold a certain amount of inventory in any given month.

In addition, changes in the prices of crude oil and natural gas can impact overall drilling activity and demand for the Corporation's products and services. As part of the Corporation's fluid management business, the Corporation purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items.

The Corporation's profit or loss is also exposed to various risks from its physical oil purchase and resale trading activities. These risks depend on a variety of factors, including: changes in the prices of commodities; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; disagreements over terms of deals and/or contracts; changes in pipeline operating specifications; and pipeline apportionment. These risks are mitigated by the fact that the Corporation trades physical volumes, and the volumes are typically traded over a short period. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations.

As part of the Corporation's processing, and facility operations, SECURE will use net buy and net sell crude oil contracts for marketing and trading of crude oil. In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

The Corporation defines an "open position" as the difference between physical deliveries of all crude oil buy contracts, offset against the physical deliveries of all crude oil sales contracts. The open position is subject to commodity price risk. As a result, the Corporation's strategy is to reduce all open positions for any given month. The Corporation does hold open positions; however, these positions are closed within a relatively short period after the production month and therefore the overall exposure to the Corporation is significantly reduced. At December 31, 2021, the Corporation's open position was not significant.

The Corporation may use crude oil and NGL priced futures, options and swaps to manage the exposure to these commodities' price movements. These derivative financial instruments are not generally used for speculative positions and are not designated as hedges.

ii) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its purchase and sale of crude oil, working capital balances and debt instruments denominated in foreign currencies and on the translation of its foreign operations. Foreign currency risk on the purchase and sale of crude oil is mitigated as the majority of the activities occur in the same period.

The Corporation may also enter into foreign currency forward contracts to manage the foreign currency risk that arises from the purchase and sale of crude oil in the Midstream Infrastructure segment. These derivative financial instruments are not used for speculative purposes and are not designated as hedges.

The Corporation also has loans that are considered to form part of the net investment and foreign exchange gains and losses are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends, forecasted economic conditions, and forward currency contracts. Exposure to foreign exchange rate changes is further mitigated using CCS. The Corporation entered into various CCS to hedge its foreign exchange exposure on U.S. dollar denominated LIBOR loan draws under its Revolving Credit Facility and U.S. denominated 2025 senior secured notes (Note 12).

The following table summarizes the impact to net income resulting from a 1% change in the Canadian dollar relative to the U.S. dollar, absent the CCS and foreign currency forward contracts used to manage foreign currency risk.

	December 31, 2021	December 31, 2020
Favourable 1% change	9	4
Unfavourable 1% change	(9)	(4)

iii) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk as it has borrowed funds at variable interest rates on its Revolving Credit Facility. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. The following table summarizes the impact to net income if interest rates had been 1% higher and lower, with all other variables held constant.

	December 31, 2021	December 31, 2020
Favourable 1% change	3	3
Unfavourable 1% change	(3)	(3)

The Corporation has entered into an interest rate swap to mitigate the Corporation's exposure to interest rate fluctuations. The swap fixes the interest rate at 5.5% on $130 million of the Revolving Credit Facility until July 31, 2022. These derivative financial instruments are not generally used for speculative purposes and are not designated as hedges. The interest rate on the 2025 senior secured notes and 2026 unsecured notes is fixed. As at December 31, 2021, 28% of the Corporation's debt was subject to variable interest rates.

b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty fails to meet its contractual obligations. The Corporation provides credit to its customers in the normal course of operations. This includes credit risk on trading activities as the Corporation is at risk for potential losses if the counterparties do not fulfill their contractual obligations. In order to mitigate collection risk, the Corporation assesses the credit worthiness of customers or counterparties by assessing the financial strength of the customers or counterparties through a formal credit process and by routinely monitoring credit risk exposures. In addition, the Corporation uses standard agreements that allow for the netting of exposures associated with a single counterparty. Where the Corporation has a legally enforceable right to offset, the amounts are recorded on a net basis.

A substantial portion of the Corporation's accounts receivable are with customers or counterparties involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Collection of these receivables could be influenced by economic factors affecting this industry. The carrying value of trade accounts receivable reflects management's assessment of the associated risks.

The following is a schedule of the Corporation's trade accounts receivable:

	December 31, 2021	December 31, 2020
Less than 30 days	**174**	75
31 to 60 days	**62**	24
61 to 90 days	**17**	5
Greater than 90 days	**18**	3
	271	107
Provision for expected credit losses	**4**	2

The balance of $174 million under 30 days includes $75 million of crude oil contracts settled as part of the trading activities for December 2021. The entire amount of $75 million is due from numerous counterparties and relates to crude oil payments, which as part of industry practice, are settled within 30 days of the production month. The remainder of accounts receivable and accrued receivables not included in the trade accounts receivable schedule above relates to accrued revenue and other non-trade receivables.

The counterparties noted above are approved by the Corporation's risk management committee in accordance with the Corporation's energy marketing risk policy relating to crude oil payments. The Corporation's credit exposure to any crude oil contracts settled is limited to transactions occurring over a 60 day period. Of the receivables relating to crude oil payments, approximately 79% are due from counterparties with a credit rating of B or higher.

The change in the provision for expected credit losses is as follows:

	December 31, 2021	December 31, 2020
Balance - beginning of year	**2**	2
Additional provision for expected credit losses	**4**	1
Bad debts recognized	**(2)**	(1)
Balance - end of year	**4**	2

Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for expected credit losses. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. Management also considers the credit worthiness and past payment history as well as any past due amounts. The Corporation considers all amounts greater than 90 days to be past due. As at December 31, 2021, $18 million (2020: $3 million) of accounts receivable are past due and a provision for expected credit losses of $4 million (2020: $2 million) has been established.

The Corporation is also exposed to credit risk with respect to its cash. However, the risk is minimized as cash is held at major financial institutions. Maximum credit risk is calculated as the total recorded value of cash, and accounts receivable and accrued receivables as at the date of the consolidated statement of financial position.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions. As at December 31, 2021, the Corporation has liquidity of $289 million consisting of $10 million in cash and $279 million in capacity on its Revolving Credit Facility (Note 11). The timing of undiscounted cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below.

Apart from lease liabilities, the 2025 senior secured notes and the 2026 unsecured notes, the undiscounted cash outflows are equal to the carrying value:

	Due within 1 year	Between 1-5 years	Greater than 5 years
Accounts payable and accrued liabilities	275	—	—
Derivative liability	4	19	—
Lease liabilities	27	66	39
Revolving Credit Facility (1)	11	470	—
2025 senior secured notes	45	502	—
2026 unsecured notes	26	439	—
	388	**1,496**	**39**

(1) Interest on Revolving Credit Facility is estimated using SECURE's average bankers acceptance rate for 2021. Interest on $130 million of the Revolving Credit Facility is estimated using rates consistent with the interest rate swaps as outlined in Note 11.

The Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its debt repayments and obligations and will provide sufficient funding for anticipated capital expenditures.

22. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

	December 31, 2021	December 31, 2020
Working capital(1)	**183**	64
Amount drawn on credit facilities	**460**	399
2025 senior secured notes (principal)	**380**	-
2026 unsecured notes (principal)	**340**	-
Shareholders' equity	**1,106**	717
	2,469	**1,180**

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

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

The Corporation's overall capital management strategy remains unchanged from prior periods. Management controls its capital structure through detailed financial and operating budgets and forecasts, as well as established policies and processes over monitoring planned capital and operating expenditures. The forecasts are regularly updated based on various factors that could influence activity levels and cash flows, including, among other things, changes in commodity prices, and drilling, completion and production expectations. In light of recent volatility in commodity prices and higher uncertainty with respect to price forecasts, along with the effect of the COVID-19 pandemic on global crude oil demand, the forecast results, including cash flows, working capital and debt levels, are subject to material changes.

Management will closely monitor changes in the external environment and will continue to adjust the Corporation's operating strategy in a timely manner, maintaining stringent cost controls and reduction initiatives in order to strengthen cash flow and continue the Corporation's stable operation.

23. RELATED PARTY DISCLOSURES

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation are comprised of its executive officers and the Board of Directors. In addition to the salaries and short-term benefits paid to the executive officers and fees paid to the directors, the Corporation also provides compensation under its share-based compensation plans (Note 16).

The compensation related to key management personnel is as follows:

	December 31, 2021	December 31, 2020
Salaries and short-term employee benefits	11	7
Share-based compensation	8	5
	19	**12**

24. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The following table summarizes the Corporation's contractual obligations that have not been disclosed elsewhere as at December 31, 2021:

	1 year or less	1-5 years	5 years and thereafter	Total
Crude oil transportation	34	108	15	**157**
Crude oil storage	11	41	41	**93**
Capital commitments	5	—	—	**5**
Total contractual obligations	**50**	**149**	**56**	**255**

Crude oil transportation commitments

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

Crude oil storage commitment

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

Capital commitments and other

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

Contingencies

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

25. SEGMENT REPORTING

As at December 31, 2021, the Corporation reports results in the following two reportable segments:

- **Midstream Infrastructure** includes a network of midstream processing and storage facilities, and crude oil and water pipelines located throughout key resource plays in western Canada, North Dakota and Oklahoma. Midstream Infrastructure services include clean oil terminalling and storage, crude oil marketing, pipeline transportation, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, and oil purchase/resale service.
- **Environmental and Fluid Management** includes a network of industrial landfills, hazardous and non-hazardous waste management and disposal; onsite abandonment, environmental solutions for site remediation and reclamation management, bio-remediation and technologies, water treatment and recycling, emergency response, rail services, metal recycling services; a suite of comprehensive environmental management solutions provided by the Corporation to a diversified customer base; and fluid management for drilling, completion and production activities.

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

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

The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management for the years ended December 31, 2021, and 2020.

Year ended December 31, 2021	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Revenue excluding oil purchase and resale service	368	525	—	893
Oil purchase and resale service	2,873	—	—	2,873
Total revenue	**3,241**	**525**	**—**	**3,766**
Cost of sales excluding items listed separately below	(3,016)	(385)	—	(3,401)
Segment profit margin	**225**	**140**	**—**	**365**
G&A expenses excluding items listed separately below	(26)	(23)	(32)	(81)
Depreciation, depletion and amortization [1]	(112)	(53)	(8)	(173)
Share-based compensation [1]	—	—	(13)	(13)
Interest, accretion and finance costs	(5)	(4)	(51)	(60)
Impairment [1]	(218)	(47)	(4)	(269)
Transaction costs	—	—	(39)	(39)
Other expense	(4)	—	1	(3)
Loss before tax	**(140)**	**13**	**(146)**	**(273)**

Year ended December 31, 2020	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Revenue excluding oil purchase and resale service	201	259	—	460
Oil purchase and resale service	1,364	—	—	1,364
Total revenue	**1,565**	**259**	**—**	**1,824**
Cost of sales excluding items listed separately below	(1,440)	(200)	—	(1,640)
Segment profit margin	**125**	**59**	**—**	**184**
G&A expenses excluding items listed separately below	(14)	(17)	(17)	(48)
Depreciation, depletion and amortization [1][2]	(96)	(40)	(5)	(141)
Share-based compensation [1]	—	—	(10)	(10)
Interest, accretion and finance costs [2]	(4)	—	(24)	(28)
Impairment [1]	(34)	(16)	—	(50)
Restructuring costs	(4)	(9)	(3)	(16)
Loss before tax	**(27)**	**(23)**	**(59)**	**(109)**

[1] Depreciation, depletion and amortization, share-based compensation and impairment have been allocated to cost of sales and general and administrative expenses on the Consolidated Statements of Comprehensive Loss based on function of the underlying asset or individual to which the charge relates.

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

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

As at December 31, 2020	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
Current assets	107	101	—	**208**
Property, plant and equipment [(1)]	938	164	5	**1,107**
Right-of-use assets	15	17	—	**32**
Intangible assets	18	—	—	**18**
Goodwill	—	11	—	**11**
Total assets	1,078	293	5	**1,376**
Current liabilities	112	45	—	**157**
Total liabilities [(1)]	164	85	410	**659**

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

Geographical Financial Information

	Canada		U.S.		Total	
Year ended December 31,	2021	2020	2021	2020	2021	2020
Revenue	3,620	1,637	146	187	3,766	1,824
As at December 31,	2021	2020	2021	2020	2021	2020
Total non-current assets	2,371	999	100	169	2,471	1,168

CORPORATE INFORMATION

DIRECTORS

Rene Amirault
Grant Billing – Chairman
Michael Colodner (1) (3)
Brad Munro (2) (4)
Kevin Nugent (1) (4)
Susan Riddell Rose (2) (4)
Jay Thornton (2) (3)
Deanna Zumwalt (1) (3)

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

STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SES

AUDITORS

KPMG LLP
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

LEAD BANKERS

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

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company
Calgary, Alberta

OFFICERS

Rene Amirault
President & Chief Executive Officer

Allen Gransch
Chief Operating Officer

Chad Magus
Chief Financial Officer

Michael Callihoo
General Counsel and Corporate Secretary

James Anderson
Senior Vice President, Fluids Management

David Engel
Senior Vice President, Landfill Solutions

Corey Higham
Senior Vice President, Midstream Operations

David Mattinson
Senior Vice President, Environmental Solutions

Mike Mikuska
Senior Vice President, Commercial & Transportation