

A photograph of industrial piping, likely at a power plant or refinery. The pipes are light grey and connected by flanges with orange bolts. The pipes are supported by a dark metal structure. The background is a sandy or gravelly ground. A large, semi-transparent blue circle is overlaid on the bottom left of the image, containing the text.

# Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months  
ended September 30, 2020

**SECURE**  
**ENERGY**

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Financial Position**

<i>(\$000's) (unaudited)</i>	Notes	September 30, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash		8,535	8,854
Accounts receivable and accrued receivables		121,881	228,468
Inventories		44,219	65,158
Prepaid expenses and other current assets		6,835	11,974
		<b>181,470</b>	<b>314,454</b>
Property, plant and equipment	3	1,222,466	1,232,775
Right-of-use assets		35,748	49,624
Intangible assets	4	19,702	39,671
Goodwill		11,127	11,127
<b>Total Assets</b>		<b>1,470,513</b>	<b>1,647,651</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		103,851	189,178
Asset retirement obligations		3,274	3,060
Lease liabilities		11,754	18,030
		<b>118,879</b>	<b>210,268</b>
Long-term borrowings	6	430,425	453,414
Asset retirement obligations		101,324	91,332
Lease and other liabilities		25,455	31,303
Deferred tax liabilities		35,988	48,690
<b>Total Liabilities</b>		<b>712,071</b>	<b>835,007</b>
<b>Shareholders' Equity</b>			
Issued capital	7	1,037,913	1,017,990
Share-based compensation reserve		48,364	61,586
Foreign currency translation reserve		32,107	26,734
Non-controlling interest		30,246	32,954
Deficit		(390,188)	(326,620)
<b>Total Shareholders' Equity</b>		<b>758,442</b>	<b>812,644</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,470,513</b>	<b>1,647,651</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Comprehensive Loss**

(\$000's except per share and share data) (unaudited)	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
Revenue	12	452,173	726,974	1,348,941	2,300,205
Cost of sales	9	436,235	695,661	1,310,346	2,208,246
<b>Gross margin</b>		<b>15,938</b>	<b>31,313</b>	<b>38,595</b>	<b>91,959</b>
General and administrative expenses	9	13,494	24,100	50,610	76,355
Impairment and restructuring costs	5	1,094	-	27,098	-
<b>Operating income (loss)</b>		<b>1,350</b>	<b>7,213</b>	<b>(39,113)</b>	<b>15,604</b>
Interest, accretion and finance costs		6,803	6,913	21,217	19,946
<b>(Loss) income before tax</b>		<b>(5,453)</b>	<b>300</b>	<b>(60,330)</b>	<b>(4,342)</b>
Current tax expense		586	438	1,294	394
Deferred tax (recovery) expense		(981)	1,006	(12,765)	(2,724)
<b>Net loss</b>		<b>(5,058)</b>	<b>(1,144)</b>	<b>(48,859)</b>	<b>(2,012)</b>
<b>Net loss attributable to:</b>					
Shareholders of SECURE		(4,588)	(639)	(47,415)	(1,058)
Non-controlling interest		(470)	(505)	(1,444)	(954)
<b>Other comprehensive (loss) income</b>					
Foreign currency translation adjustment		(3,973)	2,520	5,313	(4,693)
<b>Total comprehensive (loss) income</b>		<b>(9,031)</b>	<b>1,376</b>	<b>(43,546)</b>	<b>(6,705)</b>
<b>Total comprehensive (loss) income attributable to:</b>					
Shareholders of SECURE		(8,497)	1,772	(42,042)	(5,613)
Non-controlling interest		(534)	(396)	(1,504)	(1,092)
Basic and diluted loss per common share		(0.03)	(0.01)	(0.31)	(0.01)
Weighted average shares outstanding - basic and diluted	7	158,577,224	158,075,674	158,526,801	159,620,638

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

**SECURE ENERGY SERVICES INC.**

**Consolidated Statements of Changes in Shareholders' Equity**

<i>(\$000's) (unaudited)</i>	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Non-controlling interest	Deficit	Total Shareholders' Equity
<b>Balance at January 1, 2020</b>		<b>1,017,990</b>	<b>61,586</b>	<b>26,734</b>	<b>32,954</b>	<b>(326,620)</b>	<b>812,644</b>
Net loss		-	-	-	(1,444)	(47,415)	(48,859)
Dividends declared	7	-	-	-	(1,204)	(16,153)	(17,357)
Foreign currency translation adjustment		-	-	5,373	(60)	-	5,313
Exercise of share units	7	21,454	(21,454)	-	-	-	-
Share-based compensation		-	8,232	-	-	-	8,232
Shares cancelled under normal course issuer bid ("NCIB")	7	(1,531)	-	-	-	-	(1,531)
<b>Balance at September 30, 2020</b>		<b>1,037,913</b>	<b>48,364</b>	<b>32,107</b>	<b>30,246</b>	<b>(390,188)</b>	<b>758,442</b>
<b>Balance at January 1, 2019</b>		<b>1,031,189</b>	<b>64,413</b>	<b>33,982</b>	-	<b>(285,268)</b>	<b>844,316</b>
Net loss		-	-	-	(954)	(1,058)	(2,012)
Dividends declared		-	-	-	(788)	(32,336)	(33,124)
Acquisition of non-controlling interest		-	-	-	35,646	-	35,646
Foreign currency translation adjustment		-	-	(4,555)	(138)	-	(4,693)
Exercise of share units		20,755	(20,755)	-	-	-	-
Share-based compensation		-	15,366	-	-	-	15,366
Shares cancelled under NCIB		(27,268)	-	-	-	-	(27,268)
<b>Balance at September 30, 2019</b>		<b>1,024,676</b>	<b>59,024</b>	<b>29,427</b>	<b>33,766</b>	<b>(318,662)</b>	<b>828,231</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Cash Flows**

(\$000's) (unaudited)	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
<b>Cash flows (used in) from operating activities</b>					
Net loss		(5,058)	(1,144)	(48,859)	(2,012)
Adjustments for non-cash items:					
Depreciation, depletion and amortization	9	32,357	31,689	105,081	97,563
Interest, accretion and finance costs		6,803	6,913	21,217	19,946
Current and deferred tax expense (recovery)		(395)	1,444	(11,471)	(2,330)
Other non-cash (income) expense		(606)	165	1,852	4,148
Impairment of non-current assets	5	-	-	15,723	-
Share-based compensation	9	2,581	4,272	6,683	16,174
Interest paid		(4,595)	(4,884)	(14,417)	(15,684)
Income taxes recovered (paid)		1,578	(104)	1,805	(2,437)
Asset retirement costs incurred		-	(1,681)	(123)	(2,830)
Funds flow from operations		32,665	36,670	77,491	112,538
Change in non-cash working capital		5,805	(694)	28,927	34,666
<b>Net cash flows from operating activities</b>		<b>38,470</b>	<b>35,976</b>	<b>106,418</b>	<b>147,204</b>
<b>Cash flows (used in) from investing activities</b>					
Purchase of property, plant and equipment		(10,475)	(30,725)	(62,395)	(89,090)
Proceeds from dispositions		1,787	1,609	2,636	4,415
Partnership distributions to non-controlling interest		(391)	(339)	(1,204)	(788)
Business acquisition		-	-	-	(13,866)
Change in non-cash working capital		(2,483)	3,841	6,457	(984)
<b>Net cash flows used in investing activities</b>		<b>(11,562)</b>	<b>(25,614)</b>	<b>(54,506)</b>	<b>(100,313)</b>
<b>Cash flows (used in) from financing activities</b>					
Repurchase and cancellation of shares under NCIB	7	-	(3,973)	(1,531)	(27,268)
(Repayment) draw on credit facilities		(31,859)	11,492	(23,304)	35,042
Financing fees		(195)	66	(195)	(1,360)
Lease liability principal payments		(3,791)	(4,260)	(12,854)	(15,673)
Dividends paid	7	-	(10,674)	(14,963)	(32,336)
<b>Net cash flows used in financing activities</b>		<b>(35,845)</b>	<b>(7,349)</b>	<b>(52,847)</b>	<b>(41,595)</b>
<b>Effect of foreign exchange on cash</b>		<b>46</b>	<b>(120)</b>	<b>616</b>	<b>(790)</b>
(Decrease) increase decrease in cash		(8,891)	2,893	(319)	4,506
Cash, beginning of period		17,426	9,541	8,854	7,928
<b>Cash, end of period</b>		<b>8,535</b>	<b>12,434</b>	<b>8,535</b>	<b>12,434</b>

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

## SECURE ENERGY SERVICES INC.

### Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2020 and 2019

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#### 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 under the symbol "SES".

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

In Canada, the level of activity in the oilfield is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. This limits the movement of the heavy equipment required for drilling and well servicing activities, and the level of activity of the Corporation's customers may, consequently, be reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

##### Basis of Presentation

The condensed consolidated financial statements of SECURE have been prepared by management in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") in effect at the closing date of September 30, 2020. The condensed consolidated financial statements do not include all of the information required for full annual statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019.

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 financial instruments and share-based compensation transactions that have been measured at fair value. All values are rounded to the nearest thousand dollars (\$000's), except where otherwise indicated. The accounting policies described in Note 2 have been applied consistently to all periods presented in these consolidated financial statements. Effective April 1, 2020, the Corporation adjusted prior year comparative and first quarter of 2020 figures to present pipeline tariff fees charged as a recovery of cost of sales rather than revenue. As a result, revenue for the three and nine months ended September 30, 2019, and the three months ended March 31, 2020, decreased \$5.1 million, \$14.2 million, and \$5.5 million, respectively, with an offsetting decrease to cost of sales.

These consolidated financial statements were approved by SECURE's Board of Directors on October 28, 2020.

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and nine months ended September 30, 2020 and 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

**Significant Accounting Policies**

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2019. Unless otherwise stated, these policies have been consistently applied to all periods presented.

**Significant Estimates and Judgments**

The timely preparation of the Corporation's condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses, gains, losses, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability 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 and liabilities include those related to the determination of cash generating units, depreciation, depletion and amortization, recoverability of assets, asset retirement obligations and accretion, other provisions and contingent liabilities, inventories, share-based compensation, deferred income taxes, provision for expected credit losses, fair value of derivative financial instruments, purchase price equations, and net investments in foreign subsidiaries. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

**3. PROPERTY, PLANT AND EQUIPMENT**

*(\$000's)*

<b>Balance at December 31, 2019</b>	<b>1,232,775</b>
Additions	65,270
Change in asset retirement cost	9,118
Disposals	(7,183)
Depreciation and depletion	(82,030)
Foreign exchange effect	4,516
<b>Balance at September 30, 2020</b>	<b>1,222,466</b>

**4. INTANGIBLE ASSETS**

*(\$000's)*

<b>Balance at December 31, 2019</b>	<b>39,671</b>
Additions	869
Amortization	(5,580)
Impairment (Note 5)	(15,723)
Foreign exchange effect	465
<b>Balance at September 30, 2020</b>	<b>19,702</b>

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2020 and 2019****5. IMPAIRMENT**

Each reporting period, the carrying amounts of non-current assets are reviewed to determine if there are any indications of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated. SECURE determined that indicators of impairment existed at March 31, 2020, for the Corporation's cash generating units ("CGUs") with cash flows generated primarily from drilling and completion activity due to expected activity declines associated with record declines in global oil prices. Impairment tests were performed for the Technical Solutions, Industrial Landfills, and Water Management CGUs. As a result of these tests, \$15.7 million of impairment was recognized in the three months ended March 31, 2020, against the carrying value of intangible assets within the Technical Solutions CGU. The Corporation did not identify any triggers for further impairment testing or impairment reversal at September 30, 2020. While the macro economic outlook has improved at September 30, 2020 compared to March 31, 2020, there continues to be significant uncertainty as to the level of exploration and development activity that will be completed by the Corporation's customers.

**Restructuring costs**

During the three and nine months ended September 30, 2020, the Corporation recorded \$1.1 million and \$11.4 million, respectively, 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.

**6. LONG-TERM BORROWINGS**

(\$000's)	Sept 30, 2020	Dec 31, 2019
Amount drawn on first and second lien credit facilities	431,018	454,322
Unamortized transaction costs	(593)	(908)
<b>Total long-term borrowings</b>	<b>430,425</b>	<b>453,414</b>
Credit facilities	805,000	805,000
Amount drawn on first and second lien credit facilities	(431,018)	(454,322)
Letters of credit	(43,550)	(38,562)
<b>Available amount <sup>(1)</sup></b>	<b>330,432</b>	<b>312,116</b>

<sup>(1)</sup> Subject to covenant restrictions discussed below.

SECURE's credit facilities at September 30, 2020, consist of a \$600 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions and Chartered banks (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 and Canadian Chartered banks (with a maturity date that was extended in the third quarter to July 31, 2022), and a \$75 million bilateral Letter of Credit Facility ("LC Facility") with a syndicate of two financial institutions and Chartered banks (collectively, the "Credit Facilities"). Amounts borrowed under the First Lien Facility bear interest at the Corporation's option of either the Canadian prime rate plus 0.45% to 2.00% or the banker acceptance or LIBOR rate plus 1.45% to 3.00%, depending, in each case, on the ratio of senior funded debt to EBITDA. Interest on the Second Lien Facility has been fixed at 5.5% through the use of interest rate swaps. The Credit Facilities are subject to customary terms, conditions and covenants, including the following financial covenants:

- the Senior Debt to EBITDA ratio is not to exceed 3.5 to 1.0;
- the Total Debt to EBITDA ratio is not to exceed 5.0 to 1.0; and
- the EBITDA to Financing Charges ratio is not less than 2.5 to 1.0.

Senior Debt is defined in the lending agreement to include amounts drawn under the First Lien Facility and finance leases entered into by the Corporation as defined by IAS 17, less cash balances in excess of \$5 million. Total Debt includes Senior Debt plus amounts drawn under the Corporation's Second Lien Facility. Should the Corporation issue any unsecured notes in the future, Total Debt would also include the principal amount of the notes.



**SECURE ENERGY SERVICES INC.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2020 and 2019**

**6. LONG-TERM BORROWINGS (continued)**

EBITDA is defined in the lending agreement as trailing twelve months 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. Financing Charges are defined to include interest expense on Total Debt.

The Corporation also covenants the following:

- the aggregate principal amount of unsecured notes, if any, will not exceed \$500 million; and
- the aggregate principal amount of any unsecured notes, principal amount outstanding under the First Lien Facility and the principal amount outstanding under second lien credit facility will not exceed \$1 billion.

At September 30, 2020, and December 31, 2019, the Corporation was in compliance with all financial covenants contained in the lending agreements. The following table outlines the Corporation's covenant ratios as at September 30, 2020, and December 31, 2019.

	Sept 30, 2020	Dec 31, 2019	Covenant
Senior debt to EBITDA	2.2	2.0	3.5
Total debt to EBITDA	3.1	2.8	5.0
Interest coverage	6.8	7.4	2.5

**7. SHAREHOLDERS' EQUITY**

	Number of Shares	Amount (\$000's)
<b>Balance at December 31, 2019</b>	<b>156,460,158</b>	<b>1,017,990</b>
Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") exercised	2,506,150	-
Transfer from reserves in equity	-	21,454
Shares repurchased and cancelled under NCIB	(336,500)	(1,531)
<b>Balance at September 30, 2020</b>	<b>158,629,808</b>	<b>1,037,913</b>

The Corporation declared dividends to holders of common shares for the three and nine months ended September 30, 2020 of \$1.2 million and \$16.2 million, respectively (three and nine months ended September 30, 2019: \$10.7 million and \$32.3 million, respectively). Following the June 2020 dividend, the Corporation moved to a quarterly dividend, with the first payment of \$0.0075 (0.75 cents) per common share paid on October 15, 2020, to shareholders of record on October 1, 2020.

In May 2020, SECURE renewed the previous NCIB which ended on May 27, 2020. Under the renewed NCIB, SECURE may 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. In total, 3,874,500 common shares were repurchased and cancelled under the prior NCIB, representing 48% of the maximum number. The following table outlines the shares repurchased and cancelled during the three and nine months ended September 30, 2020 and 2019.

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2020	2019	2020	2019
Shares repurchased and cancelled under the NCIB	-	579,900	336,500	3,781,500
Total cost	\$ -	\$ 3,973	\$ 1,531	\$ 27,268

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three and nine months ended September 30, 2020 and 2019

**7. SHAREHOLDERS' EQUITY (continued)**

**Basic and Diluted Earnings Per Share**

The following reflects the share data used in the basic and diluted income per share computations for the three and nine months ended September 30, 2020 and 2019:

	For the three months ended,		For the nine months ended	
	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019
Weighted average number of shares - basic and diluted	158,577,224	158,075,674	158,526,801	159,620,638

The effect of all options, RSUs and PSUs for the three and nine months ended September 30, 2020, has been excluded as they are considered to be anti-dilutive.

**8. SHARE-BASED COMPENSATION PLANS**

The Corporation has a Unit Incentive Plan ("UIP") under which the Corporation may grant incentive units, comprised of RSUs and PSUs (collectively, "Incentive Units") to employees and consultants, and a deferred share unit ("DSU") plan for non-employee directors of the Corporation. The terms of these plans remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019.

In 2019, SECURE eliminated the Corporation's Option Plan, removing the Corporation's ability to issue new stock options. Outstanding options remain subject to the terms and conditions of the plan in effect at the time of the grant.

**Incentive Units and DSUs**

The following table summarizes the units outstanding:

	RSUs	PSUs	DSUs
<b>Balance at December 31, 2019</b>	<b>3,150,759</b>	<b>2,468,681</b>	<b>490,642</b>
Granted	1,109,895	1,234,817	182,287
Reinvested dividends	128,738	125,885	22,616
Redeemed for common shares	(1,499,720)	(1,006,430)	-
Forfeited	(476,942)	(379,431)	-
<b>Balance at September 30, 2020</b>	<b>2,412,730</b>	<b>2,443,522</b>	<b>695,545</b>

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

**Options**

A summary of the status of the Corporation's share options is as follows:

	Outstanding options	Weighted average exercise price (\$)
<b>Balance at December 31, 2019</b>	<b>2,078,586</b>	<b>9.25</b>
Expired	(405,595)	14.66
Forfeited	(370,000)	7.82
<b>Balance at September 30, 2020</b>	<b>1,302,991</b>	<b>7.97</b>
<b>Exercisable at September 30, 2020</b>	<b>1,302,991</b>	<b>7.97</b>

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and nine months ended September 30, 2020 and 2019**

**9. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES**

The below table summarizes the disaggregation of cost of sales and general and administrative expenses for the three and nine months ended September 30, 2020 and 2019:

(\$000's)		General and Administrative Expense	Total
<b>For the three months ended September 30, 2020</b>	<b>Cost of Sales</b>		
Employee compensation and benefits	11,031	5,750	16,781
Share-based compensation	772	1,809	2,581
Depreciation, depletion and amortization	29,521	2,836	32,357
Oil purchase/resale services expense	348,674	-	348,674
Other <sup>(1)</sup>	46,237	3,099	49,336
<b>Total</b>	<b>436,235</b>	<b>13,494</b>	<b>449,729</b>

(\$000's)		General and Administrative Expense	Total
<b>For the nine months ended September 30, 2020</b>	<b>Cost of Sales</b>		
Employee compensation and benefits	53,706	24,520	78,226
Share-based compensation	2,562	4,121	6,683
Depreciation, depletion and amortization	95,764	9,317	105,081
Oil purchase/resale services expense	1,007,873	-	1,007,873
Other <sup>(1)</sup>	150,441	12,652	163,093
<b>Total</b>	<b>1,310,346</b>	<b>50,610</b>	<b>1,360,956</b>

(\$000's)		General and Administrative Expense	Total
<b>For the three months ended September 30, 2019</b>	<b>Cost of Sales</b>		
Employee compensation and benefits	26,450	10,777	37,227
Share-based compensation	1,437	2,835	4,272
Depreciation, depletion and amortization	28,753	2,936	31,689
Oil purchase/resale services expense	577,877	-	577,877
Other <sup>(1)</sup>	61,144	7,552	68,696
<b>Total</b>	<b>695,661</b>	<b>24,100</b>	<b>719,761</b>

(\$000's)		General and Administrative Expense	Total
<b>For the nine months ended September 30, 2019</b>	<b>Cost of Sales</b>		
Employee compensation and benefits	85,489	32,504	117,993
Share-based compensation	4,391	11,783	16,174
Depreciation, depletion and amortization	87,920	9,643	97,563
Oil purchase/resale services expense	1,843,998	-	1,843,998
Other <sup>(1)</sup>	186,448	22,425	208,873
<b>Total</b>	<b>2,208,246</b>	<b>76,355</b>	<b>2,284,601</b>

<sup>(1)</sup> 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.

During the three and nine months ended September 30, 2020, the Corporation qualified for the Canada Emergency Wage Subsidy, assistance offered by the Canadian Federal Government for qualifying entities impacted by the consequences of the novel coronavirus ("COVID-19") pandemic to keep or rehire their employees. Government assistance is recognized when there is reasonable assurance that the assistance will be received, and that the Corporation will comply with the relevant conditions.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2020 and 2019****9. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES (continued)**

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. SECURE recorded \$6.6 million and \$2.2 million against cost of sales and general and administrative expenses, respectively, for the three months ended September 30, 2020. SECURE recorded \$14.5 million and \$5.5 million against cost of sales and general and administrative expenses, respectively, for the nine months ended September 30, 2020.

**10. CAPITAL MANAGEMENT**

(\$000's)	Sept 30, 2020	Dec 31, 2019
Current assets	181,470	314,454
Current liabilities	(118,879)	(210,268)
Amount drawn on credit facilities	431,018	454,322
Shareholders' equity	758,442	812,644
	<b>1,252,051</b>	<b>1,371,152</b>

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 growth, payment of dividends and stable cash flow so as to sustain the business for the long-term. Management considers the Corporation's current assets less current liabilities, 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.

**11. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES**

(\$000's)	1 year or less	1-5 years	5 years and thereafter	Total
Crude oil transportation	39,151	125,367	36,207	200,725
Capital commitments	1,416	-	-	1,416
<b>Total contractual obligations</b>	<b>40,567</b>	<b>125,367</b>	<b>36,207</b>	<b>202,141</b>

**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 fulfill the committed pipeline volumes.

**Capital commitments**

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.

## 12. SEGMENT REPORTING

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

1. **Midstream Infrastructure** includes a network of midstream infrastructure assets that includes oil and water pipelines, midstream processing facilities, oil storage terminals, and crude by rail terminals throughout western Canada, North Dakota and Oklahoma. The Midstream Infrastructure segment services include clean oil terminalling and storage, rail transloading, pipeline transportation, crude oil marketing, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, and oil purchase/resale service. The only change to this segment from the audited consolidated financial statements for the year ended December 31, 2019 is the removal of landfills.
2. **Environmental and Fluid Management** includes a network of landfill disposal facilities; onsite abandonment, remediation and reclamation management; a suite of comprehensive environmental management solutions provided by the Corporation to a diversified customer base; and drilling, completion and production fluid operations management for oil and gas producers in western Canada. Services offered include secure disposal of oilfield and industrial solid wastes into SECURE's owned or managed landfill network located in western Canada and North Dakota; project assessment and planning; demolition and decommissioning; and reclamation and remediation.

These 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 Chairman, 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 certain operating segments into the above noted 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.

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

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Corporation's condensed consolidated financial statements. Comparative information has been recast to conform to the current segmented reporting information. No changes were implemented with respect to the consolidated data as a result of the recast.

The Corporation disaggregates revenue from contracts with customers by type of service or good to reflect how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management for the three and nine months ended September 30, 2020 and 2019.

**SECURE ENERGY SERVICES INC.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2020 and 2019**

**12. SEGMENT REPORTING (continued)**

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>Three months ended September 30, 2020</b>				
Revenue from services	44,757	58,742	-	103,499
Oil purchase and resale service	348,674	-	-	348,674
<b>Total revenue</b>	<b>393,431</b>	<b>58,742</b>	<b>-</b>	<b>452,173</b>
Cost of sales excluding items listed separately below	(361,751)	(44,191)	-	(405,942)
<b>Segment profit margin</b>	<b>31,680</b>	<b>14,551</b>	<b>-</b>	<b>46,231</b>
G&A expenses excluding items listed separately below	(3,709)	(2,269)	(2,871)	(8,849)
Depreciation, depletion and amortization <sup>(1)</sup>	(22,780)	(8,346)	(1,231)	(32,357)
Share-based compensation <sup>(1)</sup>	-	-	(2,581)	(2,581)
Interest, accretion and finance costs	(144)	(53)	(6,606)	(6,803)
Impairment and restructuring costs	(239)	(855)	-	(1,094)
<b>Earnings (loss) before tax</b>	<b>4,808</b>	<b>3,028</b>	<b>(13,289)</b>	<b>(5,453)</b>

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>Nine months ended September 30, 2020</b>				
Revenue from services	153,521	187,547	-	341,068
Oil purchase and resale service	1,007,873	-	-	1,007,873
<b>Total revenue</b>	<b>1,161,394</b>	<b>187,547</b>	<b>-</b>	<b>1,348,941</b>
Cost of sales excluding items listed separately below	(1,065,060)	(146,960)	-	(1,212,020)
<b>Segment profit margin</b>	<b>96,334</b>	<b>40,587</b>	<b>-</b>	<b>136,921</b>
G&A expenses excluding items listed separately below	(11,657)	(12,468)	(13,047)	(37,172)
Depreciation, depletion and amortization <sup>(1)</sup>	(72,488)	(28,544)	(4,049)	(105,081)
Share-based compensation <sup>(1)</sup>	-	-	(6,683)	(6,683)
Interest, accretion and finance costs	(609)	(276)	(20,332)	(21,217)
Impairment and restructuring costs	(3,936)	(21,964)	(1,198)	(27,098)
<b>Earnings (loss) before tax</b>	<b>7,644</b>	<b>(22,665)</b>	<b>(45,309)</b>	<b>(60,330)</b>

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>Three months ended September 30, 2019</b>				
Revenue from services	75,045	74,051	-	149,096
Oil purchase and resale service	577,877	-	-	577,877
<b>Total revenue</b>	<b>652,922</b>	<b>74,051</b>	<b>-</b>	<b>726,973</b>
Cost of sales excluding items listed separately below	(606,236)	(59,235)	-	(665,471)
<b>Segment profit margin</b>	<b>46,686</b>	<b>14,816</b>	<b>-</b>	<b>61,502</b>
G&A expenses excluding items listed separately below	(5,645)	(6,961)	(5,722)	(18,328)
Depreciation, depletion and amortization <sup>(1)</sup>	(19,856)	(10,678)	(1,155)	(31,689)
Share-based compensation <sup>(1)</sup>	-	-	(4,272)	(4,272)
Interest, accretion and finance costs	(331)	(124)	(6,458)	(6,913)
<b>Earnings (loss) before tax</b>	<b>20,854</b>	<b>(2,947)</b>	<b>(17,607)</b>	<b>300</b>

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>Nine months ended September 30, 2019</b>				
Revenue from services	228,281	227,926	-	456,207
Oil purchase and resale service	1,843,998	-	-	1,843,998
<b>Total revenue</b>	<b>2,072,279</b>	<b>227,926</b>	<b>-</b>	<b>2,300,205</b>
Cost of sales excluding items listed separately below	(1,932,360)	(183,575)	-	(2,115,935)
<b>Segment profit margin</b>	<b>139,919</b>	<b>44,351</b>	<b>-</b>	<b>184,270</b>
G&A expenses excluding items listed separately below	(16,526)	(20,440)	(17,963)	(54,929)
Depreciation, depletion and amortization <sup>(1)</sup>	(59,335)	(34,720)	(3,508)	(97,563)
Share-based compensation <sup>(1)</sup>	-	-	(16,174)	(16,174)
Interest, accretion and finance costs	(969)	(410)	(18,567)	(19,946)
<b>Earnings (loss) before tax</b>	<b>63,089</b>	<b>(11,219)</b>	<b>(56,212)</b>	<b>(4,342)</b>

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

**SECURE ENERGY SERVICES INC.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**  
**For the three and nine months ended September 30, 2020 and 2019**

**12. SEGMENT REPORTING (continued)**

**Assets and liabilities**

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>As at September 30, 2020</b>				
Current assets	93,609	87,861	-	181,470
Property, plant and equipment	1,043,349	173,706	5,411	1,222,466
Right-of-use assets	10,413	16,971	8,364	35,748
Intangible assets	19,105	597	-	19,702
Goodwill	-	11,127	-	11,127
Total assets	1,166,476	290,262	13,775	1,470,513
Current liabilities	84,644	34,235	-	118,879
Total liabilities	208,676	72,969	430,426	712,071

(\$000's)	Midstream Infrastructure	Environmental and Fluid Management	Corporate	Total
<b>As at December 31, 2019</b>				
Current assets	186,846	127,608	-	314,454
Property, plant and equipment	1,039,439	187,377	5,959	1,232,775
Right-of-use assets	17,664	20,811	11,149	49,624
Intangible assets	20,490	19,181	-	39,671
Goodwill	-	11,127	-	11,127
Total assets	1,264,439	366,104	17,108	1,647,651
Current liabilities	169,078	41,190	-	210,268
Total liabilities	295,171	86,422	453,414	835,007

**Information about geographic areas**

(\$000's)	Canada		U.S.		Total	
<b>Three months ended September 30,</b>	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
Revenue	409,215	643,623	42,958	83,351	452,173	726,974
<b>Nine months ended September 30,</b>	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
Revenue	1,211,737	2,179,838	137,204	120,367	1,348,941	2,300,205
<b>As at September 30, 2020 and December 31, 2019</b>	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
Total non-current assets	1,108,332	1,152,397	180,711	180,800	1,289,043	1,333,197

**CORPORATE INFORMATION**

**DIRECTORS**

Rene Amirault – Chairman  
Marion Burnyeat <sup>(1) (4)</sup>  
Brad Munro <sup>(1) (2) (5)</sup>  
Kevin Nugent <sup>(1) (2)</sup>  
Shaun Paterson <sup>(3) (4)</sup>  
Daniel Steinke <sup>(4)</sup>  
Richard Wise <sup>(2) (3)</sup>  
Deanna Zumwalt <sup>(1) (3)</sup>

- <sup>1</sup> Audit Committee  
<sup>2</sup> Compensation Committee  
<sup>3</sup> Corporate Governance and Nominating Committee  
<sup>4</sup> Health, Safety, Sustainability & Environment Committee  
<sup>5</sup> Lead Director

**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

**TRANSFER AGENT AND REGISTRAR**

Odyssey Trust Company  
Calgary, Alberta

**OFFICERS**

Rene Amirault  
*President & Chief Executive Officer*

Michael Callihoo  
*Corporate Secretary and VP Commercial Operations/Legal*

David Engel  
*Executive Vice President, New Ventures*

Allen Gransch  
*Chief Operating Officer, Midstream*

Corey Higham  
*Executive Vice President, Operations*

Chad Magus  
*Executive Vice President & Chief Financial Officer*

David Mattinson  
*Executive Vice President, Environmental Solutions*

Mike Mikuska  
*Executive Vice President, Commercial & Transportation*