

SECURE Energy Services Announces Second Quarter Adjusted EBITDA of \$31.2 Million, Repurchase of 2.8 Million Shares and Director Appointment

CALGARY, Aug. 1, 2018 /CNW/ - Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) announced today its operational and financial results for the three and six months ended June 30, 2018, highlighted by second quarter Adjusted EBITDA¹ of \$31.2 million. Secure is also pleased to announce the appointment of Michele Harradence to the Corporation's Board of Directors ("the Board").

Presently Senior Vice President, Gas Transmission and Midstream Operations of Enbridge Inc., Ms. Harradence brings over 20 years of industry and senior management experience to the Board. Ms. Harradence holds a Bachelor of Science in Mechanical Engineering from Queen's University and a Bachelor of Laws from the University of New Brunswick. Throughout her career, Ms. Harradence has held executive and senior management roles in engineering, project management, construction, manufacturing, transmission and midstream operations.

Prior to her experience in the oil and gas industry, Ms. Harradence practiced law for five years with a full service national law firm in Canada.

"Ms. Harradence will be a valuable addition to Secure, providing insights and direction to the Board and Executive team through her extensive industry experience" said Rene Amirault, Chairman of the Board, President and CEO.

The following operational and financial highlights should be read in conjunction with the management's discussion and analysis ("MD&A") and the interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2018 of Secure which are available on SEDAR at www.sedar.com.

2018 SECOND QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the second quarter, Secure added two SWD facilities in the capacity constrained Montney and Duvernay regions of Alberta, executing on the Corporation's strategy to identify and develop infrastructure in underserved markets and provide solutions to customers that increase their operating netbacks and capital efficiency. Two disposal wells at Gold Creek and one disposal well at Tony Creek are operational and are expected to contribute to the Corporation's results starting in the third quarter. Secure continues to evaluate additional opportunities relating to new infrastructure in these regions based on customer demand. In total, the Corporation invested growth and expansion capital of \$32.0 million during the three months ended June 30, 2018. In addition to the SWDs discussed above, Secure substantially completed construction of the Corporation's first ever light oil feeder pipeline, and advanced construction of the pipeline receipt terminal in the Kindersley-Kerrobert region of Saskatchewan. This project remains on time and on budget, and is scheduled to commence operations in the fourth quarter of 2018. Additionally, the Corporation commenced construction of additional landfill cells at the Saddle Hills and Tulliby Lake landfills and increased capacity through various other expansion projects at the Corporation's existing facilities.

The Corporation achieved Adjusted EBITDA of \$31.2 million during the second quarter of 2018, a 55% increase from the three months ended June 30, 2017. The increase is primarily attributable to higher PRD facility volumes and revenues driven by growth initiatives over the past several years to increase capacity and expand service offerings; increased overall industry activity levels, particularly in the U.S., in response to higher average crude oil prices, which also generated higher recovered oil

revenues; and the Corporation's ability to capitalize on certain crude oil marketing opportunities at its pipeline connected FSTs during the quarter.

Secure's focus in recent years on increasing production related services with a diverse asset base that lessens dependence on drilling related revenue streams has provided the Corporation with greater certainty on recurring cash flows. This diversification lessened the impact of seasonality of the oil and gas industry in Canada on the Corporation's second quarter results, which are typically the lowest of the year as weather conditions and resulting road bans hamper drilling and completion activity. Stable cash flows generated on the back of production-related volumes in the PRD division, growth of the DPS division's production services line, and ongoing Projects work and integrated service offerings in the OS division mitigated some of the impact spring break-up has had on the Corporation in previous years.

Following the approval of the normal course issuer bid ("NCIB") at the end of May 2018, Secure purchased and cancelled 1,193,173 common shares of the Corporation at a weighted average price per share of \$7.33 for a total of \$8.7 million to June 30, 2018. Subsequent to quarter end, the Corporation has purchased 1,613,400 additional shares, for a total repurchase of 2,806,573 shares to date. The Corporation believes that, at times, the prevailing market price for Secure's shares does not reflect their underlying value.

The operating and financial highlights for the three and six month periods ending June 30, 2018 and 2017 can be summarized as follows:

(\$000's except share and per share data)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% change	2018	2017	% change
Revenue (excludes oil purchase and resale)	141,249	115,372	22	322,947	256,085	26
Oil purchase and resale	578,674	468,952	23	1,102,421	778,828	42
Total revenue	719,923	584,324	23	1,425,368	1,034,913	38
Adjusted EBITDA ⁽¹⁾	31,158	20,044	55	78,965	62,214	27
Per share (\$), basic	0.19	0.12	58	0.48	0.38	26
Net loss	(6,901)	(13,529)	(49)	(824)	(10,089)	(92)
Per share (\$), basic and diluted	(0.04)	(0.08)	(50)	(0.01)	(0.06)	(83)
Cash flows from operating activities	74,572	40,055	86	107,326	83,083	29
Per share (\$), basic	0.45	0.25	80	0.65	0.51	27
Funds flow ⁽¹⁾	27,087	17,376	56	69,130	57,428	20
Per share (\$), basic	0.16	0.11	45	0.42	0.35	20
Dividends per common share	0.06750	0.06125	10	0.13500	0.12125	11
Capital expenditures ⁽¹⁾	36,263	49,688	(27)	92,844	61,784	50
Total assets	1,538,001	1,417,372	9	1,538,001	1,417,372	9
Net debt ⁽¹⁾	228,046	88,926	156	228,046	88,926	156
Common shares - end of period	163,431,134	162,949,160	-	163,431,134	162,949,160	-
Weighted average common shares - basic and diluted	164,524,360	162,776,950	1	164,268,516	162,421,437	1

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

• REVENUE OF \$719.9 MILLION AND \$1.4 BILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

- Ongoing production related volumes and growth initiatives over the past few years drove the PRD division's revenue from services to \$80.5 million and \$161.4 million during the three and six months ended June 30, 2018, up 34% and 26%, respectively, from the comparative periods in 2017. Increased revenue corresponds primarily to higher processing and disposal volumes at the Corporation's PRD facilities, which each experienced an 18% increase over the second quarter of 2017, and a 14% and 20% increase, respectively, in the year to date over the six months ended June 30, 2017. The increase in volumes can be attributed to higher activity levels following increasing crude oil prices in recent years, the continued trend of higher fluid volumes from fracing in the Corporation's key service areas, the acquisition of new facilities and increases in disposal capacity at existing facilities;
- Oil purchase and resale revenue in the PRD division for the three and six months ended June 30, 2018 increased by 23% and 42% from the 2017 comparative periods to \$578.7 million and \$1.1 billion due to higher volumes resulting from increased industry

activity and higher takeaway capacity at certain of the Corporation's pipeline connected full service terminals, and a 36% and 26% increase in average crude oil prices in the three and six months ended June 30, 2018 over the 2017 comparative periods;

- DPS division revenue increased 2% and 23% to \$34.7 million and \$103.4 million in the three and six months ended June 30, 2018 over the 2017 comparative periods. In April 2017, the Corporation acquired a production chemicals business that significantly increased revenue generated from production services beginning in the second quarter of 2017. Revenue from production services has been increasing at a steady rate as the Corporation wins bids for new jobs and expands its customer base. However, a significant portion of the DPS division's revenue comes from drilling services, which strongly correlates with oil and gas drilling activity in the Western Canadian Sedimentary Basin ("WCSB"). During the three and six months ended June 30, 2018 there was an 8% and 6% decline in active rigs over the 2017 comparative periods; however, the impact to revenue from drilling services was partially mitigated as revenue per operating day increased as a result of the trend towards deeper and more complex wells;
- OS division revenue increased 23% and 32% to \$26.0 million and \$58.2 million in the three and six months ended June 30, 2018 primarily due to higher activity levels in the oil and gas sector resulting from improved commodity prices over the 2017 comparative periods. As a result, there was increased demand for oilfield services such as water pumping and storage, as well as increased Projects work which contributed to higher revenue compared to the prior year comparative periods.

- **ADJUSTED EBITDA OF \$31.2 MILLION AND \$79.0 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

- Adjusted EBITDA of \$31.2 million and \$79.0 million increased 55% and 27% from the three and six months ended June 30, 2017, primarily from higher revenues achieved by the PRD division. Increased revenues were driven by higher facility volumes from improved oil and gas sector activity, the acquisition of Ceiba Energy Services Inc. ("Ceiba") in August 2017, and several facility expansions to increase waste handling capacity. Additionally, increased recovered oil revenues generated from higher average crude oil prices and higher crude oil marketing revenues from the Corporation's pipeline connected FSTs during the three and six months ended June 30, 2018 helped drive revenue and operating margins¹ in the PRD division, which were up 35% and 26% over the three and six months ended June 30, 2017.
- The DPS division's Adjusted EBITDA decreased slightly in the three and six months ended June 30, 2018 over the 2017 comparative periods as the impact of higher revenue from production services was offset by increased general and administrative expenses in the division to support the expanded production chemicals business. Additionally, upward cost pressures resulting from higher commodity prices and the strength of the U.S. dollar have compressed margins, limiting the upside generated from economies of scale achieved from higher revenues.
- Adjusted EBITDA generated from the OS division increased 41% and 38% in the three and six months ended June 30, 2018 over the comparative periods in 2017 primarily due to increased water pumping activity as customers remained active throughout spring break-up, and improved Projects revenue generated from new customers and long-term service agreements with two major oil sands producers.

- **NET LOSS OF \$6.9 MILLION AND \$0.8 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

- For the three and six months ended June 30, 2018, Secure's net loss of \$6.9 million and \$0.8 million improved from a net loss of \$13.5 million and \$10.1 million in the three and six months ended June 30, 2017. The variances are primarily due to an \$11.1 million and \$16.8 million increase to Adjusted EBITDA resulting from the factors described above, partially offset by higher interest expense resulting from higher debt levels to fund organic development and acquisitions in the past year, as well as increased tax expense resulting from higher net earnings before non-deductible expenses.

- **FINANCIAL FLEXIBILITY**

- The total amount drawn on Secure's credit facilities as at June 30, 2018 increased by 10% to \$330.8 million compared to \$300.0 million at December 31, 2017. The amount drawn increased in order to fund the Corporation's organic capital program, partially offset by cash flows from operating activities.
- As at June 30, 2018, the Corporation had \$207.2 million available under its credit facilities, subject to covenant restrictions. The Corporation is well positioned, based on this availability and expected cash flows from operating activities, to pursue further accretive acquisition opportunities and execute on the remaining 2018 capital program.
- Secure is in compliance with all covenants related to its credit facilities at June 30, 2018. The following table outlines Secure's senior and total debt to trailing twelve month EBITDA ratios at June 30, 2018 and December 31, 2017.

	June 30, 2018	Dec. 31, 2017	Threshold
Senior debt to EBITDA	1.2	1.1	3.5
Total debt to EBITDA	2.0	1.9	5.0

- Senior debt is equal to amounts drawn on the Corporation's first lien facility plus financial leases less any cash balances exceeding \$5 million. Total debt includes senior debt plus the \$130 million borrowed under the Corporation's second lien facility. EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis.
- **CAPITAL EXPENDITURES OF \$36.3 MILLION AND \$92.9 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**
 - Total capital expenditures for the three and six months ended June 30, 2018 of \$36.3 million and \$92.9 million were comprised of \$32.0 million and \$86.7 million related to growth and expansion projects, and \$4.3 and \$6.1 million of sustaining capital. There were no acquisitions completed during the quarter or year to date. Growth and expansion projects in the six months ended June 30, 2018 include completing construction of the new Gold Creek SWD and temporary SWD facility at Tony Creek, progressing construction of the light oil feeder pipeline and receipt terminal in the Kindersley-Kerrobert region, on track for commissioning in the third quarter and commencing operations in the fourth quarter, facility upgrades and the addition of a third well at the Big Mountain SWD, commencing construction of new landfill cells at the Saddle Hills and Tulliby Lake facilities, and long lead items and upfront costs for future projects. Sustaining capital incurred in 2018 to date relates primarily to well maintenance.

PRD DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Revenue						
FRD services (a)	80,496	60,278	34	161,351	127,748	26
Oil purchase and resale service	578,674	468,952	23	1,102,421	778,828	42
Total PRD division revenue	659,170	529,230	25	1,263,772	906,576	39
Direct expenses						
FRD services (b)	37,796	28,709	32	71,247	56,362	26
Oil purchase and resale service	578,674	468,952	23	1,102,421	778,828	42
Total PRD division direct expenses	616,470	497,661	24	1,173,668	835,190	41
Operating Margin ⁽¹⁾ (a-b)	42,700	31,569	35	90,104	71,386	26
Operating Margin ⁽¹⁾ as a % of revenue (a)	53%	52%		56%	56%	

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

Highlights for the PRD division for the three and six months ended June 30, 2018 included:

- Processing, recovery and disposal services revenue of \$80.5 million and \$161.4 million for the three and six months ended June 30, 2018 increased by 34% and 26% from the 2017 comparative periods, driven by higher existing facility throughput, new facility additions and expansions at certain of the Corporation's existing facilities in 2017 and 2018 to date, and higher recovered oil revenues resulting from increased average crude oil prices;
- The majority of the Corporation's facilities are located in high impact resource plays, such as the Montney and Duvernay regions, where producers have been most active in the WCSB. Fluids pumped from wells in these regions are also significantly higher than other regions of the WCSB, driving incremental volumes at Secure's facilities;
- Processing volumes increased 18% and 14% in the three and six months ended June 30, 2018 from the comparative periods in 2017 due primarily to higher waste processing and emulsion treating volumes. The Corporation's FST facilities in North Dakota observed a significant increase in waste processing volumes and revenue in the three and six months ended June 30, 2018 over the comparative 2017 periods. Higher volumes in North Dakota were a result of improved activity levels, including new drilling and frac completions as evidenced by a 21% and 26% increase in rig count in the three and six months ended June 30, 2018 over the 2017 comparative periods. Higher drilling and completion activity has been driven by an increase in average crude oil prices over the prior period, and the commissioning of the Dakota Access Pipeline in June 2017 which has improved economics for delivering producers' product to market;
- Recovered oil revenues increased 40% and 42% in the three and six months ended June 30, 2018 from the 2017 comparative periods, driven by higher volumes resulting from increased activity levels and a marked increase in average crude oil prices of 36% and 26% over the 2017 comparative periods;
- Disposal volumes increased by 18% and 20% in the three and six months ended June 30, 2018 from the comparative periods of 2017. Increased disposal of solid waste resulting from higher drilling activity levels and remediation work nearby Secure landfills resulted in a revenue increase of approximately 20% from landfills in the three and six months ended June 30, 2018 over the three and six months ended June 30, 2017. Further driving the increase in disposal volumes is higher produced, flowback, and waste water volumes across Secure's facilities from the comparative periods resulting from expansions at existing facilities to increase disposal capacity, the acquisition of ten facilities from Ceiba in August 2017, increasing water production as wells mature and improved industry activity. The addition of Ceiba's facilities accounted for \$2.6 million and \$4.7 million of the PRD services revenue in the three and six months ended June 30, 2018, an impact of 4% when comparing to the same periods of 2017;
- During the three months ended June 30, 2018, higher oil purchase and resale volumes and favourable stream differentials enabled the Corporation to capitalize on crude oil marketing opportunities leading to higher revenue generated from this service line;
- Oil purchase and resale revenue in the PRD division for the three and six months ended June 30, 2018 increased to \$578.7 million and \$1.1 billion due to higher volumes resulting from increased industry activity and higher takeaway capacity at certain of the Corporation's pipeline connected full service terminals, and higher average crude oil prices in the three and six months ended June 30, 2018 over the comparative periods of 2017;
- Operating margin as a percentage of PRD services revenue for the three and six months ended June 30, 2018 increased slightly to 53% in the three months ended June 30, 2018 from 52% in the three months ended June 30, 2017. Operating margin as a percentage of PRD services revenue was 56% in both the six months ended June 30, 2018 and 2017. As a percentage of revenue, operating margin increased over 2017 as a result of overall increased revenues while minimizing fixed and related costs, and higher recovered oil revenues and crude oil marketing revenues which carry high margins. These positive impacts were partially offset by increased variable costs related to personnel and higher facility repair and maintenance expenditures in the 2018 periods over 2017;

- General and administrative ("G&A") expenses of \$6.3 million and \$12.2 million for the three and six months ended June 30, 2018 increased from the comparative period balances of \$4.4 million and \$8.4 million. Although the Corporation continues to minimize G&A costs by streamlining operations where possible, PRD G&A expenses have increased primarily due to overhead requirements to support new service lines, facilities and expansions. As a percentage of revenue, G&A expenses were up slightly to 8% in the three and six months ended June 30, 2018 from 7% in the 2017 comparative periods.

DPS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	%Change	2018	2017	%Change
Revenue						
Drilling and production services (a)	34,710	33,921	2	103,389	84,389	23
Direct expenses						
Drilling and production services (b)	31,988	31,878	-	87,304	70,745	23
Operating Margin ⁽¹⁾ (a-b)	2,722	2,043	33	16,085	13,644	18
Operating Margin ⁽¹⁾ as a % of revenue (a)	8%	6%		16%	16%	

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

Highlights for the DPS division for the three and six months ended June 30, 2018 included:

- The DPS division's drilling services revenue correlates with oil and gas drilling activity in the WCSB. For the three months ended June 30, 2018, industry rig counts decreased in the WCSB by 8% and metres drilled decreased by 3% from the 2017 comparative period. During periods of low activity, such as the second quarter spring break-up where the average rig count is typically half of that in the first quarter of the year, the timing, type and location of one customer's drilling activities can create fluctuations in the market share. As a result of this impact, Secure experienced a 6% decline in market share during the three months ended June 30, 2018 from the comparative period of 2017. Secure expects to achieve market share around historic levels as drilling and completion activity picks up in the third quarter;
- During the three months ended June 30, 2018, the Corporation was able to partially mitigate the impact of lower oil and gas drilling activity by focusing on more complex wells which require specialized fluids, equipment and expertise. During the quarter, the average depth per well drilled using Secure's drilling fluids was 3,356 metres, an increase of 10% from the 2017 comparative period, and 12% higher than the industry average. As a result of the above factors, revenue from drilling services was down slightly in the three months ended June 30, 2018 from the 2017 comparative period.
- Revenue from drilling services for the six months ended June 30, 2018 and 2017 was relatively consistent as a result of mixed activity levels in the 2018 year to date compared to the prior year. Industry rig counts were down 6% in the year to date, and Secure's market share was impacted in the second quarter of 2018 as described above. These factors were offset by a 3% increase in total metres drilled in the WCSB, and Secure's focus on more complex, deeper wells which positively impacted revenue per operating day;
- Secure continues diversification efforts in the DPS division to become less dependent on drilling activity through expansion of production services. Strategic relationships with key suppliers and ongoing product development has resulted in a significant expansion to Secure's product offering, leading to multiple commercial projects in 2017 and the first half of 2018. The acquisition of a production chemicals business completed in April 2017 has strengthened Secure's position in the market by adding over 100 fully formulated proprietary products, as well as key infrastructure related to the product offering and an experienced and dedicated employee base. The production chemicals service line now has over 350 commercialized products and continues to win new bids and customers. As a result of increased contributions

from production related services, total revenue from the DPS division for the three and six months ended June 30, 2018 increased 2% and 23% from the comparative periods of 2017 to \$34.7 million and \$103.4 million;

- The DPS division's operating margin for the three and six months ended June 30, 2018 improved by 33% and 18% from the comparative periods to \$2.7 million and \$16.1 million. Operating margin as a percentage of revenue was 8% and 16% in the three and six months ended June 30, 2018 compared to 6% and 16% in the comparative periods. Operating margins as a percentage of revenue were positively impacted by the increased revenues while minimizing fixed costs resulting in achieving economies of scale as activity increases. This impact was partially offset by the continued cost pressure associated with drilling fluids and production chemicals with no corresponding increase to pricing as a result of competitive market conditions and customer price sensitivities;
- G&A expense for the three and six months ended June 30, 2018 increased by 40% and 52% from the comparative periods of 2017. Although the Corporation continues to manage costs and proactively while still responding to customer demands and activity levels, G&A expenses have increased as a result of expanding the production chemicals service line, including as a result of the production chemicals acquisition in April 2017. Additionally, the prior year figures excludes all research and development costs associated with the Corporation's research lab as they were previously reported with the Corporation's business development expense. Secure continues to focus on research and development projects to expand the value chain of services offered to customers, and to provide innovative and cost-effective solutions to reduce waste in the drilling and production processes. As a percentage of DPS revenue, G&A expenses have increased to 14% and 10% in the three and six months ended June 30, 2018 from 10% and 8% in the prior year comparative periods.

OS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Revenue						
OnSite services (a)	26,043	21,173	23	58,207	43,948	32
Direct expenses						
OnSite services (b)	21,100	16,953	24	46,629	34,139	37
Operating Margin ⁽¹⁾ (a-b)	4,943	4,220	17	11,578	9,809	18
Operating Margin ⁽¹⁾ as a % of revenue (a)	19%	20%		20%	22%	

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

Highlights for the OS division for the three and six months ended June 30, 2018 included:

- OS division revenue increased 23% and 32% to \$26.0 million and \$58.2 million for the three and six months ended June 30, 2018 as improved commodity prices have led to increased customer activity, resulting in more Projects work and higher pumping and fluid storage rental activity;
- Projects revenue during the three and six months ended June 30, 2018 increased 54% and 56% from the 2017 comparative periods. Projects revenue is dependent on the type and size of jobs as well as weather conditions which can vary quarter to quarter. For the three and six months ended June 30, 2018, Projects revenue increased primarily because of larger scale jobs awarded resulting from the division's expertise and management of pipeline integrity, remediation and decommissioning jobs. Projects revenue also increased due to new customer additions and from the introduction of new service offerings such as the asset recovery long-term service agreement entered in the fourth quarter of 2017 to manage a scrap metal recycling program for a major oil sands producer. Projects continues to seek opportunities like this contract as they provide a more steady stream of revenue over the life of the agreement;
- Integrated Fluids Solutions revenue for the three and six months ended June 30, 2018 increased

- 30% and 49% from the 2017 comparative periods. Pumping services and fluid storage rentals had more jobs and higher equipment utilization over the 2017 comparative periods;
- Operating margin for the three and six months ended June 30, 2018 increased by 17% and 18% to \$4.9 million and \$11.6 million over the prior year comparative period due primarily to increased revenue. The OS division operating margin as a percentage of revenue in the three and six months ended June 30, 2018 was 19% and 20%, a slight decrease from 20% and 22% in the comparative 2017 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. As a percentage of revenue, the operating margin in the three and six months ended June 30, 2018 decreased from the comparative periods due to higher expenses incurred as described above, partially offset by higher revenues and economies of scale obtained from pumping services;
 - G&A expenses for the three and six months ended June 30, 2018 decreased marginally by \$0.1 million and \$0.3 million from the 2017 comparative periods to \$2.1 million and \$3.9 million as certain personnel and office costs included in the comparative figure were transferred to the PRD division at the start of this year. The impact of this change is partially offset by additional business development expenses resulting from the OS division's growth initiatives. As a percentage of OS revenue, G&A expenses have decreased to 8% and 7% in the three and six months ended June 30, 2018 from 10% in the 2017 comparative periods, primarily due to the increase in revenue.

OUTLOOK

The second quarter of 2018 results exceeded the Corporation's expectations as rising crude oil and liquids prices drove industry activity which led to higher facility volumes, increased recovered oil pricing, and crude oil marketing opportunities, all of which increased both revenues and operating margins for the PRD division. Additionally, higher demand for oilfield services in the Onsite division resulted in increased water transfer jobs and Projects work throughout spring break-up. Following spring break-up, the Corporation has seen increased drilling and completion activity, which will benefit all three of the Corporation's divisions.

Overall, Secure expects Adjusted EBITDA in the second half of 2018 to improve from the 2017 comparative period as a result of additional revenue contributions from PRD facility expansions and additions, including the Gold Creek and Tony Creek SWD facilities, and expanded service offerings, such as the Kindersley-Kerrobert pipeline system which is expected to be commissioned in September 2018 and operational in October 2018. Secure's focus on production related services and products, the location of PRD facilities in high impact resource plays where producers remain the most active in the WCSB, and the trend toward drilling deeper and more complex wells are all expected to drive increased results throughout the remainder of 2018.

Secure's strategy remains focused on working with customers to identify opportunities and integrated solutions where the Corporation can add value and lower customers' costs. By combining multiple services and focusing on new and innovative ways to offer solutions, Secure's customers will be able to gain capital efficiencies for drilling, completing and producing their reserves.

The fundamental drivers of Secure's business are expected to continue to provide meaningful avenues of growth during the remainder of 2018 and beyond:

- Produced water volumes continue to increase based on maturing basins and new shale completion techniques that result in increased water volumes per well. Disposal volumes for Secure are increasing 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. The increased use of proppants, the number of completion stages and length of the horizontal wells are expected to 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 while minimizing transportation costs. Secure's construction of the Kindersley-Kerrobert light oil feeder pipeline system to the Corporation's existing Kindersley FST, and further on to Kerrobert, is a growing trend where producers seek to reduce truck traffic and lower transport costs;
 - Moving oil volumes on rail cars remains a viable option for oil supply to be transported out of western Canada. As rail operations normalize, and with the high level of demand driven by large oil sands expansions which have tightened pipeline takeaway capacity, Secure could see increased activity during the second half of 2018 and beyond. 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;
 - Innovative drilling fluid programs can be used to address technical challenges related to developing unconventional resources, such as deep shale reservoirs in Alberta, and improve producer economics by reducing the number of days to drill a well. This trend should continue throughout 2018 as Secure brings innovative products and drilling fluid systems to market from the Corporation's research lab;
 - Demand for production chemicals is also increasing as producers bring on new oil, condensate and natural gas liquids ("NGLs"). Production chemicals optimize fluid production, provide flow assurance and maintain the integrity of production assets. The Corporation continues 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 Secure's market areas have created opportunities to help customers operate in a sustainable way with a focus on protecting the environment. Secure's OS division has seen increased proactive environmental projects that strive to prevent spills and reduce their future environmental liabilities. Additionally, recent changes to remediation regulations in Alberta have shortened the length of time companies have to assess and remediate spill sites, which may result in additional demand for OS division services; and
 - As LNG Canada nears its final investment decision with respect to the construction of a liquefied natural gas export terminal in western Canada, there is increased consensus in the market with respect to the likelihood of a positive outcome. A greenlight for this project is expected to add significant investment into the WCSB as it intends to provide Canadian producers an economic solution for exporting surplus natural gas to Asian markets. All three of the Corporation's divisions would benefit from the increase in oilfield activity, with the full impact anticipated in 2020 and beyond.

All of these growth trends and prospects provide Secure with significant opportunities to grow and expand its business throughout the remainder of 2018 and well into the future. 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. The Corporation expects to incur approximately \$65 million of growth and expansion capital in the second half of 2018, for a total 2018 spend of approximately \$150 million. The remaining capital will be incurred to complete the Kerrobert-Kindersley receipt terminal and storage tanks, construct a permanent SWD facility at Tony Creek, increase disposal capacity at various facilities (additional wells, additional landfill cells), and purchase equipment to support existing services.

Secure's 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 Secure's customers grow and being their trusted energy solutions partner will ensure that the Corporation continues 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 six months ended June 30, 2018 and 2017 and MD&A for the three and six months ended June 30, 2018 and 2017 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 document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining to: key priorities for the Corporation's success; the oil and natural gas industry, including drilling and production trends; activity levels in the oil and gas sector, drilling levels, commodity prices for oil, natural gas liquids and natural gas; industry fundamentals for 2018; capital forecasts and spending by producers; a positive final investment decision for LNG Canada; demand for the Corporation's services and products; expansion strategy; the impact of oil and gas activity on 2018 activity levels; the Corporation's proposed 2018 capital expenditure program including expansion, growth and sustaining capital expenditures, and the timing of completion for projects, in particular the Kindersley-Kerrobert light oil feeder pipeline system; debt service; acquisition strategy and timing of potential acquisitions; the impact of new facilities, new service offerings, potential acquisitions, and prior year acquisitions on the Corporation's financial and operational performance and growth opportunities; 2018 Adjusted EBITDA; growth opportunities; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; access to capital; the impact of the NCIB on shareholder value; and the Corporation's ability to meet obligations and commitments and operate within any credit facility restrictions.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as the assumption that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and similar phases of previous economic cycles. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking statements concerning the relative future competitive position of the Corporation are based upon the assumption that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest and foreign exchange rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation and its subsidiaries to successfully market their services and drilling and production activity in North America will lead to sufficient demand for the Corporation's services 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 under the heading "*Risk Factors*" in the AIF for the year ended December 31, 2017 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in prior year acquisitions with the operations of Secure. Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

NON-GAAP MEASURES AND OPERATIONAL DEFINITIONS

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 and operational definitions used by the Corporation may not be comparable to similar measures presented by other reporting issuers. These non-GAAP financial measures and operational definitions are included because management uses the information to analyze operating performance, leverage and liquidity. Therefore, these non-GAAP financial measures and operational definitions 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 and operational definitions.

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 solutions 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 crude oil terminalling facilities.

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 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" section herein.

SOURCE SECURE Energy Services Inc.

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For further information: Secure Energy Services Inc., Rene Amirault, Chairman, President and Chief Executive Officer, Phone: (403) 984-6100, Fax: (403) 984-6101; Allen Gransch, Executive Vice President, Corporate Development, Phone: (403) 984-6100, Fax: (403) 984-6101; Chad Magus, Executive Vice President and Chief Financial Officer, Phone: (403) 984-6100, Fax: (403) 984-6101, Website: www.secure-energy.com, TSX Symbol: SES

CO: SECURE Energy Services Inc.

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