

SECURE Energy Services Announces Third Quarter Results and 6% Dividend Increase

CALGARY, Nov. 9, 2017 /CNW/ - Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) announced today operational and financial results for the three and nine months ended September 30, 2017. The following should be read in conjunction with the management's discussion and analysis ("MD&A") and the interim consolidated financial statements and notes thereto of Secure which are available on SEDAR at www.sedar.com

Secure's Board of Directors also approved a 6% increase to its monthly dividend rate from \$0.02125 to \$0.0225 per common share commencing with the January 15, 2018 dividend payment date for shareholders of record on January 1, 2018.

"The capital investments we continued to make in 2016 and 2017 in key or underserved areas have proven to both serve the needs of our customers and generate strong cash flows," said Rene Amirault, Secure's Chairman and Chief Executive Officer. "The increase to our monthly dividend reflects the capacity of our assets to generate meaningful cash flow while continuing to fund our organic capital and acquisition programs and maintain a strong balance sheet."

Q3 2017 OPERATIONAL AND FINANCIAL HIGHLIGHTS

In the third quarter of 2017 oil and gas industry activity in western Canada resumed quickly from a shorter spring break-up than experienced in 2016, resulting in increased activity in all three of the Corporation's divisions. Favorable weather conditions during the third quarter of 2017 also enabled drilling and production companies to execute their capital plans resulting in an active third quarter. Highlights from the third quarter include:

- Within our PRD division disposal volumes increased by 36% over the third quarter of 2016 and processing volumes increased 28%, helping drive the PRD operating margin up by 41%;
- Secure completed the acquisition of all of the issued and outstanding shares of Ceiba Energy Services Inc. ("Ceiba") in August which added ten new facilities to the PRD division ("Ceiba Acquisition"). The addition of these facilities creates the opportunity to service additional geographic markets and increase disposal capacity in high demand regions; and
- An increase in industry rig counts combined with an increase in revenue per operating day and a 31% market share lead to the most profitable quarter of 2017 for the Corporation's DPS division.

ADJUSTED EBITDA INCREASE OF 60%

While average crude oil prices have remained relatively consistent throughout 2017, industry rig counts and metres drilled in the Western Canadian Sedimentary Basin ("WCSB") have increased by 67% and 104% respectively over the third quarter of 2016. As a result, all three of the Corporation's divisions were positively impacted and experienced increased revenues due to overall increased industry activity. The addition of new facilities and expansions in underserved markets in 2016, ongoing production related volumes from existing facilities in the PRD division and contributions from business acquisitions completed in 2017 resulted in Adjusted EBITDA¹ of \$43.8 million and \$106.0 million during the three and nine months ended September 30, 2017, a 60% and 74% increase over the 2016 comparative periods.

2017 CAPITAL PROGRAM

Secure's previously announced organic growth capital program of \$100 million ramped up in the third quarter incurring \$49.2 million on organic projects related to the following:

- Construction of a gathering pipeline system which will tie-in produced water and oil directly to our existing Kindersley FST. This is the first phase of our larger Kindersley-KerRobert feeder pipeline system and receipt terminal all of which is expected to be completed and operational in the fourth quarter of 2018. The project will increase volumes at the existing Kindersley FST that are contracted to support both FST and pipeline economics. As the oil is processed it will ultimately transport crude oil to a storage and connection point at the Enbridge mainline;
- Pre-work and design for a new SWD facility in the Montney region of Alberta with construction to commence during the fourth quarter and commissioning expected in 2018;
- Increased landfill capacity with expansions being completed at South Grande Prairie, Fox Creek, Pembina and Saddle Hills landfills. These expansions are expected to be completed and operational in the fourth quarter and early 2018;
- Improvements to increase disposal capacity at the recently acquired Ceiba facilities including the deepening of a disposal well, pump replacements and well workovers; and
- Long lead items and upfront engineering costs on various other projects.

The operating and financial highlights for the three and nine month periods ending September 30, 2017 and 2016 can be summarized as follows:

(\$000's except share and per share data)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2017	2016	% change	2017	2016	% change
Revenue (excludes oil purchase and resale)	162,596	100,160	62	418,681	268,575	56
Oil purchase and resale	451,143	301,640	50	1,229,971	610,965	101
Total revenue	613,739	401,800	53	1,648,652	879,540	87
Adjusted EBITDA ⁽¹⁾	43,820	27,431	60	106,034	61,054	74
Per share (\$), basic and diluted	0.27	0.17	59	0.65	0.40	63

Net loss	(179)	(8,121)	(98)	(10,268)	(38,868)	(74)
Per share (\$), basic and diluted	0.00	(0.05)	100	(0.06)	(0.25)	(76)
Adjusted net loss ⁽¹⁾	(1,218)	(7,617)	(84)	(11,031)	(36,681)	(70)
Per share (\$), basic and diluted	(0.01)	(0.05)	(80)	(0.07)	(0.24)	(71)
Funds from operations ⁽¹⁾	54,683	26,499	106	112,111	56,602	98
Per share (\$), basic and diluted	0.34	0.17	100	0.69	0.37	86
Dividends per common share	0.06375	0.06	6	0.18500	0.18	3
Capital expenditures ⁽¹⁾	78,238	39,624	97	140,022	135,469	3
Total assets	1,488,328	1,406,641	6	1,488,328	1,406,641	6
Net debt ⁽¹⁾	151,697	86,811	75	151,697	86,811	75
Common shares - end of period	163,285,511	159,930,448	2	163,285,511	159,930,448	2
Weighted average common shares - basic and diluted	163,128,460	159,618,869	2	162,659,701	152,715,722	7

(1) Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

- **REVENUE OF \$613.7 MILLION AND \$1.6 BILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

- Total processing, recovery and disposal volumes at PRD facilities for the three and nine months ended September 30, 2017 increased from the 2016 comparative periods due to increased drilling activity levels across the WCSB, ongoing and moderately increasing production related volumes and the contribution of volumes from facility expansions and the Ceiba Acquisition in 2017. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of \$66.0 million and \$193.8 million in the three and nine months ended September 30, 2017, an increase of 30% and 42%, respectively, from the comparative periods in 2016;
- Oil purchase and resale revenue in the PRD division for the three and nine months ended September 30, 2017 increased by 50% and 101% from the 2016 comparative periods to \$451.1 million and \$1.2 billion due to increased oil purchase and resale volumes from heightened industry activity at various pipeline connected facilities and additional volumes through new facilities and facility expansions;
- Activity in the DPS division is strongly correlated with oil and gas drilling activity in the WCSB, which experienced a 67% and 87% increase in active rig counts in the three and nine months ended September 30, 2017 from the 2016 comparative periods. As a result of these improved activity levels, DPS division revenue increased by 124% and 97% to \$60.0 million and \$144.4 million in the three and nine months ended September 30, 2017;
- OS division revenue increased 61% and 38% to \$36.5 million and \$80.5 million in the three and nine months ended September 30, 2017 primarily due to revenue from Projects and increased completion activity related to higher oil prices and industry activity over the prior year comparative periods.

- **ADJUSTED EBITDA OF \$43.8 MILLION AND \$106.0 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

- Adjusted EBITDA of \$43.8 million and \$106.0 million, a 60% and 74% increase from the 2016 comparative periods, resulted from increased production and drilling related activity and additional volumes from acquisitions and facility expansions in the fourth quarter of 2016 and 2017 which drove both PRD revenues and operating margins. Increased rig counts, metres drilled and completion activity positively impacted the DPS and OS divisions.

- **NET LOSS OF \$0.2 MILLION AND \$10.3 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

- For the three and nine months ended September 30, 2017, Secure's net loss of \$0.2 million and \$10.3 million improved from a net loss of \$8.1 million and \$38.9 million in the three and nine months ended September 30, 2016. This improvement resulted from increased oil and gas activity, new facilities and expansions and the Corporation's continued focus on managing costs.

- **ADJUSTED NET LOSS¹ OF \$1.2 MILLION AND \$11.0 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

- For the three and nine months ended September 30, 2017, Secure's adjusted net loss of \$1.2 million and \$11.0 million improved by \$6.4 million and \$25.7 million from an adjusted net loss of \$7.6 million and \$36.7 million in the three and nine months ended September 30, 2016. The positive variance is primarily a result of the factors discussed above impacting Adjusted EBITDA.

- **CAPITAL EXPENDITURES OF \$78.2 MILLION AND \$140.0 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

- Total capital expenditures (excluding business combinations) for the three and nine months ended September 30, 2017 of \$54.0

million and \$85.5 million include:

- Commencement of construction on the Kindersley-Kerrobert light oil feeder pipeline system and receipt terminal;
- Pre-design of a new SWD in the Montney region of Alberta which is expected to be completed and commissioned in 2018;
- Cell expansions at the South Grande Prairie, Fox Creek, Pembina and Saddle Hills landfills;
- Pre-design and engineering for future facility locations and expansions;
- Long lead items for various projects commencing in the 4th quarter of 2017 and early 2018;
- Sustaining capital expenditures at existing facilities required to maintain ongoing business operations.

• CEIBA ACQUISITION

- On August 1, 2017, the Corporation acquired all of the outstanding shares of Ceiba. The acquisition adds ten facilities to Secure's existing PRD facility network, increasing capacity and expanding the Corporation's geographic footprint. Secure has realized volume increases from the additional facilities in the third quarter and plans to allocate incremental capital to the assets in the fourth quarter of 2017 to enhance throughput and service capabilities. The acquisition has enabled Secure to expand its facility network while realizing synergies related to senior management, sales and general and administrative costs.

• FINANCIAL FLEXIBILITY

- The total amount drawn on Secure's credit facilities as at September 30, 2017 increased by 26% to \$262.9 million compared to \$209.0 million at December 31, 2016. The amount drawn on Secure's credit facilities increased in order to fund the acquisition of the Canadian division of a production chemicals business (the "Production Chemicals Acquisition") in the second quarter, the Ceiba Acquisition, commence construction on the Kindersley-Kerrobert feeder pipeline and other capital projects previously described, which were partially offset by increased cash flows from operating activities. The Corporation continues to maintain its strong balance sheet and increase its financial flexibility to take advantage of accretive opportunities that may arise.
- Secure is in compliance with all covenants related to its credit facilities at September 30, 2017. Secure's senior and total debt to trailing twelve month EBITDA ratios, where EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis, was 1.0 to 1 and 2.0 to 1 at September 30, 2017 both compared to 2.2 to 1 at December 31, 2016. Senior debt is equal to amounts drawn on the first lien credit facility plus financial leases less any cash balances in excess of \$5 million. Total debt includes senior debt plus the \$130 million borrowed under the second lien credit facility. The maximum covenant for the senior debt to EBITDA ratio is 3.5 to 1, while the total debt to EBITDA ratio is 5.0 to 1.

PRD DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2017	2016	% Change	2017	2016	% Change
Revenue						
PRD services (a)	66,013	50,669	30	193,761	136,825	42
Oil purchase and resale service	451,143	301,640	50	1,229,971	610,965	101
Total PRD division revenue	517,156	352,309	47	1,423,732	747,790	90
Direct expenses						
PRD services (b)	27,416	23,322	18	83,778	65,815	27
Oil purchase and resale service	451,143	301,640	50	1,229,971	610,965	101
Total PRD division direct expenses	478,559	324,962	47	1,313,749	676,780	94
Operating Margin ⁽¹⁾ (a-b)	38,597	27,347	41	109,983	71,010	55
Operating Margin ⁽¹⁾ as a % of revenue (a)	58%	54%		57%	52%	

(1) Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

Highlights for the PRD division for the three and nine months ended September 30, 2017 included:

- Processing, recovery and disposal services revenue of \$66.0 million and \$193.8 million for the three and nine months ended September 30, 2017 increased by 30% and 42% from the 2016 comparative periods, driven by higher existing facility throughput due to higher produced water volumes and higher drilling and completion related volumes, as well as new facilities added in 2016 and expansions at certain of the Corporation's existing facilities in 2016 and 2017;
- The addition of new facilities, both organically and through acquisitions, accounted for \$2.4 million and \$16.6 million of the PRD services revenue in the three and nine months ended September 30, 2017, an impact of 5% and 12% when comparing to the same periods of 2016;
- Processing volumes increased 28% and 26% in the three and nine months ended September 30, 2017 from the comparative periods due to higher waste processing, emulsion and completions processing volumes;

- Recovery and terminalling revenues increased 32% and 59% in the three and nine months ended September 30, 2017 from the comparative periods which was driven by a 14% and 48% increase in recovery and terminalling volumes and the positive impact of oil price increases;
- Disposal volumes increased by 36% and 29% in the three and nine months ended September 30, 2017 from the comparative periods due primarily to increased disposal of waste at Secure's landfills resulting from higher drilling activity levels. Further driving the increase in disposal volumes is increased produced and waste water volumes across Secure's facilities from the comparative periods driven by increasing water production as wells mature and improved industry activity;
- Oil purchase and resale revenue in the PRD division for the three and nine months ended September 30, 2017 increased by 50% and 101% from the 2016 comparative periods to \$451.1 million and \$1.2 billion due primarily to additional oil purchase and resale volumes from new facilities added in 2016, which included the Alida crude oil terminalling facility, the increased ownership in the La Glace and Judy Creek FSTs, and the Kakwa FST. The new facilities added in 2016 accounted for 8% and 30% of oil purchase and resale revenue in the three and nine months ended September 30, 2017, or 12% and 61% of the increase over the three and nine months ended September 30, 2016;
- Direct expenses from PRD services increased by 18% and 27% in the three and nine months ended September 30, 2017 from the comparative periods of 2016. The increase in direct expenses relates primarily to the increased revenue as the Corporation maintains its ability to respond to higher activity levels while managing its fixed and variable costs;
- Operating margin as a percentage of PRD services revenue for the three and nine months ended September 30, 2017 increased to 58% and 57% from 54% and 52% in the comparative periods of 2016. The increase in operating margin as a percentage of revenue over 2016 is due to increased revenues while minimizing fixed and related costs. The Corporation's revised cost management structure has resulted in improved operating margins realized across various facilities including FSTs, SWDs and landfills;
- General and administrative ("G&A") expenses of \$4.3 million and \$12.7 million for the three and nine months ended September 30, 2017 increased by 9% and 27% from the comparative periods. Although the Corporation continues to minimize G&A costs by streamlining operations where possible, PRD G&A expenses have increased primarily due to the acquisitions completed in 2016 and 2017 and the overhead requirements to support new facilities and expansions. As a percentage of PRD revenue, G&A costs have remained consistent at 7% for the three and nine months ended September 30, 2017 compared to 8% and 7% in the three and nine months ended September 30, 2016.

DPS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2017	2016	% Change	2017	2016	% Change
Revenue						
Drilling and production services (a)	60,041	26,824	124	144,430	73,266	97
Direct expenses						
Drilling and production services (b)	46,895	21,617	117	117,640	63,740	85
Operating Margin ⁽¹⁾ (a-b)	13,146	5,207	152	26,790	9,526	181
Operating Margin ⁽¹⁾ as a % of revenue (a)	22%	19%		19%	13%	

(1) Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

Highlights for DPS division for the three and nine months ended September 30, 2017 included:

- Revenue in the DPS division correlates with oil and gas drilling activity in the WCSB, most notably active rig counts and metres drilled. Commodity pricing, weather conditions and activity levels from oil and gas producers have a significant impact on the DPS division. For the three and nine months ended September 30, 2017, industry rig counts in the WCSB increased 67% and 87%, and metres drilled increased 104% and 126% from the 2016 comparative periods. Revenue from the DPS division for the three and nine months ended September 30, 2017 increased 124% and 97% to \$60.0 million and \$144.4 million from the comparative periods of 2016. The increased drilling activity and traction in the division's production chemicals service line through the Production Chemicals acquisition has strengthened the DPS division's revenue in 2017;
- Revenue per operating day increased to \$7,586 during the three months ended September 30, 2017 from \$6,838 in the 2016 three month comparative period and decreased to \$6,729 during the nine months ended September 30, 2017 from \$7,501 in the same period of 2016. The variances are a result of the proportion of type of rigs serviced, metres drilled per well and geographic location, which impacts the type of fluid used;
- The DPS division's market share remained relatively consistent at 31% and 28% in the three and nine months ended September 30, 2017 from 30% and 29% in the 2016 comparative periods. The timing, type and location of one customer's drilling activities can create fluctuations in the market share from period to period;
- Secure continues diversification efforts in the DPS division to become less dependent on drilling activity through expansion of the production chemicals and chemical EOR service lines which will benefit the Corporation in the medium to long-term. Strategic relationships with key suppliers and ongoing product development has resulted in a significant expansion to Secure's product offering resulting in multiple commercial projects in 2017. The Production Chemicals Acquisition completed in April 2017 has strengthened Secure's position in the market by adding over 100 fully formulated proprietary products, as well as key infrastructure related to the product offering and an experienced and dedicated employee base;
- The DPS division's direct expenses for the three and nine months ended September 30, 2017 increased by 117% and 85% to \$46.9 million and \$117.6 million from the 2016 comparative periods. Overall, the increase in direct expenses from the 2016 period was primarily due to increased activity levels and is consistent with the increased revenues discussed above;
- The DPS division's operating margin for the three and nine months ended September 30, 2017 improved by 152% and 181% from the

2016 comparative periods to \$13.1 million and \$26.8 million;

- Operating margin as a percentage of revenue increased to 22% and 19% in the three and nine months ended September 30, 2017 from 19% and 13% in the comparative periods. Operating margins as a percentage of revenue were positively impacted by the increased revenues while minimizing fixed costs resulting in improved drilling fluids product margins and achieving economies of scale as activity increases;
- G&A expense for the three and nine months ended September 30, 2017 increased by 107% and 50% from the comparative periods of 2016. Although the Corporation continues to manage costs efficiently and proactively while still responding to customer demands and activity levels, G&A expenses have increased as a result of expanding the production chemicals and chemical EOR service lines, including the Production Chemicals Acquisition in the second quarter of 2017. As a percentage of DPS revenue, G&A expenses have decreased to 9% in the three and nine months ended September 30, 2017 from 10% and 11%, respectively, in the prior year comparative periods.

OS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2017	2016	% Change	2017	2016	% Change
Revenue						
OnSite services (a)	36,542	22,667	61	80,490	58,484	38
Direct expenses						
OnSite services (b)	28,151	16,441	71	62,290	43,645	43
Operating Margin ⁽¹⁾ (a-b)	8,391	6,226	35	18,200	14,839	23
Operating Margin ⁽¹⁾ as a % of revenue (a)	23%	27%		23%	25%	

⁽¹⁾ Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

Highlights for the OS division for the three and nine months ended September 30, 2017 included:

- Diversified service lines and integrated service offerings, complemented by increased producer activity in the three and nine months ended September 30, 2017 resulted in a 61% and 38% increase in OS division revenue to \$36.5 million and \$80.5 million in the three and nine months ended September 30, 2017;
- Projects revenue during the three and nine months ended September 30, 2017 increased 88% and 61% from the 2016 comparative periods. Projects revenue is dependent on the type and size of jobs as well as weather conditions, which can vary quarter to quarter. In the three and nine months ended September 30, 2017, Projects revenue increased primarily as a result of larger scale jobs obtained due to the division's expertise in dealing with remediation and spill response and overall increased industry activity. The service line also generated increased revenues from new customers, new service offerings and regional expansion, and will continue to seek out opportunities similar to the recent long-term agreement to manage metal recycling for a large oil sands producer;
- Integrated fluids solutions revenue for the three and nine months ended September 30, 2017 increased 73% and 40% from the 2016 comparative periods. Revenue increased with overall industry activity as existing customers ramped up activity and new customers were added. Both pumping services and frac pond rentals experienced increased volumes and higher equipment utilization over the 2016 comparative periods;
- Environmental services revenue for the three and nine months ended September 30, 2017 increased 11% and 2% from the 2016 comparative periods, driven by higher drilling waste and bin revenue due to increased industry activity. These increases were partially offset by a decrease in reclamation and remediation revenue resulting from lower industry activity as many customers are continuing to defer this type of spending;
- Direct expenses for the three and nine months ended September 30, 2017 increased 71% and 43% to \$28.2 million and \$62.3 million from the 2016 comparative periods. Overall, the variance in direct expenses was a direct result of the change in activity levels from the 2016 comparative periods. Included in the third quarter of 2017 were non-recurring costs of \$0.4 million which negatively impacted the operating margin as a percentage of revenue by 1%;
- The three and nine months ended September 30, 2017 operating margins in the OS division of \$8.4 million and \$18.2 million improved by 35% and 23% over the prior year comparative periods due primarily to increased revenue. The operating margin as a percentage of revenue for the OS division in the three and nine months ended September 30, 2017 was 23%, a decrease from 27% and 25%, respectively, in the comparative 2016 periods. The OS division's operating margin as a percentage of revenue can fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up, and other services in any given period;
- G&A expenses for the three and nine months ended September 30, 2017 increased by \$0.3 million and \$1.6 million from the 2016 comparative periods to \$2.0 million and \$6.3 million due primarily to increased costs to support additional office locations of Projects and Environmental services. As a % of OS revenue, G&A expenses have decreased to 5% in the three months ended September 30, 2017 from 8% in the three months ended September 30, 2016 and remained consistent at 8% in the nine months ended September 30, 2017 with the prior year comparative period.

OUTLOOK

Moderate oil, condensate and NGL price increases along with normal weather conditions drove increased drilling and completion activity in the third quarter of 2017 compared to the prior year. These higher activity levels are expected to continue through the fourth quarter and into 2018. In addition to the increase in activity levels, there are also key fundamental drivers of Secure's business that are expected to provide meaningful

avenues of growth for 2018 and beyond:

- Produced water volumes continue to increase based on maturing basins and new shale completion techniques that require more water. Produced water disposal in our key markets are underserved and require additional disposal capacity. Disposal volumes for Secure are up nearly 30% for the first nine months of 2017 and Secure expects the trend for more produced water volumes and disposal capacity to continue;
- Completion waters and processing volumes are also increasing as high intensity fracs continue to be applied in liquids rich natural gas shale reservoirs like the Montney and Duvernay formations. Over the past year, Secure has seen the increased use of proppants, the number of completion stages and length of the horizontal wells continue to drive more volumes to Secure's PRD facilities;
- Oil and condensate treatment volumes are increasing as producers bring on new production and are looking for incremental treating capacity and reduced transportation costs. Secure's recent announcement of the Kindersley feeder pipeline to its FST and further onto Kerrobert is a growing trend where producers seek to reduce truck traffic and lower transport costs;
- Moving oil volumes on rail cars also continues to gain momentum. Secure moved 230,000 barrels of crude by rail during the third quarter and could see activity materially increase as supply growth driven by large oil sands expansions are anticipated to tighten pipeline takeaway capacity in 2018. Moreover, wide WTI – Brent oil differentials influence certain U.S. refiners to look for feedstock accessible by rail that is otherwise delivered by oil tanker;
- Deep shale reservoirs and the increased need for new innovative drilling fluid programs are reducing the number of days to drill a well. This trend will continue in 2018 as we bring new products to market from our research lab;
- Demand for production chemicals is also increasing as producers bring on new oil, condensate and NGLs. Production chemicals optimize production, provide flow assurance and maintain the integrity of their production assets. Secure recently completed an acquisition into the production chemicals market, which provides a meaningful opportunity to grow market share in western Canada leveraging off Secure's infrastructure, key relationships and proprietary patents;
- As described above, completions in the oil and gas industry are growing more geographically concentrated and even more penetrating given the length of wells and amount of proppants used. As part of this growing trend, there is a significant need from Secure's customers for sourcing water, water logistics, storing water and overall water re-use where it is cost effective. Secure's business model provides the complete offering and is assisting customers with large completion programs where significant amounts of water are required to be managed at various stages.

Increased environmental regulations in all of our market areas have created opportunities to help our customers operate in a sustainable way with a focus on protecting the environment. Secure's Onsite division has seen increased proactive environmental projects that strive to prevent spills and reduce their future environmental liabilities. A long-term contract signed in the third quarter to manage oil sands metal recycling is another example of environmental sustainability and reducing our customer's operating costs.

All of these growth trends are providing Secure a significant opportunity to grow and expand its business into 2018 and beyond. Secure has made significant capital investments over the past few years to ensure the business is well positioned to capture new customer demand, and based on customer feedback there are more opportunities to continue to deploy capital in western Canada. As a result, Secure is expecting to allocate approximately \$100 million in growth capital to the areas described above in 2018, and could pre-spend a portion of the 2018 program in the fourth quarter of 2017 for long-lead items and to ensure facility construction schedules are completed on time in 2018. Included within the 2018 program is approximately \$25 million related to the Kerrobert-Kindersley pipeline system and receipt terminal, keeping the project on time and on budget. Secure expects cash flow to climb as a result of improving activity levels as well as contributions from capital investments made by Secure in key areas over the past several years. Given annual sustaining capital of approximately \$20 million, cash interest expense of approximately \$10 million and minimal cash taxes, the amount of free cash flow generated by the Corporation's assets can adequately fund annual dividends while still providing cash to fund growth capital, pay down debt, buy back shares and/or increase the dividend.

Secure's commitment to a strong balance sheet provides the Corporation the flexibility to grow organically and execute on strategic acquisition opportunities that align with the profitable growth strategy of Secure. Helping our customers grow and being their trusted energy services partner will ensure that we continue to create long-term shareholder value.

FINANCIAL STATEMENTS AND MD&A

The Corporation's unaudited condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2017 and 2016 and MD&A for the three and nine months ended September 30, 2017 and 2016 are available immediately on Secure's website at www.secure-energy.com. The unaudited condensed consolidated financial statements and MD&A will be available tomorrow on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this news release constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining to: key priorities for the Corporation's success; the oil and natural gas industry; activity levels in the oil and gas sector, drilling levels, commodity prices for oil, natural gas liquids and natural gas; industry fundamentals for 2017; capital forecasts and spending by producers; demand for the Corporation's services and products; expansion strategy; the impact of oil and gas activity on 2017 activity levels; the Corporation's proposed 2017 and 2018 capital expenditure programs including growth, sustaining and maintenance capital expenditures; debt service; acquisition strategy and timing of potential acquisitions; the impact of new facilities, potential acquisitions, and the Production Chemicals Acquisition and Ceiba

Acquisition on the Corporation's financial and operational performance and growth opportunities; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; access to capital; and the Corporation's ability to meet obligations and commitments and operate within any credit facility restrictions.

Forward-looking statements concerning expected operating and economic conditions, including the Production Chemicals Acquisition and Ceiba Acquisition, are based upon prior year results as well as the assumption that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and similar phases of previous economic cycles. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking statements concerning the relative future competitive position of the Corporation are based upon the assumption that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest and foreign exchange rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation and its subsidiaries to successfully market their services and drilling and production activity in North America will lead to sufficient demand for the Corporation's services and its subsidiaries' services including demand for oilfield services for drilling and completion of oil and natural gas wells, that the current business environment will remain substantially unchanged, and that present and anticipated programs and expansion plans of other organizations operating in the energy industry may change the demand for the Corporation's services and its subsidiaries' services. Forward-looking statements concerning the nature and timing of growth are based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking statements in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance costs will not significantly increase from past acquisition and maintenance costs.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "*Business Risks*" and under the heading "*Risk Factors*" in the AIF for the year ended December 31, 2016 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in the Production Chemicals Acquisition and Ceiba Acquisition with the operations of Secure. Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

NON-GAAP MEASURES, OPERATIONAL DEFINITIONS AND ADDITIONAL SUBTOTALS

The Corporation uses accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS. These non-GAAP measures, operational definitions and additional subtotals used by the Corporation may not be comparable to similar measures presented by other reporting issuers. These non-GAAP financial measures, operational definitions and additional subtotals are included because management uses the information to analyze operating performance, leverage and liquidity. Therefore, these non-GAAP financial measures, operational definitions and additional subtotals should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See the management's discussion and analysis available at www.sedar.com for a reconciliation of the Non-GAAP financial measures, operational definitions and additional subtotals.

ABOUT SECURE ENERGY SERVICES INC.

Secure is a TSX publicly traded energy services company that provides safe, innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry. The Corporation owns and operates midstream infrastructure and provides environmental services and innovative products to upstream oil and natural gas companies operating in western Canada and certain regions in the United States ("U.S.").

The Corporation operates three divisions:

Processing, Recovery and Disposal Division ("PRD"): The PRD division owns and operates midstream infrastructure that provides processing, storing, pipelines, shipping and marketing of crude oil, oilfield waste disposal and recycling. The PRD division services include clean oil terminalling, rail transloading, pipelines, crude oil marketing, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. Secure currently operates a network of facilities throughout western Canada and in North Dakota, providing these services at its full service terminals ("FST"), landfills, stand-alone water disposal facilities ("SWD"), full service rail facilities ("FSR") and a crude oil terminalling facility.

Drilling and Production Services Division ("DPS"): The DPS division provides equipment, product solutions and chemicals for drilling, completion and production operations for oil and gas producers in western Canada. The drilling service line currently comprises the majority of the revenue for the division which includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The drilling service line focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands. The production services line focuses on providing equipment and chemical solutions that optimize production, provide flow assurance and maintain the integrity of production assets.

Onsite Services Division ("OS"): The operations of the OS division include 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.); Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions; and Environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, Naturally Occurring Radioactive Material ("NORM") management, waste container services and emergency response services.

¹ Refer to the "*Non-GAAP measures, operational definitions and additional subtotals*" section herein.

SOURCE SECURE Energy Services Inc.

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CO: SECURE Energy Services Inc.

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