MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("Secure" or the "Corporation") has been prepared by management and reviewed and approved by the Board of Directors of Secure on February 26, 2019. 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, 2018 to the three and twelve months ended December 31, 2017 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2018 and 2017 ("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 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 TSX publicly traded integrated energy business with midstream infrastructure, environmental and technical solutions divisions 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."). The Corporation is managed through three complementary divisions that provide innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry.

MIDSTREAM INFRASTRUCTURE DIVISION

The Midstream Infrastructure division (formerly referred to as the Processing, Recovery and Disposal ("PRD") division) owns and operates a network of over fifty facilities throughout western Canada and in North Dakota. The Midstream Infrastructure division services include clean oil terminalling, rail transloading, pipeline transportation, crude oil marketing, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, and oil purchase/resale service. Secure provides these services at its full service terminals ("FST"), full service rail facilities ("FSR"), crude oil pipelines, crude oil terminalling facilities, water disposal facilities, and landfills.

ENVIRONMENTAL SOLUTIONS DIVISION

The Environmental Solutions division (formerly referred to as the Onsite ("OS") division) provides comprehensive environmental solutions, from initial assessment and planning to reclamation and remediation. The operations of the Environmental Solutions division includes: pipeline integrity projects; demolition, decommissioning, reclamation and remediation of former well sites, facilities, commercial and industrial properties; environmental construction projects; onsite integrated fluid solutions (water management, recycling, pumping and storage); Naturally Occurring Radioactive Material ("NORM") management; waste container services; and emergency response services.

TECHNICAL SOLUTIONS DIVISION

The Technical Solutions division (formerly referred to as the Drilling and Production Services ("DPS") division) provides customer focused product solutions for drilling, completion and production operations for oil and gas producers in western Canada. The drilling fluids and equipment line includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The Corporation 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 enhanced oil recovery ("EOR") line provides equipment and chemical solutions that optimize production, provide flow assurance and maintain the integrity of production assets.

For a complete description of services provided in the Midstream Infrastructure, Environmental Solutions and Technical Solutions divisions, please refer to the headings '*Secure Energy Services Inc.*' and '*Description of Business*' in the Corporation's Annual Information Form for the year ended December 31, 2018 ("AIF").

EXECUTIVE SUMMARY

2018 was another volatile year for the oil and gas industry in Canada. Four years following the global oil price collapse, the industry appeared to be in a cautious state of recovery, with stable commodity prices, increased drilling activity and rising production levels. However, Canadian oil and gas producers continue to face the challenge of exporting their products due to a lack of pipeline infrastructure. As a result of a significant oversupply of Canadian crude caused by these export constraints, crude price differentials in Canada relative to U.S. and global benchmarks reached unprecedented highs during the fourth quarter. The steep deterioration in realized crude pricing across the Western Canadian Sedimentary Basin ("WCSB") from these wide differentials impacted industry cash flows, resulting in decreased producer confidence and a slowdown of drilling and completion activity.

Amidst these extraordinary industry conditions, Secure remained focused on executing the Corporation's strategy for enhanced fluid management, providing customers with solutions to increase operating netbacks and improve capital efficiency. In the Corporation's core Midstream Infrastructure division, Secure achieved record revenue and Adjusted EBITDA[1] resulting from infrastructure additions and expansions during the year, and stable production-driven activity at existing facilities. Additionally, the Corporation's pipeline connected FSTs and rail terminals located near customer operations enabled Secure to help our customers move product with lower transportation costs and realize higher pricing during the quarter, which favourably impacted revenue. Overall, Secure achieved Adjusted EBITDA of $57.8 million and $190.5 million in the three and twelve months ended December 31, 2018, an increase of 13% and 21%, respectively, from the comparative periods of 2017. Secure's net income of $13.9 million and $19.9 million in the three and twelve months ended December 31, 2018 resulted in net income per weighted average common share of $0.09 and $0.12 in the respective periods.

Secure's dedication to helping the customer has proven to be a competitive advantage to the Corporation, and continued to drive Secure's growth and success in the three and twelve months ended 2018, highlighted by the following achievements:

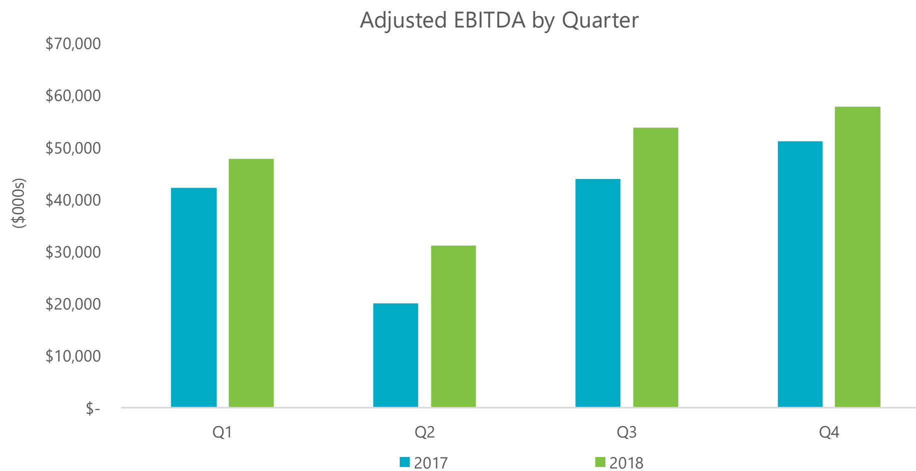
Strategic Growth Secure continues to identify and develop midstream infrastructure to expand capacity and optimize capabilities at existing facilities. During 2018, Secure completed construction and commissioning of the light oil feeder pipeline system and receipt terminal in the Kindersley-Kerrobert region of Saskatchewan ("Kerrobert Light Pipeline System"), the Corporation's first owned and operated crude oil pipeline system. Secure also commenced operations at two new water disposal facilities during year, expanding the Corporation's footprint in the liquids-rich Montney region in Alberta where activity levels, production growth and water disposal requirements are higher than the rest of the WCSB. These capital investments are supported by long-term commitments, providing Secure with recurring volumes and fee-for-service cash flows.

In total, the Corporation incurred $32.3 million and $156.7 million of growth and expansion capital during the three and twelve months ended December 31, 2018, comprised primarily of the growth projects noted above and expansions at several facilities to increase throughput, emulsion treating and storage and disposal capacity. These investments are expected to position the Corporation to capture new demand and drive more volumes to Secure's facilities.

Resilient Cash Flows Secure's focus in recent years on growing the Midstream Infrastructure division has lessened the Corporation's dependence on drilling-related revenue streams and provides the Corporation with greater certainty on recurring cash flows. 84% of the Corporation's Adjusted EBITDA (before Corporate costs) during 2018 was generated from the Midstream Infrastructure division, where facility volumes are driven primarily from production-related activities. Stable cash flows generated from these production volumes, along with the growth of the production chemicals business in the Technical Solutions division, and recurring work in the Environmental Solutions division, including new long-term contracts in the oil sands for large scale waste management and recycling programs, mitigated the impact of periods of decreased drilling activity during the year. Additionally, Secure has made investments in the U.S. market that continued to show significant signs of growth specifically noted in the performance of the Corporation's facilities located in North Dakota. Production in North Dakota was at record levels during 2018 and producers in the region do not face the egress challenges producers are experiencing in Canada. With Secure's core business, the Corporation is well positioned to succeed in periods of industry uncertainty, with significant upside potential resulting from increased activity levels.

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

Solid Financial Performance Successful project execution and strategic acquisitions over the past several years, along with recurring cash flows generated from production-related activities resulted in revenue (excluding oil purchase and resale) of $192.8 million and $698.2 million in the three and twelve months ended December 31, 2018, a 4% and 16% increase over the comparative periods of 2017, despite lower oil and gas drilling and completion activity in the WCSB. The Midstream Infrastructure division's segment profit margin[1] as a percentage of revenue (excluding oil purchase and resale) was 62% and 59% in the three and twelve months ended December 31, 2018 as a result of higher revenue and an ongoing commitment to cost control and efficiency. Overall, Secure's Adjusted EBITDA increased by greater than 10% each quarter of 2018 over 2017. As a result of higher Adjusted EBITDA, net income also saw substantial quarter over quarter increases in 2018 over 2017.



Financial Strength Secure continues to take a disciplined approach to maintaining a strong balance sheet. At December 31, 2018, the Corporation's total debt to EBITDA, as defined in the lending agreements, was 2.2 to 1. This provides the Corporation with considerable flexibility to continue to grow the business organically and execute on strategic acquisition opportunities that align with the profitable growth strategy of Secure.

Shareholder Value Creation During the three and twelve months ended December 31, 2018, the Corporation returned $10.9 million and $44.0 million, respectively, of cash flow to shareholders through the monthly dividend of $0.0225 per share. Secure was also active during the year on the normal course issuer bid ("NCIB") approved by the TSX in May 2018. The Corporation repurchased and cancelled 5,546,681 common shares for $41.1 million during the year at an average price of $7.42 per common share, representing over 3% of the Corporation's outstanding shares. During the three months ended December 31, 2018, Secure repurchased and cancelled 2,740,108 common shares for $20.3 million at an average price of $7.40 per common share.

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

SECURE energy

FOURTH QUARTER HIGHLIGHTS

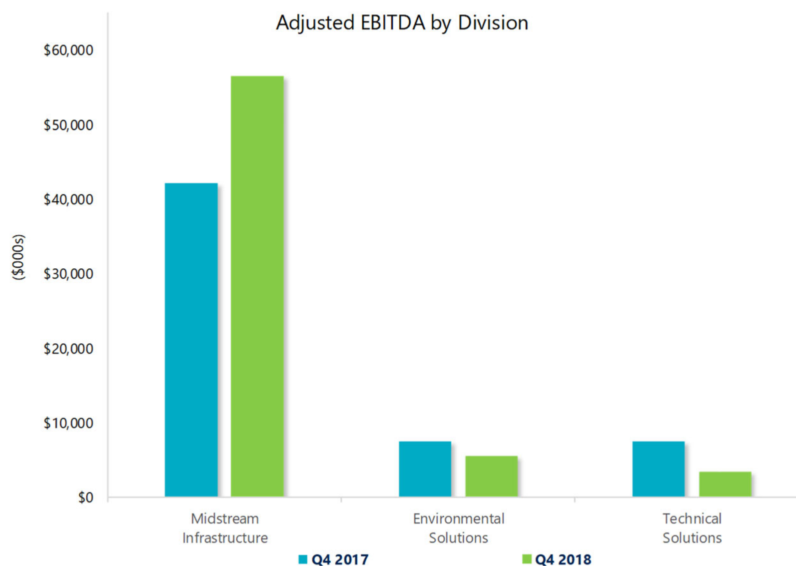
The operating and financial highlights for the three month periods ending December 31, 2018 and 2017 can be summarized as follows:

	Three months ended December 31,		
($000's except share and per share data)	2018	2017	% change
Revenue (excludes oil purchase and resale)	**192,756**	184,740	4
Oil purchase and resale	**490,295**	494,816	(1)
Total revenue	**683,051**	679,556	1
Adjusted EBITDA [(1)]	**57,810**	51,177	13
Per share ($), basic	**0.36**	0.31	16
Net income (loss)	**13,944**	(23,934)	158
Per share ($), basic and diluted	**0.09**	(0.15)	160
Cash flows from operating activities	**59,310**	22,925	159
Per share ($), basic	**0.37**	0.14	164
Dividends per common share	**0.06750**	0.06375	6
Capital expenditures [(1)]	**40,754**	51,815	(21)
Total assets	**1,583,501**	1,562,746	1
Long-term liabilities	**560,863**	422,251	33
Net debt [(1)]	**268,692**	166,647	61
Common shares - end of period	**159,274,147**	163,352,572	(2)
Weighted average common shares			
basic	**161,251,096**	163,325,590	(1)
diluted	**164,374,324**	163,325,590	1

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

- REVENUE OF $683.1 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2018
  - The Midstream Infrastructure division's revenue (excluding oil purchase and resale) increased to $105.4 million during the three months ended December 31, 2018, up 31% from the comparative period in 2017. The increase was driven by the addition of new infrastructure in 2018, including the Kerrobert Light Pipeline System and two new water disposal facilities, expansion initiatives over the past several years to increase capacity and offer additional services at Secure's existing facilities, Secure's utilization of multiple crude oil and condensate streams at the Corporation's pipeline connected FSTs to optimize realized pricing which benefited both the Corporation and our customers, and increased rail activity due to wide crude oil differentials. The increases to revenue were partially offset by lower recovered oil revenue due to lower realized pricing quarter over quarter;
  - Oil purchase and resale revenue in the Midstream Infrastructure division for the three months ended December 31, 2018 decreased by 1% from the 2017 comparative period to $490.3 million due to a 27% decrease in Canadian Light Sweet crude oil prices in the three months ended December 31, 2018 over the 2017 comparative period, partially offset by higher volumes at certain of the Corporation's pipeline connected full service terminals;
  - Environmental Solutions division revenue of $29.2 million in the fourth quarter of 2018 decreased 32% from the three months ended December 31, 2017 primarily due to lower completion activity in the WCSB which resulted in lower revenue from onsite integrated fluids solutions business;
  - Technical Solutions division revenue decreased 5% to $58.1 million in the three months ended December 31, 2018 as a result of a slowdown in drilling activity driven by deteriorating commodity prices in Canada. A significant portion of the Technical Solutions division's revenue comes from drilling fluids and equipment, which strongly correlates with oil and gas drilling activity in the WCSB. However, the impact of reduced drilling activity was partially mitigated by the Corporation's growing production chemicals business. Since the acquisition of a production chemicals business in April 2017, revenue from production-related business in the Technical Solutions division has been increasing at a steady rate as the Corporation wins bids for new jobs and expands its customer base.

- ADJUSTED EBITDA OF $57.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2018
  - Adjusted EBITDA of $57.8 million increased 13% from the three months ended December 31, 2017, primarily from higher revenues achieved by the Midstream Infrastructure division and a continued focus on cost controls. Increased revenues were driven by higher facility volumes from the addition of new facilities through organic growth and several facility expansions to increase waste handling capacity. Additionally, Secure's utilization of multiple crude oil and condensate streams to optimize pricing at the Corporation's pipeline connected FSTs during the three months ended December 31, 2018, which benefited both the Corporation and our customers, and increased rail activity resulting from pipeline constraints helped drive revenue and segment profit margin in the Midstream Infrastructure division, which was up 41% over the three months ended December 31, 2017;
  - Adjusted EBITDA generated from the Environmental Solutions division decreased 26% in the three months ended December 31, 2018 over the comparative period in 2017, primarily as a result of the variance in revenue, as described above. The majority of the Environmental Solutions division's cost of sales are variable, and fluctuations will correspond to change in revenue and project mix;
  - The Technical Solutions division's Adjusted EBITDA decreased 55% in the three months ended December 31, 2018 over the 2017 comparative period primarily due to lower revenue driven by reduced drilling activity, rising product costs resulting from higher U.S. sourced base products and a strengthening U.S. dollar and severance costs associated with a reduction in the division's workforce to align with activity levels;
  - The following graph illustrates the divisional contributions to Adjusted EBITDA, excluding Corporate costs, for the three months ("Q4") ended December 31, 2018 and 2017.



- NET INCOME OF $13.9 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2018
  - For the three months ended December 31, 2018, Secure's net income of $13.9 million improved from a net loss of $23.9 million in the three months ended December 31, 2017. Excluding the impact of a non-cash impairment charge of $29.2 million in the fourth quarter of 2017, the variance is primarily due to a $6.6 million increase to Adjusted EBITDA resulting from the factors described above and a $4.3 million unrealized gain on crude oil derivatives, partially offset by higher interest expense resulting from higher debt levels to fund organic development and acquisitions in the past year, as well as increased tax expense resulting from higher pre-tax earnings.

- CAPITAL EXPENDITURES OF $40.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2018
  - Total capital expenditures for the three months ended December 31, 2018 of $40.8 million were comprised of $32.3 million related to growth and expansion projects, and $8.5 million of sustaining capital. There were no acquisitions completed during the quarter. Growth and expansion capital in the fourth quarter relates primarily to advancing construction of 260,000 barrels of additional crude oil storage at the receipt terminal in Kerrobert; completing the permanent water disposal facility at Tony Creek; the addition of a third disposal well at Gold Creek; completing construction of a new landfill cell at Williston; increasing processing and disposal capacity at various other facilities; purchasing equipment to support existing services; and long lead items and upfront costs for future projects. Sustaining capital incurred in the three months ended December 31, 2018 relates primarily to well and facility maintenance.
- FINANCIAL FLEXIBILITY
  - The total amount drawn on Secure's credit facilities as at December 31, 2018 increased by 38% to $413.5 million compared to $300.0 million at December 31, 2017. The amount drawn increased in order to fund the Corporation's organic capital program, monthly dividend payments and share repurchases, partially offset by cash flows from operating activities;
  - As at December 31, 2018, the Corporation had $148.8 million available under its credit facilities, subject to covenant restrictions. The Corporation is well positioned, based on this availability and expected cash flows from operating activities, to pursue further accretive acquisition opportunities and execute on the expected 2019 capital program;
  - Secure is in compliance with all covenants related to its credit facilities at December 31, 2018. The following table outlines Secure's senior and total debt to trailing twelve month EBITDA ratios at December 31, 2018 and December 31, 2017:

	Dec 31, 2018	Dec. 31, 2017	Threshold
Senior debt to EBITDA	1.6	1.1	3.5
Total debt to EBITDA	2.2	1.9	5.0

  - Senior debt is equal to amounts drawn on the Corporation's first lien facility plus financial leases less any cash balances exceeding $5 million. Total debt includes senior debt plus the $130 million borrowed under the Corporation's second lien facility. EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis.

ANNUAL HIGHLIGHTS

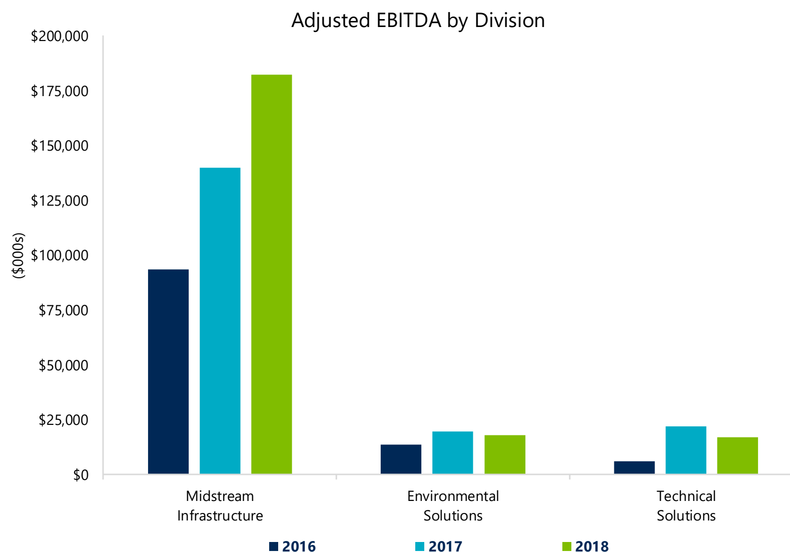
The operating and financial highlights for the years ended December 31, 2018, 2017 and 2016 can be summarized as follows:

	Twelve months ended Dec 31,		
($000's except share and per share data)	**2018**	**2017**	**2016**
Revenue (excludes oil purchase and resale)	**698,172**	603,421	393,159
Oil purchase and resale	**2,239,281**	1,724,787	1,016,904
Total revenue	**2,937,453**	2,328,208	1,410,063
Adjusted EBITDA [1]	**190,521**	157,211	94,100
Per share ($), basic	**1.17**	0.97	0.61
Net income (loss)	**19,929**	(34,202)	(48,943)
Per share ($), basic and diluted	**0.12**	(0.21)	(0.32)
Cash flows from operating activities	**186,515**	108,872	96,682
Per share ($), basic	**1.14**	0.67	0.63
Dividends per common share	**0.27000**	0.25000	0.24000
Capital expenditures [1]	**177,076**	191,837	150,877
Total assets	**1,583,501**	1,562,746	1,425,250
Long-term liabilities	**560,863**	422,251	336,830
Net debt [1]	**268,692**	166,647	73,176
Common shares - end of period	**159,274,147**	163,352,572	160,652,221
Weighted average common shares			
basic	**163,008,356**	162,827,541	154,625,869
diluted	**165,425,609**	162,827,541	154,625,869

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

- REVENUE OF $2.9 BILLION FOR THE YEAR ENDED DECEMBER 31, 2018
  - The Midstream Infrastructure division's revenue from services increased to $356.4 million during 2018, up 30% from 2017. The increase was driven by growth initiatives over the past several years to increase capacity and expand service offerings; higher activity levels in the U.S. in response to higher U.S. benchmark crude oil prices, which also generated higher recovered oil revenues; increased produced water and condensate production in the Corporation's key service areas which resulted in incremental processing and disposal volumes at Secure's facilities; Secure's utilization of multiple crude oil and condensate streams at the Corporation's pipeline connected FSTs to improve realized pricing, which benefited both Secure and our customers; and increased rail activity in the latter part of the year resulting from wide crude oil differentials;
  - Oil purchase and resale revenue in 2018 increased by 30% over 2017 to $2.2 billion due to higher volumes and a 12% increase in average Canadian Light Sweet crude oil prices in 2018 over 2017;
  - Environmental Solutions division revenue of $117.1 million decreased 5% in 2018 from 2017. Increased projects work resulting from higher activity levels in the oil and gas sector in the first half of the year, new customers and new service offerings, was more than offset by decreased water pumping revenue year over year as a result of lower completions activity in the second half of 2018;
  - Technical Solutions division revenue increased 9% to $224.8 million in 2018 over 2017. In April 2017, the Corporation acquired a production chemicals business that significantly increased revenue generated from production services beginning in the second quarter of 2017. Revenue from drilling fluids and equipment was relatively flat in 2018 over 2017 as the impact of a slight decline in active rigs year over year was mitigated as revenue per operating day increased as a result of deeper and more complex wells.

- ADJUSTED EBITDA OF $190.5 MILLION FOR THE YEAR ENDED DECEMBER 31, 2018
  - Adjusted EBITDA of $190.5 million increased 21% from the year ended December 31, 2017, primarily from higher revenues achieved by the Midstream Infrastructure division and a continued focus on cost controls. Increased revenues were driven by higher facility volumes from the addition of new facilities through organic growth, several facility expansions to increase waste handling capacity, the acquisition of Ceiba Energy Services Inc. ("Ceiba") in August 2017, higher produced water and condensate production volumes in the Corporation's key service areas, and improved oil and gas sector activity in the U.S. Additionally, increased recovered oil revenues generated from higher average crude oil prices, Secure's utilization of multiple crude oil and condensate streams the Corporation's pipeline connected FSTs to optimize realized pricing, which benefited both Secure and our customers, and increased rail activity helped drive revenue and segment profit margin in the Midstream Infrastructure division, which was up 34% in 2018 over the year ended December 31, 2017;
  - Adjusted EBITDA generated from the Environmental Solutions division decreased 8% in the year ended December 31, 2018 over 2017, primarily as a result of the variance in revenue, as described above. The majority of the Environmental Solutions division's cost of sales are variable, and fluctuations will correspond to change in revenue and project mix. In 2018, margins were also negatively impacted by competitive pricing which decreased equipment and labour rates charged to customers for certain project work;
  - The Technical Solutions division's Adjusted EBITDA decreased 23% in the year ended December 31, 2018 over 2017 as the impact of higher revenue was more than offset by increased costs resulting from the expanded production chemicals business, cost pressures on chemicals, and severance costs incurred the fourth quarter;
  - The following graph illustrates the divisional contributions to Adjusted EBITDA, excluding Corporate costs, for the years ended December 31, 2018, 2017 and 2016.



- NET INCOME OF $19.9 MILLION FOR THE YEAR ENDED DECEMBER 31, 2018
  - For the year ended December 31, 2018, Secure's net income of $19.9 million improved from a net loss of $34.2 million in the year ended December 31, 2017. Excluding the impact of a non-cash impairment charge of $29.2 million in 2017, the variance is primarily due to a $33.3 million increase to Adjusted EBITDA resulting from the factors described, partially offset by higher interest expense resulting from higher debt levels to fund organic development in the past year, as well as increased tax expense resulting from higher pre-tax earnings.

- CAPITAL EXPENDITURES OF $177.1 MILLION FOR THE YEAR ENDED DECEMBER 31, 2018
    - Total capital expenditures for the year ended December 31, 2018 of $177.1 million were comprised of $156.7 million related to growth and expansion projects, and $20.4 million of sustaining capital. There were no acquisitions completed during 2018. Growth and expansion capital in 2018 relates primarily to completing construction of the Kerrobert Light Pipeline System; the addition of five water disposal wells, including three at Gold Creek, and one each at Tony Creek and Big Mountain; expansion projects at various existing facilities to increase throughput, emulsion treating and disposal capacity; construction of three new landfill cells; and long lead items and upfront costs for future projects, including additional crude oil storage at the receipt terminal in Kerrobert. Sustaining capital incurred in 2018 relates primarily to well and facility maintenance.

OUTLOOK

In response to the historic differentials during the fourth quarter, the Alberta Government implemented a temporary 8.7% production cut of raw crude oil and bitumen effective January 2019 to reduce excess oil storage in western Canada. In addition to the mandated production curtailment, uncertainty resulting from volatile commodity prices and ongoing egress constraints has resulted in producers continuing to delay drilling and completion activity. As a result, oil price differentials in the WCSB have tightened since the announcement. As the year progresses, Secure anticipates higher producer cash flows in Canada resulting from narrowing differentials. This, along with greater visibility toward pipeline development for improved market access, including the completion of the Enbridge Inc. Line 3 pipeline, will help restore confidence and may result in a rebound in activity levels in the second half of 2019 and into 2020.

Production-related volumes represent the majority of the volumes processed and disposed at Secure's midstream facilities, providing the Corporation with recurring cash flows that are more resilient during periods of reduced drilling and completion activity. This, combined with the addition of new infrastructure and expansions during 2018, is expected to mitigate the impact reduced activity levels, particularly in the drilling fluids and onsite integrated fluids management businesses, will have on the Corporation's financial results in 2019.

Secure's strategy remains focused on what is in the Corporation's control: working with customers to identify opportunities and integrated solutions where the Corporation can add value and lower customers' costs. By focusing on new and innovative ways to offer solutions, Secure's customers will be able to gain efficiencies for drilling, completing and producing their hydrocarbon reserves. Helping Secure's customers grow and being their trusted energy solutions partner will ensure that the Corporation continues to create long-term shareholder value.

The industry fundamentals driving the success of Secure's core operations remain unchanged:

- Trend towards increased outsourcing of midstream work by producers;
- Produced water increasing at a disproportionate rate relative to aggregate production as a result of larger fracs, aging wells and maturing basins in both Canada and the U.S.;
- Increasing opportunities relating to crude oil logistics as volatile differentials allow for opportunities on both crude by rail and via pipeline;
- Well density improving economics to pipeline connect production volumes to midstream facilities;
- Forecast global oil and gas demand driving production growth in the WCSB;
- Highly regulated and best in the world environmental standards.

These factors are expected to result in the need for additional facilities to meet incremental requirements for treating, processing and disposal capacity. Secure has made significant capital investments to ensure the business is well positioned to capture new demand. By offering exceptional customer service and owning and operating midstream facilities near customer production, Secure expects these trends will drive more volumes to the Corporation's midstream facilities. Additionally, customers continue seek cost effective transportation solutions for water, oil and condensate volumes; Secure's successful execution of the Kerrobert Light Pipeline System will help the Corporation to take advantage of similar opportunities creating value for both the customer and Secure.

Secure has a solid balance sheet and is well positioned to respond with solutions and the right people to the market's needs. Secure continues to work with its customers to support their needs relating to new facilities and expansions. The Corporation expects to incur approximately $100 million of growth and expansion capital in 2019 depending on the outcome of various opportunities in development, such as regulatory approvals, development permits and other operating agreements. The initial capital plan includes completing construction of two crude oil storage tanks at the receipt terminal in Kerrobert, expected to be commissioned in May 2019; construction of two produced water transfer and injection pipelines from customer processing plants; optimizing capabilities and increasing processing and disposal capacity at various other facilities, including additional disposal wells; and purchasing equipment to support existing services. Providing value-adding solutions to increase customer operating netbacks and improve capital efficiency remains Secure's primary objective.

REPORTING CHANGES

During the fiscal period ending December 31, 2018, the Corporation has revised the presentation of certain line items on the Statements of Comprehensive Income (Loss) to classify depreciation, depletion and amortization, share-based compensation, and business development expenses according to their function. International Accounting Standards ("IAS") 1 *Presentation of Financial Statements* requires expenses recognized in profit or loss to be classified according to their nature or their function within the entity, whichever provides information that is reliable and more relevant. The function, or cost of sales method, classifies expenses according to their function as part of cost of sales, or general and administrative activities. This method is most commonly used in Secure's industry and provides financial statement users with relevant information with respect to how operations are managed and how costs may vary with the level of activity of the Corporation. Disclosure has been included in the notes to the Annual Financial Statements to provide additional detail with respect of the nature of the expenses included within cost of sales and general and administrative expenses.

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.

Adjusted EBITDA

Adjusted EBITDA is defined as net income (loss) before finance costs, taxes, depreciation, depletion, and 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 (loss), 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, and 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 (loss), being the most directly comparable measure calculated in accordance with IFRS, to Adjusted EBITDA.

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Net income (loss)	**13,944**	(23,934)	158	**19,929**	(34,202)	158
Add (deduct):						
Depreciation, depletion and amortization [1]	**29,130**	31,705	(8)	**115,608**	118,611	(3)
Current tax (recovery) expense	**(643)**	(2,452)	(74)	**1,320**	(4,816)	(127)
Deferred tax expense	**7,260**	5,540	31	**14,840**	11,168	33
Share-based compensation [1]	**5,387**	5,749	(6)	**22,963**	23,257	(1)
Impairment and other	**-**	30,523	(100)	**-**	30,523	(100)
Interest, accretion and finance costs	**7,021**	4,011	75	**19,464**	12,425	57
Unrealized (gain) loss on mark to market transactions [2]	**(4,289)**	35	(12,354)	**(3,603)**	245	(1,571)
Adjusted EBITDA	**57,810**	51,177	13	**190,521**	157,211	21

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

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

Segment profit margin

Segment profit margin is calculated as the difference between revenue and cost of sales, excluding depreciation, depletion and amortization expense and share-based compensation expense. 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.

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Gross margin	**52,162**	36,488	43	**155,146**	104,658	48
Add:						
Depreciation, depletion and amortization [1]	**27,938**	30,218	(8)	**110,871**	111,855	(1)
Share-based compensation [1]	**1,848**	2,037	(9)	**6,914**	7,203	(4)
Segment profit margin	**81,948**	68,743	19	**272,931**	223,716	22

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

Net debt

Net debt is a measure of the Corporation’s overall debt situation and is utilized by management as a key measure to assess the liquidity of the Corporation and monitor its capital structure and availability under its credit facilities. Net debt is calculated as the sum of total debt, which includes the principal amount of long-term borrowings plus non-current finance lease liabilities, less the working capital surplus. Working capital surplus is calculated as current assets less current liabilities.

($000's)	Dec 31, 2018	Dec 31, 2017	% Change
Long-term borrowings (principal amount)	**413,450**	300,000	38
Long-term finance lease liabilities	**8,341**	6,052	38
Current liabilities	**178,322**	266,003	(33)
Current assets	**(331,421)**	(405,408)	(18)
Net debt	**268,692**	166,647	61

OPERATIONAL DEFINITIONS

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

Oil prices

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

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.

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.

Drilling fluids and equipment market share

The Technical Solutions division's drilling fluids and equipment market share is calculated by comparing active rigs the Technical Solutions division provides drilling fluids services to total active rigs in western Canada. The Canadian Association of Oilwell Drilling Contractors publishes total active rigs in western Canada on a daily basis.

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.

RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2018

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 reportable segment for the three and twelve months ended December 31, 2018 and 2017:

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**

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**

Three months ended December 31, 2017	**Midstream Infrastructure**	**Environmental Solutions**	**Technical Solutions**	**Corporate**	**Total**
Revenue from services	80,611	42,726	61,403	-	184,740
Oil purchase and resale service	494,816	-	-	-	494,816
Total revenue	**575,427**	**42,726**	**61,403**	**-**	**679,556**
Cost of sales excluding items listed separately below	(528,693)	(33,192)	(48,928)	-	(610,813)
Segment profit margin	**46,734**	**9,534**	**12,475**	**-**	**68,743**
G&A expenses excluding items listed separately below	(4,680)	(2,079)	(4,960)	(5,882)	(17,601)
Depreciation, depletion and amortization [(1)]	(22,923)	(2,797)	(5,783)	(202)	(31,705)
Share-based compensation [(1)]	-	-	-	(5,749)	(5,749)
Interest, accretion and finance costs	(391)	-	-	(3,620)	(4,011)
Impairment	(29,237)	-	-	-	(29,237)
Other expense	-	-	-	(1,286)	(1,286)
Earnings (loss) before tax	**(10,497)**	**4,658**	**1,732**	**(16,739)**	**(20,846)**

Year ended December 31, 2017	**Midstream Infrastructure**	**Environmental Solutions**	**Technical Solutions**	**Corporate**	**Total**
Revenue from services	274,372	123,216	205,833	-	603,421
Oil purchase and resale service	1,724,787	-	-	-	1,724,787
Total revenue	**1,999,159**	**123,216**	**205,833**	**-**	**2,328,208**
Cost of sales excluding items listed separately below	(1,842,442)	(95,482)	(166,568)	-	(2,104,492)
Segment profit margin	**156,717**	**27,734**	**39,265**	**-**	**223,716**
G&A expenses excluding items listed separately below	(17,360)	(8,332)	(17,459)	(23,599)	(66,750)
Depreciation, depletion and amortization [(1)]	(83,980)	(11,478)	(22,037)	(1,116)	(118,611)
Share-based compensation [(1)]	-	-	-	(23,257)	(23,257)
Interest, accretion and finance costs	(1,503)	-	-	(10,922)	(12,425)
Impairment and other expense	(29,237)	-	-	(1,286)	(30,523)
Earnings (loss) before tax	**24,637**	**7,924**	**(231)**	**(60,180)**	**(27,850)**

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

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 and in North Dakota that provide processing, storing, shipping and marketing of crude oil; oilfield waste and water disposal; and recycling. Processing services are primarily performed at FSTs and include waste processing and crude oil emulsion treating. Secure's FSTs that are connected to 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 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 will meter the crude oil volumes and purchase the crude oil directly from customers. The Corporation will then handle 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 resale crude oil to take advantage of marketing opportunities and increase profitability.

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2017	% Change	2018	2017	% Change
Revenue						
Midstream Infrastructure (a)	**105,420**	80,611	31	**356,350**	274,372	30
Oil purchase and resale	**490,295**	494,816	(1)	**2,239,281**	1,724,787	30
Total Midstream Infrastructure division revenue	**595,715**	575,427	4	**2,595,631**	1,999,159	30
Cost of Sales						
Midstream Infrastructure excluding items noted below	**39,607**	33,877	17	**146,767**	117,655	25
Depreciation, depletion and amortization	**20,175**	22,564	(11)	**81,094**	81,674	(1)
Oil purchase and resale	**490,295**	494,816	(1)	**2,239,281**	1,724,787	30
Total Midstream Infrastructure division cost of sales	**550,077**	551,257	-	**2,467,142**	1,924,116	28
Segment Profit Margin [1]	**65,813**	46,734	41	**209,583**	156,717	34
Segment Profit Margin [1] as a % of revenue (a)	**62%**	58%		**59%**	57%	

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

	Three months ended Dec 31,			Year ended Dec 31,		
	2018	2017	% Change	2018	2017	% Change
Average Benchmark Prices and Volumes [1]						
WTI (US$/bbl)	**$ 58.81**	$ 55.40	6	**$ 64.77**	$ 50.95	27
Canadian Light Sweet ($/bbl)	**$ 48.27**	$ 65.68	(27)	**$ 69.14**	$ 61.84	12
Processing volumes (in 000's m^3)	**515**	541	(5)	**2,147**	2,033	6
Recovery and terminalling volumes (in 000's m^3)	**552**	484	14	**2,023**	1,803	12
Disposal volumes (in 000's m^3)	**2,060**	1,883	9	**7,701**	6,510	18

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

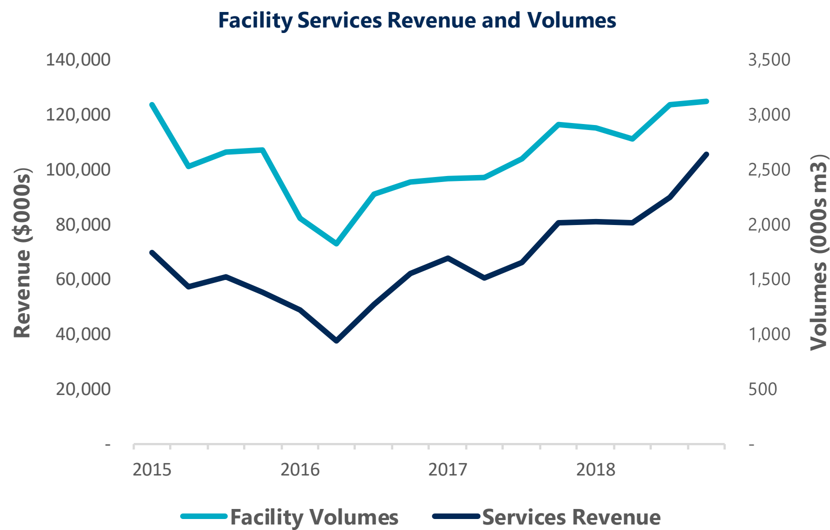
Revenue (Midstream Infrastructure division)

Revenue generated from Midstream Infrastructure services of $105.4 million for the three months ended December 31, 2018 and $356.4 million for the 2018 year increased 31% and 30%, respectively, from the 2017 comparative periods. The increase in revenue during the fourth quarter was primarily driven by higher volumes associated with new infrastructure and expansions at certain of the Corporation's existing facilities during 2017 and 2018, Secure's utilization of multiple crude oil and condensate streams at the Corporation's pipeline connected FSTs to optimize realized pricing, which benefited both the Corporation and our customers, and increased rail activity. In the last four months of 2018, a shortage of pipeline takeaway capacity and refinery outages resulted in an over supply of crude oil and unprecedented crude oil price differentials

in the WCSB. These large differentials and the volatility in pricing provided Secure with an opportunity to work with customers at the Corporation's pipeline connected FSTs, crude oil terminals and rail terminals to improve their operating netbacks through higher realized pricing and lower transportation costs which also lead to higher revenue for the Corporation.

In addition to the factors described above, the increase in Midstream Infrastructure services revenue in 2018 over 2017 was due to higher activity levels in North Dakota which accounted for 7% of the year over year increase. Furthermore, higher realized crude oil prices in Canada during the first half of 2018 resulted in increased activity levels driving incremental volumes to the Corporation's facilities and generated higher recovered oil revenues.

The graph below illustrates the relationship between volumes and revenues earned at the Corporation's facilities. Midstream Infrastructure services revenue is impacted by both the nature and amount of product received by Secure's facilities; pricing varies depending on the complexity to process and dispose.



The majority of the Corporation's facilities are located in high impact resource plays, such as the Montney and Duvernay regions, where producers were most active in the WCSB in 2018. Fluids pumped from wells in these regions are also significantly higher than other regions of the WCSB, driving incremental volumes at Secure's facilities. In the past year, Secure has strategically added new facilities, including the Gold Creek and Tony Creek water disposal facilities in July 2018, and increased capacity for water disposal at various other facilities in these regions, including at the Dawson Creek and Fox Creek FSTs, Rycroft FSR and Big Mountain water disposal facility, in response to customer demand. Additionally, Secure completed the acquisition of Ceiba Energy Services Inc. ("Ceiba") on August 1, 2017 which added ten facilities to Secure's footprint in the WCSB. These additions and expansions were the driving force behind a 24% and 32% increase in water disposal volumes in Canada during the three and twelve months ended December 31, 2018 over the comparative periods of 2017.

The Kerrobert Light Pipeline System commenced commercial operations on October 1, 2018, resulting in a new revenue source for the Corporation in the fourth quarter through pipeline tariffs. The feeder pipeline project includes area dedication and contracted volume on both an annual and cumulative term basis over 10 years. In total, revenue from new infrastructure, including the pipeline system and two new water disposal facilities, added $7.5 million in the fourth quarter, accounting for 9% of the increase in revenue over the same period in 2017. In 2018, revenue from this new infrastructure contributed $16.5 million of revenue, accounting for 6% of the increase in revenue over 2017.

Waste processing and solids disposal volumes at the Corporation's facilities in North Dakota increased significantly in the year ended December 31, 2018 contributing to a 37% increase in revenue generated from the U.S. compared to 2017. Higher volumes at Secure's North Dakota facilities were a result of improved activity levels, including new drilling and frac completions as customers remain active in the Bakken, evidenced by a 16% increase in the North Dakota average rig count year over year, and rising production levels. Higher activity levels were driven by an increase in the WTI oil price over 2017 and the commissioning of the Dakota Access Pipeline in June 2017 which has improved economics for delivering producers' product to market. Secure's revenue from the U.S. increased marginally in the three months ended December 31, 2018 over 2017.

Recovered oil revenues decreased 39% in the three months ended December 31, 2018 from the comparative period of 2017 primarily due to a 27% decrease in Canadian Light Sweet oil prices in the same period. In 2018, recovered oil revenues increased 14% over 2017 primarily due to a 12% increase in Canadian Light Sweet oil prices in the year.

Overall, disposal volumes increased by 9% and 18% in the three and twelve months ended December 31, 2018 from the comparative periods in 2017 due primarily to increased produced and flowback water resulting from new facilities and increased capacity at existing facilities, as well as increasing water production as wells mature.

Overall, processing volumes decreased 5% in the three months ended December 31, 2018 from the 2017 comparative period due to the slowdown in drilling and completion activity in Canada resulting from volatile pricing and challenging industry fundamentals. During the year ended December 31, 2018, processing volumes increased 6% from 2017 largely as a result of a 50% increase in waste processing volumes at the Corporation's North Dakota facilities year over year. Drilling and completion activity in Canada, and resulting processing volumes, was relatively flat in the year as producers took a cautious approach to capital spending in light of volatile crude oil pricing, low gas prices and uncertainty with respect to the addition of pipeline capacity out of the WCSB.

Oil purchase and resale revenue in the Midstream Infrastructure division for the three months ended December 31, 2018 decreased by 1% from the 2017 comparative period to $490.3 million due to a 27% decrease in Canadian Light Sweet crude oil prices in the three months ended December 31, 2018 over the 2017 comparative period, partially offset by higher volumes resulting from higher takeaway capacity at certain of the Corporation's pipeline connected full service terminals. In the year, oil purchase and resale revenue increased by 30% over 2017 to $2.2 billion due to higher volumes resulting from increased industry activity during the first half of the year and higher takeaway capacity at certain of the Corporation's pipeline connected full service terminals, and a 12% increase in Canadian Light Sweet crude oil prices in 2018 over 2017.

Cost of Sales (Midstream Infrastructure division)

Cost of sales from Midstream Infrastructure services, excluding depreciation, depletion and amortization, increased by 17% and 25% to $39.6 million and $146.8 million in the three and twelve months ended December 31, 2018 from the comparative periods of 2017. The increase in cost of sales relates to the increased revenue as the Corporation maintains its ability to respond to higher activity levels while managing its fixed and variable costs.

Operating depreciation, depletion and amortization ("DD&A") expense included within cost of sales relates primarily to the division's facilities and landfills and includes non-cash impairment as well as any gains or losses on sale or disposal of equipment. For the three and twelve months ended December 31, 2018, operational DD&A decreased by 11% and 1% to $20.2 million and $81.1 million mainly due to losses from asset disposals in the prior year periods, partially offset by depreciation associated with increases to property, plant and equipment from newly constructed or acquired facilities and other equipment put into use since the first quarter of 2017.

Segment Product Margin (Midstream Infrastructure division)

The Midstream Infrastructure's segment profit margin as a percentage of revenue from Midstream Infrastructure services increased 4% and 2% in the three and twelve months ended December 31, 2018 from the comparative periods of 2017 to 62% and 59%, respectively. As a percentage of Midstream Infrastructure services revenue, segment profit margin increased over 2017 as a result of overall increased revenues while minimizing fixed and related costs and a greater proportion of revenue generated from higher margin services.

General and Administrative Expenses (Midstream Infrastructure division)

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
G&A expense excluding depreciation and amortization	5,027	4,680	7	23,896	17,360	38
Depreciation and amortization	333	359	(7)	1,166	2,306	(49)
Total Midstream Infrastructure division G&A expense	5,360	5,039	6	25,062	19,666	27
% of Midstream Infrastructure services revenue	5%	6%		7%	7%	

General and administrative ("G&A") expenses of $5.4 million and $25.1 million for the three and twelve months ended December 31, 2018 increased from the comparative period balances of $5.0 million and $19.7 million. Although the Corporation continues to minimize G&A costs by streamlining operations where possible, Midstream Infrastructure G&A expenses have increased primarily due to overhead requirements to support new service lines, facilities and expansions. As a percentage of revenue from Midstream Infrastructure services, G&A expenses decreased slightly to 5% for the three months ended December 31, 2018 from 6% in the comparative period of 2017, and were flat at 7% for the years ended December 31, 2018 and 2017.

Earnings (Loss) Before Tax (Midstream Infrastructure division)

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Earnings (loss) before tax	39,702	(10,497)	478	101,569	24,637	312

Earnings before tax of $39.7 million and $101.6 million during the three and twelve months ended December 31, 2018 increased from a loss before tax of $10.5 million in the fourth quarter of 2017, and earnings before tax of $24.6 million in the 2017 year. Excluding the impact of a $29.2 million non-cash impairment charge related to goodwill and intangible assets at the Corporation's Alida crude oil terminalling facility in 2017, the increase is primarily a result of a $19.1 million and $52.9 million increase in segment profit margin in the three and twelve months ended December 31, 2018 over the 2017 comparative periods, and lower depreciation, depletion and amortization due to losses on disposal of property, plant and equipment in 2017. This increase was partially offset by higher G&A expenses incurred to support higher activity levels.

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), NORM management, waste container services and emergency response services.

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Revenue						
Environmental Solutions	29,236	42,726	(32)	117,060	123,216	(5)
Cost of Sales						
Environmental Solutions excluding depreciation and amortization	22,464	33,192	(32)	92,242	95,482	(3)
Depreciation and amortization	2,093	2,204	(5)	8,525	9,302	(8)
Total Environmental Solutions division cost of sales	24,557	35,396	(31)	100,767	104,784	(4)
Segment Profit Margin [(1)]	6,772	9,534	(29)	24,818	27,734	(11)
Segment Profit Margin [(1)] as a % of revenue	23%	22%		21%	23%	

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

Revenue (Environmental Solutions division)

Environmental Solutions division revenue of $29.2 million for the three months ended December 31, 2018 decreased by 32% from the comparative period of 2017 primarily due to lower revenue generated from onsite water management and pumping services as a result of poor industry conditions that reduced completion activity. During the year ended December 31, 2018, Environmental Solutions division revenue of $117.1 million decreased 5% from 2017 due primarily to the transfer of the division's U.S. operations to the Midstream Infrastructure division at the start of 2018. Excluding this impact, revenue was relatively flat year over year. Higher revenue from projects generated from new customers and new

services offerings in the past year, including the management of scrap metal recycling programs for two major oil sands producers, were offset by lower activity levels negatively impacting onsite water management and pumping services in the fourth quarter, and from lower environmental remediation revenue as major customers deferred this spending.

Cost of Sales (Environmental Solutions division)

Cost of sales for the three and twelve months ended December 31, 2018 decreased 31% and 4% to $24.6 million and $100.8 million from the 2017 comparative periods. The majority of the Environmental Solutions division's cost of sales are variable, and fluctuations will correspond 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.

In addition to changes in cost of sales corresponding to changes in activity levels from the 2017 comparative period, the Environmental Solutions division incurred higher expenses in the twelve months ended December 31, 2018 from the start-up of new service offerings, and from the addition of personnel to initiate and manage other strategic growth initiatives.

Segment Product Margin (Environmental Solutions division)

Segment profit margin for the three and twelve months ended December 31, 2018 of $6.8 million and $24.8 million decreased by 29% and 11% from the prior year comparative periods. As a percentage of revenue, segment profit margin was 23% and 21% for the three and twelve months ended December 31, 2018 compared to 22% and 23% in the three and twelve months ended December 31, 2017. 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, and other services in any given period. As a percentage of revenue, the segment profit margin in the three months ended December 31, 2018 increased primarily due to the nature of project work in the quarter and the realization of initiatives undertaken throughout the year to minimize overhead expenses, which were partially offset by a smaller proportion of revenue generated from higher margin onsite integrated fluids solutions activity. In the year ended December 31, 2018, the decrease in segment profit margin as a percentage of revenue was a result of project mix, as well as increased competition on project bids which resulted in lower rates charged for labour and equipment.

General and Administrative Expenses (Environmental Solutions division)

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
G&A expense excluding excluding depreciation and amortization	**1,272**	2,079	(39)	**7,031**	8,332	(16)
Depreciation and amortization	**162**	593	(73)	**917**	2,176	(58)
Total Environmental Solutions division G&A expense	**1,434**	2,672	(46)	**7,948**	10,508	(24)
% of Environmental Solutions revenue	**5%**	6%		**7%**	9%	

G&A expenses for the three and twelve months ended December 31, 2018 decreased 46% and 24% from the 2017 comparative periods to $1.4 million and $7.9 million as a result of ongoing initiatives to minimize costs, and from the transfer of certain personnel and office costs included in the comparative figure to the Midstream Infrastructure division at the start of 2018. Additionally, depreciation and amortization expense was lower in the 2018 periods as intangible assets recorded for two previous acquisitions were fully amortized in the second quarter of 2018. The impact of these changes was partially offset by additional business development expenses resulting from the Environmental Solutions division's growth initiatives.

Earnings Before Tax (Environmental Solutions division)

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
Earnings before tax	**3,245**	4,658	(30)	**8,345**	7,924	5

Earnings before tax of $3.2 million and $8.3 million during the three and twelve months ended December 31, 2018 has decreased 30% and increased 5% over the 2017 comparative periods. The variances correspond primarily to changes in segment profit margin in the three and twelve months ended December 31, 2018 over the 2017 comparative periods, combined with the positive impact of a $1.2 million and $2.6 million decrease in G&A expense in the quarter and year to date.

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, completions 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 EOR 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,			Year ended Dec 31,		
($000's)	2018	2017	% Change	2018	2017	% Change
Revenue						
Technical Solutions	**58,100**	61,403	(5)	**224,762**	205,833	9
Cost of Sales						
Technical Solutions excluding depreciation and amortization	**48,737**	48,928	-	**186,232**	166,568	12
Depreciation and amortization	**5,670**	5,450	4	**21,252**	20,879	2
Total Technical Solutions division cost of sales	**54,407**	54,378	-	**207,484**	187,447	11
Segment Profit Margin [1]	**9,363**	12,475	(25)	**38,530**	39,265	(2)
Segment Profit Margin [1] as a % of revenue	**16%**	20%		**17%**	19%	

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

Revenue (Technical Solutions division)

Falling benchmark crude prices and historically wide differentials in Canada during the three months ended December 31, 2018 resulted in a 10% decrease in WCSB rig activity compared to the three months ended December 31, 2017. The Technical Solutions division's drilling fluids and equipment revenue correlates with oil and gas drilling activity in the WCSB. As a result, revenue generated from this line was negatively impacted by fewer operating days and rigs serviced quarter over quarter. In the year ended December 31, 2018, Secure was able to partially mitigate the impact of reduced activity levels and market share declines by continuing to focus on more complex wells which require specialized fluids, equipment and expertise. As a result, revenue from drilling services was relatively flat during the year ended December 31, 2018 from 2017.

Secure continues diversification efforts in the Technical Solutions division to become less dependent on drilling activity through expansion of production services. Strategic relationships with key suppliers and ongoing product development has resulted in a significant expansion to Secure's product offering, leading to multiple commercial projects in 2018. The acquisition of a production chemicals business completed in April 2017 has strengthened Secure's position in the market by adding over 100 fully formulated proprietary products, as well as key infrastructure related to the product offering and an experienced and dedicated employee base. The production chemicals service line now has over 350 commercialized products and continues to win new bids and customers and gain market share. As a result of increased contributions from production related services, the decrease to total revenue from the Technical Solutions division resulting from the slowdown of drilling activity in the fourth quarter was partially mitigated. Overall, revenue from the Technical Solutions division of $58.1 million decreased 5% in the quarter from the three months ended December 31, 2017. In the year, Technical Solutions division revenue increased 9% to $224.8 million as a result of contributions from the production chemicals business.

Cost of Sales (Technical Solutions division)

The Technical Solutions division's cost of sales of $54.4 million for the three months ended December 31, 2018 were consistent with the comparative period of 2017. The impact on variable expenses resulting from lower activity levels during the fourth quarter of 2018 was offset by product cost inflation due to the strengthening U.S. dollar and global benchmark oil prices, and severance payments to terminated employees as Secure works to align personnel with forecast activity levels. During 2018, cost of sales for the division increased 11% to $207.5 million as a result of higher costs resulting from increased production chemicals activity, consistent with the increased revenues discussed above. Additionally, with increased global benchmark oil prices and the strength of the U.S. dollar, the Corporation has experienced upward cost pressures in both the drilling fluids and production chemical lines, limiting the upside generated from economies of scale achieved from higher revenues.

Segment Profit Margin (Technical Solutions division)

The Technical Solutions division's segment profit margin for the three months ended December 31, 2018 decreased 25% from the comparative period to $9.4 million as a result of lower revenue with flat expenses, as discussed above. The continued cost inflation associated with drilling and production chemicals have outpaced the Technical Solutions division's ability to realize meaningful price increases during the period. As a result, segment profit margin as a percentage of revenue was 16%, down from 20% in the three months ended December 31, 2017.

In year ended December 31, 2018, the Technical Solutions division's segment profit margin decreased slightly to $38.5 million from $39.3 million. As a percentage of revenue, segment profit margin was 17% in 2018, down from 19% in 2017. Segment profit margin as a percentage of revenue were positively impacted by the increased revenues while minimizing fixed costs resulting in achieving economies of scale from increased activity. However, increasing product supply costs without realizing any meaningful price increases during the year resulted in a 2% margin compression.

General and Administrative Expenses (Technical Solutions division)

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
G&A expense excluding depreciation and amortization	**5,969**	4,960	20	**21,802**	17,459	25
Depreciation and amortization	**333**	333	-	**1,272**	1,158	10
Total Technical Solutions division G&A expense	**6,302**	5,293	19	**23,074**	18,617	24
% of Technical Solutions revenue	**11%**	9%		**10%**	9%	

The Corporation continues to proactively manage costs in response to customer demands and activity levels. During the fourth quarter, this included a reduction in the division's workforce. As a result, higher G&A expense during the three months ended December 31, 2018 over 2017 was largely due to severance payments made to terminated employees. During 2018, G&A expenses increased 24% to $23.1 million as a result of expanding the production chemicals service line. Additionally, all research and development costs associated with the Corporation's research lab have been included in Technical Solutions G&A expense since the third quarter of 2017. Previous to that, they were reported within the Corporation's business development expense included in Corporate G&A expense. Secure continues to focus on research and development projects to expand the value chain of services offered to customers, and to provide innovative and cost-effective solutions to reduce waste in the drilling and production processes.

Earnings (Loss) Before Tax (Technical Solutions division)

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	**2018**	**2017**	**% Change**	**2018**	**2017**	**% Change**
(Loss) earnings before tax	**(2,609)**	1,732	(251)	**(5,796)**	(231)	2,409

During the three months ended December 31, 2018, the Technical Solutions division had a loss before tax of $2.6 million compared to income of $1.7 million in the 2017 comparative period. The variance of $4.3 million was a result of a 25% decrease in segment profit margin and a 19% increase in G&A expense, with flat operating DD&A expense. During the twelve months ended December 31, 2018, the Technical Solutions division had a net loss of $5.8 million compared to a net loss of $0.2 million in 2017. The impact of higher revenues was more than offset by increased product costs and higher G&A resulting primarily from costs associated with the expanded production chemicals business, and the reclassification of research and development expenses from Corporate business development to the Technical Solutions division effective July 2017.

CORPORATE INCOME AND EXPENSES

Corporate Cost of Sales

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Cost of Sales						
Share-based compensation expense	1,848	2,037	(9)	6,914	7,203	(4)

Corporate cost of sales of $1.8 million and $6.9 million for the three and twelve months ended December 31, 2018 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. Share-based compensation decreased 9% in the fourth quarter and 4% for the twelve months ended December 31, 2018.

Corporate General and Administrative Expenses

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
General and administrative expenses excluding items noted below	7,581	5,882	29	26,078	23,599	11
Depreciation and amortization	364	202	80	1,382	1,116	24
Share-based compensation expense	3,539	3,712	(5)	16,049	16,054	-
Total Corporate division G&A expenses	11,484	9,796	17	43,509	40,769	7

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 units, 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 by $1.7 million and $2.5 million in the three and twelve months ended December 31, 2018 over the comparative periods of 2017, primarily due to higher personnel, professional and information technology costs associated with higher activity levels. Overall, the Corporation has been able to demonstrate a consistent G&A cost structure while being able to respond to industry activity.

Overall, share-based compensation included in G&A expenses for the three and twelve months ended December 31, 2018 was $3.5 million and $16.0 million, a decrease of 5% and nil, respectively, from the 2017 comparative periods. Higher share-based compensation associated with an increase in performance share units granted during the year was more than offset by a lower expense associated with stock options. The majority of the Corporation's stock options are fully vested.

Interest, Accretion and Finance Costs

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Interest, accretion and finance costs	6,445	3,620	78	17,606	10,922	61

Interest, accretion and finance costs includes interest expense, amortization of financing fees, accretion expense realized with the passage of time on onerous lease contracts, 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 second lien credit facility. The interest expense portion has increased primarily as a result of a 43% and 53% increase in the average long-term borrowings balance in the three and twelve months ended December 31, 2018 over the 2017 comparative periods.

Foreign Currency Translation Adjustment

($000's)	Three months ended Dec 31, 2018	2,017	% Change	Year ended Dec 31, 2018	2017	% Change
Foreign currency translation (gain) loss, net of tax	(7,959)	(1,198)	564	(12,364)	10,431	(219)

Included in other comprehensive income is a gain of $8.0 million and $12.4 million for the three and twelve months ended December 31, 2018 compared to a gain of $1.2 million and a loss of $10.4 million for the three and twelve months ended December 31, 2017 related to foreign currency translation adjustments resulting from the conversion of the assets, liabilities and financial results of the Corporation's ongoing U.S. operations. The foreign currency translation adjustment included in the consolidated statements of comprehensive income does not impact net earnings for the period.

Income Taxes

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Income taxes						
Current tax expense (recovery)	**(643)**	(2,452)	(74)	**1,320**	(4,816)	(127)
Deferred tax expense	**7,260**	5,540	31	**14,840**	11,168	33
Total income tax expense	**6,617**	3,088	114	**16,160**	6,352	154

Income tax expense for the three months and twelve months ended December 31, 2018 was $6.6 million and $16.2 million compared to $3.1 million and $6.4 million in the comparative periods in 2017. The overall increase in income tax expense is due primarily to higher pre-tax income in the three and twelve months ended December 31, 2018 compared to the 2017 comparative periods.

SUMMARY OF QUARTERLY RESULTS

Seasonality

In Canada, the level of activity in the oilfield services industry 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:

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Revenue (excluding oil purchase and resale)	192,756	182,469	141,249	181,698	184,740	162,596	115,372	140,713
Oil purchase and resale	490,295	646,565	578,674	523,747	494,816	451,143	468,952	309,876
Total revenue	683,051	829,034	719,923	705,445	679,556	613,739	584,324	450,589
Net income (loss) for the period	13,944	6,809	(6,901)	6,077	(23,934)	(179)	(13,529)	3,440
Net income (loss) per share - basic and diluted	0.09	0.04	(0.04)	0.04	(0.15)	0.00	(0.08)	0.02
Weighted average shares - basic	161,251,096	162,286,387	164,524,360	164,009,829	163,352,572	163,128,460	162,776,950	162,049,821
Weighted average shares - diluted	164,374,324	164,911,044	164,524,360	166,079,649	163,352,572	163,128,460	162,776,950	165,944,906
Adjusted EBITDA [1]	57,810	53,746	31,158	47,807	51,177	43,820	20,044	42,170

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

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 factors.

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 facility additions and expansions, and acquisitions positively impacted results. In the last months of 2018, crude oil price volatility resulted in a pull back on activity by producers.

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 Technical Solutions 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 on which each of Secure's facilities commenced operations.

The following summarizes the facilities commissioned and acquisitions completed in 2017 and 2018 that have impacted the quarterly results for the past two years:

- In the second quarter of 2017, Secure completed the acquisition of a production chemicals business;
- In the third quarter of 2017, Secure added ten facilities to the Corporation's infrastructure network through the acquisition of Ceiba Energy Services Inc.;
- In the third quarter of 2018, the Corporation's Gold Creek and Tony Creek water disposal facilities commenced operations;
- In the fourth quarter of 2018, the Corporation's Kerrobert Light Pipeline System 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 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 its 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 climb as a result of contributions from capital investments made by Secure in key areas over the past several years. Given annual sustaining capital of approximately $20 million, cash interest expense of approximately $20 million and minimal cash taxes, the amount of cash flow generated by the Corporation's assets can 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 net debt and shareholders' equity. The Corporation's overall capital management strategy remains unchanged from prior periods. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures. This includes the Board of Directors reviewing the Corporation's results on a monthly basis, and capital costs 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 by 38% to $413.5 million at December 31, 2018 compared to $300.0 million at December 31, 2017. The increase relates to consideration paid for organic growth and expansion projects previously described, and repurchases under the NCIB, partially offset by cash flows from operating activities. Refer to the '*Financing Activities*' section below for further information with regards to net debt.

Issued capital decreased 2% at December 31, 2018 from December 31, 2017 to $1.0 billion. Capital issued through the exercise of options and the release of RSUs and PSUs under the Corporation's Unit Incentive Plan during the year was more than offset by shares repurchased and cancelled by the Corporation under the approved NCIB. In total, Secure repurchased and cancelled 5,546,681 shares for $41.1 million during the year ended December 31, 2018.

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of 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. At December 31, 2018, the Corporation had $148.4 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.

As per the Corporation's credit facilities at December 31, 2018, senior debt includes amounts drawn on the first lien credit facility and finance leases, less cash balances above $5 million. Total debt is equal to senior debt plus amounts drawn under the second lien credit facility and any unsecured debt. EBITDA is adjusted for non-recurring losses, any non-cash impairment charges, any other non-cash charges, and acquisitions on a pro-forma trailing twelve month basis. At December 31, 2018, 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, 2018 and December 31, 2017.

	Dec 31, 2018	Dec. 31, 2017	% Change
Senior debt to EBITDA	1.6	1.1	45
Total debt to EBITDA	2.2	1.9	16
Interest coverage	9.2	12.5	(26)

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, 2018.

Management expects that the Corporation has sufficient liquidity and capital resources to meet the Corporation's obligations and commitments while managing 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.

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 comparative of the Corporation's operating, investing and financing cash flows for the three and twelve months ended December 31, 2018 and 2017.

Net Cash Flows from Operating Activities

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2017	% Change	2018	2017	% Change
Net cash flows from operating activities	59,310	22,925	159	186,515	108,872	71

Net cash flows from operating activities of $59.3 million and $186.5 million in the three and twelve months ended December 31, 2018 were up 159% and 71% from the 2017 comparative periods. Higher Adjusted EBITDA was partially offset by higher interest payments in concurrence with the increase in the average long-term borrowings balance and lower net tax recoveries received in 2018 compared to 2017, combined with fluctuations from non-cash working capital primarily due to changes in balances resulting from activity levels and timing differences in payment and collection.

Investing Activities

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Capital expenditures [(1)]						
Growth and expansion capital expenditures	**32,267**	45,346	(29)	**156,657**	118,161	33
Business acquisitions	**-**	-	-	**-**	54,569	(100)
Sustaining capital expenditures	**8,487**	6,469	31	**20,419**	19,107	7
Total capital expenditures	**40,754**	51,815	(21)	**177,076**	191,837	(8)

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

The Corporation's growth and expansion capital expenditures for the three and twelve months ended December 31, 2018 of $32.3 million and $156.7 million decreased 29% and increased 33% from the comparative periods of 2017. 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. Growth and expansion projects in the twelve months ended December 31, 2018 included completing construction of the Kerrobert Light Pipeline System, completing construction of the new Gold Creek SWD and Tony Creek water disposal facilities, facility upgrades and the addition of a third well at the Big Mountain SWD, 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 260,000 barrels of additional crude oil storage at the receipt terminal in Kerrobert.

In 2017, Secure's organic growth capital program was heavily weighted towards the second half of the year, and included costs associated with the Kerrobert Light Pipeline System, pre-design work on the Gold Creek water disposal facility, landfill expansions at South Grande Prairie, Fox Creek and Pembina, new disposal wells at Fox Creek and Rycroft, and improvements to increase disposal capacity at various facilities, including the deepening of a disposal well, pump replacements and well workovers at some of the acquired Ceiba facilities.

There were no business acquisitions completed during the twelve months ended December 31, 2018. During the twelve months ended December 31, 2017, the Corporation completed two acquisitions for a total of $54.6 million, including the acquisition of a production chemicals business in April 2017, and the acquisition of Ceiba in August 2017.

During the three and twelve months ended December 31, 2018, sustaining capital was $8.5 million and $20.4 million compared to $6.5 million and $19.1 million in the 2017 comparative periods. Sustaining capital in the three and twelve months ended December 31, 2018 related primarily to operating equipment upgrades and maintenance on Secure's disposal wells and facilities. Sustaining capital is typically minimal in the few years of operation of a facility because each facility is constructed with new or refurbished equipment.

Financing Activities

($000's)	Three months ended Dec 31, 2018	2017	% Change	Year ended Dec 31, 2018	2017	% Change
Shares issued, net of share issue costs	**-**	-	-	**55**	4,362	(99)
Repurchase and cancellation of shares under NCIB	**(20,262)**	-	(100)	**(41,132)**	-	(100)
Draw on credit facility	**24,341**	37,128	(34)	**113,450**	91,000	25
Financing fees	**-**	-	100	**-**	(2,123)	100
Capital lease obligation	**(2,068)**	(1,561)	32	**(7,639)**	(8,722)	(12)
Dividends paid	**(10,909)**	(10,411)	5	**(44,042)**	(37,124)	19
Net cash flow from financing activities	**(8,898)**	25,156	(135)	**20,692**	47,393	(56)

In May 2018, Secure received approval from the Toronto Stock Exchange for the NCIB whereby the Corporation may repurchase common shares at the prevailing market rate for cancellation. Pursuant to the NCIB, Secure may 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. 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.

During the three months ended December 31, 2018, Secure purchased and cancelled 2,740,108 shares at a weighted average price per share of $7.40 for a total of $20.3 million. During the twelve months ended December 31, 2018, Secure purchased and cancelled 5,546,681 shares at a weighted average price per share of $7.42 for a total of $41.1 million. Subsequent to December 31, 2018, the Corporation purchased 131,500 additional shares at a weighted average price per share of $6.79 for a total $0.9 million.

As at December 31, 2018, the Corporation had drawn $413.5 million on its credit facilities compared to $300.0 million as at December 31, 2017. The increase primarily relates to growth and expansion capital, dividends paid and the repurchase of shares, partially offset by cash flows from operating activities. As at December 31, 2018, the Corporation had $148.4 million available under its first lien credit facility, subject to covenant restrictions. 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, 2018, the Corporation was in compliance with all covenants.

During the three and twelve months ended December 31, 2018, the Corporation declared dividends of $10.9 million and $44.0 million to holders of common shares. In the comparative periods of 2017, $10.4 million and $37.1 million of dividends were declared. During the first quarter of 2017, $3.4 million of the dividends declared were reinvested in additional common shares through the Corporation's Dividend Reinvestment Plan ("DRIP"). Commencing with the April 2017 dividend declaration, the Corporation suspended the DRIP. Subsequently, all shareholders have received cash dividends.

Commencing with the June 2017 dividend, the Corporation increased the monthly dividend from $0.02 to $0.02125 per common share. On November 9, 2017, Secure announced a 6% increase to its monthly dividend rate from $0.02125 to $0.0225 per common share commencing with the January 15, 2018 dividend payment date for shareholders of record on January 1, 2018.

Management and the Board of Directors of Secure will monitor the Corporation's dividend policy in correlation with forecast Adjusted EBITDA, capital expenditures, interest expense, total debt and other investment opportunities including the repurchase of common shares.

Subsequent to December 31, 2018, the Corporation paid dividends to holders of common share of record on January 1, 2019 and February 1, 2019 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 15, 2019 for shareholders of record on March 1, 2019.

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 *'Business Risks'*, which section 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 26, 2019, there were 160,490,596 common shares issued and outstanding. In addition, as at February 26, 2019, the Corporation had the following share-based awards outstanding and exercisable or redeemable:

Balance as at February 26, 2019	Issued	Exercisable
Share Options	4,288,101	4,264,769
Restricted Share Units	3,585,248	-
Performance Share Units	3,028,575	-

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2018 and December 31, 2017, the Corporation did not have any 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, 2018, the Corporation's financial instruments include cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, long-term borrowings, finance 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 '*Business Risks*'. 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.

FUTURE ACCOUNTING PRONOUNCEMENTS

For the year ended December 31, 2018, the Corporation adopted IFRS 9 Financial Instruments and IFRS 15 Revenue. The adoption of these standards did not have a significantly impact on the Corporation's Annual Financial Statements.

On January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee 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. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Secure will adopt IFRS 16 on the effective date of January 1, 2019, and has selected the modified retrospective transition approach. Secure has also elected to apply the optional exemptions for short-term and low-value leases for all asset classifications except rail cars. On initial adoption, lease liabilities will be measured at the present value of the future lease payments under each contract, discounted using the incremental borrowing rate for the corresponding legal entity. The right-of-use assets will be measured at amounts equal to respective lease liabilities, subject to certain adjustments allowed under IFRS 16. The right-of-use assets will be amortized on a straight-line basis over the remaining term of each related lease contract.

The Corporation has completed its review of existing contracts that will be classified as leases under IFRS 16 and is currently finalizing its analysis to quantify the impact of the adoption of IFRS 16 on its consolidated financial statements. Secure expects to record a material adjustment on its consolidated statement of financial position at January 1, 2019 for operating leases related to office space, warehouses, surface land, rail cars and certain heavy equipment. The leases identified are reflected in the Corporation's operating lease contractual obligations outlined in Note 21 of the Annual Financial Statements.

The ongoing impact of the application of IFRS 16 to the Corporation's lease contracts on the consolidated statements of comprehensive income is not expected to be material as the amortization of right-of-use assets and interest and finance costs related to the lease liabilities recognized under IFRS 16 will mostly be offset by reductions in operating lease expense, which are currently recognized in net income

Secure's team of qualified employees continues to assess the full impact of IFRS 16 on the Corporation, including new disclosure required in the Corporation's unaudited consolidated financial statements and notes thereto for the three months ended March 31, 2019 and 2018.

INTERNAL CONTROL 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 Secure's 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;
- 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, 2018 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, 2018. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2018.

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.

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 to: key factors driving the Corporation's success; the impact of new facilities, new service offerings, potential acquisitions, and prior year acquisitions on the Corporation's future financial results; demand for the Corporation's services and products; 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; the oil and natural gas industry in Canada and the U.S., including 2019 and 2020 activity levels, spending by producers and the impact of this on Secure's activity levels; future pipeline development in Canada, specifically related to timing of the completion of Enbridge Inc.'s Line 3 replacement; industry fundamentals driving the success of Secure's core operations, including increased outsourcing of midstream work by producers, drilling, completion and production trends, opportunities relating to crude oil logistics, well density and economics for pipeline connecting production volumes to midstream facilities, and global oil and gas demand; the Corporation's proposed 2019 capital expenditure program including growth and expansion and sustaining capital expenditures, and the timing of completion for projects, in particular the additional storage at the Kerrobert terminal; debt service; 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 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, 2018 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in prior year acquisitions with the operations of Secure. 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.