

Condensed Consolidated Financial Statements (unaudited)

**For the three and six months ended June 30, 2016 and 2015**

*(Expressed in Canadian Dollars)*

**SECURE ENERGY SERVICES INC.**  
**Condensed Consolidated Statements of Financial Position**

(\$000's) (unaudited)	Notes	As at	
		June 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash		6,010	4,863
Accounts receivable and accrued receivables		129,427	125,358
Current tax assets		28,320	15,416
Prepaid expenses and deposits		8,137	8,427
Inventories		68,568	58,848
		<b>240,462</b>	<b>212,912</b>
Property, plant and equipment	4	1,013,719	1,007,626
Intangible assets		76,429	70,323
Goodwill		31,114	11,127
Deferred tax assets		12,440	13,432
<b>Total Assets</b>		<b>1,374,164</b>	<b>1,315,420</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		120,430	86,785
Asset retirement obligations		665	1,476
Finance lease liabilities		6,850	8,873
		<b>127,945</b>	<b>97,134</b>
Long-term borrowings	5	174,862	260,683
Asset retirement obligations		85,848	84,511
Finance lease liabilities		5,806	7,041
Onerous lease liabilities		2,910	3,644
Deferred tax liabilities		42,898	37,895
<b>Total Liabilities</b>		<b>440,269</b>	<b>490,908</b>
<b>Shareholders' Equity</b>			
Issued capital	6	1,016,876	851,490
Share-based compensation reserve		40,575	37,194
Foreign currency translation reserve		25,543	36,403
Deficit		(149,099)	(100,575)
<b>Total Shareholders' Equity</b>		<b>933,895</b>	<b>824,512</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,374,164</b>	<b>1,315,420</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Comprehensive Loss**

(\$000's except per share and share data) (unaudited)	Note	For the three months ended June 30,		For the six months ended June 30,	
		2016	2015	2016	2015
<b>Revenue</b>		268,608	356,569	477,740	723,116
<b>Operating expenses:</b>					
Direct expenses		247,963	322,486	421,145	632,200
Depreciation, depletion and amortization		24,085	24,209	50,144	51,106
		272,048	346,695	471,289	683,306
General and administrative expenses		11,096	15,029	22,326	33,065
Share-based compensation		5,959	6,010	10,853	12,128
Business development expenses		1,303	2,271	2,951	6,544
		18,358	23,310	36,130	51,737
<b>Operating loss</b>		(21,798)	(13,436)	(29,679)	(11,927)
Interest, accretion and finance costs		2,578	3,016	6,428	6,969
<b>Loss before tax</b>		(24,376)	(16,452)	(36,107)	(18,896)
Current tax recovery		(8,555)	(5,351)	(11,245)	(5,802)
Deferred tax expense		4,860	5,679	5,885	6,909
		(3,695)	328	(5,360)	1,107
<b>Net loss</b>		(20,681)	(16,780)	(30,747)	(20,003)
Other comprehensive (loss) income					
Foreign currency translation adjustment		(977)	(2,160)	(10,860)	11,309
<b>Total comprehensive loss</b>		(21,658)	(18,940)	(41,607)	(8,694)
Basic and diluted loss per common share	6	(0.13)	(0.12)	(0.21)	(0.15)
Weighted average shares outstanding - basic and diluted	6	158,437,296	136,186,284	149,226,219	129,475,350

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

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

<i>(\$000's) (unaudited)</i>	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	(Deficit) retained earnings	Total Shareholders' Equity
<b>Balance at January 1, 2016</b>		<b>851,490</b>	<b>37,194</b>	<b>36,403</b>	<b>(100,575)</b>	<b>824,512</b>
Net loss		-	-	-	(30,747)	(30,747)
Dividends declared	6	-	-	-	(17,777)	(17,777)
Shares issued through dividend reinvestment plan ("DRIP")	6	5,755	-	-	-	5,755
Foreign currency translation adjustment		-	-	(10,860)	-	(10,860)
Issue of share capital for business acquisition	6	5,932	-	-	-	5,932
Bought deal equity financing	6	149,558	-	-	-	149,558
Exercise of options and Restricted Share Units ("RSUs")	6	8,971	(6,622)	-	-	2,349
Share issue costs, net of tax	6	(4,830)	-	-	-	(4,830)
Share-based compensation		-	10,003	-	-	10,003
<b>Balance at June 30, 2016</b>		<b>1,016,876</b>	<b>40,575</b>	<b>25,543</b>	<b>(149,099)</b>	<b>933,895</b>
<b>Balance at January 1, 2015</b>		<b>631,229</b>	<b>25,227</b>	<b>14,629</b>	<b>91,210</b>	<b>762,295</b>
Net loss		-	-	-	(20,003)	(20,003)
Dividends declared		-	-	-	(15,454)	(15,454)
Shares issued through DRIP		2,641	-	-	-	2,641
Foreign currency translation adjustment		-	-	11,309	-	11,309
Bought deal equity financing		198,000	-	-	-	198,000
Exercise of options and RSUs		12,590	(5,846)	-	-	6,744
Share issue costs, net of tax		(6,482)	-	-	-	(6,482)
Share-based compensation		-	12,452	-	-	12,452
<b>Balance at June 30, 2015</b>		<b>837,978</b>	<b>31,833</b>	<b>25,938</b>	<b>55,753</b>	<b>951,502</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Cash Flows**

(\$000's) (unaudited)	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2016	2015	2016	2015
<b>Cash flows from (used in) operating activities</b>					
Net loss		(20,681)	(16,780)	(30,747)	(20,003)
Adjustments for non-cash items:					
Depreciation, depletion and amortization		24,085	24,209	50,144	51,106
Interest, accretion and finance costs		2,578	2,716	6,428	6,669
Current and deferred tax (recovery) expense		(3,695)	328	(5,360)	1,107
Other non-cash (income) expense		(702)	539	(1,215)	2,240
Share-based compensation		5,959	6,010	10,853	12,128
<b>Funds from operations</b>		<b>7,544</b>	<b>17,022</b>	<b>30,103</b>	<b>53,247</b>
Change in non-cash working capital		19,808	37,013	39,902	46,630
Asset retirement obligations incurred		(270)	(42)	(318)	(114)
<b>Cash generated from operations</b>		<b>27,082</b>	<b>53,993</b>	<b>69,687</b>	<b>99,763</b>
Interest paid		(1,550)	(1,759)	(3,625)	(5,318)
Income taxes paid		-	(910)	(1,784)	(9,780)
<b>Net cash flows from operating activities</b>		<b>25,532</b>	<b>51,324</b>	<b>64,278</b>	<b>84,665</b>
<b>Cash flows used in investing activities</b>					
Purchase of property, plant and equipment		(12,863)	(18,654)	(34,352)	(60,738)
Business acquisition	3	(61,493)	-	(61,493)	-
Change in non-cash working capital		(1,450)	(12,693)	(8,065)	(37,444)
<b>Net cash flows used in investing activities</b>		<b>(75,806)</b>	<b>(31,347)</b>	<b>(103,910)</b>	<b>(98,182)</b>
<b>Cash flows from (used in) financing activities</b>					
Shares issued, net of share issue costs	6	1,562	2,316	145,301	196,091
Draw (repayment) on credit facility		57,000	(11,562)	(86,000)	(162,562)
Capital lease obligation		(3,018)	(3,307)	(6,537)	(6,896)
Dividends paid	6	(6,292)	(6,477)	(12,022)	(12,813)
<b>Net cash flows from (used in) financing activities</b>		<b>49,252</b>	<b>(19,030)</b>	<b>40,742</b>	<b>13,820</b>
<b>Effect of foreign exchange on cash</b>		<b>(259)</b>	<b>(137)</b>	<b>37</b>	<b>101</b>
(Decrease) increase in cash		(1,281)	810	1,147	404
Cash, beginning of period		7,291	4,476	4,863	4,882
<b>Cash, end of period</b>		<b>6,010</b>	<b>5,286</b>	<b>6,010</b>	<b>5,286</b>

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

## **SECURE ENERGY SERVICES INC.**

### **Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2016 and 2015**

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#### **1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

##### **Nature of Business**

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

The processing, recovery and disposal services division ("PRD") owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. More specifically these services are clean oil terminalling and rail transloading, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. The drilling and production services division ("DPS") provides equipment and product solutions for drilling, completion and production operations for oil and gas producers in Western Canada. The OnSite division ("OS") includes Environmental Services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, Naturally Occurring Radioactive Material ("NORM") management, and waste container services; Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions; and Projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning, and reclamation and remediation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. This limits the movement of the heavy equipment required for drilling and well servicing activities, and the level of activity of the Corporation's customers may, consequently, be reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2016 and 2015**

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**1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)****Basis of Presentation**

The condensed consolidated financial statements of Secure have been prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") in effect at the closing date of June 30, 2016. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated financial statements are recorded and presented in Canadian dollars (\$), which is Secure's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value. All values are rounded to the nearest thousand dollars (\$000's), except where otherwise indicated. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

These condensed consolidated financial statements were approved by Secure's Board of Directors on July 27, 2016.

**2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS****Significant Accounting Policies**

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2015. Unless otherwise stated, these policies have been consistently applied to all periods presented.

**Significant Estimates and Judgments**

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

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include those related to the determination of cash generating units, depreciation, depletion and amortization, recoverability of assets, asset retirement obligations and accretion, other provisions and contingent liabilities, inventories, share-based compensation, deferred income taxes, provision for doubtful accounts, purchase price equations, and net investments in foreign subsidiaries. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2016 and 2015****2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS (continued)****Change in Accounting Estimate**

Effective January 1, 2016, Secure reassessed the useful lives of certain intangible assets based on the current economic and operating climate and taking into consideration the operating history of the assets. As a result of this change, there was an increase in amortization expense for the three and six months ending June 30, 2016 of \$0.9 million and \$1.8 million, respectively, and Secure anticipates an increase of \$3.8 million for each of the following five years, notwithstanding additions during any given year. The estimated useful lives of the intangible assets are as follows:

Non-competition agreements	3 to 5 years
Customer relationships	5 to 10 years
Licenses and patents	10 to 13 years

**3. BUSINESS ACQUISITION**

On June 1, 2016, the Corporation acquired all of the operating assets (excluding working capital) and inventory of PetroLama Energy Canada Inc. ("PetroLama"), for aggregate consideration of \$67.4 million, comprised of \$61.5 million in cash and the balance of \$5.9 million through the issuance of common shares of the Corporation.

PetroLama is a privately owned Calgary based midstream company specializing in the physical trade, storage, terminalling and transport of crude oil from Western Canada to the North American market. PetroLama's main asset is a crude oil terminal in Alida, Saskatchewan which is connected to the Enbridge Pipelines (Saskatchewan) Inc. pipeline system and includes truck unload risers and storage tanks. Secure also acquired various marketing contracts relating to the purchase, sale and transportation of propane, butane and condensate, including access to crude oil storage at Cushing, Oklahoma. With the acquisition of PetroLama's assets, Secure has expanded its market presence and enhances its current service offering for continued midstream growth.

The following summarizes the allocation of the consideration for the acquisition:

	<b>Amount</b>
<b>Balance, June 1, 2016</b>	<b>(\$000's)</b>
Cash paid	61,493
Shares issued	5,932
	<b>67,425</b>
<b>Balance, June 1, 2016</b>	<b>Amount</b>
	<b>(\$000's)</b>
Inventory	14,020
Prepaid expenses and deposits	273
Property, plant and equipment	18,431
Intangible assets	16,022
Goodwill	19,987
Asset retirement obligations	(226)
Deferred tax liabilities	(1,082)
	<b>67,425</b>



**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2016 and 2015**

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**3. BUSINESS ACQUISITION (continued)**

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the synergies existing with the acquired business and also the synergies expected to be achieved as a result of combining the acquisition with the rest of the Corporation.

The Corporation incurred costs related to the acquisitions of \$0.2 million relating to due diligence and external legal fees. These costs have been included in business development expenses on the consolidated statement of comprehensive loss.

The Corporation has entered into various futures, swaps and options to manage commodity price risk associated with sales, purchases and inventories of crude oil and natural gas liquids associated with the acquired PetroLama assets. These derivative instruments are not used for speculative purposes.

The contracts are fair valued at period end with the resulting asset or liability being recorded on the consolidated statement of financial position. Changes in fair value are immediately recorded as part of direct expenses on the consolidated statement of comprehensive loss. At June 30, 2016, the fair value of these contracts are insignificant.

**4. PROPERTY, PLANT AND EQUIPMENT**

During the three and six months ended June 30, 2016, \$1.8 million and \$3.7 million (\$3.6 million and \$5.0 million for the three and six months ended June 30, 2015) of directly attributable capitalized salaries and overhead were added to property, plant and equipment. The amount of borrowing costs capitalized to property, plant and equipment for the three and six months ended June 30, 2016 was \$nil and \$0.1 million, respectively (\$0.2 million and \$0.4 million for the three and six months ended June 30, 2015).

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2016 and 2015**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

(\$000's)	Assets Under Construction	Land and Buildings	Plant Equipment, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
<b>Cost:</b>						
<b>December 31, 2015</b>	60,257	103,884	974,061	131,338	32,591	<b>1,302,131</b>
Additions <sup>(1)</sup>	9,616	1,178	43,102	3,889	1,190	<b>58,975</b>
Change in asset retirement cost	-	-	1,456	-	-	<b>1,456</b>
Disposals	-	-	(2,252)	(4,966)	(55)	<b>(7,273)</b>
Foreign exchange effect	(304)	(1,429)	(10,184)	(1,226)	(84)	<b>(13,227)</b>
<b>June 30, 2016</b>	<b>69,569</b>	<b>103,633</b>	<b>1,006,183</b>	<b>129,035</b>	<b>33,642</b>	<b>1,342,062</b>
<b>Accumulated depreciation and depletion:</b>						
<b>December 31, 2015</b>	-	(20,301)	(223,003)	(37,550)	(13,651)	<b>(294,505)</b>
Depreciation and depletion	-	(1,683)	(27,704)	(7,773)	(2,628)	<b>(39,788)</b>
Disposals	-	-	580	3,041	-	<b>3,621</b>
Foreign exchange effect	-	150	1,674	466	39	<b>2,329</b>
<b>June 30, 2016</b>	<b>-</b>	<b>(21,834)</b>	<b>(248,453)</b>	<b>(41,816)</b>	<b>(16,240)</b>	<b>(328,343)</b>
<b>Net book value:</b>						
<b>June 30, 2016</b>	<b>69,569</b>	<b>81,799</b>	<b>757,730</b>	<b>87,219</b>	<b>17,402</b>	<b>1,013,719</b>
<b>December 31, 2015</b>	<b>60,257</b>	<b>83,583</b>	<b>751,058</b>	<b>93,788</b>	<b>18,940</b>	<b>1,007,626</b>

<sup>(1)</sup> Costs related to assets under construction are transferred to property, plant and equipment and classified by nature of the asset when available for use in the manner intended by management.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2016 and 2015****5. LONG-TERM BORROWINGS**

(\$000's)	June 30, 2016	Dec 31, 2015
Amount drawn on credit facility	176,000	262,000
Unamortized transaction costs	(1,138)	(1,317)
<b>Total long-term borrowings</b>	<b>174,862</b>	<b>260,683</b>

The Corporation has a \$700.0 million syndicated credit facility (the "Credit Facility"). The Credit Facility consists of a \$675.0 million extendible revolving term credit facility and a \$25.0 million revolving operating facility. The Credit Facility includes an accordion feature which, if exercised and approved by the Corporation's lenders, would increase the Credit Facility by \$100.0 million.

At June 30, 2016 and December 31, 2015, the Corporation was in compliance with all financial covenants contained in the lending agreement.

The amount available under the Credit Facility is reduced by any outstanding letters of credit which at June 30, 2016, amounted to \$34.2 million (December 31, 2015: \$16.4 million).

(\$000's)	June 30, 2016	Dec 31, 2015
Credit facility	700,000	700,000
Amount drawn on credit facility	(176,000)	(262,000)
Letters of credit	(34,162)	(16,371)
<b>Available amount</b>	<b>489,838</b>	<b>421,629</b>

**6. SHAREHOLDERS' EQUITY**

	Number of Shares	Amount (\$000's)
<b>Balance at December 31, 2015</b>	137,708,127	851,490
Options exercised	274,359	2,349
RSUs and CSUs exercised	368,092	-
Transfer from reserves in equity	-	6,622
Bought deal equity financing	19,550,000	149,558
Shares issued through DRIP	755,742	5,755
Shares issued as consideration for business acquisition	664,972	5,932
Share issue costs, net of tax	-	(4,830)
<b>Balance at June 30, 2016</b>	<b>159,321,292</b>	<b>1,016,876</b>

As at June 30, 2016, there were 4,128,173 common shares of the Corporation held in escrow in conjunction with the Corporation's business acquisitions (December 31, 2015: 5,959,456).

On March 22, 2016, the Corporation closed a bought deal financing (the "Offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 19,550,000 common shares (including over-allotment) of the Corporation at a price of \$7.65 per common share for gross proceeds of \$149.6 million. In connection with the Offering, the Corporation incurred approximately \$6.6 million in transaction costs which included \$6.0 million in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital.

## SECURE ENERGY SERVICES INC.

### Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2016 and 2015

#### 6. SHAREHOLDERS' EQUITY (continued)

The Corporation declared dividends to holders of common shares for the six months ended June 30, 2016, as follows:

	Dividend record date	Dividend payment date	Per common share (\$)	Amount (\$000's)
January	Jan 1, 2016	Jan 15, 2016	0.02	2,754
February	Feb 1, 2016	Feb 15, 2016	0.02	2,760
March	Mar 1, 2016	Mar 15, 2016	0.02	2,763
April	April 1, 2016	April 15, 2016	0.02	3,159
May	May 1, 2016	May 16, 2016	0.02	3,162
June	June 1, 2016	June 15, 2016	0.02	3,179
<b>Total declared during the period</b>				<b>17,777</b>

Subsequent to June 30, 2016, the Corporation declared dividends to holders of common shares in the amount of \$0.02 per common share payable on July 15 and August 15 for shareholders of record on July 1 and August 1, 2016.

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

	For the three months ended		For the six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Weighted average number of shares for basic loss per share	158,437,296	136,186,284	149,226,219	129,475,350
Effect of dilution:				
Options, RSUs, PSUs and CSUs	-	-	-	-
<b>Weighted average number of shares for diluted loss per share</b>	<b>158,437,296</b>	<b>136,186,284</b>	<b>149,226,219</b>	<b>129,475,350</b>

The above table excludes all options, restricted share units ("RSUs"), performance share units ("PSUs") and Compensation Share Units ("CSUs") for the three and six months ended June 30, 2016 and 2015 as they are considered to be anti-dilutive.

#### 7. SHARE-BASED COMPENSATION PLANS

The Corporation has share-based compensation plans (the "Plans") under which the Corporation may grant share options, RSUs and PSUs to its employees and consultants. In addition the Corporation has a deferred share unit "DSU" plan for non-employee directors of the Corporation. The terms of the RSU and PSU Plans were amended following shareholder approval in the second quarter of 2016 to redesignate them as the "Unit Incentive Plan", add the ability of the Board to issue CSUs, remove the ability of the Corporation to pay out PSUs and RSUs with cash, and modify the determination of the fair market value of the Corporation's common shares in certain circumstances. The ability to grant CSUs provides the Corporation with an equity compensation mechanism to increase the pay at risk and ownership for all employees. The Corporation intends to allow employees to elect, on an annual basis, to reduce the cash compensation paid to them in exchange for a grant of CSUs. CSUs granted will vest in January of the following calendar year. Secure will contribute an additional 20% to 35% of the CSU award in recognition of the delay in payment, the time value of money of the delayed compensation and the benefit to the Corporation of increased employee ownership. The Corporation follows the fair value method to record share-based compensation expense with respect to the CSUs granted. The fair value of each CSU granted is estimated on the date of grant and is expensed over the vesting term. There is a 0% forfeiture rate assumed for CSUs as a pro-rata share of the awards will vest immediately if the holder ceases to be an employee of the Corporation.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2016 and 2015****7. SHARE-BASED COMPENSATION PLANS (continued)**

Other than as noted above, the terms of the Plans and aggregate number of common shares issuable remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2015.

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

	June 30, 2016		Dec 31, 2015	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	8,608,870	12.88	7,665,806	12.45
Granted	-	-	3,558,968	11.59
Exercised	(274,359)	8.56	(1,502,471)	6.08
Expired	(172,629)	8.92	-	-
Forfeited	(540,273)	14.53	(1,113,433)	15.13
<b>Balance - end of period</b>	<b>7,621,609</b>	<b>13.01</b>	<b>8,608,870</b>	<b>12.88</b>
<b>Exercisable - end of period</b>	<b>4,230,902</b>	<b>13.64</b>	<b>3,516,903</b>	<b>12.06</b>

**Unit Incentive and DSU Plans**

The following table summarizes the units outstanding:

For the six months ended June 30, 2016:	RSUs	PSUs	CSUs	DSUs
Balance - beginning of period	1,348,879	154,708	-	113,010
Granted	1,533,272	600,350	530,176	58,070
Reinvested dividends	34,509	10,136	1,052	2,240
Redeemed for common shares	(368,036)	-	(56)	-
Forfeited	(263,248)	-	(292)	-
<b>Balance - end of period</b>	<b>2,285,376</b>	<b>765,194</b>	<b>530,880</b>	<b>173,320</b>

As at June 30, 2016, \$1.5 million (December 31, 2015: \$0.7 million) was included in accounts payable and accrued liabilities for outstanding DSUs. Share-based compensation included in the consolidated statements of comprehensive loss related to the DSUs was an expense of \$0.1 million and \$0.8 million for the three and six months ended June 30, 2016, respectively (recovery of \$0.3 million for the three and six months ended June 30, 2015).

**8. COMMITMENTS AND CONTINGENCIES****As at June 30, 2016**

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Finance leases	7,026	5,937	-	12,963
Operating leases	12,898	39,095	6,936	58,929
Crude oil transportation	25,290	130,381	152,453	308,124
Inventory purchases	29,680	29,278	-	58,958
Capital commitments	2,455	-	-	2,455
<b>Total commitments</b>	<b>77,349</b>	<b>204,691</b>	<b>159,389</b>	<b>441,429</b>

**SECURE ENERGY SERVICES INC.**
**Notes to the Condensed Consolidated Financial Statements (unaudited)**
**For the three and six months ended June 30, 2016 and 2015**
**9. OPERATING SEGMENTS**

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

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

**(\$000's)**

<b>Three months ended June 30, 2016</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Revenue	239,910	11,235	17,463	-	268,608
Direct expenses	(222,130)	(12,396)	(13,437)	-	(247,963)
<b>Operating margin</b>	<b>17,780</b>	<b>(1,161)</b>	<b>4,026</b>	<b>-</b>	<b>20,645</b>
General and administrative expenses	(2,750)	(2,380)	(1,583)	(4,383)	(11,096)
Share-based compensation	-	-	-	(5,959)	(5,959)
Business development expenses	-	-	-	(1,303)	(1,303)
Depreciation, depletion and amortization	(14,931)	(5,542)	(3,315)	(297)	(24,085)
Interest, accretion and finance costs	(359)	-	-	(2,219)	(2,578)
<b>Earnings (loss) before tax</b>	<b>(260)</b>	<b>(9,083)</b>	<b>(872)</b>	<b>(14,161)</b>	<b>(24,376)</b>
<b>Six months ended June 30, 2016</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Revenue	395,481	46,442	35,817	-	477,740
Direct expenses	(351,818)	(42,123)	(27,204)	-	(421,145)
<b>Operating margin</b>	<b>43,663</b>	<b>4,319</b>	<b>8,613</b>	<b>-</b>	<b>56,595</b>
General and administrative expenses	(6,002)	(5,703)	(2,899)	(7,722)	(22,326)
Share-based compensation	-	-	-	(10,853)	(10,853)
Business development expenses	-	-	-	(2,951)	(2,951)
Depreciation, depletion and amortization	(31,129)	(11,393)	(6,998)	(624)	(50,144)
Interest, accretion and finance costs	(934)	-	-	(5,494)	(6,428)
<b>Earnings (loss) before tax</b>	<b>5,598</b>	<b>(12,777)</b>	<b>(1,284)</b>	<b>(27,644)</b>	<b>(36,107)</b>

**(\$000's)**

<b>Three months ended June 30, 2015</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Revenue	301,224	29,039	26,306	-	356,569
Direct expenses	(273,938)	(27,215)	(21,333)	-	(322,486)
<b>Operating margin</b>	<b>27,286</b>	<b>1,824</b>	<b>4,973</b>	<b>-</b>	<b>34,083</b>
General and administrative expenses	(5,716)	(5,896)	(2,079)	(1,338)	(15,029)
Share-based compensation	-	-	-	(6,010)	(6,010)
Business development expenses	-	-	-	(2,271)	(2,271)
Depreciation, depletion and amortization	(14,837)	(5,877)	(3,366)	(129)	(24,209)
Interest, accretion and finance costs	(368)	-	-	(2,648)	(3,016)
<b>Earnings (loss) earnings before tax</b>	<b>6,365</b>	<b>(9,949)</b>	<b>(472)</b>	<b>(12,396)</b>	<b>(16,452)</b>
<b>Six months ended June 30, 2015</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Revenue	567,613	97,903	57,600	-	723,116
Direct expenses	(504,663)	(84,379)	(43,158)	-	(632,200)
<b>Operating margin</b>	<b>62,950</b>	<b>13,524</b>	<b>14,442</b>	<b>-</b>	<b>90,916</b>
General and administrative expenses	(12,965)	(12,999)	(4,276)	(2,825)	(33,065)
Share-based compensation	-	-	-	(12,128)	(12,128)
Business development expenses	-	-	-	(6,544)	(6,544)
Depreciation, depletion and amortization	(32,319)	(11,925)	(6,607)	(255)	(51,106)
Interest, accretion and finance costs	(751)	-	-	(6,218)	(6,969)
<b>Earnings (loss) earnings before tax</b>	<b>16,915</b>	<b>(11,400)</b>	<b>3,559</b>	<b>(27,970)</b>	<b>(18,896)</b>

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2016 and 2015**

**9. OPERATING SEGMENTS (continued)**

(\$000's)					
<b>As at June 30, 2016</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Current assets	151,228	70,385	18,849	-	240,462
Total assets	1,055,402	237,090	75,285	6,387	1,374,164
Goodw ill	19,987	-	11,127	-	31,114
Intangible assets	19,372	48,727	8,330	-	76,429
Property, plant and equipment	864,817	105,537	36,978	6,387	1,013,719
Current liabilities	105,917	12,650	9,378	-	127,945
Total liabilities	220,593	32,047	12,767	174,862	440,269
<b>As at December 31, 2015</b>	<b>PRD division</b>	<b>DPS division</b>	<b>OS division</b>	<b>Corporate</b>	<b>Total</b>
Current assets	90,200	92,720	29,992	-	212,912
Total assets	944,915	273,457	88,030	9,018	1,315,420
Goodw ill	-	-	11,127	-	11,127
Intangible assets	4,222	55,556	10,545	-	70,323
Property, plant and equipment	850,493	111,750	36,365	9,018	1,007,626
Current liabilities	60,905	22,078	14,151	-	97,134
Total liabilities	168,710	44,829	16,686	260,683	490,908

**Geographical Financial Information**

(\$000's)	Canada		US		Total	
<b>Three Months ended June 30,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue	261,207	338,782	7,401	17,787	268,608	356,569
<b>Six Months ended June 30,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenue	459,577	681,633	18,163	41,483	477,740	723,116
<b>As at June 30, 2016 and December 31, 2015</b>						
Total non-current assets	971,501	930,713	162,201	171,795	1,133,702	1,102,508

**10. SUBSEQUENT EVENT**

On July 12, 2016, the Corporation acquired the remaining 50% interest in all of the joint venture assets of the La Glace and Judy Creek facilities for aggregate cash consideration of \$26.7 million. The La Glace and Judy Creek facilities were initially constructed as a joint operation between Secure and other joint venture participants in 2008 and 2013, respectively, and have been owned and operated in accordance with their respective joint operating agreements since construction. This acquisition relieves Secure of the administrative requirements of operating these facilities under a joint venture structure, while adding additional cash flow from the increased ownership.

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2016 and 2015**

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**CORPORATE INFORMATION**

**DIRECTORS**

Rene Amirault - Chairman

Brad Munro <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

David Johnson <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup>

Daniel Steinke <sup>(4)</sup>

Kevin Nugent <sup>(1)</sup> <sup>(3)</sup>

Murray Cobbe <sup>(1)</sup> <sup>(2)</sup>

Shaun Paterson <sup>(1)</sup> <sup>(4)</sup>

**OFFICERS**

Rene Amirault

*President & Chief Executive Officer*

Allen Gransch

*Executive Vice President & Chief Financial Officer*

Brian McGurk

*Executive Vice President, Human Resources & Strategy*

Corey Higham

*Executive Vice President, Midstream*

Daniel Steinke

*Executive Vice President, Operations, PRD*

David Mattinson

*Executive Vice President, OnSite Services*

George Wadsworth

*Executive Vice President, Drilling & Production Services*

**STOCK EXCHANGE**

Toronto Stock Exchange

Symbol: SES

**AUDITORS**

KPMG LLP

Calgary, Alberta

**LEGAL COUNSEL**

Bennett Jones LLP

Calgary, Alberta

**BANKERS**

Alberta Treasury Branches

**TRANSFER AGENT AND REGISTRAR**

Computershare

Calgary, Alberta

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee

<sup>4</sup> Health, Safety & Environment Committee