SECURE ENERGY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Twelve Months ended December 31, 2019 and 2018

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of SECURE Energy Services Inc. ("SECURE", the "Corporation", "we", or "our") has been prepared by management and reviewed and approved by the Board of Directors of SECURE (the "Board of Directors" or the "Board") on February 24, 2020. The discussion and analysis is a review of the financial results of the Corporation prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

The MD&A's primary focus is a comparison of the financial performance for the three and twelve months ended December 31, 2019 to the three and twelve months ended December 31, 2018 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2019 and 2018 ("Annual Financial Statements").

All amounts are presented in Canadian dollars, unless otherwise stated, and all tabular amounts are in thousands of Canadian dollars, except share and per share amounts or as otherwise noted. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

CORPORATE OVERVIEW

SECURE is a publicly traded energy business listed on the Toronto Stock Exchange ("TSX") providing 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 three operating segments: Midstream Infrastructure, Environmental Solutions and Technical Solutions.

The Corporation owns and operates a network of over fifty midstream facilities 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 logistics, marketing and storage.

For a complete description of services provided by the Corporation, please refer to the headings '*General Development of the Business*' and '*Description of Business'* in the Corporation's Annual Information Form for the year ended December 31, 2019 ("AIF").

CORPORATE STRATEGY

Over the past several years, increasing the stability of the Corporation's cash flows has been a key priority for SECURE to reduce the risk of our capital investments and maximize the return and value from our existing assets, ensuring profitable growth for our shareholders, and positioning the Corporation for sustained success. The strategies the Corporation has developed to achieve this priority include:

- Building and connecting produced water pipelines and disposal facilities to reduce customers' transportation costs and environmental footprint;
- Building and connecting gathering oil pipelines from producer batteries to reduce customers' transportation costs and environmental footprint;
- Utilizing crude oil storage and blending capabilities to optimize pricing and manage pipeline transportation constraints; and
- Providing crude oil transport via rail for access to higher priced markets and to minimize egress constraints.

During 2019, the Corporation executed on its corporate strategy by increasing the Corporation's exposure to production-based revenues through the growth of our core midstream infrastructure business, and limiting exposure to cyclical drilling and completion activities.

2019 ACHIEVEMENTS

Pipestone facility

In October 2019, the Corporation commissioned the Pipestone facility in the liquids rich Montney region of Alberta. The facility includes a produced water pipeline connecting directly from our anchor customer's battery. The facility has multi-year contracted volumes through facility and area dedications, providing reliable cash flows over the contract term.

New produced water pipelines

In addition to the produced water pipeline at Pipestone, SECURE added three other produced water pipelines in the year, connecting producer batteries/gas plants to SECURE's midstream infrastructure at Gold Creek (two) and Tony Creek (one). These pipelines include long-term committed volumes from anchor tenants, resulting in a reliable rate of return on the investment, and driving volumes to our facilities. SECURE also has a fifth produced water pipeline, tying in produced water volumes to our 13 Mile facility in North Dakota.

Operational success at Kerrobert

In October 2018, SECURE commenced commercial operations at the Corporation's first owned and operated oil feeder pipeline system and receipt terminal, located in the Kindersley-Kerrobert region of Saskatchewan. The system gathers crude oil from multiple oil producers and transports the product to SECURE's new Kerrobert terminal. From the terminal, the product is delivered onto the Enbridge mainline at Kerrobert. The oil feeder pipeline system includes area dedication and contracted volumes on both an annual and cumulative term basis over a 10-year term resulting in a stable revenue source for the Corporation through pipeline tariffs. In 2019, SECURE completed the construction of two 130,000 barrel tanks, increasing the total crude oil storage at the Kerrobert terminal to 420,000 barrels resulting in increased operational flexibility and expanded commercial opportunities.

The performance of the Kerrobert crude oil pipeline system surpassed expectations during the year. Operational highlights include:

- Nearly 1.9 million cubic metres shipped during 2019 with growing volumes each quarter;
- 20 approved shippers;
- Zero environmental or safety incidents; and
- No unscheduled downtime.

The execution of this pipeline system on time and on budget, and the operational success demonstrated to date positions SECURE to take advantage of similar opportunities to create value for customers seeking cost effective and sustainable solutions for water, oil and condensate volumes.

Development of our second oil pipeline system

During the third quarter of 2019, the Corporation entered into long-term contracts in the Bigstone and East Kaybob regions of Alberta to gather light oil and condensate from multiple producers and transport the product to the Corporation's Fox Creek facility. Several producer facilities will be tied into the pipeline system by way of four-inch diameter lateral pipelines, joining together into a six-inch line stretching approximately 25 kilometres to the Fox Creek facility. In total, the system will span approximately 120 kilometres. Construction commenced during the fourth quarter of 2019 and the pipeline system is expected to be operational by mid-2020, subject to timing of receipt of regulatory approvals or unanticipated delays.

The development of the East Kaybob oil pipeline system is underpinned by 15-year commitments with multiple customers, which should provide SECURE with stable, long-term fee-for-service revenues from pipeline tariffs, and reliable volumes at the Fox Creek facility. For our customers, the elimination of hauling product by truck is expected to positively impact their respective operating costs, safety and emissions.

Cushing storage acquisition

In April 2019, the Corporation completed two tuck-in acquisitions to secure crude oil storage at Cushing, Oklahoma. The acquisitions included a 27% interest in a crude oil storage facility and a 51% interest in an adjacent 80-acre parcel of undeveloped land. The storage facility was constructed in 2015 and is strategically located on 10 acres of land in South Cushing with long-term connection agreements in place, and provides connectivity to all major inbound and outbound pipelines in Cushing. Having access to multiple Canadian crude streams and well-connected infrastructure at hubs across North America is expected to benefit our customers' ability to access markets at the optimum price and significantly expands SECURE's commercial revenue generating opportunities.

SECURE's majority investment in the 80-acre parcel of land provides the Corporation with significant optionality to develop additional midstream infrastructure at Cushing.

Expansion projects

During 2019, the Corporation also undertook several projects to optimize capabilities and increase processing and disposal capacity at various existing facilities with the intention of maximizing the return and value from our existing assets. These projects included:

- Additional disposal wells added at the Tony Creek, 13 Mile, and Keene facilities;
- Blend optimization projects at several pipeline connected full service terminals; and
- Upgrades at our Big Mountain facility for the handling of sour fluids.

SECURE will continue to pursue high-return expansion projects at our existing facilities where it is supported by highly reliable volumes.

Announcement of strategic divestitures

During the fourth quarter of 2019, SECURE initiated a process for the divestiture of specific service lines that do not have recurring or production-related revenue streams. SECURE has engaged Peters & Co. Limited as financial advisors for the sales process. The sales process continues to advance, and the Corporation presently expects to conclude any divestitures by the end of 2020. Based on current market conditions and the views of our advisors, aggregate proceeds for these divestures are anticipated to range from $100 million to $200 million depending on which service lines are divested.

Monetizing assets that primarily support drilling and completion activity is expected to allow management to focus on longer-term strategy, strengthen SECURE's balance sheet, provide incremental capital for continued midstream infrastructure growth, and support continued opportunistic share repurchases. SECURE believes these divestitures will best position the Corporation for sustainable future growth and shareholder value creation in the midstream space.

LOOKING AHEAD

SECURE will continue to follow a sensible approach to capital spending by focusing our capital spending on projects underpinned by long-term committed volumes that will generate stable cash flows and capture a secure rate of return. Additional opportunities to execute on this objective are expected to continue based on current industry trends such as:

- Producers increasingly outsourcing midstream work;
- Produced water volumes increasing at a disproportionate rate relative to aggregate production;
- Increased use of concentrated pad drilling with multiple wells creating large centralized volumes that improve the economics of building pipelines to connect production volumes to midstream facilities; and
- Volatile commodity price differentials and limited pipeline capacity.

Pipeline connecting volumes creates value for our customers by providing a capital efficient transportation solution that lowers operating costs and enhances operating netbacks. Additionally, the use of pipelines significantly reduces or eliminates trucking logistics and constraints, reduces greenhouse gas emissions and increases safety for all road users by reducing the number of trucks required to transport producer's product.

ESG focused

SECURE recognizes that the long-term success of the Corporation goes beyond the financial results generated by the Corporation. SECURE is focused on continually improving our strategies and processes to further enhance the sustainability of our business by incorporating environmental, social, and governance ("ESG") factors in our overall business strategy, risk management and business development. Our commitments to sustainability, including putting safety first, minimizing the environmental impacts of our operations, and creating positive relationships with stakeholders in the communities where we live and work, guide these strategies.

Over the past year, the Corporation has taken the following actions to advance our ESG framework and address key issues:

- Integrated sustainability into the mandate of the Board's standing Health, Safety and Environment committee;
- Published our first climate policy for increasing energy efficiency and reducing emissions;
- Adopted an '*Every Drop Matters*' initiative for spill prevention;
- Formalized stakeholder relations and Aboriginal vendor policies;
- Linked executive compensation targets to key corporate sustainability goals; and
- Increased the diversity of our Board of Directors with the addition of a second female director.

The Corporation has established environmental targets to reduce our carbon intensity in half by 2030 and achieve net zero emissions by 2050. The Corporation is committed to developing and implementing new practices and technologies to achieve these targets.

SECURE also acknowledges the larger role we are able to play in reducing the overall environmental impact associated with delivering energy to the world. The Corporation is dedicated to working with customers to provide innovative midstream and environmental solutions that not only reduce costs, but also lower emissions, improve safety, manage water, recycle by-products, and protect the land.

2020 capital guidance

The current growth capital plan for 2020 is approximately $50 million and relates primarily to completing construction of the East Kaybob oil pipeline system and other small expansion projects. Sustaining capital is expected to be approximately $20 million for 2020. In addition, the Corporation expects to incur approximately $10 million in 2020 for office construction costs due to a new sub-lease arrangement which will significantly lower our future rent and operating costs over the next 12 years.

The capital budget will be reviewed quarterly in 2020 and may be revised in accordance with growth and expansion opportunities available to further expand SECURE's midstream infrastructure business in a manner consistent with SECURE's business strategy and such other factors as management considers appropriate including, among other things, the risks set out in the AIF under the heading *'Risk Factors*'.

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2019 RESULTS

Adjusted EBITDA[1] of $1.13 per share

Successful project execution and strategic acquisitions over the past several years contributing recurring cash flows generated from production-related activities helped offset the impact of continued reduced oil and gas drilling and completion activity in 2019. For the year ended December 31, 2019, SECURE achieved Adjusted EBITDA of $180.2 million, equal to $1.13 per share, down 3% compared to 2018.

In the Midstream Infrastructure division, growth initiatives over the last several years to increase capacity in response to customer demand and expand production-related service offerings resulted in Adjusted EBITDA of $183.6 million, up 1% from 2018. This increase was offset by reduced contributions from the Corporation's Technical Solutions and Environmental Solutions divisions as a result of lower drilling and completion activity in the Western Canadian Sedimentary Basin ("WCSB") as over half of the service lines provide drilling and completion-related services. Activity levels were hampered by weather-related issues during several months of the year, compounded by the overall impact of reduced capital budgets as producers employ increased financial and capital discipline. Overall, the active rig count and wells completed were down 31% and 20% respectively during 2019 from 2018.

Solid balance sheet

SECURE continues to follow a disciplined approach to maintaining a strong balance sheet.

- In April 2019, SECURE closed an amendment to its first lien credit facility (the "First Lien Credit Facility"), increasing the borrowing capacity by $130 million to $600 million and entered into a new $75 million bilateral Letter of Credit Facility. SECURE's total credit capacity is $805 million, comprised of the First Lien Credit Facility, the Corporation's $130 million second lien credit facility entered into in 2017, and the new Letter of Credit Facility. At December 31, 2019, the Corporation had $312.1 million available under these credit facilities, subject to covenant restrictions, up from $148.4 million at December 31, 2018.
- The Corporation remained compliant with all covenants related to its credit facilities in 2019, ending the year with a Senior Debt to trailing twelve-month EBITDA ratio[2] of 2.0x, well within the covenant threshold.

SECURE will continue to focus on managing the Corporation's financial position throughout 2020. Funds flow from operations after sustaining capital and dividend payments, along with any proceeds from divestitures, will provide increased flexibility for debt repayment, midstream infrastructure growth underpinned by long-term committed volume contracts, and opportunistic share repurchases.

Shareholder value creation

During 2019, SECURE continued to pay a $0.0225 per share monthly dividend and executed on strategic share repurchases under the Corporation's normal course issuer bid ("NCIB"). In aggregate, SECURE returned $43.0 million of cash flow to shareholders through the dividend payments, and purchased and cancelled 5,393,392 common shares of the Corporation ("shares") at a weighted average price per share of $6.44 for a total of $34.7 million under the NCIB. At December 31, 2019, the Corporation had 156,460,158 shares outstanding.

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[1] Refer to the "*Non-GAAP Measures*" section herein.
[2] Refer to the "*Liquidity and Capital Resources*" section herein for details on the Corporation's covenant calculations.

SECURE ENERGY

ANNUAL HIGHLIGHTS

The operating and financial highlights for the years ended December 31, 2019, 2018 and 2017 can be summarized as follows:

	Twelve months ended Dec 31,		
($000's except share and per share data)	**2019**	**2018**	**2017**
Revenue (excludes oil purchase and resale)	**632,409**	698,172	603,421
Oil purchase and resale	**2,440,071**	2,239,281	1,724,787
Total revenue	**3,072,480**	2,937,453	2,328,208
Adjusted EBITDA (1)	**180,172**	190,521	157,211
Per share ($), basic	**1.13**	1.17	0.97
Per share ($), diluted	**1.11**	1.15	0.97
Net income (loss) attributable to shareholders of Secure	**1,600**	19,929	(34,202)
Per share ($), basic and diluted	**0.01**	0.12	(0.21)
Cash flows from operating activities	**196,604**	186,515	108,872
Per share ($), basic	**1.24**	1.14	0.67
Per share ($), diluted	**1.21**	1.13	0.67
Dividends per common share	**0.27**	0.27	0.25
Capital expenditures (1)	**134,725**	178,646	195,867
Total assets	**1,647,650**	1,583,501	1,562,746
Long-term liabilities	**624,739**	560,863	422,251
Common shares - end of period	**156,460,158**	159,274,147	163,352,572
Weighted average common shares			
basic	**158,984,770**	163,008,356	162,827,541
diluted	**161,817,532**	165,425,609	162,827,541

(1) Refer to "*Non-GAAP measures*" and "*Operational definitions*" for further information.

- REVENUE OF $3.1 BILLION FOR THE YEAR ENDED DECEMBER 31, 2019
  - Midstream Infrastructure division revenue (excluding oil purchase and resale) in 2019 increased by 2% over 2018 to $362.1 million. Higher revenues were driven primarily by infrastructure added during 2018 and 2019 which resulted in new production-related revenue streams and increased disposal capacity with committed volumes. Lower revenue from existing facilities due to lower drilling and completions related processing and disposal volumes resulting from poor weather throughout the second and third quarter, compounded by reduced spending by producers in Canada across the Corporation's operating areas, partially offset the contributions from new infrastructure.
  - Oil purchase and resale revenue in 2019 increased 9% over 2018 to $2.4 billion primarily due to higher volumes attributable to SECURE's expanded commercial operations, particularly related to the Kerrobert crude oil pipeline system which was placed in service October 1, 2018.
  - Environmental Solutions division revenue in 2019 decreased 26% over 2018 to $86.8 million. The integrated fluids solutions service line was impacted by lower well completion activity in the WCSB and from reduced spending from major exploration and production companies in Canada. Project revenue also decreased due to fewer reclamation and demolition jobs underway year over year and from the deferral of ongoing remediation and demolition jobs as wet weather conditions during most of the second and third quarters limited field access required to complete these jobs. Increases in recurring revenue from scrap metal recycling agreements combined with new project work in the Fort McMurray region partially offset the reduced revenue from the lower job volumes and program deferrals.
  - Technical Solutions division revenue in 2019 decreased 18% over 2018 to $183.4 million due to lower drilling and completion activity in the WCSB, negatively impacting revenue generated from drilling and completion fluid services, solids control equipment rentals and drilling waste management. Increased production services revenue from an expanded customer base partially offset this impact.

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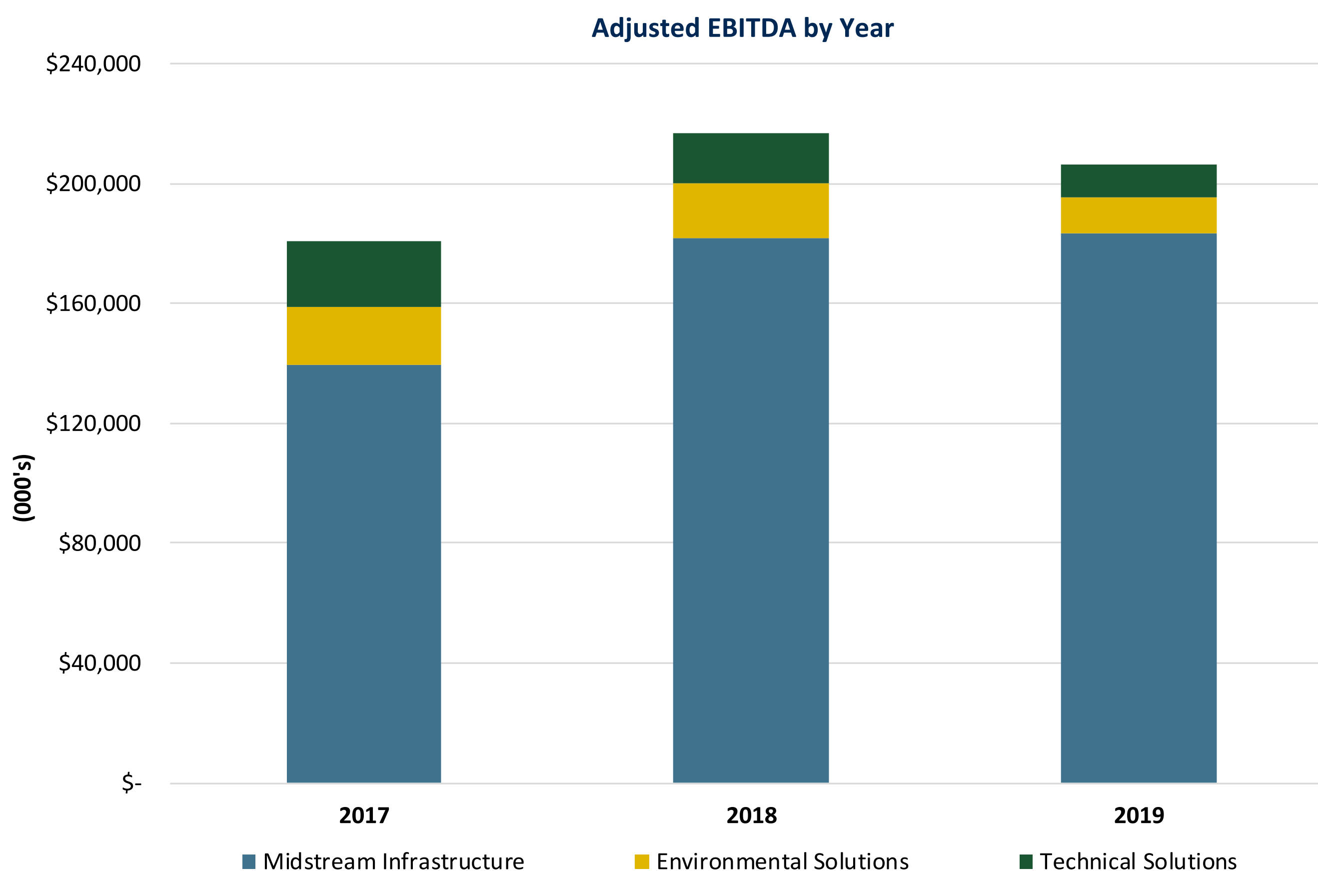
- ADJUSTED EBITDA OF $180.2 MILLION FOR THE YEAR ENDED DECEMBER 31, 2019
  - Adjusted EBITDA in 2019 decreased 5% over 2018 to $180.2 million due to a 34% decrease in Adjusted EBITDA generated by the Environmental Solutions and Technical Solutions divisions. Approximately half of these divisions' business lines provide services for drilling and completions, which were down year over year by 31% and 20%, respectively. Additionally, reduced spending from major exploration and production companies in Canada and weather-related delays impacted certain project work in the Environmental Solutions division. Midstream Infrastructure Adjusted EBITDA increased slightly year over year as a result of infrastructure additions with stable, production-related revenue streams.
  - The following graph illustrates the divisional contributions to Adjusted EBITDA, excluding Corporate costs, for the years ended December 31, 2019, 2018 and 2017.



- NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF SECURE FOR THE YEAR ENDED DECEMBER 31, 2019
  - For the year ended December 31, 2019, net income attributable to shareholders of SECURE was $1.6 million, compared to income of $19.9 million in the year ended December 31, 2018. The variance is primarily due to a $10.3 million decrease to Adjusted EBITDA resulting from the factors described above, higher depreciation expense resulting from the adoption of International Financial Reporting Standard 16 ("IFRS 16")[3] and new infrastructure put into use in 2018 and 2019. These increases were partially offset by lower tax expense resulting from lower pre-tax earnings and a deferred tax recovery booked in the second quarter of 2019 due to a reduction in corporate tax rates in Alberta.

[3] IFRS 16 was adopted by the Corporation on January 1, 2019 and resulted in the reclassification of certain lease payments previously included in the determination of Adjusted EBITDA to depreciation and amortization expense and interest costs. Refer to the '*Reporting Changes*' section herein.

- CAPITAL EXPENDITURES OF $134.7 MILLION FOR THE YEAR ENDED DECEMBER 31, 2019
  - SECURE's organic growth and expansion capital during 2019 of $103.4 million was heavily weighted toward infrastructure projects that aligned with our underlying strategy to increase the stability of our cash flows, including:
    - Construction of 260,000 barrels of additional crude oil storage at Kerrobert;
    - Construction of the new Pipestone water disposal facility and water pipeline;
    - The addition of produced water transfer and injection pipelines;
    - Long lead items and commencing construction of the East Kaybob oil pipeline system;
    - The addition of three water disposal wells at existing facilities (Tony Creek, Keene and 13 Mile);
    - Increasing processing and disposal capacity and creating efficiencies at various other facilities; and
    - Upgrades at our Big Mountain facility for the handling of sour fluids.
  - Two tuck-in acquisitions at Cushing to secure crude oil storage for $13.9 million.
  - Sustaining capital of $17.4 million relating primarily to well and facility maintenance.
- FINANCIAL FLEXIBILITY
  - The total amount drawn on SECURE's credit facilities as at December 31, 2019 increased 10% to $454.3 million compared to $413.5 million at December 31, 2018 primarily as a result of the Corporation's capital program.
  - As at December 31, 2019, the Corporation had $312.1 million available under its credit facilities, subject to covenant restrictions, up from $148.4 million at December 31, 2018. In April 2019, SECURE closed an amendment to its First Lien Credit Facility, increasing the borrowing capacity by $130 million to $600 million and entered into a new $75 million bilateral Letter of Credit Facility. SECURE's total credit capacity at December 31, 2019 is $805 million.
  - The following table outlines SECURE's Senior and Total Debt to trailing twelve-month EBITDA ratio at December 31, 2019 and December 31, 2018. SECURE remains well within compliance of all covenants related to its credit facilities at December 31, 2019.

	Dec 31, 2019	Dec 31, 2018	Covenant
Senior Debt to EBITDA	2.0	1.6	3.5
Total Debt to EBITDA	2.8	2.2	5.0

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FOURTH QUARTER HIGHLIGHTS

The Corporation's operating and financial highlights for the three-month periods ending December 31, 2019 and 2018 can be summarized as follows:

($000's except share and per share data)	Three months ended Dec 31, 2019	2018	% change
Revenue (excludes oil purchase and resale)	**162,014**	192,756	(16)
Oil purchase and resale	**596,073**	490,295	22
Total revenue	**758,087**	683,051	11
Adjusted EBITDA [1]	**46,894**	57,810	(19)
Per share ($), basic	**0.30**	0.36	(17)
Per share ($), diluted	**0.29**	0.35	(17)
Net income attributable to shareholders of Secure	**2,658**	13,944	(81)
Per share ($), basic	**0.02**	0.09	(78)
Per share ($), diluted	**0.02**	0.08	(75)
Cash flows from operating activities	**49,400**	59,310	(17)
Per share ($), basic	**0.31**	0.37	(16)
Per share ($), diluted	**0.31**	0.36	(14)
Dividends per common share	**0.0675**	0.0675	-
Capital expenditures [1]	**31,769**	40,754	(22)
Total assets	**1,647,650**	1,583,501	4
Long-term liabilities	**624,739**	560,863	11
Common shares - end of period	**156,460,158**	159,274,147	(2)
Weighted average common shares			
basic	**157,097,902**	161,251,096	(3)
diluted	**159,430,711**	164,374,324	(3)

[1] **Refer to "*Non-GAAP Measures" and "Operational Definitions"* for further information.**

- REVENUE OF $758.1 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2019
    - Midstream Infrastructure division revenue (excluding oil purchase and resale) decreased 11% to $94.2 million during the three months ended December 31, 2019 from the 2018 comparative period. Lower revenue associated with drilling and completions related processing and disposal volumes at the Corporation's facilities negatively impacted drilling waste and flowback water disposal volumes, and processing volumes from drilling and completion activities. Additionally, commodity price differentials were less volatile in the three months ended December 31, 2019 compared to the same period of 2018, resulting in fewer marketing opportunities and reduced rail activity compared to the prior year period. Infrastructure additions and expansions generating stable, production-related revenues during the year helped partially offset the negative factors described above.
    - Oil purchase and resale revenue in the Midstream Infrastructure division increased 22% to $596.1 million during the three months ended December 31, 2019 from the 2018 comparative period. The increase is primarily attributable to a 38% increase in average Canadian Light Sweet crude oil prices in the three months ended December 31, 2019 of 2019 over the 2018 comparative period.
    - Environmental Solutions division revenue decreased 29% to $20.7 million during the three months ended December 31, 2019 from the 2018 comparative period. The integrated fluids solutions service line was impacted by lower well completion activity in the WCSB and from reduced spending from major exploration and production companies in Canada. Project revenue decreased due to fewer reclamation and demolition jobs underway quarter over quarter. Increases in recurring revenue from the scrap metal recycling agreements combined with new project work in the Fort McMurray region partially offset the reduced revenue from the lower job volumes and program deferrals.

- Technical Solutions division revenue decreased 19% to $47.1 million during the three months ended December 31, 2019 from the 2018 comparative period due to lower drilling and completion activity in the WCSB, negatively impacting revenue generated from drilling and completion fluid services, solids control equipment rentals and drilling waste management. Increased production services revenue from an expanded customer base partially offset this impact.

- ADJUSTED EBITDA OF $46.9 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2019
  - Adjusted EBITDA decreased 19% to $46.9 million during the three months ended December 31, 2019 from the 2018 comparative period primarily as a result of lower revenues across all three divisions as described above. Segment profit margin[4] as a percentage of revenue also decreased 5% in the Midstream Infrastructure division from 62% in the three months ended December 31, 2018 primarily as a result of lower revenue with ongoing fixed costs at facilities and service mix.
- NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF SECURE OF $2.6 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2019
  - Net income attributable to shareholders of SECURE decreased 81% to $2.6 million during the three months ended December 31, 2019 from the 2018 comparative period. The variance is due primarily to a $10.9 million decrease to Adjusted EBITDA, partially offset by lower tax expense driven by lower pre-tax income.
- CAPITAL EXPENDITURES OF $31.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2019
  - Total capital expenditures for the three months ended December 31, 2019 included $25.6 million of organic growth and expansion capital related primarily to:
    - Construction of the new East Kaybob oil pipeline system;
    - Acquisition of a second produced water transfer and injection pipeline from a customer plant to SECURE's Gold Creek water disposal facility;
    - Tying in of new disposal wells drilled during the first half of the year; and
    - Ongoing optimization projects at existing facilities, including upgrades to disposal well water injection pumps to increase throughput.
  - Sustaining capital incurred in the three months ended December 31, 2019 of $6.1 million relates primarily to well and facility maintenance.

[4] Refer to the "*Non-GAAP Measures*" section herein.

REPORTING CHANGES

The Corporation adopted IFRS 16 as at the effective date of January 1, 2019 which replaced IAS 17, Leases. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There was no impact to lessor accounting from the adoption of IFRS 16.

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.

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 the consolidated statement of operations.

The Corporation elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of $33.5 million and $35.9 million, respectively, related to office space, warehouses, surface land, rail cars and certain heavy equipment. The new standard resulted in an increase to Adjusted EBITDA from 2018 of approximately $14.6 million from lease payments previously expensed in cost of sales and general and administrative expenses. The new standard did not materially impact consolidated net income as the depreciation of right-of-use assets and interest and finance costs related to the lease liabilities recognized under IFRS 16 were mostly offset by reductions in operating lease expense, which were previously recognized in cost of sales and general and administrative expenses. The adoption of IFRS 16 had no impact on cash flows.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-GAAP measures. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measure. These measures are intended as a complement to results provided in accordance with IFRS. The Corporation believes these measures provide additional useful information to analysts, shareholders and other users to understand the Corporation's financial results, profitability, cost management, liquidity and ability to generate funds to finance its operations. However, they should not be used as an alternative to IFRS measures because they do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. These non-GAAP measures are further explained below.

SECURE
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Adjusted EBITDA

Adjusted EBITDA is defined as net income before finance costs, taxes, depreciation, depletion, amortization, non-cash impairments on the Corporation's non-current assets, unrealized gains or losses on mark to market transactions, share-based compensation, other income/expenses, and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations. Adjusted EBITDA is not a recognized measure under IFRS and therefore may not be comparable to similar measures presented by other companies.

Management believes that in addition to net income, Adjusted EBITDA is a useful supplemental measure to enhance understanding of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed, how the results are taxed, how the results are impacted by non-cash charges, and charges that are irregular in nature or not reflective of SECURE's core operations. Management calculates these adjustments consistently from period to period to enhance comparability of this MD&A. Adjusted EBITDA is used by management to determine SECURE's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. Adjusted EBITDA is also used internally to set targets for determining employee variable compensation, largely because management believes that this measure is indicative of how the fundamental business is performing and being managed.

The following table reconciles the Corporation's net income, being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Net income	**2,203**	13,944	(84)	**191**	19,929	(99)
Add:						
Depreciation, depletion and amortization [(1)]	**34,689**	29,130	19	**132,252**	115,608	14
Current tax (recovery) expense	**(553)**	(643)	(14)	**(159)**	1,320	(112)
Deferred tax expense (recovery)	**1,969**	7,260	(73)	**(755)**	14,840	(105)
Share-based compensation [(1)]	**3,275**	5,387	(39)	**19,449**	22,963	(15)
Interest, accretion and finance costs	**4,969**	7,021	(29)	**24,915**	19,464	28
Unrealized loss (gain) on mark to market transactions [(2)]	**342**	(4,289)	(108)	**4,279**	(3,603)	(219)
Adjusted EBITDA	**46,894**	57,810	(19)	**180,172**	190,521	(5)

[(1)] Included in cost of sales and general and adminstrative expenses on the Consolidated Statements of Comprehensive (Loss) Income.

[(2)] Included in revenue on the Consolidated Statements of Comprehensive (Loss) Income.

Segment profit margin

Segment profit margin is calculated as the difference between revenue and cost of sales, excluding depreciation, depletion, amortization and share-based compensation expenses. Segment profit margin is not a recognized measure under IFRS and therefore may not be comparable to similar measures presented by other companies. Management analyzes segment profit margin and segment profit margin as a percentage of revenue excluding oil purchase and resale by division as a key indicator of segment profitability. This non-GAAP measure is also used by management to quantify the operating costs inherent in the Corporation's business activities, prior to operational related depreciation, depletion and amortization and share-based compensation, and evaluate segment cost control and efficiency.

The following table reconciles the Corporation's gross margin, being the most directly comparable measure calculated in accordance with IFRS, to consolidated segment profit margin.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Gross margin	33,530	52,162	(36)	125,489	155,146	(19)
Add:						
Depreciation, depletion and amortization [(1)]	31,918	27,938	14	119,838	110,871	8
Share-based compensation [(1)]	1,485	1,848	(20)	5,876	6,914	(15)
Segment profit margin	66,933	81,948	(18)	251,203	272,931	(8)

[(1)] These charges are included in cost of sales on the Corporation's Consolidated Statements of Comprehensive (Loss) Income.

OPERATIONAL DEFINITIONS

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

Capital expenditures

Expansion, growth or acquisition capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business or asset acquisition. Sustaining capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion capital involves judgment by management.

Oil prices

Canadian Light Sweet crude oil price is the benchmark price for light crude oil (40 American Petroleum Institute gravity) at Edmonton, Alberta.

Operating days

Operating days are calculated by multiplying the average number of active rigs where the Technical Solutions division provides drilling fluids services by the number of days in the period.

Operating netback

Operating netback is a common measure used in the oil and gas industry to measure results on a per barrel of equivalent basis and is typically calculated as oil and gas sales, less royalties, operating and transportation expenses.

RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2019

In order to discuss the factors that have caused period to period variations in operating activities, the Corporation has divided the business into three reportable segments, as outlined in the '*Corporate Overview*' above, and presented in Note 22 of the Annual Financial Statements. Total general and administration expenses by division excludes corporate expenses and share-based compensation, as senior management reviews each division's earnings before these expenses in assessing profitability and performance. The table below outlines the results by operating segment for the three and twelve months ended December 31, 2019 and 2018:

SECURE ENERGY

($000's) Three months ended December 31, 2019	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Revenue from services	94,150	20,745	47,119	-	162,014
Oil purchase and resale service	596,073	-	-	-	596,073
Total revenue	**690,223**	**20,745**	**47,119**	**-**	**758,087**
Cost of sales excluding items listed separately below	(636,424)	(15,909)	(38,821)	-	(691,154)
Segment profit margin	**53,799**	**4,836**	**8,298**	**-**	**66,933**
G&A expenses excluding items listed separately below	(6,309)	(1,115)	(4,740)	(8,217)	(20,381)
Depreciation, depletion and amortization [(1)]	(24,110)	(2,200)	(7,030)	(1,349)	(34,689)
Share-based compensation [(1)]	-	-	-	(3,275)	(3,275)
Interest, accretion and finance costs	(423)	-	-	(4,546)	(4,969)
Earnings (loss) before tax	**22,957**	**1,521**	**(3,472)**	**(17,387)**	**3,619**

($000's) Year ended December 31, 2019	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Revenue from services	362,148	86,831	183,430	-	632,409
Oil purchase and resale service	2,440,071	-	-	-	2,440,071
Total revenue	**2,802,219**	**86,831**	**183,430**	**-**	**3,072,480**
Cost of sales excluding items listed separately below	(2,598,907)	(69,252)	(153,118)	-	(2,821,277)
Segment profit margin	**203,312**	**17,579**	**30,312**	**-**	**251,203**
G&A expenses excluding items listed separately below	(24,029)	(5,867)	(19,234)	(26,180)	(75,310)
Depreciation, depletion and amortization [(1)]	(91,985)	(9,726)	(25,684)	(4,857)	(132,252)
Share-based compensation [(1)]	-	-	-	(19,449)	(19,449)
Interest, accretion and finance costs	(1,802)	-	-	(23,113)	(24,915)
Impairment	-	-	-	-	-
Other (expense) income	-	-	-	-	-
Earnings (loss) before tax	**85,496**	**1,986**	**(14,606)**	**(73,599)**	**(723)**

($000's) Three months ended December 31, 2018	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Revenue from services	105,420	29,236	58,100	-	192,756
Oil purchase and resale service	490,295	-	-	-	490,295
Total revenue	**595,715**	**29,236**	**58,100**	**-**	**683,051**
Cost of sales excluding items listed separately below	(529,902)	(22,464)	(48,737)	-	(601,103)
Segment profit margin	**65,813**	**6,772**	**9,363**	**-**	**81,948**
G&A expenses excluding items listed separately below	(5,027)	(1,272)	(5,969)	(7,581)	(19,849)
Depreciation, depletion and amortization [(1)]	(20,508)	(2,255)	(6,003)	(364)	(29,130)
Share-based compensation [(1)]	-	-	-	(5,387)	(5,387)
Interest, accretion and finance costs	(576)	-	-	(6,445)	(7,021)
Earnings (loss) before tax	**39,702**	**3,245**	**(2,609)**	**(19,777)**	**20,561**

($000's) Year ended December 31, 2018	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Revenue from services	356,350	117,060	224,762	-	698,172
Oil purchase and resale service	2,239,281	-	-	-	2,239,281
Total revenue	**2,595,631**	**117,060**	**224,762**	**-**	**2,937,453**
Cost of sales excluding items listed separately below	(2,386,048)	(92,242)	(186,232)	-	(2,664,522)
Segment profit margin	**209,583**	**24,818**	**38,530**	**-**	**272,931**
G&A expenses excluding items listed separately below	(23,896)	(7,031)	(21,802)	(26,078)	(78,807)
Depreciation, depletion and amortization [(1)]	(82,260)	(9,442)	(22,524)	(1,382)	(115,608)
Share-based compensation [(1)]	-	-	-	(22,963)	(22,963)
Interest, accretion and finance costs	(1,858)	-	-	(17,606)	(19,464)
Earnings (loss) before tax	**101,569**	**8,345**	**(5,796)**	**(68,029)**	**36,089**

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

SECURE ENERGY

MIDSTREAM INFRASTRUCTURE DIVISION

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

Midstream Infrastructure services

The Midstream Infrastructure division owns and operates a network of facilities throughout western Canada, in North Dakota, and, as of the second quarter of 2019, has added storage assets in Cushing, Oklahoma. These facilities provide processing, storing, shipping and marketing of crude oil; oilfield waste and water disposal; and recycling services. SECURE also offers transportation solutions through dedicated oil and water pipelines terminating at SECURE facilities. Processing services are primarily performed at full service terminals ("FSTs") and include waste processing and crude oil emulsion treating. SECURE's FSTs that are connected to export oil pipelines provide customers with an access point to process and/or treat their crude oil for shipment to market. The crude oil or oilfield waste is delivered by customers to SECURE by tanker, vacuum truck or dedicated feeder pipeline. The FST will process oilfield waste to separate out solids, water and crude oil. Crude oil that does not meet pipeline specifications is processed through a crude oil emulsion treater. Clean crude oil and treated crude oil may be aggregated and stored on site temporarily until the volumes are ready to be shipped through gathering, transmission or feeder pipelines, or via transloading facilities. Disposal services include produced and waste water disposal services through a network of disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

Oil purchase and resale

The purpose of providing oil purchase and resale services is to enhance the service offering associated with SECURE's business of terminalling, transloading and marketing. By offering this service, SECURE's customers gain efficiencies in transportation and handling of their crude oil to the pipeline or via rail. At SECURE FSTs, SECURE meters the crude oil volumes and purchases the crude oil directly from customers. The Corporation then handles the shipment of crude oil down the pipeline. SECURE's four rail terminals situated across Alberta and Saskatchewan, which carry crude by rail to virtually all North American markets, offer producers an alternative solution to get their product to market. The Corporation may also purchase and resell crude oil to take advantage of marketing opportunities and increase profitability.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Revenue						
Midstream Infrastructure (a)	**94,150**	105,420	(11)	**362,148**	356,350	2
Oil purchase and resale	**596,073**	490,295	22	**2,440,071**	2,239,281	9
Total Midstream Infrastructure division revenue	**690,223**	595,715	16	**2,802,219**	2,595,631	8
Cost of Sales						
Midstream Infrastructure excluding items noted below	**40,351**	39,607	2	**158,836**	146,767	8
Depreciation, depletion and amortization	**23,265**	20,175	15	**86,545**	81,094	7
Oil purchase and resale	**596,073**	490,295	22	**2,440,071**	2,239,281	9
Total Midstream Infrastructure division cost of sales	**659,689**	550,077	20	**2,685,452**	2,467,142	9
Segment Profit Margin [(1)]	**53,799**	65,813	(18)	**203,312**	209,583	(3)
Segment Profit Margin [(1)] as a % of revenue (a)	**57%**	62%		**56%**	59%	

(1) Calculated as revenue less cost of sales excluding depreciation, depletion and amortization. Refer to "Non-GAAP Measures" for further information.

SECURE ENERGY

Revenue (Midstream Infrastructure division)

Revenue generated from Midstream Infrastructure services decreased 11% and increased 2% to $94.2 million and $362.1 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. In the three month period, the decrease in Midstream Infrastructure services revenue from the 2018 comparative period was due to lower processing and disposal volumes tied to lower drilling and completion activity in the WCSB. Additionally, exceptionally volatile commodity price differentials in the fourth quarter of 2018 created increased opportunities for transporting crude by rail and for price optimization at the Corporation's pipeline connected FSTs, resulting in higher revenues generated from the Corporation's rail terminal and crude oil marketing during such period.

Infrastructure additions during the year, including produced water pipelines added at Gold Creek and Tony Creek, crude oil storage at Kerrobert and Cushing, and the Pipestone facility, along with various expansions at existing facilities, partially offset lower revenues during the three months ended December 31, 2019. Additionally, the Corporation realized higher pricing on recovered oil volumes due to a 38% increase in benchmark oil prices in Canada during such period.

During the twelve months ended December 31, 2019, the 2% increase in Midstream Infrastructure service revenue from the 2018 comparative period was primarily due to higher volumes associated with new infrastructure. In addition to the above, the Corporation strategically added the Gold Creek and Tony Creek water disposal facilities at the end of the second quarter of 2018 which are underpinned by committed volumes, and commenced commercial operations at the Kerrobert crude oil pipeline system on October 1, 2018, providing a new stable revenue source for the Corporation and expanded commercial marketing opportunities.

The table below outlines volumes at the Corporation's facilities in the three and twelve months ended December 31, 2019 and 2018. Midstream Infrastructure services revenue is impacted by both the nature and amount of product received by SECURE's facilities and pricing varies depending on the complexity to process and dispose of such product.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2019	**2018**	**% Change**	**2019**	**2018**	**% Change**
Average Benchmark Prices and Volumes [(1)]						
WTI (US$/bbl)	**$ 56.96**	$ 58.81	(3)	**$ 57.02**	$ 64.77	(12)
Canadian Light Sweet ($/bbl)	**$ 66.77**	$ 48.27	38	**$ 68.87**	$ 69.14	-
Processing volumes (in 000's m^3)	**468**	515	(9)	**1,698**	2,147	(21)
Recovery, terminalling and pipeline volumes (in 000's m^3)	**1,018**	920	11	**3,814**	2,391	60
Disposal volumes (in 000's m^3)	**2,099**	2,060	2	**7,755**	7,701	1

(1) Crude, emulsion and water volumes are metered at the Corporation's midstream processing facilities. Solid waste is weighed at landfills.

Disposal volumes were relatively flat as an 11% and 14% increase in produced water disposal volumes during the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods was offset by the impact of lower completion-related water volumes and reduced drilling waste disposed at the Corporation's landfills. Increased produced water disposal volumes were driven by the addition of the Pipestone facility in the fourth quarter of 2019 and the Gold Creek and Tony Creek water disposal facilities at the end of the second quarter of 2018, along with expansions to increase water disposal capacity at various other facilities since the start of 2018 through additional disposal wells and improved injection rates. Additionally, SECURE's facilities are strategically located in regions where production levels have not decreased, and where average fluids pumped per well are higher than other regions of the WCSB, driving incremental volumes at SECURE's facilities.

Processing volumes decreased 9% and 21% during the three and twelve months ended December 31, 2019 from the 2018 comparative periods due primarily to lower processing volumes of drilling waste and completion fluids. Weather related issues during the year, including cold weather in the first quarter, a prolonged spring break-up and unseasonably wet weather throughout the third quarter of 2019, resulted in year over year declines in drilling and completions activity in the WCSB. These issues were compounded by the overall slowdown of oil and gas activity during 2019 due to challenging industry fundamentals stemming from volatile crude oil pricing and uncertainty with respect to the addition of pipeline capacity out of the WCSB. Overall, rig activity in the WCSB declined 29% and 31% during the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods, and well completions decreased 12% and 20% in these same periods.

Oil purchase and resale revenue in the Midstream Infrastructure division increased 22% and 9% to $596.1 million and $2.4 billion for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The increase in the three months ended December 31, 2019 relates to higher commodity prices in such period. In the twelve months ended December 31, 2019, the increase is primarily attributable to SECURE's expanded commercial operations, particularly related to the Kerrobert crude oil pipeline system.

Cost of Sales (Midstream Infrastructure division)

Cost of sales from Midstream Infrastructure services, excluding depreciation, depletion and amortization, increased 2% and 8% to $40.4 million and $158.8 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The increase in cost of sales is primarily a result of a higher number of facilities, including the addition of the Kerrobert crude oil pipeline system and the Cushing storage facility since the third quarter of 2018, commissioning costs for new facilities, and expansions at existing facilities. These factors were partially offset by lower variable costs corresponding with decreased drilling and completion related volumes, and lease payments associated with the Corporation's rail car leases in the prior year, which were capitalized at January 1, 2019 in accordance with IFRS 16.

Operating depreciation, depletion and amortization ("DD&A") expense included in cost of sales relates primarily to the Midstream Infrastructure division's facilities, landfills, and rail car leases, and includes non-cash impairment as well as any gains or losses on sale or disposal of equipment. Operational DD&A increased 15% and 7% to $23.3 million and $86.5 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods due to the Cushing acquisition, new assets put into use since the third quarter of 2018, and depreciation related to the Midstream Infrastructure division's right-of-use assets added as a result of the adoption of IFRS 16. In the twelve month period, these increases were partially offset by an impairment charge in the prior year third quarter.

Segment Profit Margin (Midstream Infrastructure division)

The Midstream Infrastructure division's segment profit margin decreased 18% to $53.8 million for the three months ended December 31, 2019 from the 2018 comparative period. As a percentage of Midstream Infrastructure services revenue, segment profit margin was 57% for the three months ended December 31, 2019, down from 62% in the 2018 comparative period. The decrease was primarily a result of lower drilling and completion revenue available to absorb ongoing fixed costs at existing facilities during such period, and reduced crude by rail activity as a result of narrower commodity price differentials. Profit margin percentage was also lower at Cushing than the Midstream Infrastructure division's historical average, partly due to start-up costs. Additionally, in the fourth quarter of 2018, segment profit margin as a percentage of revenue was higher than the Midstream Infrastructure division's historic average as a result of a favorable service mix, including certain higher margin services that did not re-occur in 2019.

The Midstream Infrastructure division's segment profit margin decreased 3% to $203.3 million for the twelve months ended December 31, 2019 from the 2018 comparative period due primarily to the fourth quarter impacts described above. As a percentage of revenue, segment profit margin was 56% for the twelve months ended December 31, 2019, down from 59% in the 2018 comparative period as a result of service mix, including the addition of new lower margin revenue streams.

General and Administrative Expenses (Midstream Infrastructure division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
G&A expense excluding depreciation and amortization	**6,309**	5,027	26	**24,029**	23,896	1
Depreciation and amortization	**845**	333	154	**5,440**	1,166	367
Total Midstream Infrastructure division G&A expense	**7,154**	5,360	33	**29,469**	25,062	18

General and administrative ("G&A") expenses increased to $7.2 million and $29.5 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods balances of $5.4 million and $25.1 million.

Excluding depreciation and amortization, G&A expenses increased 26% and 1% during the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods primarily due to severance costs associated with a reduction in the division's workforce during the fourth quarter to align with activity levels. This impact was partially offset by the impact of IFRS 16 on office leases. The Corporation continues to minimize G&A costs by streamlining operations where possible.

Depreciation and amortization expenses have increased in the three and twelve months ended December 31, 2019 over the respective 2018 comparative periods primarily due to intangible assets added as a result of the Cushing acquisition, depreciation associated with property, plant and equipment put into use since the first quarter of 2018, and depreciation related to the right-of-use assets added as a result of the adoption of IFRS 16.

Earnings Before Tax (Midstream Infrastructure division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Earnings before tax	**22,957**	39,702	(42)	**85,496**	101,569	(16)

Earnings before tax decreased 42% and 16% to $23.0 million and $85.5 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The decrease is a result of lower segment profit margin, and increased depreciation and amortization expense in the 2019 period resulting from new infrastructure put into service as well as the Cushing acquisition.

ENVIRONMENTAL SOLUTIONS DIVISION

The Environmental Solutions division provides comprehensive environmental solutions, from initial assessment and planning, to construction, demolition and decommissioning, and reclamation and remediation. The operations of the Environmental Solutions division includes pipeline integrity projects (inspection, excavation, repair, replacement and rehabilitation), demolition and decommissioning, and reclamation and remediation of former well sites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.), onsite integrated fluid solutions (water management, recycling, pumping and storage), Naturally Occurring Radioactive Material ("NORM") management, waste container services and emergency response services.

SECURE ENERGY

($000's)	Three months ended Dec 31, 2019	2018	% Change	Twelve months ended Dec 31, 2019	2018	% Change
Revenue						
Environmental Solutions	20,745	29,236	(29)	86,831	117,060	(26)
Cost of Sales						
Environmental Solutions excluding depreciation and amortization	15,909	22,464	(29)	69,252	92,242	(25)
Depreciation and amortization	2,037	2,093	(3)	9,074	8,525	6
Total Environmental Solutions division cost of sales	17,946	24,557	(27)	78,326	100,767	(22)
Segment Profit Margin (1)	4,836	6,772	(29)	17,579	24,818	(29)
Segment Profit Margin (1) as a % of revenue	23%	23%		20%	21%	

(1) Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP Measures" for further information.

Revenue (Environmental Solutions division)

The Environmental Solutions division revenue decreased 29% and 26% to $20.7 million and $86.8 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. Project services revenue decreased as there were fewer large-scale job opportunities in 2019 compared to 2018. In addition, revenue from onsite water management and pumping services were negatively impacted by lower well completion activity in the WCSB. Increases in recurring revenue from scrap metal recycling agreements in Fort McMurray combined with new project work in the Fort McMurray region partially offset the reduced revenue from the other service lines.

Cost of Sales (Environmental Solutions division)

Cost of sales decreased 27% and 22% to $17.9 million and $78.3 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. Substantially all of the Environmental Solutions division's cost of sales are variable with fluctuations corresponding to change in revenue and project mix. The Environmental Solutions division continues to strategically manage its cost structure to minimize operating overhead expenses while remaining flexible for periods of increased activity.

Segment Profit Margin (Environmental Solutions division)

Segment profit margin decreased 29% for both the three and twelve months ended December 31, 2019 to $4.8 million and $17.6 million from the respective 2018 comparative periods due primarily to lower revenue.

As a percentage of revenue, segment profit margin was 23% for the three months ended December 31, 2019, consistent with the prior year comparative period. The Environmental Solutions division's segment profit margin as a percentage of revenue can fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up, metal recycling and other services in any given period. During the three months ended December 31, 2019, segment profit as a percentage of revenue benefited from improved project type margins and higher margins associated with revenue generated from the Fort McMurray region which offset the impact of reduced completion related water pumping and fracing services.

Segment profit margin as a percentage of revenue decreased slightly to 20% in the twelve months ended December 31, 2019, from 21% in the 2018 comparative period primarily due to a lower proportion of revenue from water pumping and fracing services, which typically generates higher margins than project type work.

General and Administrative Expenses (Environmental Solutions division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
G&A expense excluding depreciation and amortization	**1,115**	1,272	(12)	**5,867**	7,031	(17)
Depreciation and amortization	**163**	162	1	**652**	917	(29)
Total Environmental Solutions division G&A expense	**1,278**	1,434	(11)	**6,519**	7,948	(18)

G&A expense decreased 11% and 18% to $1.3 million and $6.5 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The overall decrease is primarily a result of lower personnel costs due to headcount reductions to align staff with activity levels. Additionally, amortization expense decreased as certain intangible assets were fully amortized in the prior year.

Earnings Before Tax (Environmental Solutions division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Earnings before tax	**1,521**	3,245	(53)	**1,986**	8,345	(76)

The Environmental Solutions division had earnings before tax of $1.5 million and $2.0 million during the three and twelve months ended December 31, 2019, down from $3.2 million and $8.3 million during the respective 2018 comparative periods. The variances correspond primarily to the decrease in segment revenue and profit margin, offset by the positive impact of reduced G&A expense in the period.

TECHNICAL SOLUTIONS DIVISION

The Technical Solutions division provides innovative, customer focused solutions, along with technical expertise and experience, to enhance the performance and productivity of drilling, completion and production operations. The drilling fluids and equipment line focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands. The production chemicals and chemical enhanced oil recovery line focuses on providing equipment and chemical solutions that optimize production, provide flow assurance and maintain the integrity of production assets.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Revenue						
Technical Solutions	**47,119**	58,100	(19)	**183,430**	224,762	(18)
Cost of Sales						
Technical Solutions excluding depreciation and amortization	**38,821**	48,737	(20)	**153,118**	186,232	(18)
Depreciation and amortization	**6,616**	5,670	17	**24,219**	21,252	14
Total Technical Solutions division cost of sales	**45,437**	54,407	(16)	**177,337**	207,484	(15)
Segment Profit Margin [1]	**8,298**	9,363	(11)	**30,312**	38,530	(21)
Segment Profit Margin [1] as a % of revenue	**18%**	16%		**17%**	17%	

[1] Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP Measures" for further information.

Revenue (Technical Solutions division)

The Technical Solutions division's revenue decreased 19% and 18% to $47.1 million and $183.4 million in the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The Technical Solutions division's drilling fluids and equipment revenue correlates with oil and gas drilling activity in the WCSB. Rig activity in the WCSB decreased 29% and 31% during the three and twelve months ended December 31, 2019 from the 2018 comparative periods. As a result, drilling services revenue was negatively impacted by fewer operating days and rigs serviced. SECURE was able to partially mitigate the impact of reduced activity levels through higher contributions from production chemicals as the Corporation continues to win new bids, and expand its customer base and product offerings.

Cost of Sales (Technical Solutions division)

The Technical Solutions division's cost of sales decreased 16% and 15% to $45.4 million and $177.3 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. The change in cost of sales is primarily a result of reduced year over year activity levels and is consistent with the revenue changes discussed above.

Segment Profit Margin (Technical Solutions division)

The Technical Solutions division's segment profit margin decreased 11% and 21% to $8.3 million and $30.3 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods. Segment profit margin as a percentage of revenue was 18% and 17% for the three and twelve months ended December 31, 2019, compared to 16% and 17% for the respective 2018 comparative periods. Improved production services margins resulting from margin improvement initiatives to lower material costs, a favorable product mix, and the adoption of IFRS 16 resulting in the capitalization of certain production chemical blending plants operated under lease agreements offset the impact of reduced drilling fluids and equipment rental revenues and ongoing overhead costs.

General and Administrative Expenses (Technical Solutions division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
G&A expense excluding depreciation and amortization	**4,740**	5,969	(21)	**19,234**	21,802	(12)
Depreciation and amortization	**414**	333	24	**1,465**	1,272	15
Total Technical Solutions division G&A expense	**5,154**	6,302	(18)	**20,699**	23,074	(10)

Overall G&A expenses decreased 18% and 10% to $5.2 million and $20.7 million for the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods as a result of the Corporation's continued efforts to manage costs efficiently and proactively while still responding to customer demands and activity levels. Additionally, G&A expenses during the three months ended December 31, 2018 included severance payments made related to a reduction of the division's workforce to align with activity levels.

Loss Before Tax (Technical Solutions division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Loss before tax	**3,472**	2,609	33	**14,606**	5,796	152

The Technical Solutions division had losses before tax of $3.5 million and $14.6 million during the three and twelve months ended December 31, 2019, compared to losses of $2.6 million and $5.8 million in the respective 2018 comparative periods. These variances were primarily a result of lower segment profit margin as described above.

CORPORATE INCOME AND EXPENSES

Corporate Cost of Sales

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Cost of Sales						
Share-based compensation expense	**1,485**	1,848	(20)	**5,876**	6,914	(15)

Corporate cost of sales of $1.5 million and $5.9 million for the three and twelve months ended December 31, 2019 is comprised of share-based compensation for employees directly associated with the revenue generating operations of the Corporation. Share-based compensation fluctuates based on the share price at the time of grant, any forfeitures of share-based awards, and the effects of vesting.

Corporate General and Administrative Expenses

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
General and administrative expenses excluding items noted below	**8,217**	7,581	8	**26,180**	26,078	-
Depreciation and amortization	**1,349**	364	271	**4,857**	1,382	251
Share-based compensation expense	**1,790**	3,539	(49)	**13,573**	16,049	(15)
Total Corporate division G&A expenses	**11,356**	11,484	(1)	**44,610**	43,509	3

Included in Corporate G&A expenses are all public company costs, salaries, and office costs relating to corporate employees and officers, business development costs, any support services that are shared across all three operational business divisions, and share-based compensation for all employees, other than as recorded to Corporate cost of sales as noted above.

Corporate G&A expenses excluding depreciation and amortization and share-based compensation expense increased 8% to $8.2 million in the three months ended December 31, 2019 from the 2018 comparative period primarily as a result of severance payments associated with personnel layoffs during the fourth quarter of 2019 to align the workforce with expected activity levels. Corporate G&A excluding depreciation, amortization and share-based compensation was $26.2 million during the twelve months ended December 31, 2019, consistent with the 2018 comparative period, primarily due to higher personnel related costs being offset by the impact of IFRS 16 on leased office space.

Corporate depreciation and amortization expenses increased by $1.0 million and $3.5 million to $1.3 million and $4.9 million during the three and twelve months ended December 31, 2019 from the respective 2018 comparative periods as a result of leased office space accounted for in accordance with IFRS 16 at January 1, 2019.

Share-based compensation included in G&A expenses decreased $1.7 million and $2.5 million to $1.8 million and $13.6 million for the three and twelve months ended December 31, 2018 from the respective 2018 comparative periods as a result of forfeitures associated with fourth quarter layoffs, a lower share price applied to 2019 grants of shares, and the impact of recording the deferred share units at fair value at period end.

Interest and Finance Costs

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Interest, accretion and finance costs	**4,546**	6,445	(29)	**23,113**	17,606	31

Interest, accretion and finance costs includes interest expense, amortization of financing fees, interest expense related to lease liabilities, all realized and unrealized foreign exchange differences arising from translation gains and losses that are not recorded to other comprehensive income and all realized and unrealized gains or losses related to interest rate swaps on the Corporation’s credit facilities.

Overall interest, accretion and finance costs decreased 29% to $4.5 million for the three months ended December 31, 2019 from the 2018 comparative period as foreign exchange gains and a smaller unrealized loss associated with the Corporation’s interest rate swap more than offset increased interest expense driven by a 12% increase in the average long-term borrowings and higher interest from lease liabilities related to the adoption of IFRS 16.

Overall interest, accretion and finance costs increased by $5.5 million to $23.1 million for the year ended December 31, 2019 from the 2018 comparative period due primarily to a 22% increase in the average long-term borrowings during the year and higher interest from lease liabilities related to the adoption of IFRS 16.

SECURE ENERGY

Foreign Currency Translation Adjustment

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Foreign currency translation loss (gain), net of tax	2,693	(7,959)	(134)	7,386	(12,364)	(160)

Included in other comprehensive losses for the three and twelve months ended December 31, 2019 are losses of $2.7 million and $7.4 million. These charges relate to foreign currency translation adjustments resulting from the conversion of the assets, liabilities and financial results of the Corporation's ongoing U.S. operations for the three and twelve months ended December 31, 2019. The foreign currency translation adjustment included in the consolidated statements of comprehensive (loss) income does not impact net income (loss) for the period.

Income Taxes

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Income taxes						
Current tax (recovery) expense	(553)	(643)	(14)	(159)	1,320	(112)
Deferred tax expense (recovery)	1,969	7,260	(73)	(755)	14,840	(105)
Total income tax expense (recovery)	1,416	6,617	(79)	(914)	16,160	(106)

Income tax expense was $1.4 million for the three months ended December 31, 2019, a decrease of $5.2 million from the 2018 comparative period. Income tax recovery was $0.9 million for the twelve months ended December 31, 2019 compared to an expense of $16.2 million in the 2018 comparative period. The overall decreases in income tax expense are due primarily to lower pre-tax income as previously discussed for the three and twelve months ended December 31, 2019 compared to the respective 2018 comparative periods. Additionally, a deferred tax recovery of $6.7 million was recorded in 2019 related to step reductions to the Alberta corporate income tax rates over a four-year period effective July 1, 2019.

SUMMARY OF QUARTERLY RESULTS

Seasonality

In Canada, the level of activity in the oilfield is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads. As a result, road bans are implemented prohibiting heavy loads from being transported in certain areas, limiting the movement of heavy equipment required for drilling and well servicing activities. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to SECURE's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. In the areas in which SECURE operates, the second quarter has generally been the slowest quarter as a result of spring break-up. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

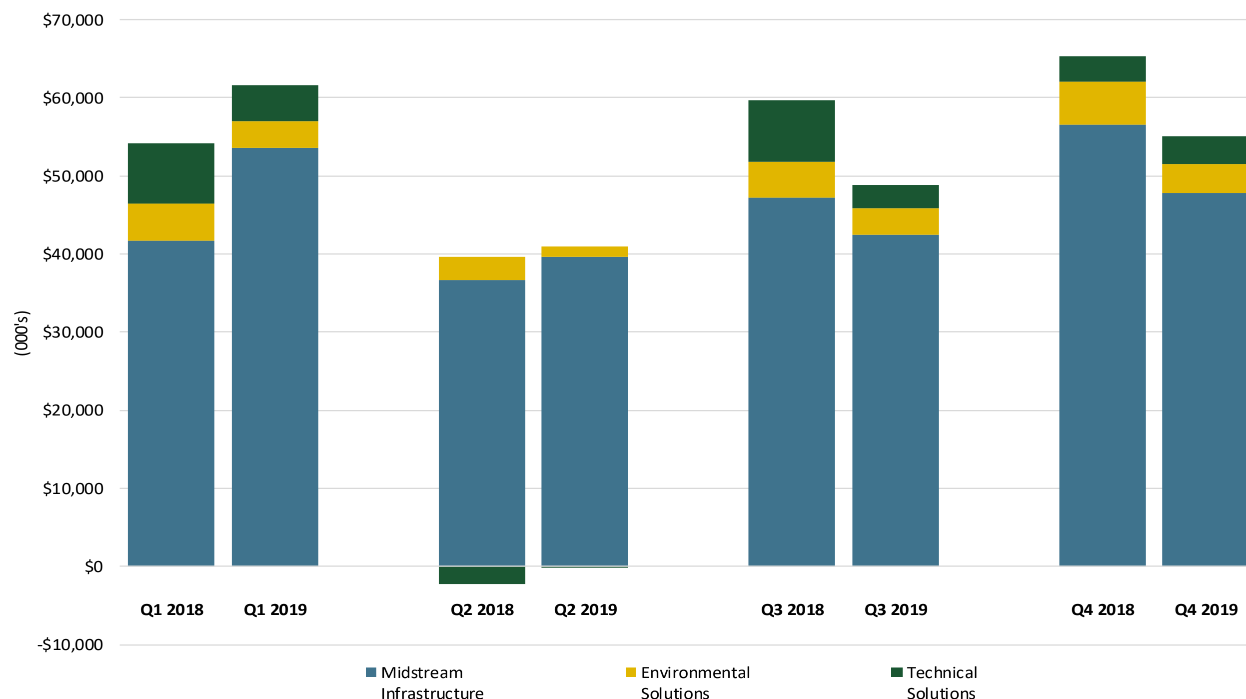
The table below summarizes unaudited consolidated quarterly information for each of the eight most recently completed fiscal quarters.

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	162,014	154,147	138,869	177,379	192,756	182,469	141,249	181,698
Oil purchase and resale	596,073	577,877	654,618	611,503	490,295	646,565	578,674	523,747
Total revenue	758,087	732,024	793,487	788,882	683,051	829,034	719,923	705,445
Net income attributable to shareholders of Secure	2,658	(500)	(1,678)	1,259	13,944	6,809	(6,901)	6,077
Per share - basic	0.02	(0.00)	(0.01)	0.01	0.09	0.04	(0.04)	0.04
Per share - diluted	0.02	(0.00)	(0.01)	0.01	0.08	0.04	(0.04)	0.04
Weighted average shares - basic	157,097,902	158,075,674	160,371,354	160,440,879	161,251,096	162,286,387	164,524,360	164,009,829
Weighted average shares - diluted	159,430,711	158,075,674	160,371,354	163,456,268	164,374,324	164,911,044	164,524,360	166,079,649
Adjusted EBITDA [1]	46,894	43,173	34,966	55,139	57,810	53,746	31,158	47,807

[1] **Refer to "*Non-GAAP measures*" for further information.**

SECURE
ENERGY

Quarterly Review Summary



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

During 2016, the Corporation's customers significantly reduced capital budgets in response to uncertainty in the price of crude oil and natural gas. In 2017, customers began ramping up activity levels as oil prices stabilized at higher levels, and activity remained at similar levels until near the end of 2018. These higher activity levels, combined with SECURE's facility additions and expansions, and acquisitions positively impacted results. In the last several months of 2018, crude oil benchmark price and commodity price differential volatility resulted in a pull back on producer budgets in 2019. Activity levels remained depressed during 2019 as producers remained cautious until there was clarity of incremental pipeline egress out of the WCSB. Weather- related issues also had an impact on activity levels during 2019, with a prolonged spring-break up and an unusually wet third quarter. Producers were unwilling to incur additional costs due to weather related issues if the oil and gas activity could be delayed until weather conditions improved. The poor weather also impacted the execution of planned remediation and demolition programs in the Environmental Solutions division.

Each previous quarter was also impacted by the date at which an acquisition occurred or any one of the constructed or acquired FSTs, water disposal facilities or landfills commenced operations. For a complete description of SECURE's Midstream Infrastructure, Environmental Solutions and Drilling and Production Services division business assets and operations, please refer to the heading '*Description of Business*' in the AIF which includes a description of the date of acquisitions or the dates on which each of SECURE's facilities commenced operations.

The following summarizes the facilities commissioned and acquisitions completed that have impacted the quarterly results for the past two years:

- In June 2018, the Corporation's Gold Creek and Tony Creek water disposal facilities commenced operations;
- In October 2018, the Corporation's Kerrobert crude oil pipeline system commenced operations; and
- In October 2019, the Corporation's Pipestone water disposal facility commenced operations.

In addition to the above, SECURE has completed several improvements and expansions to increase capacity and capabilities at existing facilities, primarily in the Montney and Duvernay regions of Alberta, and in the Bakken region of North Dakota.

By offering the oil purchase and resale service, SECURE's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. Revenue from this service is impacted by the change in oil prices and the number of pipeline connected facilities.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's objective in capital program management is to ensure adequate sources of capital are available to carry out our capital plan, while maintaining operational growth, payment of dividends and stable cash flow so as to sustain future development of the business.

SECURE expects cash flow to increase as a result of contributions from capital investments in key areas with committed volumes over the past several years. Given annual sustaining capital, cash interest expense and lease obligations of approximately $20 million each and minimal cash taxes, the amount of cash flow generated by the Corporation's assets is expected to adequately fund annual dividends while still providing cash to fund growth capital, buy back shares, increase the dividend, and/or pay down debt.

Management considers capital to be the Corporation's long-term borrowings less cash plus shareholders' equity. The Corporation's overall capital management strategy remains unchanged from prior periods. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures. This includes the Board of Directors reviewing the Corporation's results on a monthly basis, and capital spending to approved limits on a quarterly basis.

The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized limits, Adjusted EBITDA on all of its operations, and Senior and Total Debt to Adjusted EBITDA.

The amount drawn on SECURE's credit facilities increased 10% to $454.3 million at December 31, 2019 compared to $413.5 million at December 31, 2018. The increase relates to draws in order to fund the Corporation's capital program. Refer to the '*Financing Activities*' section below for further information.

Issued capital decreased 1% to $1.0 billion at December 31, 2019 compared to December 31, 2018 as capital issued through the conversion of restricted share units and performance share units into common shares under the Corporation's Unit Incentive Plan during the twelve months ended December 31, 2019, was offset by 5,393,392 shares repurchased in such period for $34.7 million under the Corporation's NCIB.

Liquidity risk is the risk that the Corporation will not be able to meet our 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 the Corporation's liquidity reflects estimates, assumptions and judgments relating to current market conditions. The Corporation intends to fund its operations, working capital requirements, dividends and capital program primarily with cash flow from operations and its credit facilities. On April 29, 2019, SECURE closed an amendment to its First Lien Credit Facility, extending the maturity date by two years to December 31, 2023, and increasing the borrowing capacity by $130 million to $600 million. The amended First Lien Credit Facility also includes an accordion feature, which, if exercised and approved by the Corporation's lenders, would increase the revolving credit facility by an additional $100 million. In connection with the First Lien Credit Facility amendments, the Corporation also entered into a new $75 million bilateral Letter of Credit Facility. As a result, at December 31, 2019, the Corporation had $312.1 million available under its credit facilities, subject to covenant restrictions.

The Corporation's credit facilities require that SECURE maintain certain coverage ratios, as follows:

- The Senior Debt to EBITDA ratio shall not exceed 3.5:1;
- The Total Debt to EBITDA ratio shall not exceed 5.0:1; and
- The interest coverage ratio, defined as EBITDA divided by interest expense on Total Debt, shall not be less than 2.5:1.

Senior and Total Debt and EBITDA are defined in the Corporation's lending agreements. Senior Debt is calculated as the amounts drawn on the Corporation's First Lien Credit Facility and finance leases entered into by the Corporation as defined by IAS 17, less cash balances above $5 million. Total Debt is equal to Senior Debt plus amounts drawn under the Corporation's second lien credit facility (the "Second Lien Credit Facility") and any unsecured debt. EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, less any operating lease payments as defined by IAS 17, minority interest losses, non-recurring losses, non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis.

At December 31, 2019, SECURE was in compliance with all covenant requirements under the Corporation's credit facilities. The following table outlines the Corporation's financial covenant ratios as at December 31, 2019 and December 31, 2018.

	Dec 31, 2019	Dec 31, 2018	% Change
Senior Debt to EBITDA	**2.0**	1.6	25
Total Debt to EBITDA	**2.8**	2.2	27
Interest coverage	**7.4**	9.3	(20)

Refer to Note 18 of the Annual Financial Statements for further disclosure of the Corporation's liquidity risk and Note 21 of the Annual Financial Statements for details of the Corporation's contractual obligations and contingencies at December 31, 2019.

Management expects that the Corporation has sufficient liquidity and capital resources to meet the Corporation's obligations and commitments while operating within these covenants. However, oil and gas prices over the past several years, and egress challenges lowering new investment in the WCSB continue to create a significant level of uncertainty in our industry which may challenge the assumptions and estimates used in the Corporation's forecasts.

In light of this uncertainty, SECURE will continue its prudent approach to capital spending and reduce operating costs where it does not impact safety, operations and environmental performance. To meet financial obligations, the Corporation may also adjust its dividends, draw on its First Lien Credit Facility up to the covenant restrictions, divest assets, issue subordinated debt, or obtain equity financing. The declaration and payment of dividends is at the discretion of the Board and is dependent upon, among other things, financial performance, compliance with debt covenants and the other factors referred to under the heading "*Risk Factors*" in the AIF.

While the Corporation has had success in obtaining financing in the past, access to capital may be more difficult in the current or future economic and operating environment. Refer to the '*Access to Capital*' discussion in the '*Risk Factors'* section of the Corporation's AIF.

The following provides a summary and comparison of the Corporation's operating, investing and financing cash flows for the three and twelve months ended December 31, 2019 and 2018.

SECURE ENERGY

Net Cash Flows from Operating Activities

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Net cash flows from operating activities	49,400	59,310	(17)	196,604	186,515	5

Net cash flows from operating activities decreased 17% to $49.4 million in the three months ended December 31, 2019 from the 2018 comparative period due primarily to lower Adjusted EBITDA, partially offset by changes in non-cash working capital. Changes in non-cash working capital correspond to changes in activity levels and timing differences in payment and collection.

Net cash flows from operating activities increased 5% in in the twelve months ended December 31, 2019 from the 2018 comparative period primarily as a result of a changes in operating non-cash working capital year over year, partially offset by lower Adjusted EBITDA and higher interest paid and cash taxes.

Investing Activities

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Capital expenditures [1]						
Growth and expansion capital expenditures	25,638	32,267	(21)	103,423	158,227	(35)
Business acquisitions	-	-	-	13,866	-	100
Sustaining capital expenditures	6,131	8,487	(28)	17,436	20,419	(15)
Total capital expenditures	31,769	40,754	(22)	134,725	178,646	(25)

[1] Refer to "*Operational definitions*" for further information.

The Corporation's growth and expansion capital expenditures decreased 21% to $25.6 million for the three months ended December 31, 2019 from the 2018 comparative period. SECURE employs a prudent approach to capital spending and will continue to evaluate and allocate capital to projects which will generate the highest risk adjusted rates of return and provide stable cash flows underpinned by contracts. During the three months ended December 31, 2019, SECURE's largest capital expenditures related to commencing construction of the East Kaybob oil pipeline system; the purchase of a produced water transfer and injection pipeline at Gold Creek; the tie in of two disposal wells drilled and completed in the first half of 2019 in North Dakota; and increasing processing and disposal capacity and creating efficiencies at various other facilities.

Growth and expansion capital expenditures decreased 35% to $103.4 million in the twelve months ended December 31, 2019 from the 2018 comparative period. In addition to the above, capital was incurred for the construction of 260,000 barrels of additional crude oil storage at Kerrobert, the Pipestone facility, the addition of three water disposal wells at existing facilities (Tony Creek, Keene and 13 Mile), the completion of a produced water transfer and injection pipeline at Gold Creek, the construction of a new landfill cell at Willesden Green, and various other expansion projects.

Growth and expansion projects in the year ended December 31, 2018 included completing construction of the Kerrobert crude oil pipeline system, completing construction of the Gold Creek and Tony Creek water disposal facilities, facility upgrades and the addition of a third well at the Big Mountain water disposal facility, construction of new cells at the Saddle Hills, Tulliby Lake and Williston landfills, and long lead items and upfront engineering related to future projects, including the 260,000 barrels of additional crude oil storage at the receipt terminal in Kerrobert.

During the second quarter of 2019, SECURE incurred $13.9 million to acquire a 27% interest in a crude oil storage facility located in Cushing, Oklahoma, and a 51% interest in an adjacent 80-acre parcel of undeveloped land. The facility was constructed in 2015 and is strategically located on 10 acres of land in South Cushing with long-term connection agreements in place, ultimately providing connectivity to all major inbound and outbound pipelines in Cushing. Having access to multiple Canadian crude streams and well-connected tankage will benefit our customers getting their product to market at the optimum price. SECURE's majority investment in the 80-acre parcel of land provides the Corporation with significant optionality to develop additional midstream infrastructure in one of North America's key trading hubs.

There were no business acquisitions completed during the three months ended December 31, 2019, or the three and twelve months ended December 31, 2018.

Sustaining capital was $6.1 million and $17.4 million during the three and twelve months ended December 31, 2019 compared to $8.5 million and $20.4 million in the 2018 comparative periods. Sustaining capital in the three and twelve months ended December 31, 2019 related primarily to operating equipment upgrades and maintenance on SECURE's disposal wells. Sustaining capital is typically minimal in the first two years of operation of a facility because each facility is constructed with new or refurbished equipment. The Corporation expects to spend approximately $20 million on sustaining capital in 2020.

Financing Activities

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2019	2018	% Change	2019	2018	% Change
Shares issued, net of share issue costs	-	-	-	-	55	(100)
Repurchase and cancellation of shares under NCIB	(7,439)	(20,262)	(63)	(34,707)	(41,132)	(16)
Draw on credit facility	5,830	24,341	(76)	40,872	113,450	(64)
Financing fees	(2)	-	(100)	(1,362)	-	(100)
Lease liability principal payment	(5,847)	(2,068)	183	(21,520)	(7,639)	182
Dividends paid	(10,616)	(10,909)	(3)	(42,952)	(44,042)	(2)
Net cash flows (used in) from financing activities	(18,074)	(8,898)	103	(59,669)	20,692	(388)

As at December 31, 2019, the Corporation had drawn $454.3 million on its credit facilities compared to $413.5 million as at December 31, 2018. The increase relates to funding for growth and expansion capital. Subject to covenant restrictions, as at December 31, 2019, the Corporation had $312.1 million of available credit capacity, including $275.5 million available under its First Lien Credit Facility, and $36.4 million available under its bilateral Letter of Credit Facility. The Corporation is well positioned, based on this available amount and expected cash flows from operating activities, to pursue further accretive acquisition opportunities and execute on the 2019 capital program. At December 31, 2019, the Corporation was in compliance with all covenants related to its credit facilities.

In May 2018, SECURE received approval from the TSX for an NCIB permitting the Corporation to repurchase up to a maximum of 8,227,359 from May 28, 2018 to May 27, 2019, subject to daily limits in accordance with the terms of the NCIB. Within that period, SECURE repurchased 90% of the NCIB maximum for a total of $55.0 million, representing a weighted average share cost of $7.44.

During the second quarter of 2019, SECURE received approval from the TSX for a second NCIB whereby the Corporation can repurchase up to a maximum of 8,028,468 shares from May 29, 2019 to May 29, 2020, subject to daily limits in accordance with the terms of the NCIB. Transactions under the NCIB will depend on future market conditions. SECURE retains the discretion whether to make purchases under the NCIB, and to determine the timing, amount and acceptable price of any such purchases, subject at all times to applicable TSX and other regulatory requirements. The following table outlines the shares repurchased and cancelled during the three and twelve months ended December 31, 2019 and 2018.

	For the three months ended,		For the twelve months ended	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Shares repurchased and cancelled under the NCIB	1,611,892	2,740,108	5,393,392	5,546,681
Average price per share repurchased	$ 4.62	$ 7.40	$ 6.44	$ 7.42

Since December 31, 2019, the Corporation purchased 290,100 additional shares at a weighted average price per share of $4.98 for a total $1.4 million.

During the three and twelve months ended December 31, 2019, the Corporation declared monthly dividends of $0.0225 per common share, for a total of $10.6 million and $43.0 million. In the three and twelve months ended December 31, 2018, $10.9 million and $44.0 million of dividends were declared.

Management and the Board of Directors of the Corporation will monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, debt, capital expenditures and other investment opportunities, as well as expected interest, lease and tax payments.

Since December 31, 2019, the Corporation paid dividends to holders of common share of record on January 1, 2020 and February 1, 2020 in the amount of $0.0225 per common share, and declared dividends to holders of common shares in the amount of $0.0225 per common share which are payable on March 16, 2020 for shareholders of record on March 1, 2020.

CONTRACTUAL OBLIGATIONS

Refer to Note 21 of the Annual Financial Statements for disclosure related to contractual obligations.

BUSINESS RISKS

A discussion of SECURE's business risks is set out in the Corporation's AIF under the heading *'Risk Factors*', which is incorporated by reference herein. This section does not describe all risks applicable to the Corporation, its industry or its business, and is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.

OUTSTANDING SHARE CAPITAL

As at February 24, 2020, there are 157,448,802 common shares issued and outstanding. In addition, as at February 24, 2020, the Corporation had the following share-based awards outstanding and exercisable or redeemable:

Balance as at February 24, 2020	Issued	Exercisable
Share Options	1,787,306	1,787,306
Restricted Share Units	2,922,472	-
Performance Share Units	3,087,694	-

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2019 and December 31, 2018, the Corporation did not have any material off-balance sheet arrangements.

ACCOUNTING POLICIES

SECURE's significant accounting policies are set out in Note 2 of the Annual Financial Statements.

FINANCIAL AND OTHER INSTRUMENTS

As at December 31, 2019, the Corporation's financial instruments include cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, long-term borrowings, lease liabilities and derivative instruments. The fair values of these financial instruments approximate their carrying amount due to the short-term maturity of these instruments except long-term borrowings and derivative instruments. Long-term borrowings approximate their fair values due to the variable interest rates applied, which approximate market interest rates. Derivative instruments are fair valued at each period end in accordance with their classification of fair value through profit or loss. The Corporation utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity price curves, foreign currency exchange rates and interest rates.

The estimated fair value of all derivative financial instruments is based on observable market data. The use of financial instruments exposes the Corporation to credit, liquidity, foreign currency, interest rate and market risk. A discussion of how these and other risks are managed can be found in the AIF under the heading '*Risk Factors*' and a discussion of the corresponding classification and amounts of income, expenses, gains and losses associated with these financial instruments and their fair value can be found in Note 18 of the Corporation's Annual Financial Statements. Further information on how the fair value of financial instruments is determined is included in the '*Critical Accounting Estimates and Judgments*' section of this MD&A.

Of the Corporation's financial instruments, cash, accounts receivable, and derivative instruments contain credit risk. The credit risk associated with cash is minimized as all cash is held at major financial institutions. The Corporation provides credit to customers in the normal course of operations. The Corporation's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Corporation's accounts receivable are due from companies in the oil and natural gas industry and are subject to normal industry credit risks. Given the policies and procedures in place, management views the credit risk related to accounts receivable as low. The Corporation's exposure to losses in the event that counterparties to derivative instruments are unable to meet the terms of the contracts is considered very low as commodity derivative trades are all done with a large commodity futures exchange, and interest rate and foreign exchange hedges are done with major financial institutions.

Funds drawn under the First Lien Credit Facility bear interest at a floating interest rate. Therefore, to the extent that the Corporation borrows under this facility, the Corporation is at risk to rising interest rates. The Corporation has managed a portion of its interest rate risk through derivative instruments to effectively fix the interest rate on the $130 million Second Lien credit facility until July 31, 2021.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the Corporation's Annual Financial Statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the condensed consolidated financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Corporation's Annual Financial Statements have been set out in Note 3 of the Corporation's Annual Financial Statements.

NEW ACCOUNTING POLICIES

On January 1, 2019, the Corporation adopted IFRS 16 Leases. Refer to Note 4 of the Corporation's Annual Financial Statements for a description of the new standard and the impact to the Corporation's financial statements. There were no other revised standards or amendments to IFRS issued that impacted the Annual Financial Statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") means the controls and other procedures of SECURE that are designed to provide reasonable assurance that information required to be disclosed by SECURE in its annual fillings, interim fillings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by SECURE in its annual fillings or other reports filed or submitted under securities legislation is accumulated and communicated to SECURE's management including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("ICFR"), as defined in NI 52-109 means a process designed by, or under the supervisions of SECURE's CEO and CFO, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Corporation used the Internal Control – Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission in the design of its ICFR. SECURE's ICFR includes policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of SECURE;
- Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of SECURE are being made only in accordance with authorizations of management; and
- Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of SECURE's assets that could have a material effect on the financial statements.

There was no change to the Corporation's ICFR that occurred during the most recent interim or annual period ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2019. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2019.

Management, including the CEO and CFO, does not expect that the Corporation's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Corporation have been detected.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Refer to Note 21 of the Corporation's Annual Financial Statements for disclosure related to legal proceedings and regulatory actions.

RELATED PARTIES

Refer to Note 20 of the Corporation's Annual Financial Statements for disclosure related to related parties.

SECURE ENERGY

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute “forward-looking statements” and/or “forward-looking information” within the meaning of applicable securities laws (collectively referred to as "forward-looking statements"). When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to SECURE, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of SECURE with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining but not limited to: management's expectations with respect to the business, financial prospects and future opportunities for the Corporation; the Corporation's growth and expansion strategy; the Corporation’s ability to continue to grow the business organically and execute on strategic growth opportunities based on current financial position; sales process for the divestiture of specific service lines that do not have recurring or production-related revenue streams, including outcome of the sales process, proceeds and timing of proposed divestitures, and the announcements, anticipated proceeds and use of proceeds therefrom; the Corporation’s proposed 2020 capital expenditure programs including growth and expansion and sustaining capital expenditures, and the timing of completion for projects, in particular the East Kaybob oil pipeline system; the benefits of long-term contracts and commitments entered into by SECURE for its projects and facilities, in particular at the Pipestone and Fox Creek facilities and East Kaybob oil pipeline system; expected benefits customers will receive from our pipeline systems and crude oil storage facilities; key factors driving the Corporation’s success; the oil and natural gas industry in Canada and the U.S., including 2020 activity levels, spending by producers and the impact of this on SECURE’s activity levels; the impact of new facilities, and new service offerings, potential acquisitions, and prior year acquisitions on the Corporation’s future financial results; demand for the Corporation’s services and products; industry fundamentals driving the success of SECURE’s core operations, including increased outsourcing of midstream work by producers, drilling, completion and production trends, volatile commodity price differentials and limited pipeline capacity, opportunities relating to crude oil logistics, well density and economics for pipeline connecting production volumes to midstream facilities, and global oil and gas demand; debt service; adjustments in our dividend; future share repurchases; expectations that our capital investment, share repurchases and cash dividends will be funded from internally generated cash flows; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; access to capital; and the Corporation’s ability to meet obligations and commitments and operate within any credit facility restrictions.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as the assumption that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and similar phases of previous economic cycles. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation’s access to debt and equity markets.

Forward-looking statements concerning the relative future competitive position of the Corporation are based upon the assumption that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest and foreign exchange rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation and its subsidiaries to successfully market their services and drilling and production activity in North America will lead to sufficient demand for the Corporation’s services including demand for oilfield services for drilling and completion of oil and natural gas wells, that the current business environment will remain substantially unchanged, and that present and anticipated programs and expansion plans of other organizations operating in the energy industry may change the demand for the Corporation’s services and its subsidiaries’ services. Forward-looking statements concerning the nature and timing of growth are based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking statements in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance costs will not significantly increase from past acquisition and maintenance costs.

Forward-looking statements involve significant known and unknown risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to under the heading “Risk Factors” in the AIF for the year ended December 31, 2019 and also includes risks associated with general economic conditions in Canada and the U.S.; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; risks inherent in the Corporation’s ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation’s ability to access external sources of debt and equity capital; changes in legislation and the regulatory environment, including uncertainties with respect to implementing binding targets for reductions of emissions and the regulation of hydraulic fracturing services; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; ability to integrate technological advances and match advances of completion; credit risk to which the Corporation is exposed in the conduct of its business; SECURE’s ability to complete anticipated divestiture transactions on acceptable terms or at all; updates or changes to SECURE’s strategy; risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in prior year acquisitions with SECURE's operations; and other factors, many of which are beyond the control of the Corporation.

Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, SECURE does not intend, or assume any obligation, to update these forward-looking statements.

ADDITIONAL INFORMATION

Additional information, including the AIF, is available on available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and on the Corporation’s website at www.SECURE-energy.com.