

Condensed Consolidated Financial Statements

For the three and six months
ended June 30, 2021



SECURE
ENERGY

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position

(\$000's) (unaudited)	Notes	As at	
		June 30, 2021	December 31, 2020
Assets			
Current assets			
Cash		7,432	6,781
Restricted cash	7	206,357	-
Accounts receivable and accrued receivables		150,562	143,887
Inventories		52,829	48,190
Prepaid expenses and other current assets		10,063	8,839
		427,243	207,697
Property, plant and equipment	4	1,074,138	1,155,763
Equity-accounted investee	5	11,553	-
Right-of-use assets		27,165	31,999
Intangible assets	6	2,348	17,993
Goodwill		11,127	11,127
Total Assets		1,553,574	1,424,579
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		155,007	143,874
Asset retirement obligations		2,045	3,294
Lease liabilities		8,306	10,235
2026 unsecured notes - restricted	7	195,049	-
		360,407	157,403
Senior secured credit facilities	8	382,911	399,069
Asset retirement obligations		99,240	104,656
Lease and other liabilities		22,471	25,071
Deferred tax liabilities		21,841	24,877
Total Liabilities		886,870	711,076
Shareholders' Equity			
Issued capital	9	1,048,336	1,038,400
Share-based compensation reserve		44,277	50,541
Foreign currency translation reserve		21,174	23,933
Non-controlling interest	5	-	29,801
Deficit		(447,083)	(429,172)
Total Shareholders' Equity		666,704	713,503
Total Liabilities and Shareholders' Equity		1,553,574	1,424,579

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 June 30,		For the six months ended June 30,	
		2021	2020	2021	2020
Revenue	14	511,897	291,190	1,173,109	896,768
Cost of sales	11	496,384	298,821	1,133,771	889,834
Gross margin		15,513	(7,631)	39,338	6,934
General and administrative expenses	11	20,268	13,362	37,225	37,116
Transaction and restructuring costs	3, 11	7,222	908	10,364	10,281
Operating loss		(11,977)	(21,901)	(8,251)	(40,463)
Interest, accretion and finance costs		3,514	5,324	8,164	14,414
Other expense	5	2,287	-	2,287	-
Loss before tax		(17,778)	(27,225)	(18,702)	(54,877)
Current tax expense		75	179	350	708
Deferred tax recovery		(2,977)	(5,999)	(3,031)	(11,784)
Net loss		(14,876)	(21,405)	(16,021)	(43,801)
Net loss attributable to:					
Shareholders of SECURE		(14,876)	(20,889)	(15,506)	(42,827)
Non-controlling interest		-	(516)	(515)	(974)
Other comprehensive loss					
Foreign currency translation adjustment		(3,507)	(6,376)	(5,631)	9,286
Total comprehensive loss		(18,383)	(27,781)	(21,652)	(34,515)
Total comprehensive loss attributable to:					
Shareholders of SECURE		(18,383)	(26,704)	(18,265)	(33,545)
Non-controlling interest		-	(1,077)	(3,387)	(970)
Basic and diluted loss per common share	9	(0.09)	(0.14)	(0.10)	(0.28)
Weighted average shares outstanding - basic and diluted	9	160,358,466	158,488,825	159,951,853	158,501,312

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
Balance at January 1, 2021		1,038,400	50,541	23,933	29,801	(429,172)	713,503
Net loss		-	-	-	(515)	(15,506)	(16,021)
Dividends declared	9	-	-	-	(277)	(2,405)	(2,682)
Disposition of non-controlling interest	5	-	-	-	(26,137)	-	(26,137)
Foreign currency translation adjustment		-	-	(2,759)	(2,872)	-	(5,631)
Exercise of share units	9	9,936	(9,936)	-	-	-	-
Share-based compensation for equity-settled awards		-	3,672	-	-	-	3,672
Balance at June 30, 2021		1,048,336	44,277	21,174	-	(447,083)	666,704
Balance at January 1, 2020		1,017,990	61,586	26,734	32,954	(326,620)	812,644
Net loss		-	-	-	(974)	(42,827)	(43,801)
Dividends declared		-	-	-	(813)	(14,963)	(15,776)
Foreign currency translation adjustment		-	-	9,282	4	-	9,286
Exercise of share units		20,823	(20,823)	-	-	-	-
Share-based compensation		-	5,448	-	-	-	5,448
Shares cancelled under normal course issuer bid ("NCIB")		(1,531)	-	-	-	-	(1,531)
Balance at June 30, 2020		1,037,282	46,211	36,016	31,171	(384,410)	766,270

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 June 30,		For the six months ended June 30,	
		2021	2020	2021	2020
Cash flows (used in) from operating activities					
Net loss		(14,876)	(21,405)	(16,021)	(43,801)
Adjustments for non-cash items:					
Depreciation, depletion and amortization	11	31,550	33,056	61,266	72,724
Interest, accretion and finance costs		3,514	5,324	8,164	14,414
Other expense	5	2,287	-	2,287	-
Current and deferred tax recovery		(2,902)	(5,820)	(2,681)	(11,076)
Other non-cash (recovery) expense		(375)	6,934	(147)	2,458
Impairment of non-current assets	11	-	-	-	15,723
Share-based compensation	11	3,601	1,769	5,981	4,102
Interest paid		(3,993)	(4,492)	(8,165)	(9,822)
Income taxes (paid) recovered		(100)	223	(1,000)	227
Asset retirement costs incurred		(325)	(20)	(1,585)	(123)
Funds flow from operations		18,381	15,569	48,099	44,826
Change in non-cash working capital		2,430	6,529	(2,703)	23,122
Net cash flows from operating activities		20,811	22,098	45,396	67,948
Cash flows (used in) from investing activities					
Purchase of property, plant and equipment		(6,797)	(10,560)	(13,224)	(51,920)
Proceeds from dispositions		2,841	707	3,460	849
Partnership distributions to non-controlling interest		-	(400)	(277)	(813)
Restricted cash		(206,357)	-	(206,357)	-
Change in non-cash working capital		(2,932)	(5,928)	(9)	8,940
Net cash flows used in investing activities		(213,245)	(16,181)	(216,407)	(42,944)
Cash flows (used in) from financing activities					
Repurchase and cancellation of shares under NCIB	9	-	-	-	(1,531)
(Repayment) draw on credit facilities		(10,083)	11,105	(16,440)	8,555
Issuance of senior unsecured notes		200,000	-	200,000	-
Financing fees		(4,951)	-	(4,951)	-
Lease liability principal payments		(2,012)	(4,648)	(5,432)	(9,063)
Dividends declared		(1,204)	(4,357)	(2,405)	(14,963)
Change in non-cash working capital		2	-	13	-
Net cash flows from (used in) financing activities		181,752	2,100	170,785	(17,002)
Effect of foreign exchange on cash		653	241	877	570
(Decrease) increase in cash		(10,029)	8,258	651	8,572
Cash, beginning of period		17,461	9,168	6,781	8,854
Cash, end of period		7,432	17,426	7,432	17,426

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 six months ended June 30, 2021 and 2020

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”.

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.

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. Unless otherwise indicated, the financial information and references to SECURE Energy Services Inc. and its subsidiaries and partnership interests contained herein exclude Tervita and its subsidiaries and is presented on a non-consolidated basis. SECURE will report its initial consolidated results with Tervita as at and for the three and nine month period ended September 30, 2021.

Basis of Presentation

The condensed consolidated financial statements of SECURE have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) in effect at the closing date of June 30, 2021. 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, 2020.

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.

These consolidated financial statements were approved by SECURE’s Board of Directors on July 27, 2021.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three and six months ended June 30, 2021 and 2020

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, 2020. Unless otherwise stated, these policies have been consistently applied to all periods presented. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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. TERVITA TRANSACTION

On March 8, 2021, SECURE entered into an arrangement agreement with Tervita to combine in an all-share transaction pursuant to which SECURE agreed to acquire all of 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 by the Toronto Stock Exchange at the close of market on July 6, 2021.

With the closing of the Transaction, all litigation between SECURE and Tervita has been discontinued.

4. PROPERTY, PLANT AND EQUIPMENT

(\$000's)

Balance at December 31, 2020	1,155,763
Additions	13,764
Change in asset retirement cost	(5,558)
Disposals	(9,031)
Disposition of non-controlling interest (Note 5)	(25,589)
Depreciation and depletion	(50,670)
Foreign exchange effect	(4,541)
Balance at June 30, 2021	1,074,138

SECURE ENERGY SERVICES INC.
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5. 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 has lost control of this subsidiary for accounting purposes as the Corporation no longer has substantive potential voting rights.

In accordance with International Financial Reporting Standard 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 \$2.3 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 June 30, 2021, the 27% interest recognized on the consolidated statement of financial position was \$11.6 million.

6. INTANGIBLE ASSETS

(\$000's)

Balance at December 31, 2020	17,993
Disposition of non-controlling interest (Note 5)	(14,029)
Amortization	(953)
Foreign exchange effect	(663)
Balance at June 30, 2021	2,348

7. 2026 UNSECURED NOTES - RESTRICTED

(\$000's)

	June 30, 2021	Dec 31, 2020
2026 unsecured notes	200,000	-
Unamortized transaction costs	(4,951)	-
Total 2026 unsecured notes	195,049	-

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 ("2026 unsecured notes"). The net proceeds of the offering, along with \$6.4 million of interest accrued up to the latest possible mandatory redemption date in accordance with the offering, were deposited into an escrow account pending the satisfaction of certain conditions, including the completion of the Transaction.

The escrow release conditions were satisfied on July 2, 2021. The proceeds of the 2026 unsecured notes have subsequently been used to (i) fund the redemption of US\$100 million of the US\$500 million aggregate principal amount of 11.0% senior second lien secured notes of Tervita due 2025 (the "Tervita 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 outstanding indebtedness; and (iii) pay fees and expenses incurred in connection with the note issuance and for general corporate purposes.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
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8. SENIOR SECURED CREDIT FACILITIES

SECURE's senior secured credit facilities at June 30, 2021, 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), and 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 of July 31, 2022). The credit facility balances included on the statements of financial position at June 30, 2021, and December 31, 2020 were as follows:

(\$000's)	June 30, 2021	Dec 31, 2020
Amount drawn on First Lien Facility	253,023	269,463
Amount drawn on Second Lien Facility	130,000	130,000
Unamortized transaction costs	(112)	(394)
Total senior secured credit facilities	382,911	399,069

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% per annum or the banker acceptance or LIBOR rate plus 1.45% to 3.00% per annum, 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% per annum through the use of interest rate swaps. The First Lien Facility and Second Lien Facility 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 coverage ratio is not less than 2.5 to 1.0.

At June 30, 2021, and December 31, 2020, the Corporation was in compliance with all financial covenants contained in the First Lien Facility and Second Lien Facility lending agreements. The following table outlines the Corporation's covenant ratios as at June 30, 2021, and December 31, 2020.

	June 30, 2021	Dec 31, 2020	Covenant
Senior debt to EBITDA	2.0	2.2	3.5
Total debt to EBITDA	2.9	3.2	5.0
Interest coverage	7.3	6.4	2.5

At June 30, 2021, the Corporation also had outstanding two bilateral Letter of Credit Facilities totaling \$75 million ("\$75 million LC Facilities") with a financial institution and Chartered bank. In total, the Corporation had issued \$36.8 million at June 30, 2021.

On July 2, 2021, in connection with the closing of the Transaction, SECURE entered into an \$800 million three-year senior secured revolving credit facility (the "new SECURE Credit Facility") with nine financial institutions and Chartered Banks (with a maturity date of July 2, 2024). The new SECURE Credit Facility has been 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.

The new SECURE 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 1.00 for the first fiscal quarter immediately following the effective date and the next two fiscal quarters immediately thereafter 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 1.00 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;
- the Interest Coverage Ratio (defined as EBITDA to Interest charges) is not less than 2.50 to 1.00.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
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8. SENIOR SECURED CREDIT FACILITIES (continued)

The new SECURE Credit Facility also requires that the aggregate principal amount of all unsecured notes, the principal amount outstanding under the new SECURE Credit Facility and the Tervita Notes will not exceed \$1.5 billion.

Total Debt includes the aggregate of all debt (including leases) 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 Tervita Notes and the principal amount outstanding under any unsecured notes.

EBITDA is defined in the new SECURE 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.

Amounts borrowed under the new SECURE Credit Facility will bear interest at the Corporation'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.

SECURE also entered into a \$30 million unsecured letter of credit facility guaranteed by Export Development Canada (the "new SECURE LC Facility"). \$21.2 million of the letters of credit issued at June 30, 2021, have been issued against the new SECURE LC Facility.

9. SHAREHOLDERS' EQUITY

	Number of Shares	Amount (\$000's)
Balance at December 31, 2020	158,700,373	1,038,400
Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") exercised	1,799,448	9,936
Balance at June 30, 2021	160,499,821	1,048,336

The Corporation declared dividends to holders of common shares for the three and six months ended June 30, 2021, of \$1.2 million and \$2.4 million, respectively (three and six months ended June 30, 2020: \$4.4 million and \$15.0 million, respectively).

On June 15, 2021, the Corporation declared a dividend in the amount of \$0.0075 (0.75 cents) per common share. Subsequent to June 30, 2021, the Corporation paid out this dividend to holders of common shares on record on July 1, 2021.

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 three and six months ended June 30, 2021 (three and six months ended June 30, 2020: 336,500 shares for a total cost of \$1.5 million under a previous NCIB).

Basic and Diluted Earnings Per Share

The basic and diluted weighted average number of shares used in the basic and diluted income per share computations was 160,358,466 shares for the three months ended June 30, 2021, and 159,951,853 for the six months ended June 30, 2021 (for the three and six months ended June 30, 2020: 158,488,825 and 158,501,312 shares, respectively). The effect of all options, RSUs and PSUs for the three and six months ended June 30, 2021 and 2020, have been excluded as they are considered to be anti-dilutive.

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10. SHARE-BASED COMPENSATION PLANS

The Corporation has a Unit Incentive Plan (“UIP”) under which the Corporation may grant incentive units, comprised of RSUs and PSUs (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, 2020.

Incentive Units and DSUs

The following table summarizes the units outstanding:

	RSUs	PSUs	DSUs
Balance at December 31, 2020	2,295,514	2,501,349	699,191
Granted	523,264	1,546,513	164,318
Reinvested dividends	9,240	13,523	3,176
Redeemed for common shares	(1,136,319)	(663,129)	-
Forfeited	(38,658)	(37,658)	-
Balance at June 30, 2021	1,653,041	3,360,598	866,685

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

The balance of share options outstanding at June 30, 2021 and December 31, 2020, is 63,333 with a weighted average exercise price of \$10.80. All outstanding options are exercisable at June 30, 2021.

11. EXPENSES

The below table summarizes the disaggregation of cost of sales and general and administrative expenses for the three and six months ended June 30, 2021 and 2020:

(\$000's)		General and Administrative Expense	Total
For the three months ended June 30, 2021	Cost of Sales		
Employee compensation and benefits	17,906	8,181	26,087
Share-based compensation	385	3,216	3,601
Depreciation, depletion and amortization	28,364	3,186	31,550
Oil purchase/resale services expense	395,192	-	395,192
Other ⁽¹⁾	54,537	5,685	60,222
Total	496,384	20,268	516,652

(\$000's)		General and Administrative Expense	Total
For the six months ended June 30, 2021	Cost of Sales		
Employee compensation and benefits	35,395	14,547	49,942
Share-based compensation	792	5,189	5,981
Depreciation, depletion and amortization	55,759	5,507	61,266
Oil purchase/resale services expense	924,269	-	924,269
Other ⁽¹⁾	117,556	11,982	129,538
Total	1,133,771	37,225	1,170,996

⁽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.

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11. EXPENSES (continued)

(\$000's)		General and Administrative Expense	Total
For the three months ended June 30, 2020			
	Cost of Sales		
Employee compensation and benefits	10,974	5,091	16,065
Share-based compensation	920	849	1,769
Depreciation, depletion and amortization	30,652	2,404	33,056
Oil purchase/resale services expense	225,644	-	225,644
Other ⁽¹⁾	30,631	5,018	35,649
Total	298,821	13,362	312,183

(\$000's)		General and Administrative Expense	Total
For the six months ended June 30, 2020			
	Cost of Sales		
Employee compensation and benefits	42,675	18,770	61,445
Share-based compensation	1,790	2,312	4,102
Depreciation, depletion and amortization	66,243	6,481	72,724
Impairment	15,723	-	15,723
Oil purchase/resale services expense	659,199	-	659,199
Other ⁽¹⁾	104,204	9,553	113,757
Total	889,834	37,116	926,950

⁽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.

Transaction costs and restructuring

During the three and six months ended June 30, 2021, the Corporation recorded \$7.2 million and \$10.4 million, respectively, of costs related to the Transaction.

During the three and six months ended June 30, 2020, the Corporation recorded \$0.9 million and \$10.3 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 resulting from the COVID-19 pandemic and decreased oil demand.

12. CAPITAL MANAGEMENT

(\$000's)	June 30, 2021	Dec 31, 2020
Current assets ⁽¹⁾	220,886	207,697
Current liabilities ⁽¹⁾	(165,358)	(157,403)
Amount drawn on credit facilities	383,023	399,463
2026 unsecured notes - principal amount	200,000	-
Shareholders' equity	666,704	713,503
	1,305,255	1,163,260

⁽¹⁾ Excluding restricted cash and debt related to the 2026 unsecured notes. The proceeds and notes were held in escrow at June 30, 2021, pending the satisfaction of certain conditions related to the Transaction. They were released from escrow upon closing of the Transaction. Refer to Note 7.

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.

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13. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

(\$000's)	1 year or less	1-5 years	5 years and thereafter	Total
Crude oil transportation	34,913	117,338	23,155	175,406
Crude oil storage	11,537	41,460	45,779	98,776
Capital commitments	839	-	-	839
Total contractual obligations	47,289	158,798	68,934	275,021

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.

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.

14. SEGMENT REPORTING

As at June 30, 2021, the Corporation reports results in the following two reportable segments:

- **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.
- **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.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
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14. SEGMENT REPORTING (continued)

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

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

The 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 six months ended June 30, 2021 and 2020.

(\$000's)	Environmental and Fluid			Total
Three months ended June 30, 2021	Midstream Infrastructure	Management	Corporate	
Revenue from services	48,375	68,330	-	116,705
Oil purchase and resale service	395,192	-	-	395,192
Total revenue	443,567	68,330	-	511,897
Cost of sales excluding items listed separately below	(414,394)	(53,241)	-	(467,635)
Segment profit margin	29,173	15,089	-	44,262
G&A expenses excluding items listed separately below	(5,143)	(4,280)	(4,443)	(13,866)
Depreciation, depletion and amortization ⁽¹⁾	(20,705)	(8,740)	(2,105)	(31,550)
Share-based compensation ⁽¹⁾	-	-	(3,601)	(3,601)
Interest, accretion and finance costs	(298)	(78)	(3,138)	(3,514)
Transaction costs	-	-	(7,222)	(7,222)
Other expense	(2,287)	-	-	(2,287)
(Loss) income before tax	740	1,991	(20,509)	(17,778)

(\$000's)	Environmental and Fluid			Total
Six months ended June 30, 2021	Midstream Infrastructure	Management	Corporate	
Revenue from services	99,639	149,201	-	248,840
Oil purchase and resale service	924,269	-	-	924,269
Total revenue	1,023,908	149,201	-	1,173,109
Cost of sales excluding items listed separately below	(964,634)	(112,586)	-	(1,077,220)
Segment profit margin	59,274	36,615	-	95,889
G&A expenses excluding items listed separately below	(9,038)	(9,032)	(8,459)	(26,529)
Depreciation, depletion and amortization ⁽¹⁾	(40,439)	(17,505)	(3,322)	(61,266)
Share-based compensation ⁽¹⁾	-	-	(5,981)	(5,981)
Interest, accretion and finance costs	(496)	(137)	(7,531)	(8,164)
Transaction costs	-	-	(10,364)	(10,364)
Other expense	(2,287)	-	-	(2,287)
Income (loss) before tax	7,014	9,941	(35,657)	(18,702)

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14. SEGMENT REPORTING (continued)

(\$000's)	Environmental and Fluid			
Three months ended June 30, 2020	Midstream Infrastructure	Management	Corporate	Total
Revenue from services	34,191	31,355	-	65,546
Oil purchase and resale service	225,644	-	-	225,644
Total revenue	259,835	31,355	-	291,190
Cost of sales excluding items listed separately below	(238,888)	(28,361)	-	(267,249)
Segment profit margin	20,947	2,994	-	23,941
G&A expenses excluding items listed separately below	(3,373)	(2,710)	(4,026)	(10,109)
Depreciation, depletion and amortization ⁽¹⁾	(24,113)	(7,541)	(1,402)	(33,056)
Share-based compensation ⁽¹⁾	-	-	(1,769)	(1,769)
Interest, accretion and finance costs	(189)	(76)	(5,059)	(5,324)
Restructuring costs	(286)	(622)	-	(908)
Loss before tax	(7,014)	(7,955)	(12,256)	(27,225)

(\$000's)	Environmental and Fluid			
Six months ended June 30, 2020	Midstream Infrastructure	Management	Corporate	Total
Revenue from services	108,764	128,805	-	237,569
Oil purchase and resale service	659,199	-	-	659,199
Total revenue	767,963	128,805	-	896,768
Cost of sales excluding items listed separately below	(703,309)	(102,769)	-	(806,078)
Segment profit margin	64,654	26,036	-	90,690
G&A expenses excluding items listed separately below	(7,948)	(10,199)	(10,176)	(28,323)
Depreciation, depletion and amortization ⁽¹⁾	(49,708)	(20,198)	(2,818)	(72,724)
Share-based compensation ⁽¹⁾	-	-	(4,102)	(4,102)
Interest, accretion and finance costs	(465)	(223)	(13,726)	(14,414)
Impairment ⁽¹⁾	-	(15,723)	-	(15,723)
Restructuring costs	(3,697)	(5,386)	(1,198)	(10,281)
Income (loss) before tax	2,836	(25,693)	(32,020)	(54,877)

⁽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.

Assets and liabilities

(\$000's)	Environmental and Fluid			
As at June 30, 2021	Midstream Infrastructure	Management	Corporate	Total
Current assets	119,615	101,271	206,357	427,243
Property, plant and equipment	921,755	148,690	3,693	1,074,138
Equity-accounted investee	11,553	-	-	11,553
Right-of-use assets	10,803	16,362	-	27,165
Intangible assets	2,252	96	-	2,348
Goodwill	-	11,127	-	11,127
Total assets	1,065,978	277,546	210,050	1,553,574
Current liabilities	115,161	50,197	195,049	360,407
Total liabilities	219,231	89,679	577,960	886,870

(\$000's)	Environmental and Fluid			
As at December 31, 2020	Midstream Infrastructure	Management	Corporate	Total
Current assets	106,371	101,326	-	207,697
Property, plant and equipment	987,659	163,565	4,539	1,155,763
Right-of-use assets	15,188	16,811	-	31,999
Intangible assets	17,818	175	-	17,993
Goodwill	-	11,127	-	11,127
Total assets	1,127,036	293,004	4,539	1,424,579
Current liabilities	112,325	45,078	-	157,403
Total liabilities	227,270	84,738	399,068	711,076

SECURE ENERGY SERVICES INC.
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14. SEGMENT REPORTING (continued)

Information about geographic areas

<i>(\$000's)</i>	Canada		U.S.		Total	
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Revenue	481,165	235,555	30,732	55,635	511,897	291,190
Six months ended June 30,						
Revenue	1,111,645	822,107	61,464	74,661	1,173,109	896,768
As at June 30, 2021 and December 31, 2020						
Total non-current assets	1,008,005	1,047,390	118,326	169,492	1,126,331	1,216,882

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 Compensation Committee

³ Corporate Governance & Nominating
Committee

⁴ Environment, Social & Governance Committee

OFFICERS

Rene Amirault
President & Chief Executive Officer

Allen Gransch
Chief Operating Officer

Chad Magus
Chief Financial Officer

Michael Callihoo
General Counsel and Corporate Secretary

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

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*