Annual Report 2018

SECURE
energy

Corporate Overview

SECURE Energy Services Inc. ("SECURE" or the "Corporation") is a leading integrated energy company providing safe and environmentally responsible fluid and solid solutions to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and North Dakota. SECURE's head office is in Calgary, Alberta.

SECURE offers over 100 comprehensive, diverse solutions across three divisions that provide customers with midstream infrastructure, environmental solutions and technical solutions.

The Corporation continues to focus on providing customers value-added, cost effective innovative solutions to increase customer operating netbacks and improve capital efficiency.

Notice of Annual Meeting

SECURE Energy Services Inc. is pleased to invite its shareholders and other interested parties to the Corporation's Annual General Meeting which will be held at the Metropolitan Centre, 333 – 4th Avenue SW, Calgary, AB on Tuesday, April 30, 2019 at 10:30 a.m.

Health & Safety

The safety of SECURE's operations depends heavily on our people and the choices being made every single day, across all three divisions that enables everyone to go home safe. Guided by our values and expectations of "living the SECURE way" and "working the SECURE way," working safely is at the forefront of all we do. Embedded in that is our commitment to personal and organizational safety, following the safety rules and standard operating procedures, and reporting any potential risks.

In 2018, SECURE took the safety of all its employees, contractors and customers to a new, proactive level with the 8 Life Saving Rules. These rules were developed by a cross-functional group of SECURE employees, guided by industry best practices. Their purpose is to help us manage the risks associated with the work we do every day that is specific to our business.

To further enhance the safety culture, 2018 also saw SECURE introduce the concept of reviewing incidents for potential serious injuries and fatalities ("SIF(P)"), to align with industry in the reduction of SIF(P) in the workplace. During the year, SECURE also rolled out an overarching corporate Health and Safety Management System ("HSMS") and one common risk matrix across all divisions, in order to assess risk in a more consistent manner.

All levels of the organization are committed to mindful change and consistent improvement to our health and safety culture with the end-goal of making sure everyone gets home safe at the end of the day.

8 Life Saving Rules

Drive Safely

Have a Safe Work Permit

Isolate Energy Sources

Control Entry to Confined Space

Manage Ground Disturbances

Work Safely at Heights

Manage Exposure to Hazardous Substances and Mixtures

Avoid the Line of Fire

2018 Highlights:

- 1.02 Total Recordable Injury Frequency ("TRIF") down 5% from 1.07 in 2017
- 2.14 Motor Vehicle Incident Rate ("MVIR") down 20% from 2.66 in 2017
- 150 senior management safety-focused interactions
- 67 proactive efforts per employee (training, safety meetings, hazard identifications and inspections)
- 8 Life Saving Rules introduced
- SIF(P) measurement system introduced
- Successfully completed the annual Certificate of Recognition ("COR") audits

Community Partner

Investing in the communities where we live and work is important at SECURE. For us, it includes local initiatives, volunteerism, education, youth and sports and environmental stewardship. This comes in the form of financial support, skills and, most importantly, time to help develop and contribute in the communities where SECURE operates.

In its fourth year, SECURE's employee-led social and community support group, GenC, organized and participated in events throughout 2018 to help those in need. This group helps facilitate employee volunteerism and charitable giving while strengthening peer to peer relationships.

Since 2012, SECURE has raised and donated a total of $1.8 million to charitable partners. 2018 was no different. SECURE hosted and participated in events to raise money for KidSport, Providence, the Alberta Children's Hospital Foundation and United Way for a combined total of $689,633. SECURE has also donated close to $400,000 to charitable organizations across Western Canada and North Dakota in the communities where we live and work.

2018 Highlights:

- Employees and their families enjoyed a day of fun and fitness alongside families from ***Big Brothers Big Sisters***
- Served meals at the ***Calgary Drop-In Centre***
- Helped children with disabilities from ***Between Friends*** visit Heritage Park
- Raised $10,000 to buy necessary items for seven families to help them celebrate the holiday season
- Participated in several food bank drives and volunteer events at the ***Calgary Food Bank***

KidSport™ So ALL Kids Can Play!

PROVIDENCE HEALTH • EDUCATION • THERAPY

United Way Calgary and Area

Alberta Children's Hospital Foundation

Calgary Drop-In Centre

Community Hockey Teams

Environmental, Social & Regulatory Leadership

What we do and how we do it are key accountabilities for our environmental and stakeholder relations at SECURE. It is always our goal to be respectful and collaborative, like any good neighbour would be. We work diligently with communities and regional Aboriginal groups to ensure SECURE provides a positive impact from our operations in the areas where we operate.

Stakeholder relations are essential to the environmental, economic and social well-being of the communities that SECURE operates in. It is a function of our culture, rather than an individual responsibility; it is simply how we conduct our business every day and social licence is the collective result. The Corporation is committed to providing business and employment opportunities to qualified local businesses, residents and Aboriginal peoples in the areas surrounding the communities in which we operate.

2018 Highlights:

- Dedicated resources were allocated to the Aboriginal and stakeholder relations program for proactive relationship development
- Implemented business processes to identify Aboriginal vendors and track spending with these businesses, in accordance with a trend toward economic reconciliation through participation in energy development in Western Canada
- Formalized several business arrangements with Aboriginal communities through written agreements
- Emissions management plan implemented across facilities to detect and manage emissions associated with leaks from equipment components
- Full Service Terminals ("FST") and water disposal facilities exclusively employed instrument air controls and achieved zero emissions at injection well sites
- All tank blanket gas at FST and water disposal facilities destroyed via incineration prior to discharge, resulted in zero methane emissions
- Reduced emissions intensity for crude oil recovery from waste to 13 percent below the Canadian average

Midstream Infrastructure

SECURE's Midstream Infrastructure division owns and operates a network of 51 strategically located facilities including 24 FSTs, 15 water disposal facilities, eight landfills and four Full Service Rail Terminals ("FSRs") that serve the industry with the safe treatment and disposal of oilfield by-products.

The addition of SECURE's first ever owned and operated crude oil pipeline system in 2018 strengthened the Corporation's midstream offerings. The $75 million Kerrobert Light Pipeline System provides a capital efficient transportation solution for SECURE's customers operating in the Viking region of Saskatchewan and has operational flexibility to accommodate future growth. SECURE has also commenced construction of 260,000 barrels of additional storage at the receipt terminal in Kerrobert, expected to be commissioned in the second quarter of 2019.

2018 Highlights:

- Completed construction of the $75 million Kerrobert Light Pipeline System, on time and on budget
- Commenced operations at the Gold Creek water disposal facility in June 2018
- Commenced operations at Tony Creek temporary water disposal facility in July 2018 Construction at the permanent Tony Creek facility completed December 2018
- Added a third well at the Big Mountain water disposal facility
- Expanded disposal capacity in North Dakota in response to record demand and volumes driving a 37% increase in revenue year over year
- Received Class I Industrial Permit for Stanley FST, the first of its kind in North Dakota
- Tulliby Lake, Saddle Hills and Williston Landfill expansions completed
- South Grande Prairie FST and Keene FST big bowl centrifuge upgrades completed
- Volatile and wide crude oil price differentials created new opportunities at rail facilities

Environmental Solutions

SECURE is committed to providing environmental solutions to support responsible development reflective of our values. Being a good neighbour means minimizing the environmental impact where possible and focusing on reclamation and remediation.

Our Environmental Solutions division offers a fully integrated suite of value-added solutions ranging from pipeline integrity to remediation and reclamation, naturally occurring radioactive material (NORM) management, integrated fluid solutions, to landfill management and demolition, decommissioning, and well abandonments.

2018 Highlights:

- Increased asset recovery offerings in the oil sands region of Alberta resulting in nearly 16 million tonnes of scrap steel recycled through long-term contracts which provide SECURE with recurring revenue over the contract term
- Completed a large demolition and reclamation project for a government agency
- Pipeline integrity group continued to grow its customer base
- Year-over-year increases in Bins and NORM handling activities

Technical Solutions

SECURE's ability to improve the efficiency of drilling programs is driven by a myriad of technical, innovative solutions customized specifically to meet our customers needs. Through combining drilling fluids, invert blending and reconditioning, fluids and solids equipment, drilling waste management and fluids and solids disposal offerings, SECURE is positioned to proactively deliver industry-leading solutions to help maximize drilling efficiencies, all while helping customers manage costs. During 2018, SECURE continued to grow its production chemicals by winning new bids and expanding our customer base. The Technical Solutions division is developing chemistry at our state-of-the-art research and innovation laboratories in Calgary and Edmonton, AB to optimize fluid production, provide flow assurance and maintain the integrity of assets, both for our customers as well as SECURE's own infrastructure assets.

2018 Highlights:

- Production chemicals sales grew in a challenging market
- Average depth per well drilled using SECURE's drilling fluids was 15 percent higher than the industry average in the year, demonstrating SECURE's expertise for dealing with more complex wells requiring specialized fluids and equipment
- Minimal capital invested to retrofit equipment resulted in increased utilization of big bowl centrifuges
- Tank farm expansion completed at the Red Deer blending facility to improve operational efficiencies
- Diversified operations at the Lethbridge minerals product plant to begin repackaging bulk raw materials to increase plant utilization

Message to Shareholders

On behalf of the employees and the Board of Directors of SECURE Energy Services Inc. ('SECURE'), I am pleased to report on the Corporation's 2018 financial and operating results.

The Canadian oil and gas sector continues to be impacted by market volatility and the regulatory environment, creating an uncertain business climate. 2018 gave us a glimpse of recovery from the past few years and then promptly reversed course as global benchmark oil price declines were exacerbated by price differentials in Western Canada that reached unprecedented highs during the fourth quarter. Despite challenging industry fundamentals, 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. SECURE's dedication to helping the customer has proven to be our competitive advantage and continued to drive SECURE's growth and success during 2018, evidenced by a 21 percent increase in Adjusted EBITDA[1] from 2017 to $190.5 million during the year.

The past several years have been transformational in many ways for SECURE as we grow into a more diversified and resilient integrated energy company. The Corporation has made significant capital investments to add midstream infrastructure in high impact resource plays to capture customer demand for incremental treating, processing and disposal capacity. During 2018, this included two new water disposal facilities and six disposal wells in the liquids-rich Montney region of Alberta. The most recent growth projects were underpinned by long-term contracts providing the Corporation with volume commitments and recurring cash flows. Additionally, 2018 saw the completion of the Corporation's first ever owned and operated crude oil pipeline system, strengthening SECURE's position in the midstream market. Construction and commissioning of the Kerrobert Light Pipeline System was completed at the estimated service date of October 1, 2018 and within the $75 million budget. SECURE's successful execution of a project of this magnitude from the planning phase to final completion positions the Corporation to take advantage of similar opportunities where customers are seeking cost effective transportation solutions for water, oil and condensate volumes.

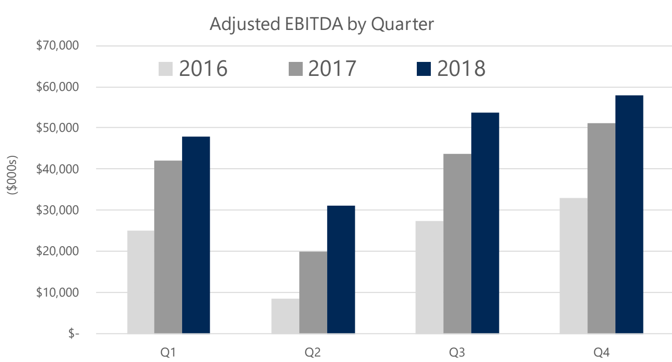
SECURE's focus in recent years on growing our midstream infrastructure business has lessened the Corporation's dependence on drilling-related revenue streams and provides the Corporation with greater certainty on recurring cash flows. During 2018, 84 percent of the Corporation's Adjusted EBITDA (before corporate costs) was generated from the Midstream Infrastructure division, compared to 59 percent in 2014. Stable production-related volumes at our midstream facilities, the expansion of the production chemicals business and recurring environmental work are all expected to insulate the Corporation's results during periods of reduced drilling and completion activity.

[1]Refer to Non-GAAP Measures in the MD&A

SECURE's culture remains a key contributor to our collective success. Our unique company, which is driven by our employees' entrepreneurial spirit, motivation, and hard work, provides innovative and cost effective solutions to help our customers. Our ongoing commitment to building the kind of culture we will all enjoy being a part of, putting safety at the forefront of everything we do, and fulfilling and upholding our values and expectations has stengthened SECURE in 2018 and will continue to guide and position us for future success.

Financial Strength

SECURE's 2018 financial results highlighted the profitability of our high-quality asset base, commitment to operational excellence and ongoing pursuit of cost efficiencies. During 2018, the Corporation achieved double digit growth in each quarter over the comparative period of 2017. This growth is primarily attributable to the Midstream Infrastructure division, where facility additions and expansions and SECURE's ability to help our customers move product with lower transportation costs and realize higher commodity pricing resulted in record revenue and Adjusted EBITDA for the division.



SECURE's commitment to a disciplined approach and maintaining a strong balance sheet is unwavering. The strength of our balance sheet provides flexibility to respond to accretive growth opportunities, both organically and through strategic acquisitions. During 2018, SECURE invested $156.7 million on growth and expansion projects with the highest risk adjusted rates of return. In addition to the Kerrobert Light Pipeline System and new disposal facilities and wells, SECURE completed expansions at several facilities to increase throughput, emulsion treating, disposal capacity and storage. These investments are expected to position the Corporation to capture new demand and drive more volumes to SECURE's facilities.

SECURE commenced a normal course issuer bid during the year which to date as resulted in the repurchase and cancellation of 5.7 million common shares, representing approximately 3% of the Corporation's outstanding shares. The Corporation also returned cash to shareholders through a monthly dividend that totaled $0.27 per share during 2018.

Outlook

The primary drivers for our business remain unchanged. Longer-term growth is supported by increasing production and produced water levels at a disproportionate rate as a result of aging wells and maturing basins in our core operating areas; increasing flow flowback waters and processing volumes from high intensity fracs used to develop unconventional reserves; and increasing producer outsourcing. These trends are all expected to result in the need for additional terminals and storage to meet incremental requirements for treating, processing and disposal capacity. By offering exceptional customer service and owning and operating midstream facilities near customer production, we expect these trends will continure to drive more volumes to SECURE's infrastructure.

As we enter into 2019, focusing on factors that we can control remains top-of-mind. 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 we continue to create long-term shareholder value. We continue to be opportunity rich and have the right people in place to execute on our business plan. SECURE expects to incur approximately $100 million for growth and expansion projects in 2019. We will continue our prudent approach to capital spending and reduce costs where it does not impact safety, operations and environmental performance.

Acknowledgements

Thank you to our fellow stakeholders, our tireless SECURE workforce and our Board of Directors for all their contributions. Your dedication in the workplace and in our communities have made SECURE the great company it is.

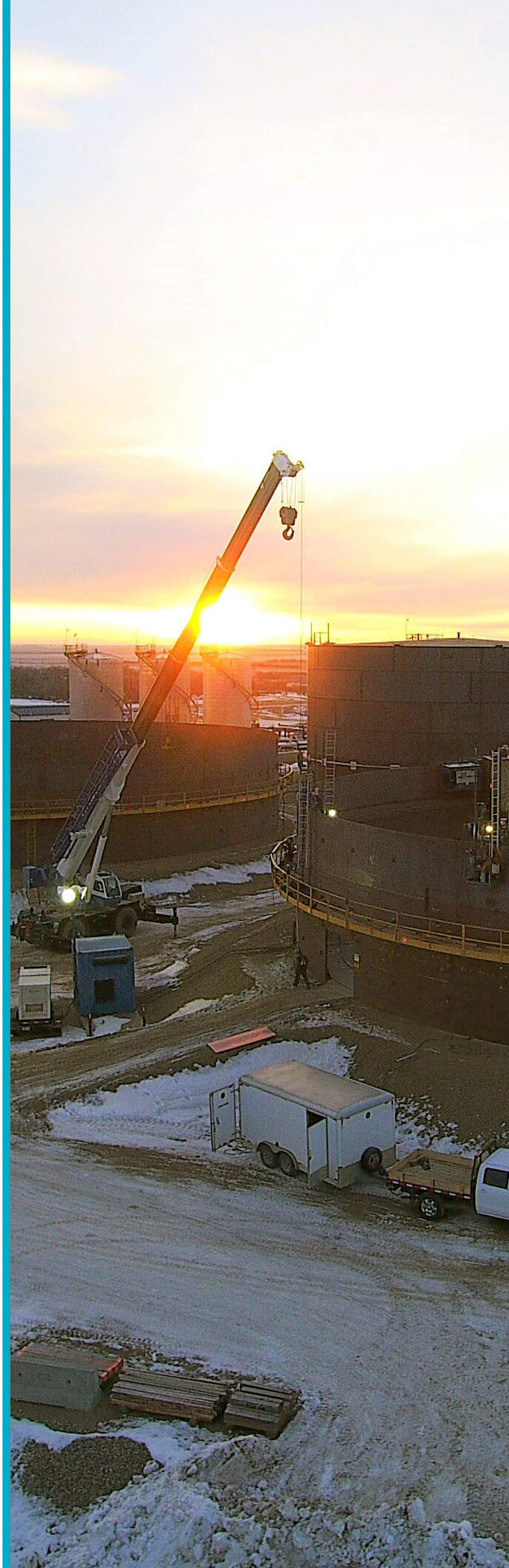
It is also with great pride that we thank and wish Mr. Dan Steinke well in his recent retirement from the SECURE executive team. Dan was one of the founding members who established SECURE twelve years ago. Dan's mission to help the customer not only shaped this company, but the treatment and disposal industry as we know it. The honesty and integrity that Dan instilled in our culture built the trust with our customers and partners that we enjoy today. Dan's influence, insights and knowledge across SECURE's divisions were greatly respected and appreciated and will be missed in day-to-day business dealings. Dan will remain on SECURE's Board of Directors where his counsel and knowledge will continue to grow and define SECURE. We all wish Dan well in his retirement from SECURE's management team.

I am proud to be part of the Canadian oil and gas industry, which has some of the highest environmental and safety standards in the world. We need to stand-up and advocate for this industry with the common purpose of bringing Canadian energy to the world. SECURE is dedicated to helping our customers achieve this common objective. Our relationships with our customers and our ability to understand, meet or exceed their needs is the primary driver of our success. With our best-in-class midstream infrastructure solutions, technical and environmental solutions, SECURE is a stronger and more diversified company and is well positioned for success in 2019 and beyond.

Sincerely,

R. Amirault

Rene Amirault
President, CEO & Chairman



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:

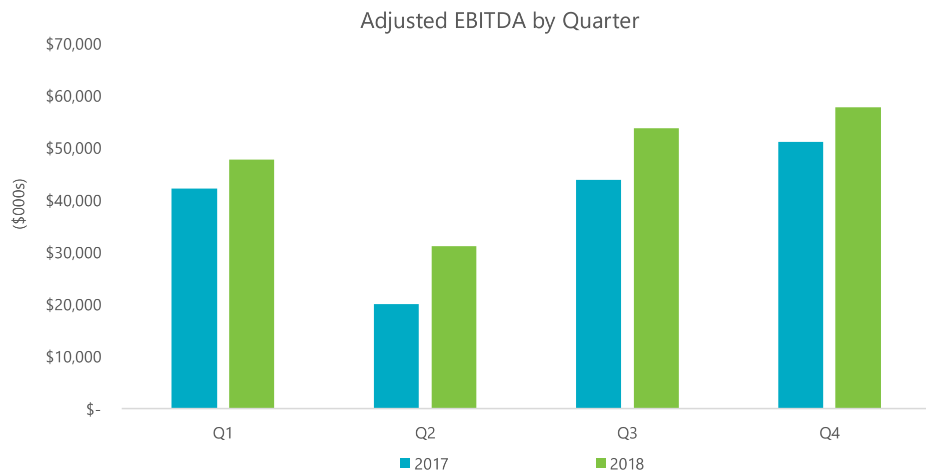
Strategic Growth Secure continues to identify and develop midstream infrastructure to expand capacity and optimize capabilities at existing facilities. During 2018, Secure completed construction and commissioning of the light oil feeder pipeline system and receipt terminal in the Kindersley-Kerrobert 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.

FOURTH QUARTER HIGHLIGHTS

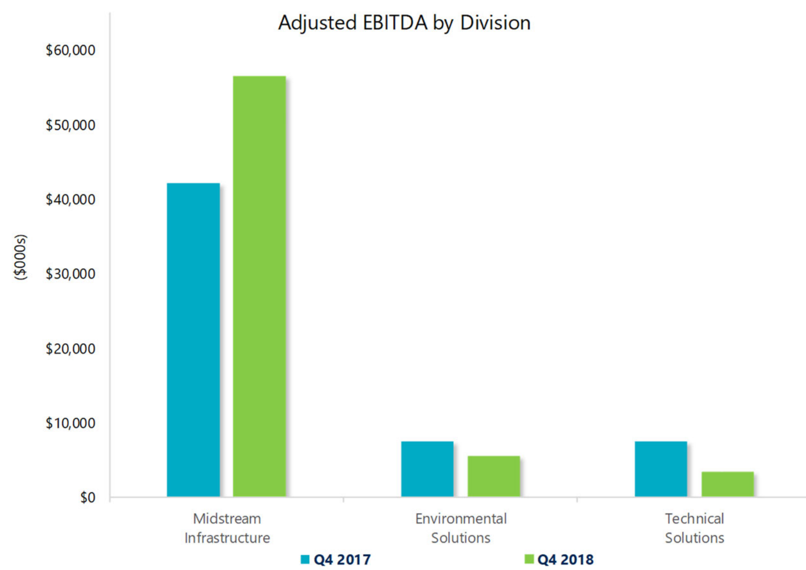
The operating and financial highlights for the three month periods ending December 31, 2018 and 2017 can be summarized as follows:

	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

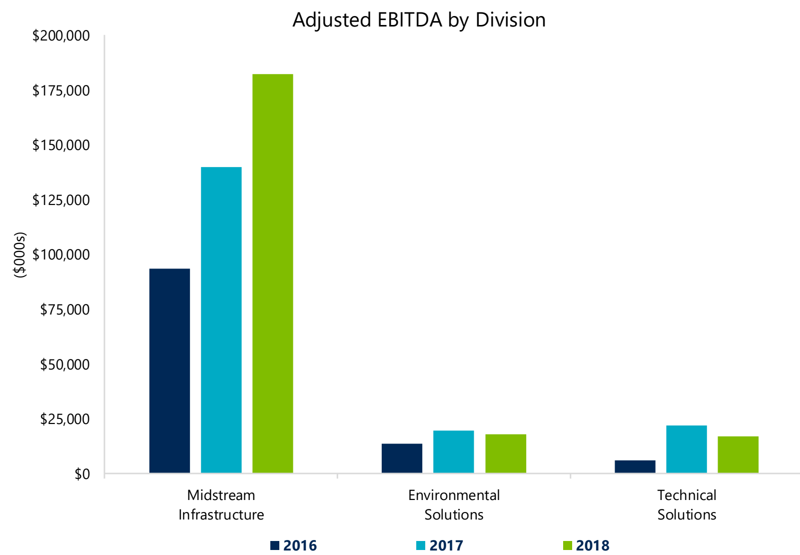
The operating and financial highlights for the years ended December 31, 2018, 2017 and 2016 can be summarized as follows:

	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

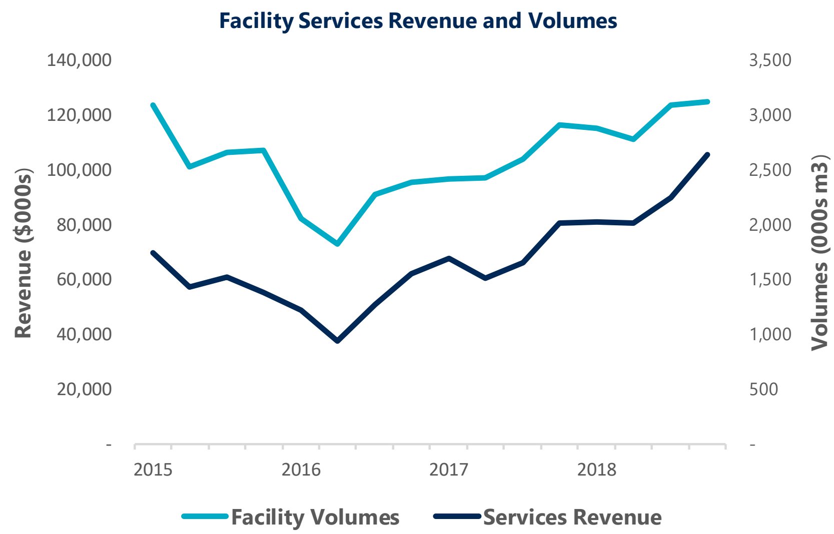
(1) Crude, emulsion and water volumes are metered at the Corporation's midstream facilities. Solid waste is weighed at landfills.

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

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2017	% Change	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

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2017	% Change	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

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2017	% Change	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

	Three months ended Dec 31,			Year ended Dec 31,		
($000's)	2018	2,017	% Change	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	Q3	Q2	Q1	2017 Q4	Q3	Q2	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.

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Secure Energy Services Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2018 Annual Report".

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

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

We obtained the Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

KPMG LLP

Chartered Professional Accountants

February 26, 2019

Calgary, Canada

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position
As at December 31,

($000's)	Notes	2018	2017
Assets			
Current assets			
Cash		7,928	9,730
Accounts receivable and accrued receivables		242,528	308,690
Inventories	6	70,097	72,225
Prepaid expenses and other current assets		10,868	14,763
		331,421	405,408
Property, plant and equipment	7	1,203,382	1,088,151
Intangible assets	8	36,258	51,212
Goodwill	9	11,127	11,127
Deferred tax assets	16	1,313	6,848
Total Assets		1,583,501	1,562,746
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		168,121	257,837
Asset retirement obligations	12	2,978	3,055
Finance lease liabilities		7,223	5,111
		178,322	266,003
Long-term borrowings	11	412,919	298,408
Asset retirement obligations	12	87,707	74,262
Finance lease and other liabilities		9,464	7,813
Deferred tax liabilities	16	50,773	41,768
Total Liabilities		739,185	688,254
Shareholders' Equity			
Issued capital	13	1,031,189	1,057,505
Share-based compensation reserve		64,413	56,524
Foreign currency translation reserve		33,982	21,618
Deficit		(285,268)	(261,155)
Total Shareholders' Equity		844,316	874,492
Total Liabilities and Shareholders' Equity		1,583,501	1,562,746

Approved by the Board of Directors:

"SIGNED" — *Rene Amirault*

"SIGNED" — *Kevin Nugent*

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31,

($000's except per share and share data)	Notes	2018	2017
Revenue	22	2,937,453	2,328,208
Cost of sales	17	2,782,307	2,223,550
Gross margin		155,146	104,658
General and administrative expenses	17	99,593	89,560
Operating income		55,553	15,098
Interest, accretion and finance costs		19,464	12,425
Impairment and other expense	10	-	30,523
Income (loss) before tax		36,089	(27,850)
Current tax expense (recovery)	16	1,320	(4,816)
Deferred tax expense	16	14,840	11,168
Net income (loss)		19,929	(34,202)
Other comprehensive income (loss)			
Foreign currency translation adjustment		12,364	(10,431)
Total comprehensive income (loss)		32,293	(44,633)
Basic and diluted income (loss) per common share		0.12	(0.21)
Weighted average shares outstanding - basic	15	163,008,356	162,827,541
Weighted average shares outstanding - diluted	15	165,425,609	162,827,541

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity

($000's)	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Deficit	Total Shareholders' Equity
Balance at January 1, 2018		**1,057,505**	**56,524**	**21,618**	**(261,155)**	**874,492**
Net income		-	-	-	19,929	**19,929**
Dividends declared	**13**	-	-	-	(44,042)	**(44,042)**
Foreign currency translation adjustment		-	-	12,364	-	**12,364**
Exercise of options and share units	**13**	14,816	(14,761)	-	-	**55**
Share-based compensation		-	22,650	-	-	**22,650**
Shares cancelled under normal course issuer bid ("NCIB")	**13**	(41,132)	-	-	-	**(41,132)**
Balance at December 31, 2018		**1,031,189**	**64,413**	**33,982**	**(285,268)**	**844,316**
Balance at January 1, 2017		**1,030,033**	**51,441**	**32,049**	**(186,476)**	**927,047**
Net loss		-	-	-	(34,202)	(34,202)
Dividends declared		-	-	-	(40,477)	(40,477)
Shares issued through dividend reinvestment plan ("DRIP")		3,353	-	-	-	3,353
Foreign currency translation adjustment		-	-	(10,431)	-	(10,431)
Issue of share capital for business acquisition		1,789				1,789
Exercise of options and share units		22,330	(17,968)	-	-	4,362
Share-based compensation		-	23,051	-	-	23,051
Balance at December 31, 2017		**1,057,505**	**56,524**	**21,618**	**(261,155)**	**874,492**

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows
For the years ended December 31,

($000's)	Notes	2018	2017
Cash flows from (used in) operating activities			
Net income (loss)		**19,929**	(34,202)
Adjustments for non-cash items:			
Depreciation, depletion and amortization	**17**	**115,608**	118,611
Interest, accretion and finance costs		**19,464**	12,425
Current and deferred tax expense	**16**	**16,160**	6,352
Other non-cash income		**(4,276)**	(990)
Impairment	**10**	**-**	29,237
Share-based compensation	**14**	**22,963**	23,257
Interest paid		**(16,401)**	(11,161)
Income taxes recovered		**5,545**	13,657
Asset retirement costs incurred	**12**	**(4,946)**	(982)
Funds flow from operations		**174,046**	156,204
Change in non-cash working capital		**12,469**	(47,332)
Net cash flows from operating activities		**186,515**	108,872
Cash flows (used in) from investing activities			
Purchase of property, plant and equipment		**(177,076)**	(137,268)
Business acquisition	**5**	**-**	(54,569)
Change in non-cash working capital		**(33,289)**	41,944
Net cash flows used in investing activities		**(210,365)**	(149,893)
Cash flows (used in) from financing activities			
Shares issued, net of share issue costs	**13**	**55**	4,362
Repurchase and cancellation of shares under NCIB	**13**	**(41,132)**	-
Draw on credit facilities		**113,450**	91,000
Financing fees		**-**	(2,123)
Capital lease obligation		**(7,639)**	(8,722)
Dividends paid	**13**	**(44,042)**	(37,124)
Net cash flows from financing activities		**20,692**	47,393
Effect of foreign exchange on cash		**1,356**	(74)
(Decrease) increase in cash		**(1,802)**	6,298
Cash, beginning of period		**9,730**	3,432
Cash, end of period		**7,928**	9,730

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

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Secure Energy Services Inc. ("Secure") is incorporated under the Business Corporations Act of Alberta. Secure operates through a number of wholly-owned subsidiaries (together referred to as the "Corporation") which are managed through three operating segments which provide innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry. The fluids and solids solutions are provided through an integrated service and product offering that includes midstream services, environmental services, systems and products for drilling, production and completion fluids, and other specialized services and products. The Corporation owns and operates midstream infrastructure and provides solutions and products to upstream oil and natural gas companies operating in western Canada and in certain regions in the United States ("U.S.").

The Midstream Infrastructure division (formerly the Processing, Recovery and Disposal division) owns and operates a network of 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, full service rail facilities, crude oil pipelines, crude oil terminalling facilities, water disposal facilities, and landfills.

The Environmental Solutions division (formerly the OnSite division) provides comprehensive environmental solutions, from initial project assessment and planning, to reclamation and remediation. The Environmental Solutions division also offers integrated fluid solutions which includes water management, recycling, pumping and storage solutions.

The Technical Solutions division (formerly Drilling and Production Services division) provides customer focused product solutions for drilling, completion and production operations for oil and gas producers in western Canada.

The following entities have been consolidated within Secure's consolidated financial statements for the year ended December 31, 2018.

Subsidiaries	Country	Functional Currency	% Interest Dec 31, 2018 and 2017
Secure Energy Services Inc. (parent company)	Canada	Canadian Dollar	
True West Energy Ltd.	Canada	Canadian Dollar	100%
Chaleur Terminals Inc.	Canada	Canadian Dollar	100%
Secure Energy (Drilling Services) Inc.	Canada	Canadian Dollar	100%
Alliance Energy Services International Ltd.	Canada	Canadian Dollar	100%
Secure Energy (OnSite Services) Inc.	Canada	Canadian Dollar	100%
Secure Energy (Logistics Services) Inc.	Canada	Canadian Dollar	100%
SES USA Holdings Inc.	USA	US Dollar	100%
Secure Energy Services USA LLC	USA	US Dollar	100%
Secure Drilling Services USA LLC	USA	US Dollar	100%
Secure Minerals USA LLC	USA	US Dollar	100%
Secure OnSite Services USA LLC	USA	US Dollar	100%

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)

Basis of Presentation

The consolidated financial statements of Secure have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date of December 31, 2018.

These consolidated financial statements are recorded and presented in Canadian dollars ($), which is Secure's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value. All values are rounded to the nearest thousand dollars ($000's), except where otherwise indicated. The accounting policies described in Note 2 have been applied consistently to all periods presented in these consolidated financial statements, except as noted herein. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

The timely preparation of financial statements requires that management make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. See Note 3 for a description of significant estimates and judgments used in the preparation of the consolidated financial statements.

These consolidated financial statements were approved by Secure's Board of Directors on February 26, 2019. The head office of the Corporation is located at 3600, 205 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 2V7. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

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

b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and liabilities assumed are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed. The measurement of goodwill is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities.

Transaction costs associated with business combinations, other than those related to issuing debt or equity securities, are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Changes in the fair value of liability classified contingent consideration are recognized in net income (loss). If the contingent consideration is classified in equity, it is not remeasured, and its final settlement is accounted for within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue recognition

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

- Revenue associated with services provided in the Midstream Infrastructure division such as processing, disposal, transportation, terminalling and rail transloading are recognized when the services are rendered.
- Revenue from the sale of crude oil and natural gas liquids is recorded when title to the product transfers to the customer and Secure has fulfilled its performance obligation of delivery of product.
- Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used.
- Revenue from drilling fluid services is recognized when services are provided and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluid inventory.
- Revenue from the sale of production chemicals and minerals is recognized at the point of sale, when the customer takes ownership of the products.
- Revenue from rental equipment is recognized once the asset is delivered to the customer, over the term of the rental agreement at pre-determined rates.
- Revenue from Environmental Solutions Projects is typically recognized when services are provided. For related projects where a performance obligation is satisfied over time, revenue may be recognized based on an appropriate input method determined by the physical portion of work performed depending on the nature of the project.
- Revenue is measured net of trade discounts and volume rebates as they are incurred in relation to the goods and services provided.

d) Inventories

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment

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

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

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

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

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

f) Intangible assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets resulting from a business combination are initially recorded at fair value. Fair value is estimated by management taking into account its highest and best use associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life and intangible assets with an indefinite life are not subject to amortization and are tested for impairment at least annually.

g) Depreciation, depletion and amortization

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

Depreciation and depletion

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

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

Landfill cells are depleted based on units of total capacity utilized in the period.

Amortization

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

Non-competition agreements	2 to 5 years
Customer relationships	5 to 10 years
Licenses and patents	3 to 20 years

h) Impairment of non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Impairment losses related to assets under construction and property, plant and equipment are included with cost of sales on the consolidated statements of comprehensive income. Impairment losses related to goodwill and intangible assets are recorded on the impairment line on the consolidated statements of comprehensive income.

i) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net income (loss).

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight line basis in net income (loss).

j) Financial instruments

Classification

Financial instruments within the scope of IFRS 9: Financial Instruments are classified upon initial recognition into one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement

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

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

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

Fair value measurement

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

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

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

Derivative financial instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Impairment of financial assets

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

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

Derecognition

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

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

k) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Asset retirement obligations

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

m) Shareholders' equity

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

n) Share-based compensation

Equity-settled transactions

The Corporation has a share option plan for eligible employees and consultants of the Corporation. The Corporation follows the fair-value method to record share-based compensation expense with respect to share options granted. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based compensation expense over the vesting period of those grants, with a corresponding increase to share-based compensation reserve less an estimated forfeiture rate. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in the share-based compensation reserve. Forfeitures are estimated based on historical information for each reporting period, and adjusted as required to reflect actual forfeitures that have occurred in the period.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2016, the Corporation allowed employees to elect to reduce the cash compensation paid to them in exchange for a grant of CSUs. CSUs granted vested in January of the following calendar year from which they were issued and were equity settled. The Corporation contributed an additional 20% to 35% of the CSU award in recognition of the time value of money of the delayed compensation. The fair value of the CSUs issued was equal to the Corporation's five day weighted average share price on the grant date. The fair value was expensed over the vesting term. If an employee ceased to be employed by the Corporation prior to the CSU vesting date, the employee's earned portion of the contribution automatically vested and the Corporation's additional contribution was forfeited.

Cash-settled transactions

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

o) Per share amounts

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Taxes

Current income tax

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

Current income tax relating to items recognized directly in the consolidated statement of changes in shareholders' equity is recognized in the consolidated statement of changes in shareholders' equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

Deferred income tax

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items relating to items recognized outside of earnings are recognized in correlation to the underlying transaction either in other comprehensive income or directly in shareholders' equity.

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

q) Foreign currency translation and transactions

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's Chief Executive Officer in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Significant judgments

Determining CGUs

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

Management has determined that the appropriate CGUs for the Corporation are the Technical Solutions division, each service line in the Environmental Solution division, and each facility type within the Midstream Infrastructure division.

Significant estimates and assumptions

Depreciation, depletion and amortization

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

Recoverability of assets

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Corporation normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil and gas industry, future sustaining capital costs, discount rates, tax rates, and operating margins. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

Asset retirement obligations and accretion

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

Other provisions and contingent liabilities

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

Inventories

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

Share-based compensation

The Corporation provides share-based awards to certain employees in the form of share options, restricted share units, performance share units, and compensation share units (the "Awards"). The Corporation follows the fair-value method to record share-based compensation expense with respect to the Awards granted. In order to record share-based compensation expense, the Corporation estimates the fair value of the Awards granted using assumptions related to interest rates, expected lives of the Awards, volatility of the underlying security, forfeitures and expected dividend yields.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Provision for expected credit losses (formerly termed provision for doubtful accounts)

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

Fair value of derivative financial instruments

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

Purchase price equations

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment, other assets and the liabilities assumed are based on information available on the acquisition date. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

Net investments in foreign subsidiaries

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published and are in effect for periods beginning on or after January 1, 2019. Information on new standards, amendments and interpretations that are relevant to the Corporation's consolidated financial statements beginning in 2019 are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated 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 assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. 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. Transitional provisions have been provided. The standard becomes effective January 1, 2019.

Secure has elected to use the modified retrospective approach for transition to IFRS 16. 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 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

As a result of the adoption of the new standard, the Corporation will be required to include significant disclosures in the consolidated financial statements based on the prescribed requirements. The Corporation will include required disclosures in its 2019 first quarter condensed consolidated interim financial statements.

5. BUSINESS ACQUISITIONS

a) The Corporation did not complete any significant acquisitions in the year ended December 31, 2018.

b) On April 13, 2017, the Corporation acquired the Canadian division of a production chemicals business from a U.S. based multi-national company for an aggregate purchase price of $30.3 million with consideration paid in cash (the "Production Chemicals Acquisition"). The acquired assets have been integrated into the Technical Solutions division's Production Chemicals service line.

On August 1, 2017, the Corporation acquired all of the issued and outstanding common shares of Ceiba Energy Services Inc. (the "Ceiba Acquisition") and added ten facilities that fit within, and add capacity to, Secure's existing Midstream Infrastructure facility network. The acquired facilities will provide customers with additional options to reduce their overall transportation for custom treating of crude oil, crude oil marketing, produced and waste water disposal and oilfield waste processing.

Pursuant to the Ceiba Acquisition, the Corporation paid approximately $24.3 million in cash and issued 189,965 common shares for total purchase consideration of approximately $26.1 million.

From the date of acquisitions to December 31, 2017, the assets of the acquisitions contributed an estimated $44.3 million of revenue and $1.2 million of loss before tax for the Corporation. If the business combinations had been completed on January 1, 2017, Secure's estimated revenue and loss before tax for the year ended December 31, 2017 would have been $2.4 billion and $33.4 million, respectively.

The Corporation incurred costs related to the acquisitions of $0.5 million relating to due diligence and external legal fees. These costs have been included in general and administrative expenses on the consolidated statement of comprehensive income.

The following summarizes the purchase price equations for the 2017 acquisitions:

Balance at acquisition date	Amount ($000's)
Cash paid	54,569
Shares issued	1,789
	56,358

Balance at acquisition date	Amount ($000's)
Inventory	8,909
Prepaid expenses and deposits	2,851
Property, plant and equipment	47,701
Intangible assets [1]	13,074
Net working capital	(804)
Debt assumed	(12,601)
Asset retirement obligations	(6,531)
Finance lease liabilities	(2,688)
Deferred tax assets	6,447
	56,358

[1] Consists of customer relationships of $7.5 million and intellectual property of $5.6 million.

6. INVENTORIES

($000's)	Dec 31, 2018	Dec 31, 2017
Drilling fluids	34,540	35,266
Minerals	12,421	12,414
Crude oil and natural gas liquids	6,470	12,346
Production chemicals	14,387	10,579
Spare parts and supplies	2,279	1,620
Total inventories	**70,097**	72,225

Drilling fluids, minerals and production chemicals inventory recognized as cost of sales in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2018 were $142.1 million (2017: $128.6 million).

7. PROPERTY, PLANT AND EQUIPMENT

The amounts included in assets under construction consist of assets associated with a variety of ongoing projects. During the year ended December 31, 2018, $7.3 million (2017: $5.9 million) of directly attributable capitalized salaries and overhead were added to property, plant and equipment. The amount of borrowing costs capitalized to property, plant and equipment for the year ended December 31, 2018 was $1.3 million (2017: $0.2 million) based on a capitalized borrowing rate of 3.9% (2017: 2.9%) incurred only on facilities and projects that have a construction period longer than one year.

During the year ended December 31, 2018, $223.0 million (2017: $76.5 million) was transferred from assets under construction to property, plant and equipment for completed projects.

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of $19.7 million at December 31, 2018 (2017: $15.3 million).

7. PROPERTY, PLANT AND EQUIPMENT (continued)

($000's)	Assets Under Construction	Land and Buildings	Plant Equipment, Pipelines, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
Cost:						
December 31, 2016	36,838	108,687	1,080,473	129,552	36,762	**1,392,312**
Additions from business acquisition (Note 5b)	-	5,142	39,090	2,786	683	**47,701**
Additions [1]	144,597	2,010	62,381	10,368	5,723	**225,079**
Change in asset retirement cost	-	-	(9,107)	-	-	**(9,107)**
Disposals	-	(1,059)	(4,525)	(6,478)	(27)	**(12,089)**
Transfers [1]	(76,524)	-	-	-	-	**(76,524)**
Foreign exchange effect	(16)	(1,379)	(9,588)	(982)	(75)	**(12,040)**
December 31, 2017	104,895	113,401	1,158,724	135,246	43,066	**1,555,332**
Additions [1]	185,821	32,541	174,425	14,172	6,398	**413,357**
Change in asset retirement cost	-	-	15,625	-	-	**15,625**
Disposals	-	(403)	(8,415)	(8,728)	(1,223)	**(18,769)**
Transfers [1]	(222,952)	-	-	-	-	**(222,952)**
Foreign exchange effect	362	2,338	11,874	947	100	**15,621**
December 31, 2018	**68,126**	**147,877**	**1,352,233**	**141,637**	**48,341**	**1,758,214**
Accumulated depreciation and depletion:						
December 31, 2016	-	(23,583)	(290,010)	(47,761)	(18,968)	**(380,322)**
Depreciation and depletion	-	(4,255)	(73,039)	(13,898)	(5,543)	**(96,735)**
Disposals	-	131	1,609	5,154	26	**6,920**
Foreign exchange effect	-	194	2,318	395	49	**2,956**
December 31, 2017	-	(27,513)	(359,122)	(56,110)	(24,436)	**(467,181)**
Depreciation and depletion	-	(4,277)	(75,608)	(14,815)	(4,755)	**(99,455)**
Disposals	-	241	8,097	6,964	941	**16,243**
Foreign exchange effect	-	(342)	(3,493)	(525)	(79)	**(4,439)**
December 31, 2018	**-**	**(31,891)**	**(430,126)**	**(64,486)**	**(28,329)**	**(554,832)**
Net book value:						
December 31, 2018	**68,126**	**115,986**	**922,107**	**77,151**	**20,012**	**1,203,382**
December 31, 2017	**104,895**	**85,888**	**799,602**	**79,136**	**18,630**	**1,088,151**

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

8. INTANGIBLE ASSETS

($000's)	Non-competition agreements	Customer relationships	Licenses & Patents	Total
Cost:				
December 31, 2016	**71,133**	**109,999**	**18,118**	**199,250**
Additions through business acquisitions (Note 5b)	-	7,480	5,594	**13,074**
Additions	-	-	403	**403**
Foreign exchange effect	(384)	(277)	(75)	**(736)**
December 31, 2017	**70,749**	**117,202**	**24,040**	**211,991**
Additions	-	-	535	**535**
Foreign exchange effect	472	341	22	**835**
December 31, 2018	**71,221**	**117,543**	**24,597**	**213,361**
Accumulated amortization:				
December 31, 2016	**(63,146)**	**(59,426)**	**(8,640)**	**(131,212)**
Amortization	(4,981)	(12,987)	(2,401)	**(20,369)**
Impairment (Note 10)	(986)	(8,735)	-	**(9,721)**
Foreign exchange effect	384	137	2	**523**
December 31, 2017	**(68,729)**	**(81,011)**	**(11,039)**	**(160,779)**
Amortization	(921)	(11,084)	(3,633)	**(15,638)**
Foreign exchange effect	(472)	(205)	(9)	**(686)**
December 31, 2018	**(70,122)**	**(92,300)**	**(14,681)**	**(177,103)**
Net book value:				
December 31, 2018	**1,099**	**25,243**	**9,916**	**36,258**
December 31, 2017	**2,020**	**36,191**	**13,001**	**51,212**

9. GOODWILL

($000's)	Dec 31, 2018	Dec 31, 2017
Balance - beginning of year	**11,127**	30,643
Impairment of goodwill (Note 10)	**-**	(19,516)
Balance - end of year	**11,127**	**11,127**

The remaining carrying amount of goodwill at both December 31, 2018 and December 31, 2017 is allocated to the Environmental Solutions division.

10. IMPAIRMENT

The Corporation's non-financial assets are tested for impairment in accordance with the accounting policy stated in note 2(h). Secure completed this review as at December 31, 2018, and no impairment was recorded as a result of these assessments.

In the year ended December 31, 2017, as a result of lower than forecasted results, the Corporation completed an impairment test on the assets acquired from PetroLama Energy Canada Inc. ("PetroLama") in 2016. As a result of the impairment test performed, the Corporation recognized an impairment expense of $29.2 million against the Midstream Infrastructure division's goodwill ($19.5 million) and intangible assets ($9.7 million). The recoverable amount of the assets tested were assessed at $17.3 million, supporting the carrying value of the Alida facility's property, plant and equipment. The impairment charge was recorded in the impairment and other expense line on the consolidated statements of comprehensive income.

The Corporation used the value in use method to determine the recoverable amount of the assets acquired from PetroLama, including the crude oil terminal in Alida, Saskatchewan, and associated intangibles assets and goodwill. The cash flow projections included specific estimates for five years and a terminal valuation. The estimated cash flows were based on the 2017 run rate with revenue and margins increasing in correlation with anticipated oil and gas industry activity and oil price differentials over the following five years, and a terminal value thereafter was applied. The terminal valuation is determined based on management's estimate of the long-term compound growth rate of annual net earnings excluding depreciation, depletion, amortization and accretion, share-based compensation expense, interest, and taxes, consistent with the assumption that a market participant would make. The Corporation used a terminal growth rate of 3%. The discount rate used to calculate the net present value of cash flows is based on estimates of the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile. The Corporation used a pre-tax discount rate of 16.8%.

Assumptions that are valid at the time of preparing the cash flow projections may change significantly when new information becomes available. The estimated value in use for the assets tested are particularly sensitive to the following estimates:

- An increase of 1% in the pre-tax discount rate and a 1% decrease in the terminal growth rate would have increased the impairment by approximately $1.0 million and $0.7 million, respectively.

Regardless if any indicators of impairment are present, the Corporation must complete an annual impairment assessment for any CGU, or group of CGUs, whose net carrying value includes indefinite-life intangible assets or an allocation of goodwill. Secure completed this review as at December 31, 2018 and 2017, which included impairment tests for the Corporation's Environmental Solutions division projects and integrated fluid solutions CGUs. No impairment was recorded as a result of these assessments.

11. LONG-TERM BORROWINGS

($000's)	Dec 31, 2018	Dec 31, 2017
Amount drawn on credit facilities	413,450	300,000
Unamortized transaction costs	(531)	(1,592)
Total long-term borrowings	**412,919**	**298,408**
Credit facilities	600,000	600,000
Amount drawn on credit facilities	(413,450)	(300,000)
Letters of credit	(38,133)	(39,713)
Available amount	**148,417**	**260,287**

On June 30, 2017, Secure entered into a $470 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions and Canadian Chartered banks. In addition, the Corporation entered into a $130 million second lien credit facility ("Second Lien Facility") with a syndicate of three financial institutions and Canadian Chartered banks.

The First Lien Facility consists of a four year $445 million revolving credit facility and a $25 million revolving operating facility with a maturity date of June 30, 2021. The First Lien Facility is secured by a $1 billion floating charge debenture and negative pledge from the Corporation creating a security interest over all of the Corporation's present and after acquired personal property and floating charge over all of its present and after acquired real property.

The First Lien Facility is subject to customary terms, conditions and covenants, including the following financial covenants:

- the senior debt to EBITDA ratio is not to exceed 3.5 to 1.0. 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.
- the total debt to EBITDA ratio is not to exceed 5.0 to 1.0, and
- the interest coverage ratio is not less than 2.5 to 1.0.

Senior debt includes amounts drawn under the First Lien Facility and financial leases entered into by the Corporation, less cash balances in excess of $5 million. Total debt includes senior debt plus amounts drawn under the Second Lien Facility, and should the Corporation issue any unsecured notes in the future total debt would also include the principal amount of the notes. Financing charges are defined to include interest expense on total debt.

At December 31, 2018 and 2017, the Corporation was in compliance with all covenants. The following table outlines the Corporation's covenant ratios as at December, 31, 2018 and 2017.

	Dec 31, 2018	Dec. 31, 2017
Senior debt to EBITDA	1.6	1.1
Total debt to EBITDA	2.2	1.9
Interest coverage	9.2	12.5

The Corporation is also subject to the following covenants:

- the aggregate principal amount of unsecured notes, if any, will not exceed $500 million, and
- the aggregate principal amount of any unsecured notes, principal amount outstanding under the First Lien Facility and the principal amount outstanding under Second Lien Facility will not exceed $800 million.

11. LONG-TERM BORROWINGS (continued)

Amounts borrowed under the First Lien Facility will bear interest at the Corporation's option of either the Canadian prime rate plus 0.45% to 2.00% or the banker acceptance rate plus 1.45% to 3.00%, depending, in each case, on the ratio of senior funded debt to EBITDA.

The Second Lien Facility is a four year plus one month $130 million term credit facility with a maturity date of July 31, 2021. The Second Lien Facility is subject to customary terms, conditions and covenants, including financial covenants consistent with the First Lien Facility.

The security provided by the Corporation under the Second Lien Facility is the same as the First Lien Facility but is subordinate to the First Lien Facility lenders. As at December 31, 2018, the full amount of the $130 million (2017: $130 million) Second Lien Facility was drawn.

The Corporation has entered into interest rate swaps (see note 18) to fix the interest rate at 5% for the first three years and 5.5% thereafter under the Second Lien Facility.

The two credit facilities are to be used for working capital, refinance pre-existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

In connection with obtaining the two credit facilities, the Corporation incurred transaction costs in the amount of $2.1 million, of which the unamortized amount is offset against the outstanding principal balance of the long-term borrowings.

12. ASSET RETIREMENT OBLIGATIONS

($000's)	Dec 31, 2018	Dec 31, 2017
Balance - beginning of year	**77,317**	80,114
Arising during the year through acquisitions and development activities	**10,359**	10,052
Revisions during the year	**5,215**	(11,077)
Accretion	**1,767**	1,513
Change in discount rate	**51**	(1,552)
Asset retirement obligations incurred	**(4,946)**	(982)
Foreign exchange effect	**922**	(751)
Balance - end of year	**90,685**	**77,317**

The Corporation's asset retirement obligations were estimated either by a third party specialist or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2018 to be $90.7 million (December 31, 2017: $77.3 million) based on a total future liability of $120.6 million as at December 31, 2018 (December 31, 2017: $117.1 million). The Corporation used a risk-free interest rate of 1.9% to 2.7% (December 31, 2017: 1.7% to 2.7%) and an inflation rate of 2.0% to calculate the net present value of its asset retirement obligations at December 31, 2018 (December 31, 2017: 2.0%).

The Corporation expects to incur the majority of the costs over the next 25 years. The amount expected to be incurred within the next 12 months is related to the capping of a number of the Corporation's landfill cells and retirement of wells.

The Corporation has issued $33.6 million (December 31, 2017: $30.7 million) of performance bonds and $9.9 million (December 31, 2017: $9.2 million) for letters of credit issued by the Corporation's lenders in relation to the Corporation's asset retirement obligations.

13. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common voting shares of no par value.

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

	Number of Shares	Amount ($000's)
Balance at December 31, 2016	160,652,221	1,030,033
Options exercised	547,524	4,362
RSUs, PSUs and CSUs exercised	1,635,864	-
Transfer from reserves in equity	-	17,968
Shares issued through DRIP	326,998	3,353
Shares issued as consideration for business acquisition	189,965	1,789
Balance at December 31, 2017	163,352,572	1,057,505
Options exercised	6,666	55
RSUs and PSUs exercised	1,461,590	-
Transfer from reserves in equity	-	14,761
Shares repurchased and cancelled under NCIB	(5,546,681)	(41,132)
Balance at December 31, 2018	**159,274,147**	**1,031,189**

As at December 31, 2018, there were 305,538 common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations (2017: 1,508,564).

The Corporation declared dividends to holders of common shares for the year ended December 31, 2018 of $44.0 million (2017: $40.5 million). Commencing with the April 2017 dividend declaration, the Corporation suspended its Dividend Reinvestment Plan ("DRIP"). Shareholders participating in the DRIP at that time received cash dividends starting with the April 17, 2017 dividend payment date. As a result, there were no dividends declared for the year ended December 31, 2018 that were reinvested in additional common shares through the DRIP (2017: $3.4 million).

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 is payable on March 15, 2019 for shareholders of record on March 1, 2019.

On May 28, 2018, the Corporation commenced an NCIB, under which the Corporation may purchase for cancellation up to a maximum of 8,227,359 common shares of the Corporation. The NCIB will terminate on May 27, 2019 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Corporation's election. For the year ended December 31, 2018, a total of 5,546,681 common shares at a cost of $41.1 million were purchased, cancelled and removed from share capital under the terms of the NCIB, representing and average purchase price of $7.42 per common share. 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.

14. SHARE-BASED COMPENSATION PLANS

The Corporation has share-based compensation plans (the "Plans") under which the Corporation may grant share options, RSUs, PSUs and CSUs to its employees and consultants. In addition, the Corporation has a DSU plan for non-employee directors of the Corporation.

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

At December 31, 2018, a total of 15.9 million common shares were reserved for issuance under the Corporation's Share Option Plan and Unit Incentive Plan ("UIP").

Share Option Plan

The exercise price of options granted under the Share Option Plan is calculated as the five day weighted average trading price of the common shares for the five trading days immediately preceding the date the options are granted. Options issued under the Share Option Plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant.

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

	Dec 31, 2018		Dec 31, 2017	
	Outstanding options	Weighted average exercise price ($)	Outstanding options	Weighted average exercise price ($)
Balance - beginning of year	6,153,925	13.71	7,209,139	13.17
Granted	-	-	50,000	11.48
Exercised	(6,666)	8.23	(547,524)	7.97
Expired	(1,537,398)	12.93	(337,778)	9.49
Forfeited	(306,838)	16.91	(219,912)	16.11
Balance - end of period	4,303,023	13.75	**6,153,925**	**13.71**
Exercisable - end of period	3,707,355	14.47	**4,534,175**	**15.07**

The following table summarizes information about share options outstanding as at December 31, 2018:

	Options outstanding			Options exercisable	
Exercise price ($)	Outstanding options	Weighted average exercise price ($)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price ($)
7.82 - 7.85	1,605,333	7.82	2.01	1,049,664	7.82
7.86 - 15.18	308,105	12.45	1.63	268,106	12.67
15.19 - 16.52	1,077,195	15.54	1.02	1,077,195	15.54
16.53 - 19.40	545,339	18.50	0.32	545,339	18.50
19.41 - 25.51	767,051	19.84	0.40	767,051	19.84
	4,303,023	**13.58**	**1.23**	**3,707,355**	**14.47**

Unit Incentive Plan

The Corporation has a UIP which allows the Corporation to issue RSUs, CSUs and PSUs that are redeemable for the issuance of common shares.

Unless otherwise directed by the Board of Directors, one third of each RSU grant vests and is redeemed on each of the first, second, and third anniversaries of the date of grant. RSUs terminate and cease to be redeemable on December 31st of the third year following the year in which the grant of the RSU was made.

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

14. SHARE-BASED COMPENSATION PLANS (continued)

DSU Plan

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

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

	RSUs	PSUs	DSUs
Balance at December 31, 2016	**2,408,844**	**853,590**	**175,666**
Granted	1,961,950	835,082	75,990
Reinvested dividends	86,637	41,536	6,649
Redeemed for common shares	(999,986)	(27,231)	-
Forfeited	(331,650)	(8,761)	-
Balance at December 31, 2017	**3,125,795**	**1,694,216**	**258,305**
Granted	2,085,317	756,676	97,872
Reinvested dividends	123,836	77,867	11,313
Redeemed for common shares	(1,352,580)	(109,010)	-
Forfeited	(414,710)	(47,489)	-
Balance at December 31, 2018	**3,567,658**	**2,372,260**	**367,490**

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

As at December 31, 2018, $2.6 million (2017: $2.3 million) was included in accounts payable and accrued liabilities for outstanding DSUs and share-based compensation included in the statements of comprehensive income relating to DSUs was an expense of $0.3 million for the year ended December 31, 2018 (2017: expense of $0.2 million).

Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to contribute up to 20% of their base salaries to purchase common shares of Secure. The Corporation will match contributions, up to a maximum of 5%. Shares purchased for both the employee contributions and Corporation's matching contributions are purchased on the open market. The Corporation's matching expense for the year ended December 31, 2018 was $3.2 million (2017: $1.2 million) and is recognized in either cost of sales or general and administrative expenses on the consolidated statements of comprehensive income.

15. PER SHARE AMOUNTS

The following reflects the share data used in the basic and diluted income (loss) per share computations:

	Dec 31, 2018	Dec 31, 2017
Weighted average number of shares - basic	163,008,356	162,827,541
Effect of dilution:		
Options, RSUs, and PSUs	2,417,253	-
Weighted average number of shares - diluted	**165,425,609**	**162,827,541**

The above calculation excludes the effect of 3,581,158 options for the year ended December 31, 2018, as they are considered to be anti-dilutive. For the year ended December 31, 2017 all options, RSUs and PSUs are excluded as they are considered to be anti-dilutive.

16. INCOME TAXES

($000's)	Dec 31, 2018	Dec 31, 2017
Current tax expense (recovery)		
Current year	1,643	(4,878)
Adjustments related to prior years	(323)	62
	1,320	(4,816)
Deferred tax expense (recovery)		
Current year	15,429	11,104
Adjustments related to prior years	(589)	64
	14,840	11,168
Total tax expense	16,160	6,352

The income tax expense (recovery) differs from that expected by applying the combined federal and provincial income tax rates of 27% (2017: 27.0%) to income (loss) before tax for the following reasons:

($000's)	Dec 31, 2018	Dec 31, 2017
Income (loss) before tax	36,089	(27,850)
Combined federal and provincial income tax rate	27.0%	27.0%
Expected combined federal and provincial income tax expense (recovery)	9,744	(7,520)
Share-based compensation	6,200	6,254
Non-deductible expenses	1,128	841
Foreign and other statutory rate differences	-	5,115
Non-deductible impairments	-	1,536
Adjustments related to prior years	(912)	126
Total tax expense	16,160	6,352

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act significantly revising the U.S. federal income tax law affecting the Corporation's U.S. subsidiary resulting in a $4.3 million decrease to the Corporation's deferred tax asset at December 31, 2017, and is included in foreign and other statutory rate differences. This is primarily due to the reduction of the U.S. federal statutory tax rate from 35% to 21%.

The components of the net deferred tax asset related to the U.S. and the net liability related to Canada as at December 31, 2018 and 2017 are as follows:

($000's)	Dec 31, 2018	Dec 31, 2017
Deferred tax assets (U.S.):		
Non-capital loss carry forwards	14,516	16,619
Property, plant and equipment	(22,180)	(18,082)
Goodwill and intangible assets	5,106	4,785
Asset retirement obligations	3,295	2,875
Other	576	651
	1,313	6,848
Deferred tax liabilities (Canada):		
Property, plant and equipment	(88,593)	(77,208)
Goodwill and intangible assets	16,274	14,512
Non-capital loss carry forwards	13,207	12,706
Asset retirement obligations	6,706	5,777
Share issue costs	1,194	2,132
Other	439	313
	(50,773)	(41,768)
Net deferred tax liabilities	(49,460)	(34,920)

16. INCOME TAXES (continued)

Included above in the deferred tax assets are $106.2 million (2017: $114.0 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. The gross non-capital losses in the U.S. are $57.3 million (2017: $66.9 million) and expire between 2032 and 2036. The gross non-capital losses in Canada are $48.9 million (2017: $47.1 million) and expire between 2030 and 2038. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. The recognition involves the Corporation assessing when the deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available to offset the tax assets when they do reverse. This assessment requires assumptions and assessments regarding future taxable income and is therefore inherently uncertain.

The movement in the Corporation's deferred tax balances during the year are as follows:

($000's)	Dec 31, 2018	Dec 31, 2017
Movement in deferred tax balances during the year		
Net deferred tax liabilities at beginning of year	**(34,920)**	(29,464)
Recognized in profit or loss	**(14,840)**	(11,168)
Deferred tax liabilities from acquisitions	**-**	6,447
Foreign exchange adjustments and other	**300**	(735)
Net deferred tax liabilities	**(49,460)**	(34,920)

17. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES

The below table summarizes the disaggregation of cost of sales and general and administrative expenses for the years ended December 31, 2018 and 2017:

For the year ended December 31, 2018 ($000's)	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	119,583	53,796	**173,379**
Share-based compensation	6,914	16,049	**22,963**
Depreciation, depletion and amortization	110,871	4,737	**115,608**
Business development expenses[1]	-	5,169	**5,169**
Oil purchase/resale services expense	2,239,281	-	**2,239,281**
Other[2]	305,658	19,842	**325,500**
Total	**2,782,307**	**99,593**	**2,881,900**

[1] Included within business development expenses for the year ended December 31, 2018 is $3.3 million in additional employee compensation and benefits.

[2] Other includes the remaining expenses not listed separately in the table above. The majority of these expenses are cost of products, repairs and maintenance, trucking and disposal, rent and utilities.

17. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES (continued)

For the year ended December 31, 2017 ($000's)	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	95,854	36,841	132,695
Share-based compensation	7,203	16,054	23,257
Depreciation, depletion and amortization	111,855	6,756	118,611
Business development expenses[1]	-	6,800	6,800
Oil purchase/resale services expense	1,724,787	-	1,724,787
Other[2]	283,851	23,109	306,960
Total	**2,223,550**	**89,560**	**2,313,110**

(1) Included within business development expenses for the year ended December 31, 2017 is $2.9 million of additional employee compensation and benefits.

(2) Other includes the remaining expenses not listed separately in the table above. The majority of these expenses are cost of products, repairs and maintenance, trucking and disposal, rent and utilities.

18. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments consist of cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, and long-term borrowings.

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

The Corporation's long term-borrowings are recorded at amortized cost using the effective interest rate method ("EIR"). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest, accretion and finance costs on the consolidated statements of comprehensive income. The fair value of long-term borrowings is based on pricing sourced from market data. The carrying value of long-term borrowings (excluding transaction costs) at December 31, 2018 and 2017 of $413.5 million and $300.0 million, respectively, approximates fair values due to the variable interest rates applied to these facilities, which approximate market interest rates.

Derivative financial instruments

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

18. FINANCIAL INSTRUMENTS (continued)

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

	December 31, 2018		December 31, 2017	
($000's)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	**3,464**	**147**	2,019	1,309
Commodity options	**1,024**	**-**	32	-
Foreign currency forwards	**-**	**68**	604	-
Interest rate swaps	**1,475**	**-**	1,845	-
	5,963	**215**	4,500	1,309

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

($000's)	Commodity Contracts	Foreign Currency Contracts	Interest Rate Swaps	Total
Fair value of contracts outstanding at December 31, 2016	**739**	**(169)**	**-**	**570**
Fair value of contracts realized during the year	(3,032)	-	-	(3,032)
Changes in fair value during the year	3,085	773	1,845	5,703
Foreign exchange effect	(50)	-	-	(50)
Fair value of contracts outstanding at December 31, 2017	**742**	**604**	**1,845**	**3,191**
Fair value of contracts realized during the year	(71)	-	-	(71)
Changes in fair value during the year	3,536	(672)	(370)	2,494
Foreign exchange effect	134	-	-	134
Fair value of contracts outstanding at December 31, 2018	**4,341**	**(68)**	**1,475**	**5,748**

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

Fair value hierarchy

The table below analyses financial instruments by fair value hierarchy:

	December 31, 2018			
($000's)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Commodity futures	**-**	**3,464**	**-**	**3,464**
Commodity options	**-**	**1,024**	**-**	**1,024**
Interest rate swaps	**-**	**1,475**	**-**	**1,475**
	-	**5,963**	**-**	**5,963**
Financial liabilities:				
Long-term borrowings	**-**	**413,450**	**-**	**413,450**
Commodity futures	**-**	**147**	**-**	**147**
Foreign currency forwards	**-**	**68**	**-**	**68**
	-	**413,665**	**-**	**413,665**

18. FINANCIAL INSTRUMENTS (continued)

		December 31, 2017		
($000's)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Commodity futures	-	2,019	-	2,019
Commodity options	-	32	-	32
Foreign currency forwards	-	604	-	604
Interest rate swaps	-	1,845	-	1,845
	-	4,500	-	4,500
Financial liabilities:				
Long-term borrowings	-	300,000	-	300,000
Commodity futures	-	1,309	-	1,309
	-	301,309	-	301,309

There were no transfers between levels in the hierarchy in the year ended December 31, 2018 (2017: nil).

Risk Management

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

a) Market Risk

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

i) Commodity price risk

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

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

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

The marketing contracts related to the purchase, sale and transportation of certain NGL products not designated as for 'own use' are considered derivatives for accounting purposes. The fair value of these contracts are initially recorded at fair value as either an asset or liability on the consolidated statement of financial position, and are subsequently remeasured at each period end, with the change in fair value recorded to revenue.

18. FINANCIAL INSTRUMENTS (continued)

The following table summarizes the impact to net income (loss) from the Corporation's outstanding financial and physical derivative contracts resulting from a 10% change in crude oil and NGL prices, leaving all other variables constant.

($000's)	Dec 31, 2018	Dec 31, 2017
Favourable 10% change	317	43
Unfavourable 10% change	(317)	(43)

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

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

The Corporation defines an "open position" as the difference between physical deliveries of all crude oil buy contracts, offset against the physical deliveries of all crude oil sales contracts. The open position is subject to commodity price risk. As a result, the Corporation's strategy is to reduce all open positions for any given month. The Corporation does hold open positions; however, these positions are closed within a relatively short period after the production month and therefore the overall exposure to the Corporation is significantly reduced. At December 31, 2018, the Corporation's open position was not significant.

ii) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its purchase and sale of crude oil, working capital balances denominated in foreign currencies and on the translation of its foreign operations. Foreign currency risk on the purchase and sale of crude oil is mitigated as the majority of the activities occur in the same period, therefore foreign currency risk exposure is limited to crude oil held in inventory. The Corporation also has foreign currency risk arising from the translation of amounts receivable from and payable to its foreign subsidiary.

The Corporation also has loans that are considered to form part of the net investment and foreign exchange gains and losses are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends, forecasted economic conditions, and forward currency contracts.

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

18. FINANCIAL INSTRUMENTS (continued)

The following table summarizes the impact to net income (loss) resulting from the Corporation's outstanding foreign currency contracts resulting from a 10% change in the Canadian dollar relative to the U.S. dollar, with all other variables held constant.

($000's)	Dec 31, 2018	Dec 31, 2017
Favourable 10% change	5	44
Unfavourable 10% change	(5)	(44)

iii) Interest rate risk

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

($000's)	Dec 31, 2018	Dec 31, 2017
Favourable 1% change	2,701	1,800
Unfavourable 1% change	(2,701)	1,800

The Corporation has entered into interest rate swaps to mitigate the Corporation's exposure to interest rate fluctuations. The swaps fix the interest rate at 5% for the first three years and 5.5% thereafter on the Second Lien credit facility. These derivative financial instruments are not generally used for speculative purposes and are not designated as hedges.

b) Credit risk

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

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

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

($000's)	Dec 31, 2018	Dec 31, 2017
Less than 30 days	**117,585**	167,656
31 to 60 days	**38,692**	40,081
61 to 90 days	**12,344**	12,608
Greater than 90 days	**7,037**	7,762
	175,658	228,107
Provision for expected credit losses	**1,567**	1,357

18. FINANCIAL INSTRUMENTS (continued)

The balance of $117.6 million under 30 days includes $61.0 million of crude oil contracts settled as part of the trading activities for December 2018. The entire amount of $61.0 million is due from numerous counterparties and relates to crude oil payments, which as part of industry practice, are settled within 30 days of the production month. The remainder of accounts receivable and accrued receivables not included in the trade accounts receivable schedule above relates to accrued revenue and other non-trade receivables.

The counterparties noted above are approved by the Corporation's risk management committee in accordance with the Corporation's energy marketing risk policy relating to crude oil payments. The Corporation's credit exposure to any crude oil contracts settled is limited to transactions occurring over a 60 day period. Of the receivables relating to crude oil payments, approximately 75% are due from counterparties with a credit rating of B or higher.

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

($000's)	Dec 31, 2018	Dec 31, 2017
Balance - beginning of year	1,357	1,253
Additional provision for expected credit losses	1,126	728
Reversal of provision for expected credit losses	(525)	-
Bad debts recognized	(422)	(336)
Foreign exchange effect	31	(288)
Balance - end of year	**1,567**	1,357

Management uses a provision matrix based upon historical default rates and forward-looking assumptions to calculate expected credit losses and establish a provision for expected credit losses. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. Management also considers the credit worthiness and past payment history as well as any past due amounts. The Corporation considers all amounts greater than 90 days to be past due. As at December 31, 2018, $7.0 million (2017: $7.8 million) of accounts receivable are past due and a provision for expected credit losses of $1.6 million (2017: $1.4 million) has been established.

The Corporation is also exposed to credit risk with respect to its cash. However, the risk is minimized as cash is held at major financial institutions.

Maximum credit risk is calculated as the total recorded value of cash, and accounts receivable and accrued receivables as at the date of the consolidated statement of financial position.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions. As at December 31, 2018, the Corporation has $7.9 million in cash and $148.4 million in capacity on its revolving credit facilities (Note 11).

18. FINANCIAL INSTRUMENTS (continued)

The timing of cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below:

($000's)	Due within 1 year	Between 1-5 years	Greater than 5 years
Accounts payable and accrued liabilities	165,330	-	2,576
Derivative liability	215	-	-
Finance lease obligations	7,223	8,341	-
Long-term borrowings [(1)]	17,186	439,619	-
	189,954	**447,960**	**2,576**

[(1)] Interest on First Lien Facility is estimated using Secure's average bankers acceptance rate for 2018. Interest on Second Lien Facility is estimated using rates consistent with the interest rate swaps as outlined in Note 11.

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

19. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

($000's)	Dec 31, 2018	Dec 31, 2017
Current assets	331,421	405,408
Current liabilities	(178,322)	(266,003)
Amount drawn on credit facilities	413,450	300,000
Shareholders' equity	844,316	874,492
	1,410,865	**1,313,897**

The Corporation’s objective in capital management is to ensure adequate sources of capital are available to carry out its planned capital program, while maintaining operational growth, payment of dividends and increased cash flow so as to sustain future development of the business and to maintain creditor and shareholder confidence. Management considers capital to be the Corporation’s current assets less current liabilities, total amounts drawn on debt facilities and shareholders’ equity as the components of capital to be managed.

The Corporation’s overall capital management strategy remained unchanged in 2018. 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 budget on a quarterly basis. The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized budgets, adjusted EBITDA and senior and total debt to adjusted EBITDA. The Corporation is subject to certain financial covenants in its credit facility. The Corporation is in compliance with all financial covenants. Management will manage its debt to maintain compliance with the various financial covenants contained within its long-term borrowings (Note 11).

20. RELATED PARTY DISCLOSURES

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation are comprised of its executive officers and the Board of Directors. In addition to the salaries and short-term benefits paid to the executive officers and fees paid to the directors, the Corporation also provides compensation under its share-based compensation plans and ESOP (Note 14).

The compensation related to key management personnel is as follows:

($000's)	Dec 31, 2018	Dec 31, 2017
Salaries and short-term employee benefits	8,150	6,476
Share-based compensation	8,168	7,718
	16,318	**14,194**

21. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2018

	Payments due by period			
($000's)	1 year or less	1-5 years	5 years and thereafter	Total
Finance leases	7,223	8,341	-	15,564
Operating leases	18,275	27,835	5,245	51,355
Crude oil transportation [1]	35,400	143,491	99,936	278,827
Inventory purchases	10,836	-	-	10,836
Capital commitments	19,728	-	-	19,728
Total contractual obligations	**91,462**	**179,667**	**105,181**	**376,310**

[1] Crude oil transportation includes crude oil transportation volumes for pipeline throughput at certain pipeline connected full service terminals.

Finance lease commitments

The Corporation has entered into finance lease agreements for computer equipment, vehicles, and mobile equipment. The average lease term is three years (2017: three years). The Corporation's obligations under finance leases are secured by the related assets. Interest rates underlying finance lease obligations are fixed at respective contract rates.

Operating lease commitments

The Corporation has entered into operating land lease agreements for certain of the Corporation's facilities. In addition, the Corporation has entered into operating leases for office and warehouse spaces. Additionally, the Corporation has certain rail car operating lease commitments.

Crude oil transportation commitments

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

Inventory purchase commitments

The Corporation has inventory purchase commitments related to its minerals product plant in order to meet expected operating requirements.

21. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES (continued)

Capital commitments

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

Commodity contract purchase commitments

In addition to the items in the table above, the Corporation is committed to purchasing commodities for use in its normal course of operations.

Fixed price contracts

In the normal course of operations, the Corporation enters into contracts that contain fixed selling prices within its Environmental Solutions division and therefore the Corporation is exposed to variability in input costs.

Litigation

On December 21, 2007, Tervita Corporation ("Tervita") filed a statement of claim commencing Action No. 0701-13328 (the "Tervita Action") in the Judicial District of Calgary of the Court of Queen's Bench of Alberta (the "Court") against the Corporation, certain of the Corporation's employees who were previously employed by Tervita (collectively, the "Secure Defendants") and others in which Tervita alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to Tervita, and conspired with one another. Tervita seeks damages in the amount of $110.0 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief. The matters raised in the lawsuit are considered by the Corporation to be unfounded and unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. The Corporation believes it has valid defences to this claim and accordingly has not recorded any related liability.

A Statement of Defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $97.8 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the Competition Act (Canada), unlawful interference with the economic relations of the Corporation and conspiracy, including conduct related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia.

The Corporation is a defendant and plaintiff in various other legal actions that arise in the normal course of business. The Corporation believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

22. SEGMENT REPORTING

For management purposes, the Corporation is organized into divisions based on the nature of the services and products provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Corporation has three reportable operating segments, as described in Note 1. The Corporation also reports activities not directly attributable to an operating segment under Corporate. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees and officers.

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

The following table presents the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management. Additionally, revenues have been disaggregated by type of service or good.

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**

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.

22. SEGMENT REPORTING (continued)

As at December 31, 2018	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Current assets	175,763	37,224	118,434	-	**331,421**
Property, plant and equipment	1,065,943	26,336	105,258	5,845	**1,203,382**
Intangible assets	5,255	1,399	29,604	-	**36,258**
Goodwill	-	11,127	-	-	**11,127**
Total assets	1,246,961	76,086	254,609	5,845	**1,583,501**
Current liabilities	138,621	19,016	20,685	-	**178,322**
Total liabilities	279,068	19,615	27,583	412,919	**739,185**

As at December 31, 2017	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Current assets	239,253	45,008	121,147	-	**405,408**
Property, plant and equipment	934,896	37,488	109,311	6,456	**1,088,151**
Intangible assets	6,422	3,423	41,367	-	**51,212**
Goodwill	.	11,127	-	-	**11,127**
Total assets	1,180,570	97,046	278,674	6,456	**1,562,746**
Current liabilities	214,144	22,323	29,536	-	**266,003**
Total liabilities	319,674	23,762	46,410	298,408	**688,254**

At December 31, 2018 and 2017, the Corporation did not hold any contract assets or liabilities related to revenue from contracts with customers.

Geographical Financial Information

($000's)	Canada		U.S.		Total	
Year ended December 31,	**2018**	2017	**2018**	2017	**2018**	2017
Revenue	**2,861,622**	2,272,677	**75,831**	55,531	**2,937,453**	2,328,208
As at December 31,	**2018**	2017	**2018**	2017	**2018**	2017
Total non-current assets	**1,115,747**	1,027,962	**136,333**	129,376	**1,252,080**	1,157,338

CORPORATE INFORMATION

DIRECTORS

Rene Amirault - Chairman
Brad Munro (1) (2) (3)
David Johnson (2) (3) (4)
Daniel Steinke (4)
Kevin Nugent (1) (3)
Michele Harradence (4)
Murray Cobbe (1) (2) (5)
Shaun Paterson (1) (4)
Richard Wise

1 Audit Committee
2 Compensation Committee
3 Corporate Governance and Nominating Committee
4 Health, Safety & Environment Committee
5 Lead Director

STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SES

AUDITORS

KPMG LLP
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

LEAD BANKERS

ATB Financial
National Bank of Canada

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company
Calgary, Alberta

OFFICERS

Rene Amirault
President & Chief Executive Officer

Chad Magus
Executive Vice President & Chief Financial Officer

Corey Higham
Executive Vice President, Processing, Recovery & Disposal

George Wadsworth
Executive Vice President, Drilling & Production Services

David Mattinson
Executive Vice President, OnSite Services

Allen Gransch
Executive Vice President, Corporate Development

Brian McGurk
Executive Vice President, Human Resources & Strategy

Mike Mikuska
Executive Vice President, Commercial & Transportation

David Engel
Executive Vice President, Technical Services