Consolidated Financial Statements

For the years ended
December 31, 2023 and 2022

SECURE

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Secure Energy Services Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive income 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 material accounting policy information

(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 Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Description of the matter

Assessment of the recoverable amount of goodwill contained within the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills cash generating units ('CGUs')

We draw attention to note 2, note 3, note 9 and note 10 to the consolidated financial statements. Goodwill is tested annually for impairment or when an indicator is present. Goodwill impairment is tested at either the individual or group cash generating unit ("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 amounts. Impairment exists when the carrying value of a non-financial asset, cash generating unit ("CGU") or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The Entity completed the annual goodwill impairment tests on the Canadian Waste Processing Facilities CGU, Energy Infrastructure CGU, and the Landfills CGU as at December 31, 2023. Total goodwill at December 31, 2023 pertaining to the Canadian Waste Processing Facilities CGU, Energy Infrastructure CGU and the Landfills CGUs was $196 million. For the year ended December 31, 2023, the Entity has not recognized any impairment relating to goodwill.

The estimated recoverable amount of the Canadian Waste Processing Facilities, Energy Infrastructure, and the Landfills CGUs involves certain significant assumptions including the:

- Forecasted income before finance costs, taxes, depreciation, depletion and amortization, non-cash impairments on non-current assets, unrealized gains or losses on mark to market transactions, share based compensation and certain other income and expenses ("Adjusted EBITDA")
- Discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amount of goodwill contained in the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the Entity's significant assumptions. In addition, specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's 2023 actual Adjusted EBITDA to the amount budgeted for 2023 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of the forecasted Adjusted EBITDA used in the estimate of the recoverable amount for the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs by:

- Comparing the forecasted 2024 Adjusted EBITDA for the Canadian Waste Processing Facilities, Energy Infrastructure, and the Landfills CGUs to the 2024 budget for the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs to assess consistency with other significant assumptions used by the Entity in other estimates used in the financial statements;
- Comparing the forecasted Adjusted EBITDA for the Canadian Waste Processing Facilities, Energy Infrastructure, and the Landfills CGUs to historical results. We took into account changes in conditions and events affecting the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs to assess the adjustments or lack of adjustments made by the Entity in arriving at forecasted Adjusted EBITDA
- Comparing certain underlying assumptions in the forecasted Adjusted EBITDA for the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs to certain market data.
- We involved valuation professionals with specialized skills and knowledge, who assisted in:
- Evaluating the appropriateness of the Entity's discount rates by comparing the discount rates to market and other external data. Assessing the reasonableness of the Entity's estimates of the recoverable amounts for the Canadian Waste Processing Facilities, Energy Infrastructure and the Landfills CGUs by comparing the Entity's estimates to market metrics and other external data.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's report.

We have nothing to report in this regard.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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 represent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jasmeet Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
February 25, 2024

SECURE ENERGY SERVICES INC.

Consolidated Statements of Financial Position

As at (in $ millions)	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash		**12**	12
Accounts receivable and accrued receivables	**21**	**357**	449
Inventories	**6**	**144**	100
Prepaid expenses and other current assets		**14**	15
Assets held for sale	**4**	**663**	—
		1,190	576
Property, plant and equipment	**7**	**1,170**	1,513
Right-of-use assets	**8**	**101**	71
Intangible assets	**9**	**68**	163
Goodwill	**9**	**199**	351
Deferred tax asset	**20**	**89**	150
Other assets		**27**	16
Total Assets		**2,844**	2,840
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**21**	**374**	404
Interest payable		**3**	2
Lease liabilities	**14**	**27**	28
Asset retirement obligations	**13**	**15**	20
Other liabilities		**3**	5
Liabilities directly associated with assets held for sale	**4**	**50**	—
		472	459
Revolving credit facility	**11**	**415**	346
Secured and unsecured notes	**12**	**551**	573
Lease liabilities	**14**	**109**	84
Asset retirement obligations	**13**	**96**	95
Other liabilities		**15**	17
Total Liabilities		**1,658**	1,574
Shareholders' Equity			
Issued capital	**15**	**1,517**	1,676
Share-based compensation reserve		**54**	50
Foreign currency translation reserve		**27**	30
Deficit		**(412)**	(490)
Total Shareholders' Equity		**1,186**	1,266
Total Liabilities and Shareholders' Equity		**2,844**	2,840
Subsequent Events	**4, 11, 12**		
Contractual Obligations & Contingencies	**24**		

Approved by the Board of Directors:

"SIGNED"
Mick Dilger

"SIGNED"
Deanna Zumwalt

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

SECURE ENERGY SERVICES INC.

Consolidated Statements of Comprehensive Income

For the years ended December 31,

(in $ millions except share and per share data)	Notes	2023	2022
Revenue	25	8,244	8,002
Cost of sales	17	7,732	7,509
Gross margin		512	493
General and administrative expenses	17	145	132
Transaction and related costs	17	14	37
Operating profit		353	324
Interest, accretion and finance costs	18	96	97
Other expense (income)	19	—	(25)
Income before tax		257	252
Current tax expense	20	2	—
Deferred tax expense	20	60	68
Net income		195	184
Other comprehensive gain			
Foreign currency translation adjustment		3	6
Total comprehensive income		198	190
Earnings per share			
Basic net income per common share		0.66	0.59
Diluted net income per common share		0.65	0.59
Weighted average shares outstanding - basic	16	295,909,340	309,637,322
Weighted average shares outstanding - diluted	16	299,086,393	313,167,037

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

SECURE ENERGY SERVICES INC.

Consolidated Statements of Changes in Shareholders' Equity

(in $ millions)	Notes	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Deficit	Total Shareholders' Equity
Balance at January 1, 2023		**1,676**	**50**	**30**	**(490)**	**1,266**
Net income		—	—	—	195	**195**
Dividends declared	**15**	—	—	—	(117)	**(117)**
Foreign currency translation adjustment		—	—	(3)	—	**(3)**
Exercise of share units	**15**	4	(13)	—	—	**(9)**
Share-based compensation for equity-settled awards	**16**	—	17	—	—	**17**
Shares acquired and cancelled under normal course issuer bid ("NCIB")	**15**	(163)	—	—	—	**(163)**
Balance at December 31, 2023		**1,517**	**54**	**27**	**(412)**	**1,186**
Balance at January 1, 2022		**1,670**	**48**	**24**	**(636)**	**1,106**
Net income		—	—	—	184	**184**
Dividends declared	**15**	—	—	—	(38)	**(38)**
Foreign currency translation adjustment		—	—	6	—	**6**
Exercise of share units	**15**	10	(10)	—	—	**—**
Share-based compensation for equity-settled awards	**16**	—	12	—	—	**12**
Shares acquired and cancelled under NCIB	**15**	(4)	—	—	—	**(4)**
Balance at December 31, 2022		**1,676**	**50**	**30**	**(490)**	**1,266**

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,

($ millions)	Notes	2023	2022
Cash flows from (used in) operating activities			
Net income		**195**	184
Adjustments for non-cash items:			
Depreciation, depletion and amortization	**17**	**203**	178
Interest, accretion and finance costs	**18**	**96**	97
Other expense (income)	**19**	**(7)**	(30)
Current and deferred tax expense		**62**	68
Share-based compensation	**17**	**26**	19
Interest paid		**(87)**	(92)
Asset retirement costs incurred	**13**	**(14)**	(21)
Funds flow from operations		**474**	403
Change in non-cash working capital		**(44)**	8
Net cash flows from operating activities		**430**	411
Cash flows (used in) from investing activities			
Purchase of property, plant and equipment	**7**	**(203)**	(96)
Proceeds from dispositions		**48**	56
Business acquisition	**5**	**—**	(6)
Change in non-cash working capital		**—**	(12)
Net cash flows used in investing activities		**(155)**	(58)
Cash flows (used in) from financing activities			
Draw (repayment) of credit facilities	**11, 21**	**70**	(108)
Settlement of 2025 senior secured notes and debt related derivatives	**12, 21**	**(11)**	(203)
Financing fees	**11**	**(1)**	(1)
Lease liability principal payments and other		**(36)**	(23)
Dividends declared	**15**	**(117)**	(38)
Repurchase and cancellation under NCIB	**15**	**(163)**	(6)
Settlement of share units		**(14)**	—
Change in non-cash working capital		**—**	33
Net cash flows used in financing activities		**(272)**	(346)
Effect of foreign exchange on cash		**(3)**	(5)
Increase (decrease) in cash		**—**	2
Cash, beginning of period		**12**	10
Cash, end of period		**12**	12

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" or the "Corporation") is incorporated under the Business Corporations Act (Alberta). The Corporation's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "SES" and is a constituent of the S&P/TSX Composite Index. The head office of the Corporation is located at 2300, 225 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 1N2. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7.

SECURE is a leading waste management and energy infrastructure business headquartered in Calgary, Alberta. The Corporation's extensive infrastructure network located throughout western Canada and North Dakota includes waste processing and transfer facilities, industrial landfills, metal recycling facilities, crude oil and water gathering pipelines, crude oil terminals and storage facilities. Through this infrastructure network, the Corporation carries out its principal business operations, including the processing, recovery, recycling and disposal of waste streams generated by our energy, mining and industrial customers and gathering, optimization and storage of crude oil and natural gas liquids. The solutions the Corporation provides are designed not only to help reduce costs, but also lower emissions, increase safety, manage water, recycle by-products and protect the environment.

The following material operating entities have been consolidated within SECURE's consolidated financial statements for the years ended December 31, 2023 and 2022.

Subsidiaries	Country	Functional Currency	% Interest
SECURE Energy Services Inc.	Canada	Canadian Dollar	Parent company
SECURE Energy (Drilling Services) Inc.	Canada	Canadian Dollar	100%
SECURE Energy	Canada	Canadian Dollar	100%
SECURE Energy Services USA LLC	USA	US Dollar	100%

Basis of Presentation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These consolidated financial statements are recorded and presented in Canadian dollars ($), which is SECURE's functional currency, and have been prepared on a historical cost basis, except for certain items that have been measured at fair value as detailed in Note 2. All values are rounded to the nearest million dollars ($ millions), 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. 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.

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

These consolidated financial statements were approved by SECURE's Board of Directors on February 25, 2024.

2. MATERIAL ACCOUNTING POLICIES

a) Revenue recognition

The Corporation has many different business lines, service offerings, 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 at the Corporation's waste processing facilities, landfills and terminals 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 certain commodity buy/sell arrangements where the Corporation is acting as a principal, are recognized on a gross basis and where the Corporation is acting as an agent are recognized on a net basis.
- 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, minerals and ferrous and non-ferrous metals is recognized at the point of sale, when the customer takes ownership of the products.
- Revenue from environmental 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.

b) Inventories

Inventories are comprised of crude oil, natural gas liquids, production chemicals, drilling fluids, minerals, ferrous and non-ferrous metals 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 production chemicals, drilling fluids and minerals 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. 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 to the lower of cost and net realizable value.

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. The fair value is determined based on the market price of crude oil and natural gas liquids on the measurement date.

c) 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. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation and depletion

Depreciation of property, plant and equipment, other than caverns and 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

Caverns and 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 15 years
Licenses, patents and permits	3 to 20 years

d) Impairment of non-financial assets

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

The Corporation assesses at each reporting date whether there is an indication that an asset or 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 goodwill impairment testing is performed, 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 dispose ("FVLCD") and its value in use. In determining fair value less costs to dispose, 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 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 or loss.

Goodwill is tested for impairment at least annually or when an indicator is present. 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, 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 or loss.

Impairment losses related to assets under construction; property, plant and equipment; goodwill and intangible assets are included with cost of sales or general and administrative expenses on the consolidated statements of comprehensive income.

e) Leases

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation. Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Corporation's incremental borrowing rate where the rate implicit in the lease is not readily determinable. 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.

Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The Corporation determines its incremental borrowing rate by applying interest rates from external financing sources and adjusting the rate to reflect the term of the lease. Lease payments on short-term leases or low-value assets are accounted for as expenses on a straight-line basis in the consolidated statements of comprehensive income or loss.

f) Financial instruments

Classification

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 or loss ("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.

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 comprehensive income 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 or loss.

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 flow 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 or loss.

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 or loss over the term of the contracts as they occur.

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.

g) Asset retirement obligations

Asset retirement obligations associated with well sites, facilities, pipelines and landfills are measured at the present value of the expenditures expected to be incurred. The Corporation uses a credit-adjusted 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 or loss 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.

h) 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 expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable earnings or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 Corporation follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates as at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net income or loss or other comprehensive income or loss in the period they occur.

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 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.

j) Foreign currency translation and transactions

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 or loss 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.

3. 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, liability or equity 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, liabilities and equity 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 identified CGUs based on facility type, service line and/or geographical area.

Significant estimates and assumptions

Changing regulation

Emissions, carbon and other regulations impacting climate and climate related matters are dynamic and constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Corporation.

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.

Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-financial asset, CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to dispose 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 forecasted income before finance costs, taxes, depreciation, depletion and amortization, non-cash impairments on non-current assets, unrealized gains or losses on mark to market transactions, share based compensation and certain other income and expenses ("Adjusted EBITDA"). 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.

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.

Asset retirement obligations

The amounts recorded for asset retirement obligations are based on management's best estimate of the costs to abandon and reclaim 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, state 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.

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.

Income taxes

Deferred tax assets are recognized on the statements of financial position based on the results from operating activities or due to the implementation of tax planning strategies which will create sufficient taxable profit to offset the deferred tax assets. Judgment is required in determining the amount of deferred tax assets to be recognized, based on the likely timing and the level of future taxable profits available for their utilization in conjunction with the execution of certain tax planning opportunities and the likely timing of reversal. The Corporation assesses the recognition of deferred tax assets each reporting period.

Fair value of derivative financial instruments

The Corporation reflects the fair value of derivative financial instruments based on estimated 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.

4. DISPOSAL GROUP HELD FOR SALE

Competition Act Matters in Relation to Tervita Merger

On March 9, 2021 the Corporation announced an arrangement agreement to acquire Tervita Corporation (“Tervita”). On July 2, 2021, pursuant to a plan of arrangement under the Business Corporations Act (Alberta), SECURE acquired all of the issued and outstanding common shares of Tervita and subsequently Tervita was amalgamated with SECURE (the “Tervita Merger”).

On June 29, 2021, the Commissioner of Competition filed an application under Section 92 of the Competition Act (the “Section 92 Application”) with the Competition Tribunal (the “Tribunal”) and served SECURE with a notice of application to block the closing of the Tervita Merger. The application was unsuccessful and at the subsequent hearing of the Section 92 Application, during the second quarter of 2022, the Commissioner sought the divestiture of 41 facilities.

On March 3, 2023 the Tribunal issued its decision regarding the Section 92 Application. The Tribunal issued an order requiring SECURE to divest 29 facilities all formerly owned by Tervita (the “Facilities”). On March 24, 2023, SECURE filed a Notice of Appeal to the Federal Court of Appeal. On March 31, 2023, SECURE received a partial stay of the Tribunal’s order which remained in place until the appeal was complete.

On August 1, 2023, the Federal Court of Appeal dismissed SECURE's appeal of the Tribunal's order. Subsequent to such decision, SECURE sought leave to appeal to the Supreme Court of Canada and on September 15, 2023, SECURE received from the Federal Court of Appeal a stay of the Tribunal’s order while the Supreme Court of Canada determined whether to hear the appeal.

As a result of the ongoing uncertainty of outcome, costs and timing associated with the process, the Corporation, as a prudent course of action, engaged an advisor in August 2023 to evaluate the potential sale of the 29 facilities.

In December 2023, the Corporation entered into a definitive agreement (the “Divestiture Agreement”) with Waste Connections, Inc. to sell the Facilities for $1.075 billion in cash plus approximately $75 million for certain adjustments as provided in the Divestiture Agreement for total estimated cash proceeds of $1.150 billion. The Corporation closed the sale on February 1, 2024 (the “Sale Transaction”).

On February 22, 2024, the Supreme Court of Canada rejected the Corporation’s application for leave to appeal, ending the litigation related to the Tervita Merger.

All assets and liabilities of the Facilities have been classified as held for sale as a disposal group (the “disposal group”).

Assets and liabilities of the disposal group held for sale

The value of the assets comprising the disposal group held for sale are presented at the lower of the carrying amount and fair value less costs to sell. As at December 31, 2023, the assets held for sale and the associated liabilities were stated at carrying value and comprised the following assets and liabilities:

As at December 31, 2023	December 31, 2023
Accounts receivable and accrued receivable	69
Inventories	1
Property, plant and equipment (Note 7)	372
Right-of-use assets (Note 8)	1
Intangible assets (Note 9)	85
Goodwill (Note 9)	135
Assets held for sale	**663**

As at December 31, 2023	December 31, 2023
Other liabilities	11
Lease liabilities (Note 14)	1
Asset retirement obligations (Note 13)	38
Liabilities directly associated with assets held for sale	**50**

5. BUSINESS ACQUISITIONS

On May 16, 2022, SECURE closed the acquisition of a metal recycling business formerly owned by Brooks Industrial Metals Ltd. for an aggregate purchase price of $6 million, settled in cash. Under the purchase agreement, SECURE acquired the assets and assumed the obligations and liabilities associated with the metal recycling business. Assets acquired included inventory of $1 million and property, plant and equipment of $4 million. The acquisition of the metal recycling business was accounted for using the acquisition method pursuant to IFRS 3, *"Business Combinations"*. Under the acquisition method, assets and liabilities are measured at their estimated fair value on the date of acquisition.

6. INVENTORIES

	December 31, 2023	December 31, 2022
Crude oil and natural gas liquids	**45**	10
Production chemicals	**28**	29
Drilling fluids	**41**	39
Minerals	**12**	9
Metals	**5**	4
Spare parts and supplies	**14**	9
Less: Assets held for sale (Note 4)	**(1)**	—
Total inventories	**144**	**100**

Production chemicals, drilling fluids, minerals and metals inventory recognized as cost of sales in the consolidated statement of comprehensive income for the year ended December 31, 2023, were $314 million (2022: $295 million).

7. PROPERTY, PLANT AND EQUIPMENT

	Assets Under Construction (WIP)	Land and Buildings	Plant Equipment, Pipelines, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
Cost:						
January 1, 2022	**35**	**291**	**2,134**	**210**	**74**	**2,744**
Acquired upon close of Business Acquisition (Note 5)	—	—	4	—	—	**4**
Additions	93	1	72	4	3	**173**
Change in asset retirement cost	—	—	(49)	—	—	**(49)**
Disposals	—	(7)	(35)	(11)	—	**(53)**
Transfers	(83)	—	—	—	—	**(83)**
Foreign exchange effect	—	1	11	—	—	**12**
December 31, 2022	**45**	**286**	**2,137**	**203**	**77**	**2,748**
Additions	11	16	145	15	16	**203**
Change in asset retirement cost	—	—	32	—	—	**32**
Disposals	—	(10)	(53)	(64)	(6)	**(133)**
Transfers	(14)	(2)	(5)	23	(2)	**—**
Foreign exchange effect	—	—	(4)	—	—	**(4)**
December 31, 2023	**42**	**290**	**2,252**	**177**	**85**	**2,846**
Accumulated depreciation and depletion:						
January 1, 2022	**(2)**	**(82)**	**(873)**	**(91)**	**(50)**	**(1,098)**
Depreciation and depletion	—	(17)	(124)	(14)	(11)	**(166)**
Disposals	—	4	24	8	(1)	**35**
Foreign exchange effect	—	—	(6)	—	—	**(6)**
December 31, 2022	**(2)**	**(95)**	**(979)**	**(97)**	**(62)**	**(1,235)**
Depreciation and depletion	—	(17)	(126)	(13)	(8)	**(164)**
Disposals	—	5	41	52	4	**102**
Transfers	2	—	5	(19)	3	**(9)**
Foreign exchange effect	—	—	2	—	—	**2**
December 31, 2023	**—**	**(107)**	**(1,057)**	**(77)**	**(63)**	**(1,304)**
Net book value:						
December 31, 2023	**42**	**183**	**1,195**	**100**	**22**	**1,542**
Less: Assets held for sale (Note 4)	(5)	(64)	(300)	(2)	(1)	**(372)**
December 31, 2023	**37**	**119**	**895**	**98**	**21**	**1,170**
December 31, 2022	**43**	**191**	**1,158**	**106**	**15**	**1,513**

The amounts included in assets under construction consist of assets associated with a variety of ongoing projects. 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.

Disposal of property, plant and equipment

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 net carrying amount of the asset) is included in net income or loss when the asset is derecognized.

In December 2023, the Corporation completed the sale of the Projects business unit within the Oilfield Services Segment. Net proceeds of the asset sale were $18 million, resulting in a loss on disposal of $14 million included in other expense in the consolidated statement of comprehensive income.

8. RIGHT-OF-USE ASSETS

	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
Cost:					
January 1, 2022	52	4	42	14	112
Additions	7	—	16	4	27
Disposals	(8)	—	(5)	(5)	(18)
December 31, 2022	51	4	53	13	121
Additions	10	—	27	25	62
Disposals	—	(2)	(19)	—	(21)
Transfers	—	—	(16)	—	(16)
December 31, 2023	**61**	**2**	**45**	**38**	**146**
Accumulated depreciation:					
January 1, 2022	(11)	(3)	(27)	—	(41)
Depreciation	(8)	(1)	(10)	(1)	(20)
Disposals	2	—	9	—	11
December 31, 2022	(17)	(4)	(28)	(1)	(50)
Depreciation	(10)	—	(12)	—	(22)
Disposals	—	2	10	—	12
Transfers	—	—	16	—	16
December 31, 2023	**(27)**	**(2)**	**(14)**	**(1)**	**(44)**
Net book value:					
December 31, 2023	34	—	31	37	102
Less: Assets held for sale (Note 4)	—	—	(1)	—	(1)
December 31, 2023	**34**	**—**	**30**	**37**	**101**
December 31, 2022	**34**	**—**	**25**	**12**	**71**

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets acquired outside of business combinations are measured at cost less any accumulated amortization and any accumulated impairment loss. Intangible assets with a finite life are amortized over estimated useful life.

	Non-Competition Agreements	Customer Relationships	Licenses, Permits & Patents	Trade Name	Total
Cost:					
January 1, 2022	71	211	136	23	441
Additions	—	—	1	—	1
Disposals	—	—	(7)	—	(7)
December 31, 2022	71	211	130	23	435
Additions	—	—	—	—	—
Disposals	(18)	(1)	—	—	(19)
December 31, 2023	**53**	**210**	**130**	**23**	**416**
Accumulated amortization:					
January 1, 2022	(71)	(120)	(47)	(23)	(261)
Amortization	—	(7)	(6)	—	(13)
Disposals	—	—	2	—	2
December 31, 2022	(71)	(127)	(51)	(23)	(272)
Amortization	—	(5)	(6)	—	(11)
Disposals	18	2	—	—	20
December 31, 2023	**(53)**	**(130)**	**(57)**	**(23)**	**(263)**
Net book value:					
December 31, 2023	—	80	73	—	153
Less: Assets held for sale (Note 4)	—	(55)	(30)	—	(85)
December 31, 2023	**—**	**25**	**43**	**—**	**68**
December 31, 2022	**—**	**84**	**79**	**—**	**163**

Goodwill

	December 31, 2023	December 31, 2022
Balance - beginning of year	**351**	349
Acquired upon close of business acquisition (Note 5)	**—**	2
Disposals (Note 7)	**(17)**	—
Less: Assets held for sale (Note 4)	**(135)**	—
Balance - end of year	**199**	**351**

The allocation of goodwill to the groups of CGUs is as follows:

	December 31, 2023	December 31, 2022
Energy Infrastructure	**57**	60
Canadian Waste Processing Facilities	**91**	188
Landfills	**48**	83
Metals Recycling	**3**	3
Project Services	**—**	12
Integrated Fluids Solutions	**—**	5
Total allocation to CGUs	**199**	**351**

10. IMPAIRMENT

The Corporation's non-current assets are tested for impairment in accordance with the accounting policy stated in Note 2.

Regardless if any indicators of impairment are present, the Corporation must complete an annual impairment test for any CGU, or group of CGUs, whose net carrying value includes an allocation of goodwill. SECURE completed the impairment test as at December 31, 2023, for three CGUs under the Environmental Waste Management Segment and one CGU within the Energy Infrastructure Segment. No impairment was identified as a result of these impairment tests.

The Corporation used the value in use method to determine the recoverable amount of these CGUs for the purpose of impairment testing, determined by using discounted cash flows. Inherent in the value in use approach are key assumptions that represent reasonable estimates with respect to factors affecting operations including economic, operational and market conditions. These estimates and assumptions are sensitive to change and could affect fair value.

The cash flow projections as defined below included specific estimates for five years and a terminal valuation. Cash flows for the next fiscal year are based on the Corporation's budget. The budget is based on past performance as well as management's assessment of economic conditions, including commodity prices, expected market trends, and growth strategy. For future years not included in the budget, assumptions are made based on past performance, anticipated industry activity, and the unique market characteristics of the CGU. The terminal valuation is determined based on management's estimate of the long-term compound growth rate of annual Adjusted EBITDA which is based on income before finance costs, taxes, depreciation, depletion and amortization, non-cash impairments on non-current assets, unrealized gains or losses on mark to market transactions, share based compensation and certain other income and expenses. 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, adjusted to consider the nature of the assets being valued and their specific risk profile. Changes in the general economic environment could result in significant changes to this estimate. The Corporation used after-tax discount rates ranging from 12.6% - 14.0% (pre-tax discount rate range of 17.1% - 18.4%) (2022: 14.4% - 15.1%, pre-tax discount rate of 18.2% - 19.2%) and a terminal growth rate of 2%.

The estimated value in use for all CGUs are sensitive to changes in the discount rate, of which changes could increase or decrease the estimated recoverable amounts of CGUs. The Corporation performed a sensitivity analysis of the discount rate on the estimated recoverable amount. An increase of 1% in the after-tax discount rate and a decrease of 1% in the terminal growth rate would not have resulted in an impairment being recognized.

The Corporation also assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. There were no indicators of impairment or impairment reversal identified as at December 31, 2023 and 2022.

11. REVOLVING CREDIT FACILITY

SECURE's credit facilities at December 31, 2023, consist of an $800 million revolving credit facility (the "Revolving Credit Facility") with nine financial institutions and matures in July 2025. In addition, SECURE maintains a $50 million unsecured letter of credit facility guaranteed by Export Development Canada.

The credit facility balances included on the statements of financial position at December 31, 2023, and December 31, 2022, were as follows:

	December 31, 2023	December 31, 2022
Amount drawn on Revolving Credit Facility	419	352
Unamortized financing costs	(4)	(6)
Total credit facility	**415**	**346**

	December 31, 2023	December 31, 2022
Maximum amount available	**850**	830
Less: Amount drawn on Revolving Credit Facility	**(419)**	(352)
Less: Letters of credit	**(87)**	(92)
Available amount [1]	**344**	**386**

[1] Subject to covenant restrictions discussed below.

As at December 31, 2023, the Corporation has liquidity of $356 million, consisting of $12 million in cash and $344 million in capacity on its credit facilities ($398 million as at December 31, 2022, consisting of $12 million in cash and $386 million in capacity on its credit facilities).

In February 2024, the Corporation fully repaid the outstanding balance on the credit facility with proceeds from the Sale Transaction.

Amounts borrowed under the Revolving Credit Facility bear interest at SECURE's option of either the Canadian prime rate or US Base Rate plus 0.625% to 2.50% or the bankers' acceptance rate or Secured Overnight Financing Rate ("SOFR") rate plus 1.625% to 3.50%, depending, in each case, on the ratio of Total Debt to EBITDA as defined in the Revolving Credit Facility.

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

- the Senior Debt to EBITDA ratio is not to exceed 2.75 to 1.0 at the end of each fiscal quarter;
- the Total Debt to EBITDA ratio is not to exceed 4.50 to 1.0 at the end of each fiscal quarter; and
- the Interest Coverage Ratio (defined as EBITDA to Interest charges) is not to be less than 2.50 to 1.0.

The Revolving Credit Facility also requires that the aggregate principal amount of all unsecured notes, senior secured notes, and the principal amount outstanding under the Revolving Credit Facility, will not exceed $1.5 billion.

Total Debt as defined by the Revolving Credit Facility includes the aggregate of all debt (including lease liabilities) minus the aggregate amount of readily available cash, cash equivalents and investment grade securities in excess of $5 million. Senior Debt is defined as Total Debt excluding the principal amount outstanding under the 2025 senior secured notes and the principal amount outstanding under any unsecured notes, including the 2026 unsecured notes (Note 12).

EBITDA is defined by the Revolving Credit Facility as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis. Interest charges are defined to include interest expense on Total Debt. At December 31, 2023, the Corporation was in compliance with all financial covenants contained in the Revolving Credit Facility.

The following table outlines the Corporation's covenant ratios as at December 31, 2023:

	December 31, 2023	Covenant
Senior Debt to EBITDA	**1.0**	not to exceed 2.75
Total Debt to EBITDA	**1.9**	not to exceed 4.5
Interest coverage	**6.2**	not to be less than 2.5

12. SECURED AND UNSECURED NOTES

As at December 31, 2023, SECURE's secured and unsecured notes consist of the following:

- US$153 million aggregate principal amount of 11.00% senior second lien secured notes due December 1, 2025 (the "2025 senior secured notes") which are subordinate to the Revolving Credit Facility and are secured by substantially all tangible and intangible assets owned by the Corporation; and
- $340 million aggregate principal amount of 7.25% unsecured notes due December 30, 2026 (the "2026 unsecured notes").

The interest payments on the 2025 senior secured notes and 2026 unsecured notes occur in June and December during the term of the debt.

During the year ended December 31, 2023, SECURE settled US$9 million aggregate principal amount of 2025 senior secured notes at an average price of $106.88 per $100.00 principal amount plus accrued and unpaid interest. The settlements were completed in May and June 2023.

The secured and unsecured notes balances included on the statements of financial position at December 31, 2023, and December 31, 2022, were as follows:

	Principal	Issuance	Maturity	December 31, 2023	December 31, 2022
2025 senior secured notes	US$153	Nov 2020	Dec 2025	203	219
Fair value premium on 2025 senior secured notes				11	18
2026 unsecured notes	$340	July 2021	Dec 2026	340	340
Premium on issuance of 2026 unsecured notes				1	1
Unamortized financing costs				(4)	(5)
Total unsecured and senior secured notes				**551**	**573**

As at December 31, 2023, the fair value of the 2025 senior secured and 2026 unsecured notes was $214 million and $346 million, respectively. The fair value of the 2025 senior secured and 2026 unsecured notes is based on third party observable quotes and may not reflect the actual amounts payable by SECURE.

On February 22, 2024, the Corporation used proceeds from the Sale Transaction and redeemed all of the outstanding 2025 senior secured notes at the redemption price of 105.5% of the principal amount of the notes, plus accrued and unpaid interest up to, but excluding, the redemption date.

13. ASSET RETIREMENT OBLIGATIONS

	December 31, 2023	December 31, 2022
Balance - beginning of year	115	190
Disposals	(1)	—
Changes in discount rate and estimates	37	(64)
Accretion	12	10
Asset retirement obligations incurred	(14)	(21)
Less: Assets Held for Sale (Note 4)	(38)	—
Balance - end of year	**111**	**115**
Current portion	15	20
Non-current portion	96	95

The Corporation's asset retirement obligations were estimated either by a third-party specialist or management based on the Corporation's estimated costs to abandon/decommission, remediate and reclaim the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation used a credit-adjusted risk-free discount rate ranging from 5.90% to 7.80% (December 31, 2022: 7.75% to 8.90%) with an implied inflation rate of 1.62% (December 31, 2022: 2.09%) to calculate the net present value of its asset retirement obligations at December 31, 2023.

The Corporation expects to incur the majority of the costs over the next 25 years. $15 million classified as a current liability at December 31, 2023 is expected to be incurred within the next 12 months.

The Corporation has issued $121 million (December 31, 2022: $121 million) of performance bonds and $53 million (December 31, 2022: $52 million) for letters of credit issued in relation to the Corporation's asset retirement obligations.

14. LEASES

	December 31, 2023	December 31, 2022
Balance - beginning of year	**112**	109
Additions	**62**	26
Interest expense	**6**	6
Principal and interest payments	**(43)**	(29)
Less: Assets held for sale (Note 4)	**(1)**	—
Balance - end of year	**136**	**112**
Current portion	**27**	28
Non-current portion	**109**	84

The Corporation incurs lease payments related to corporate and field offices, warehouses, rail cars, vehicles, equipment and surface leases. Leases are entered into and exist in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets.

15. 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.

Issued and outstanding

($ millions except for shares)	Number of Shares	Amount
Balance at December 31, 2021	**308,158,691**	**1,670**
RSUs and PSUs exercised	1,840,461	—
Transfer from reserves in equity	—	10
Shares cancelled under NCIB	(617,700)	(4)
Balance at December 31, 2022	**309,381,452**	**1,676**
RSUs and PSUs exercised	1,166,846	—
Transfer from reserves in equity	—	4
Shares cancelled under NCIB	(22,920,749)	(163)
Balance at December 31, 2023	**287,627,549**	**1,517**

The Corporation declared dividends to holders of common shares for the year ended December 31, 2023 of $117 million (year ended December 31, 2022: $38 million). On December 15, 2023, the Corporation declared a dividend in the amount of $0.10 per common share. At December 31, 2023, the dividend payable of $29 million was included within accounts payable and accrued liabilities. Subsequent to December 31, 2023, the Corporation paid out this dividend to holders of common shares on record on January 1, 2024.

On December 14, 2022, the Corporation commenced an NCIB, under which the Corporation was authorized to purchase and cancel up to a maximum of 22,055,749 common shares of the Corporation representing approximately 7.1% of the Corporation's outstanding shares as at December 7, 2022, or 10% of the Corporation's public float. At September 30, 2023, the Corporation had purchased and cancelled the maximum amount of common shares under the NCIB.

On December 14, 2023, the Corporation effectively renewed the previous NCIB, which was completed in September 2023 upon the Corporation acquiring the maximum number of common shares purchasable thereunder. Pursuant to the renewed NCIB, the Corporation is authorized to purchase and cancel up to a maximum of 23,196,967 common shares of the Corporation representing approximately 8% of the Corporation's outstanding shares as at December 8, 2023, or 10% of the Corporation's public float. The NCIB will terminate on December 13, 2024 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, 2023, the Corporation purchased 22,920,749 common shares at a weighted average price per share of $7.10 for a total of $163 million under the terms of the NCIB. In 2022, a total of 617,700 common shares at a cost of $4 million were cancelled and removed from share capital.

Subsequent to December 31, 2023, the Corporation repurchased 8,594,110 additional shares at a weighted average price per share of $10.14 for a total of $87 million.

16. SHARE-BASED COMPENSATION PLANS

Unit Incentive Plan

The Corporation has a unit incentive plan ("UIP") under which the Corporation may grant restricted share units ("RSUs") and performance share units ("PSUs") 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 or cash at the discretion of the Corporation, in the amount equal to the fair value of the RSU on that date. 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 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 on 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 or cash, at the discretion of the Corporation, 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.

DSU Plan

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 recognized in the consolidated statements of comprehensive income or loss 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 or loss for the period.

When the awards are surrendered for cash, the cash settlement is equal to the Corporation's five day weighted average share price on the date the holder specifies after resigning from the Board of Directors. 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 general and administrative expenses in the consolidated statements of comprehensive income or loss.

The aggregate number of common shares issuable pursuant to the exercise of RSUs and PSUs granted under the Plans shall not exceed five 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, 2023, a total of 14 million common shares were reserved for issuance under the Corporation's UIP.

The following table summarizes the units outstanding at December 31, 2023:

	RSUs	PSUs	DSUs
Balance at December 31, 2021	1,578,111	3,418,184	1,136,200
Granted	1,551,820	1,653,245	188,669
Reinvested dividends	9,758	20,428	4,378
Redeemed for common shares	(863,464)	(976,997)	—
Redeemed for cash	—	—	(629,143)
Forfeited	(143,284)	(263,760)	—
Balance at December 31, 2022	2,132,941	3,851,100	700,104
Granted	1,159,670	1,881,840	218,942
Reinvested dividends	133,465	216,571	37,007
Redeemed for common shares	(707,136)	(459,710)	—
Redeemed for cash	(164,323)	(1,556,225)	—
Forfeited	(167,563)	(49,863)	—
Balance at December 31, 2023	**2,387,054**	**3,883,713**	**956,053**

As at December 31, 2023, $9 million (2022: $5 million) was included in accounts payable and accrued liabilities for outstanding DSUs. Share-based compensation included in the statements of comprehensive income relating to DSUs was $4 million for the year ended December 31, 2023 (2022: $3 million).

Basic and diluted income per share

The Corporation calculates basic income per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted income 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 income per share is calculated by dividing net income 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 following reflects the share data used in the basic and diluted income per share computations:

	December 31, 2023	December 31, 2022
Weighted average number of shares - basic	**295,909,340**	309,637,322
Effect of dilution:		
RSUs and PSUs	**3,177,053**	3,529,715
Weighted average number of shares - diluted	**299,086,393**	313,167,037

The above calculation includes the effect of all RSUs and PSUs for year ended December 31, 2023 and 2022.

17. EXPENSES

The below table summarizes the disaggregation of expenses for the years ended December 31, 2023 and 2022:

Twelve months ended December 31, 2023	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	223	75	**298**
Share-based compensation	—	26	**26**
Depreciation	137	5	**142**
Depletion	27	—	**27**
Amortization	30	4	**34**
Oil purchase/resale services expense	6,597	—	**6,597**
Other (1)	718	35	**753**
Total	**7,732**	**145**	**7,877**

Twelve months ended December 31, 2022	Cost of Sales	General and Administrative Expense	Total
Employee compensation and benefits	175	74	**249**
Share-based compensation	2	17	**19**
Depreciation	112	13	**125**
Depletion	42	—	**42**
Amortization	11	—	**11**
Oil purchase/resale services expense	6,468	—	**6,468**
Other [(1)]	699	28	**727**
Total	**7,509**	**132**	**7,641**

(1) Other includes the remaining expenses not listed separately in the table above. The majority of these expenses are cost of products, repairs and maintenance, trucking and disposal and utilities, net of tariff fees associated with oil pipelines.

Transaction and related costs

For the year ended December 31, 2023, the Corporation incurred transaction related costs of $14 million (2022: $37 million), consisting of $9 million (2022: $14 million) related to legal and advisory fees for the competition review process, and $5 million (2022: $23 million) of integration costs primarily related to the implementation of a new enterprise resource planning system.

18. INTEREST, ACCRETION AND FINANCE COSTS

Interest, accretion and finance costs consists of the following for the years ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Interest on senior secured notes, unsecured notes and Revolving Credit Facility	**76**	78
Amortization of financing costs	**2**	3
Accretion of asset retirement obligations (Note 13)	**12**	10
Interest on obligations under leases (Note 14)	**6**	6
Interest, accretion and finance costs	**96**	**97**

19. OTHER EXPENSE (INCOME)

In the year ended December 31, 2023, the Corporation recognized gains aggregating to $9 million related to the sale of a water pumping business unit and a rail terminal. In addition, the Corporation realized a loss of $14 million related to the sale of the Projects business unit (Note 7). Other expense also includes unrealized foreign currency gains of $8 million related to U.S. dollar denominated debt.

In the year ended December 31, 2022, the Corporation realized a $15 million gain from the sale of land as well as a $14 million gain from the sale of an interest in a facility. In addition, all realized and unrealized foreign exchange gains and losses and all realized and unrealized gains or losses related to cross currency swaps to hedge foreign exchange exposure on U.S. dollar denominated debt are included in other expense (income).

20. INCOME TAXES

The income tax expense differs from that expected by applying the combined federal and provincial income tax rates of 24.0% (2022: 24.0%) to income before tax for the following reasons:

	December 31, 2023	December 31, 2022
Income before tax	257	252
Combined federal and provincial income tax rate	24.0%	24.0%
Expected combined federal and provincial income tax expense	62	60
Share-based compensation	3	2
Non-deductible expenses	1	4
Non-taxable gain on debt extinguishment	(1)	(4)
Change in unrecognized tax asset	—	3
Adjustments and assessments	(3)	3
Total income tax expense	**62**	**68**

The movement in the Corporation's deferred tax balances during the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Movement in deferred income tax balances during the year		
Net deferred tax assets at beginning of year	150	217
Recognized in profit or loss	(60)	(68)
Foreign exchange adjustments and other	(1)	1
Net deferred income tax assets	89	150

Included above in the deferred tax assets are $422 million (2022: $609 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. The gross non-capital losses in Canada are $380 million (2022: $560 million) and expire between 2031 and 2040. The gross non-capital losses in the U.S. are $42 million (2022: $49 million). $33 million will expire between 2033 and 2036 and $9 million have no expiry period. 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 Corporation has capital loss carryforwards in Canada and other deductible temporary differences for which it is unlikely that sufficient future taxable income will be available. Accordingly, the Corporation has not recognized a deferred tax asset for these items:

	December 31, 2023	December 31, 2022
Tax losses (capital)	11	18
Deductible temporary differences	6	3
Total	17	21

The significant components of the Corporation’s deferred income tax assets (liabilities) are comprised of the following:

	December 31, 2023	December 31, 2022
Deferred income tax balances:		
Non-capital loss carry forwards	**101**	147
Property, plant and equipment	**(79)**	(49)
Goodwill and intangible assets	**(18)**	(20)
Asset retirement obligations	**35**	27
Lease obligations and related assets	**33**	27
Other	**17**	18
Net deferred income tax assets	**89**	150

21. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments consist of cash, accounts receivables and accrued receivables, accounts payable and accrued liabilities, interest payable, Revolving Credit Facility, 2025 senior secured notes, 2026 unsecured notes, and lease liabilities.

The carrying value of cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, interest payable and lease 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 Revolving Credit Facility, senior secured and unsecured notes 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 or loss. The Revolving Credit Facility’s carrying value approximate its fair values due to the variable interest rates applied, which approximate market interest rates. The fair value of the 2025 senior secured notes and 2026 unsecured notes are influenced by changes in risk-free interest rates and the market assessment of the Company’s credit risk (Note 12).

The table below reconciles the movements of financial liabilities to cash flows arising from financing activities:

	Revolving Credit Facility	Senior Secured and Unsecured Notes
December 31, 2021	**452**	**755**
Changes from financing cash (outflows) inflows:		
Repayment of credit facilities	(108)	—
Redemption of 2025 senior secured notes	—	(183)
Liability related changes:		
Change in unamortized financing costs	1	1
Change in fair value premium	—	(9)
Premium included in redemption cash outflow	—	(17)
Realized foreign exchange effect included in redemption cash outflow	—	12
Foreign exchange effect	1	14
December 31, 2022	**346**	**573**
Changes from financing cash (outflows) inflows:		
Drawn on credit facilities	70	
Redemption of 2025 senior secured notes	—	(11)
Liability related changes:		
Change in unamortized financing costs	2	1
Change in fair value premium	—	(7)
Foreign exchange effect	(3)	(5)
December 31, 2023	**415**	**551**

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. These risk management derivatives are a component of the Corporation's overall risk management program and are captured under other assets or other liabilities on the statement of financial position.

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

	December 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Commodity contracts	**30**	**23**	1	1
Foreign currency forwards	**1**	**4**	—	—
	31	**27**	1	1

The derivative financial instruments noted above are measured using Level 2 inputs. There were no transfers between levels in the fair value hierarchy in either 2023 or 2022.

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

	Commodity Contracts	Foreign Currency Contracts	Interest Rate Swaps	Total
Fair value of contracts outstanding at December 31, 2021	(1)	(21)	(1)	(23)
Changes in fair value during the year	1	21	1	23
Fair value of contracts outstanding at December 31, 2022	—	—	—	—
Changes in fair value during the year	7	(3)	—	4
Fair value of contracts outstanding at December 31, 2023	**7**	**(3)**	**—**	**4**

The impact of the movement in fair value of foreign currency derivative financial instruments have been included in other expense and interest, accretion and finance costs, respectively.

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, oil related products, and ferrous and non-ferrous metals. Crude oil prices have historically fluctuated as the price is 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.

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 however actual volumes received may differ.

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.

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.

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 and debt instruments denominated in foreign currencies and on the translation of its foreign operations.

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

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 following table summarizes the impact to net income resulting from a 1% change in the Canadian dollar relative to the U.S. dollar.

	December 31, 2023	December 31, 2022
Favourable 1% change	5	2
Unfavourable 1% change	(5)	(2)

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 Revolving 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 if interest rates had been 1% higher and lower, with all other variables held constant.

	December 31, 2023	December 31, 2022
Favourable 1% change	3	3
Unfavourable 1% change	(3)	(3)

The interest rate on the 2025 senior secured notes and 2026 unsecured notes is fixed. As at December 31, 2023, 44% (2022: 39%) of the Corporation's debt was subject to variable interest rates.

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 (amounts below exclude accounts receivable for assets held for sale (Note 4)):

	December 31, 2023	December 31, 2022
Less than 30 days	**234**	210
31 to 60 days	**64**	63
61 to 90 days	**23**	24
Greater than 90 days	**19**	24
	340	321
Provision for expected credit losses	**7**	5

The balance of $234 million under 30 days includes $37 million of crude oil contracts settled as part of the trading activities for December 2023 (2022: $210 million under 30 days included $82 million of crude oil contracts). The entire amount of $37 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 64% are due from counterparties with an equivalent credit rating of B or higher.

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

	December 31, 2023	December 31, 2022
Balance - beginning of year	**5**	4
Additional provision for expected credit losses	**5**	2
Bad debts recognized	**(3)**	(1)
Balance - end of year	**7**	5

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, 2023, $19 million (2022: $24 million) of accounts receivable are past due and a provision for expected credit losses of $7 million (2022: $5 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, 2023, the Corporation has liquidity of $356 million, consisting of $12 million in cash and $344 million in capacity on its credit facilities ($398 million as at December 31, 2022, consisting of $12 million in cash and $386 million in capacity on its credit facilities).

Subsequent to December 31, 2023, the Corporation received proceeds from the Sale Transaction of $1.150 billion (Note 4), providing the Corporation with capital allocation flexibility and immediate liquidity.

On February 5, 2024, the Corporation fully repaid the outstanding balance on the Revolving Credit Facility with proceeds from the Sale Transaction. On February 22, 2024, the Corporation used proceeds from the Sale Transaction and redeemed all of the outstanding 2025 senior secured notes at the redemption price of 105.5% of the principal amount of the 2025 senior secured notes plus accrued interest. After repayment of Revolving Credit Facility and settlement of the notes, the Corporation has substantial cash on hand.

The timing of undiscounted cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below. Apart from lease liabilities, the 2025 senior secured notes and the 2026 unsecured notes, the undiscounted cash outflows are equal to the carrying value:

	Due within 1 year	Between 1-5 years	Greater than 5 years
Accounts payable and accrued liabilities	374	—	—
Derivative liability	—	—	8
Lease liabilities	31	75	38
Revolving Credit Facility (1)	28	462	—
2025 senior secured notes	22	223	—
2026 unsecured notes	25	389	—
	480	**1,149**	**46**

(1) Interest on Revolving Credit Facility is estimated using SECURE's average bankers acceptance rate for 2023.

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.

22. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

	December 31, 2023	December 31, 2022
Working capital (1)	**150**	170
Total debt	**962**	911
Shareholders' equity	**1,186**	1,266
	2,298	**2,347**

(1) Calculated as the difference between current assets (excluding assets held for sale) less accounts payable and accrued liabilities and interest payable.

Principal debt consists of the following:

	December 31, 2023	December 31, 2022
Amount drawn on credit facilities (Note 11)	**419**	352
2025 senior secured notes (principal) (Note 12)	**203**	219
2026 unsecured notes (principal) (Note 12)	**340**	340
	962	**911**

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 activity, payment of dividends, share buybacks and stable cash flow so as to sustain the business for the long-term. Management considers the Corporation's working capital, total amounts drawn on debt facilities and shareholders' equity as the components of capital to be managed.

The Corporation's overall capital management strategy remains unchanged from prior periods. Management controls its capital structure through detailed financial and operating budgets and forecasts, as well as established policies and processes over monitoring planned capital and operating expenditures. The forecasts are regularly updated based on various factors that could influence activity levels and cash flows, including, among other things, changes in commodity prices, and drilling, completion and production expectations. Factors including volatility in commodity prices and higher uncertainty with respect to price forecasts, the forecast results, including cash flows, working capital and debt levels, are subject to material changes.

Management will closely monitor changes in the external environment and will continue to adjust the Corporation's operating strategy in a timely manner, maintaining stringent cost controls and reduction initiatives in order to strengthen cash flow and continue the Corporation's stable operation.

23. 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 (Note 16).

The compensation related to key management personnel is as follows:

	December 31, 2023	December 31, 2022
Salaries and short-term employee benefits	15	13
Share-based compensation	13	8
	28	**21**

24. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

	1 year or less	1-5 years	5 years and thereafter	Total
Crude oil transportation	68	241	66	**375**
Crude oil storage	10	52	10	**72**
Capital commitments	9	—	—	**9**
Total contractual obligations	**87**	**293**	**76**	**456**

Crude oil transportation commitments

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

Crude oil storage commitment

SECURE has an arrangement for crude oil storage capacity at a major oil hub in western Canada. This amount is payable regardless of utilization.

Capital commitments

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

Contingencies

During the normal course of business, SECURE is involved in various legal proceedings. The claims are reviewed individually and are reflected in the Corporation's consolidated financial statements if material and more likely than not to be incurred. With unresolved claims currently outstanding, the legal process of these claims has not advanced sufficiently to the point where it is practicable to assess the timing and financial effect of these claims, if any. SECURE does not anticipate that the financial position, results of operations or operations of the Corporation will be materially affected by the resolution of these legal proceedings, except as noted in Note 4.

25. SEGMENT REPORTING

In the first quarter of 2023, the Corporation realigned its reporting structure to reflect further changes in the aggregation of operating segments following the completion of the Tervita post-merger integration in 2022. The results of the Corporation are now being reported in the following three operating segments:

1. Environmental Waste Management ("EWM") includes a network of waste processing facilities, produced water pipelines, industrial landfills, waste transfer and metal recycling facilities. Through this infrastructure network, the Corporation carries out business operations including the processing, recovery, recycling and disposal of waste streams generated by our energy and industrial customers. Services include produced and waste water disposal, hazardous and non-hazardous waste processing and transfer, treatment of crude oil and metal recycling.
2. Energy Infrastructure includes a network of crude oil gathering pipelines, terminals and storage facilities. Through this infrastructure network, the Corporation engages in the transportation, optimization, terminalling and storage of crude oil.
3. Oilfield Services includes drilling fluid management, and project management services. Drilling fluid management include products, equipment and services to enhance drilling performance. Project management services provide equipment contracting services supporting the energy, mining, forestry, rail, pipeline, government and civil industries across Canada.

These reportable segments of the Corporation have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Corporation's chief operating decision makers, identified as the Chief Executive Officer and the President, to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Corporation has aggregated certain operating segments into the above noted reportable segments through examination of the Corporation's performance which is based on the similarity of services and goods provided and economic characteristics exhibited by the operating segments.

The audited consolidated financial statements for the year ended December 31, 2022 results were reported under three reportable segments, Midstream Infrastructure, Environmental and Fluid Management, and Corporate. Changes between the three reportable segments reported at December 31, 2022 and the four reportable segments reported as at and for the years ended December 31, 2023 are as follows:

- EWM includes business units that were previously included in the Midstream Infrastructure segment (all except for Energy Infrastructure) as well as business units which were previously in the Environmental and Fluid Management segment including: landfills, waste transfer and metal recycling facilities.
- Energy Infrastructure was previously included in the Midstream Infrastructure segment.
- Oilfield Services includes drilling fluid management, and project management services which were previously included in the Environmental and Fluid Management segment.
- The Corporation reports activities not directly attributable to an operating segment under Corporate. Corporate division expenses consist of public company costs, share-based compensation, interest and finance costs, and personnel, office and other administrative costs relating to corporate employees and officers. There has been no change to what is included within the Corporate segment.

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

The following tables present the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management.

The Project business unit, within the Oilfield Services segment, was divested effective December 15, 2023. Information about this divestiture is provided in Note 7.

Year ended December 31, 2023	**EWM**	**Energy Infrastructure**	**Oilfield Services**	**Corporate**	**Total**
Revenue excluding oil purchase and resale	1,047	201	399	—	1,647
Oil purchase and resale	—	6,597	—	—	6,597
Total revenue	**1,047**	**6,798**	**399**	**—**	**8,244**
Cost of sales excluding items listed separately below	(585)	(6,629)	(324)	—	(7,538)
Segment profit margin	**462**	**169**	**75**	**—**	**706**
G&A expenses excluding items listed separately below	(24)	(10)	(24)	(52)	(110)
Depreciation, depletion and amortization [(1)]	(159)	(22)	(20)	(2)	(203)
Share-based compensation [(1)]	—	—	—	(26)	(26)
Interest, accretion and finance costs	(13)	(2)	(2)	(79)	(96)
Transaction and related costs	—	—	—	(14)	(14)
Other (expense) income	(2)	4	(7)	5	—
Income (loss) before tax	**264**	**139**	**22**	**(168)**	**257**

Year ended December 31, 2022	**EWM**	**Energy Infrastructure**	**Oilfield Services**	**Corporate**	**Total**
Revenue excluding oil purchase and resale	953	186	395	—	1,534
Oil purchase and resale	—	6,468	—	—	6,468
Total revenue	**953**	**6,654**	**395**	**—**	**8,002**
Cost of sales excluding items listed separately below	(542)	(6,487)	(313)	—	(7,342)
Segment profit margin	**411**	**167**	**82**	**—**	**660**
G&A expenses excluding items listed separately below	(30)	(10)	(20)	(42)	(102)
Depreciation, depletion and amortization [(1)]	(133)	(20)	(19)	(6)	(178)
Share-based compensation [(1)]	—	—	—	(19)	(19)
Interest, accretion and finance costs	(10)	(1)	(2)	(84)	(97)
Transaction and related costs	—	—	—	(37)	(37)
Other income	13	—	4	8	25
Income (loss) before tax	**251**	**136**	**45**	**(180)**	**252**

[(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 based on function of the underlying asset or individual to which the charge relates.

Assets and Liabilities

As at December 31, 2023	**EWM**	**Energy Infrastructure**	**Oilfield Services**	**Corporate**	**Total**
Current assets	237	128	144	18	**527**
Assets held for sale (Note 4)	588	75	—	—	**663**
Property, plant and equipment	821	287	51	11	**1,170**
Right-of-use assets	53	24	19	5	**101**
Intangible assets	62	6	—	—	**68**
Goodwill	142	57	—	—	**199**
Total assets	1,903	593	214	134	**2,844**
Current liabilities	160	126	59	77	**422**
Liabilities directly associated with assets held for sale (Note 4)	50	—	—	—	**50**
Total liabilities	341	170	71	1,076	**1,658**

As at December 31, 2022	EWM	Energy Infrastructure	Oilfield Services	Corporate	Total
Current assets	244	144	172	16	**576**
Property, plant and equipment	1,148	275	79	11	**1,513**
Right-of-use assets	37	1	24	9	**71**
Intangible assets	148	15	—	—	**163**
Goodwill	273	61	17	—	**351**
Total assets	1,847	496	295	202	**2,840**
Current liabilities	265	116	66	12	**459**
Total liabilities	385	125	84	980	**1,574**

Geographical Financial Information

	Canada		U.S.		Total	
Year ended December 31,	**2023**	2022	**2023**	2022	**2023**	2022
Revenue	**8,170**	7,947	**74**	55	**8,244**	8,002
As at December 31,	**2023**	2022	**2023**	2022	**2023**	2022
Total non-current assets	**1,567**	2,166	**87**	98	**1,654**	2,264

CORPORATE INFORMATION

DIRECTORS

Rene Amirault
Mark Bly [(3) (4)]
Mick Dilger - Chairman
Wendy Hanrahan [(1) (2)]
Joseph Lenz [(1) (3)]
Brad Munro [(2) (3)]
Susan Riddell Rose [(2) (4)]
Deanna Zumwalt [(1) (4)]

[1] Audit Committee
[2] Human Resources and Compensation Committee
[3] Corporate Governance & Nominating Committee
[4] Environment, Social & Governance Committee

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
Canadian Imperial Bank of Commerce
Bank of Montreal
TD Canada Trust

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company
Calgary, Alberta

OFFICERS

Rene Amirault
Chief Executive Officer

Allen Gransch
President

Chad Magus
Chief Financial Officer

Corey Higham
Chief Operating Officer

Michael Callihoo
General Counsel and Corporate Secretary

James Anderson
Senior Vice President, Specialty Chemicals

Rhonda Rudnitski
Vice President, Environment, Social & Governance