

Condensed Consolidated Financial Statements (unaudited)

**For the three months ended March 31, 2018**

*(Expressed in Canadian Dollars)*

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

| (\$000's) (unaudited)                             | Notes | As at            |                   |
|---------------------------------------------------|-------|------------------|-------------------|
|                                                   |       | March 31, 2018   | December 31, 2017 |
| <b>Assets</b>                                     |       |                  |                   |
| <b>Current assets</b>                             |       |                  |                   |
| Cash                                              |       | 3,814            | 9,730             |
| Accounts receivable and accrued receivables       |       | 302,549          | 308,690           |
| Current tax assets                                |       | 6,330            | 5,925             |
| Prepaid expenses and deposits                     |       | 6,598            | 8,838             |
| Inventories                                       |       | 66,592           | 72,225            |
|                                                   |       | <b>385,883</b>   | <b>405,408</b>    |
| Property, plant and equipment                     | 4     | 1,129,412        | 1,088,151         |
| Intangible assets                                 |       | 47,722           | 51,212            |
| Goodwill                                          |       | 11,127           | 11,127            |
| Deferred tax assets                               |       | 5,763            | 6,848             |
| <b>Total Assets</b>                               |       | <b>1,579,907</b> | <b>1,562,746</b>  |
| <b>Liabilities</b>                                |       |                  |                   |
| <b>Current liabilities</b>                        |       |                  |                   |
| Accounts payable and accrued liabilities          |       | 219,406          | 257,837           |
| Asset retirement obligations                      |       | 3,234            | 3,055             |
| Finance lease liabilities                         |       | 5,204            | 5,111             |
|                                                   |       | <b>227,844</b>   | <b>266,003</b>    |
| Long-term borrowings                              | 5     | 342,673          | 298,408           |
| Asset retirement obligations                      |       | 77,485           | 74,262            |
| Finance lease liabilities                         |       | 7,097            | 6,052             |
| Onerous lease liabilities                         |       | 1,591            | 1,761             |
| Deferred tax liabilities                          |       | 44,684           | 41,768            |
| <b>Total Liabilities</b>                          |       | <b>701,374</b>   | <b>688,254</b>    |
| <b>Shareholders' Equity</b>                       |       |                  |                   |
| Issued capital                                    | 6     | 1,069,960        | 1,057,505         |
| Share-based compensation reserve                  | 7     | 49,440           | 56,524            |
| Foreign currency translation reserve              |       | 25,268           | 21,618            |
| Deficit                                           |       | (266,135)        | (261,155)         |
| <b>Total Shareholders' Equity</b>                 |       | <b>878,533</b>   | <b>874,492</b>    |
| <b>Total Liabilities and Shareholders' Equity</b> |       | <b>1,579,907</b> | <b>1,562,746</b>  |

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

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

| (\$000's except per share and share data) (unaudited) | Notes    | For the three months ended March 31, |                    |
|-------------------------------------------------------|----------|--------------------------------------|--------------------|
|                                                       |          | 2018                                 | 2017               |
| <b>Revenue</b>                                        | <b>8</b> | <b>705,445</b>                       | <b>450,589</b>     |
| <b>Operating expenses:</b>                            |          |                                      |                    |
| Direct expenses                                       |          | 638,043                              | 393,582            |
| Depreciation, depletion and amortization              |          | 27,294                               | 25,692             |
|                                                       |          | <b>665,337</b>                       | <b>419,274</b>     |
| General and administrative expenses                   |          | 18,492                               | 13,282             |
| Share-based compensation                              |          | 5,628                                | 6,174              |
| Business development expenses                         |          | 1,306                                | 1,640              |
|                                                       |          | <b>25,426</b>                        | <b>21,096</b>      |
| <b>Operating income</b>                               |          | <b>14,682</b>                        | <b>10,219</b>      |
| Interest, accretion and finance costs                 |          | 3,856                                | 2,884              |
| <b>Income before tax</b>                              |          | <b>10,826</b>                        | <b>7,335</b>       |
| Current tax expense (recovery)                        |          | 821                                  | (25)               |
| Deferred tax expense                                  |          | 3,928                                | 3,920              |
|                                                       |          | <b>4,749</b>                         | <b>3,895</b>       |
| <b>Net earnings</b>                                   |          | <b>6,077</b>                         | <b>3,440</b>       |
| Other comprehensive income (loss)                     |          |                                      |                    |
| Foreign currency translation adjustment               |          | 3,650                                | (1,804)            |
| <b>Total comprehensive income</b>                     |          | <b>9,727</b>                         | <b>1,636</b>       |
| Basic and diluted earnings per common share           | <b>6</b> | <b>0.04</b>                          | <b>0.02</b>        |
| Weighted average shares outstanding - basic           | <b>6</b> | <b>164,009,829</b>                   | <b>162,049,821</b> |
| Weighted average shares outstanding - diluted         | <b>6</b> | <b>166,079,649</b>                   | <b>165,944,906</b> |

*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<br>compensation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Deficit          | Total<br>Shareholders'<br>Equity |
|-----------------------------------------------------------|------|------------------|----------------------------------------|-----------------------------------------------|------------------|----------------------------------|
| <b>Balance at January 1, 2018</b>                         |      | <b>1,057,505</b> | <b>56,524</b>                          | <b>21,618</b>                                 | <b>(261,155)</b> | <b>874,492</b>                   |
| Net earnings                                              |      | -                | -                                      | -                                             | 6,077            | 6,077                            |
| Dividends declared                                        | 6    | -                | -                                      | -                                             | (11,057)         | (11,057)                         |
| Foreign currency translation adjustment                   |      | -                | -                                      | 3,650                                         | -                | 3,650                            |
| Exercise of options and share units                       | 6    | 12,455           | (12,400)                               | -                                             | -                | 55                               |
| Share-based compensation                                  |      | -                | 5,316                                  | -                                             | -                | 5,316                            |
| <b>Balance at March 31, 2018</b>                          |      | <b>1,069,960</b> | <b>49,440</b>                          | <b>25,268</b>                                 | <b>(266,135)</b> | <b>878,533</b>                   |
| <b>Balance at January 1, 2017</b>                         |      | <b>1,030,033</b> | <b>51,441</b>                          | <b>32,049</b>                                 | <b>(186,476)</b> | <b>927,047</b>                   |
| Net earnings                                              |      | -                | -                                      | -                                             | 3,440            | 3,440                            |
| Dividends declared                                        |      | -                | -                                      | -                                             | (9,700)          | (9,700)                          |
| Shares issued through dividend reinvestment plan ("DRIP") |      | 3,353            | -                                      | -                                             | -                | 3,353                            |
| Foreign currency translation adjustment                   |      | -                | -                                      | (1,804)                                       | -                | (1,804)                          |
| Exercise of options and share units                       |      | 15,103           | (12,836)                               | -                                             | -                | 2,267                            |
| Share-based compensation                                  |      | -                | 5,755                                  | -                                             | -                | 5,755                            |
| <b>Balance at March 31, 2017</b>                          |      | <b>1,048,489</b> | <b>44,360</b>                          | <b>30,245</b>                                 | <b>(192,736)</b> | <b>930,358</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 March 31, |                 |
|-----------------------------------------------------------|-------|--------------------------------------|-----------------|
|                                                           |       | 2018                                 | 2017            |
| <b>Cash flows from (used in) operating activities</b>     |       |                                      |                 |
| Net earnings                                              |       | 6,077                                | 3,440           |
| Adjustments for non-cash items:                           |       |                                      |                 |
| Depreciation, depletion and amortization                  |       | 27,294                               | 25,692          |
| Interest, accretion and finance costs                     | 5     | 3,856                                | 2,884           |
| Current and deferred tax expense                          |       | 4,749                                | 3,895           |
| Other non-cash (income) expense                           |       | (698)                                | 7               |
| Share-based compensation                                  |       | 5,628                                | 6,174           |
| Interest paid                                             |       | (3,663)                              | (2,232)         |
| Income taxes (paid) recovered                             |       | (1,200)                              | 192             |
| Change in non-cash working capital                        |       | (9,282)                              | 2,990           |
| Asset retirement costs incurred                           |       | (7)                                  | (14)            |
| <b>Net cash flows from operating activities</b>           |       | <b>32,754</b>                        | <b>43,028</b>   |
| <b>Cash flows used in investing activities</b>            |       |                                      |                 |
| Purchase of property, plant and equipment                 |       | (56,581)                             | (12,096)        |
| Change in non-cash working capital                        |       | (14,134)                             | (2,391)         |
| <b>Net cash flows used in investing activities</b>        |       | <b>(70,715)</b>                      | <b>(14,487)</b> |
| <b>Cash flows from (used in) financing activities</b>     |       |                                      |                 |
| Shares issued, net of share issue costs                   | 6     | 55                                   | 2,267           |
| Draw (repayment) on credit facility                       |       | 44,000                               | (21,000)        |
| Capital lease obligation                                  |       | (1,256)                              | (1,489)         |
| Dividends paid                                            | 6     | (11,057)                             | (6,347)         |
| <b>Net cash flows from (used in) financing activities</b> |       | <b>31,742</b>                        | <b>(26,569)</b> |
| <b>Effect of foreign exchange on cash</b>                 |       | <b>303</b>                           | <b>(220)</b>    |
| (Decrease) increase in cash                               |       | (5,916)                              | 1,752           |
| Cash, beginning of period                                 |       | 9,730                                | 3,432           |
| <b>Cash, end of period</b>                                |       | <b>3,814</b>                         | <b>5,184</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 months ended March 31, 2018 and 2017**

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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 owns and operates midstream infrastructure and provides solutions and products to upstream oil and natural gas companies operating in western Canada and in certain regions in the United States ("U.S.").

The processing, recovery and disposal services division ("PRD") 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. The drilling and production services division ("DPS") provides equipment, product solutions and chemicals for drilling, completion and production operations for oil and gas producers in western Canada. The OnSite division ("OS") includes 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.

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 months ended March 31, 2018 and 2017**

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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 March 31, 2018. 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, 2017.

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 April 30, 2018.

**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, 2017, except as described in Note 3. 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 months ended March 31, 2018 and 2017****3. RECENT ACCOUNTING PRONOUNCEMENTS*****Standards issued and in effect*****a) IFRS 9 Financial instruments**

On July 24, 2014, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. The Corporation has adopted IFRS 9 on a retrospective basis at January 1, 2018. The adjustment to opening deficit as of January 1, 2018 due to the cumulative impact of adopting IFRS 9 was \$nil. The impact to net earnings for the three months ended March 31, 2018 was \$nil.

The following outlines the Corporation's accounting policy for financial instruments under IFRS 9:

***Classification***

Financial instruments within the scope of IFRS 9: Financial Instruments are classified upon initial recognition in the following categories:

- Fair value through profit and loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI"); or
- Amortized cost.

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

The Corporation completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/liabilities              | IAS 39 Classification       | IFRS 9 Classification |
|-------------------------------------------|-----------------------------|-----------------------|
| Cash                                      | Loans and receivables       | Amortized cost        |
| Accounts receivable & accrued receivables | Loans and receivables       | Amortized cost        |
| Accounts payable & accrued liabilities    | Other financial liabilities | Amortized cost        |
| Long-term borrowings                      | Other financial liabilities | Amortized cost        |
| Derivative financial instruments          | FVTPL                       | FVTPL                 |

***Measurement******Financial assets and liabilities at FVTPL***

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

***Financial assets at FVTOCI***

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

***Financial assets and liabilities at amortized cost***

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

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2018 and 2017**

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**3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)*****Fair value measurement***

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

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

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

***Derivative financial instruments***

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

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

***Offsetting of financial instruments***

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

***Impairment of financial assets***

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

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

**3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

***Derecognition***

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

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

**b) IFRS 15 Revenue from contracts with customers**

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard replaces the two main recognition standards IAS 18 Revenue, and IAS 11 Construction Contracts. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue. The Corporation has adopted IFRS 15 retrospectively at January 1, 2018, with the cumulative effect of initially applying this standard recognized in opening deficit at January 1, 2018. The adjustment to opening deficit as of January 1, 2018 due to the cumulative impact of adopting IFRS 15 was \$nil. The impact to revenue for the three months ended March 31, 2018 was \$nil. The prior period amounts are not adjusted and continue to be reported in accordance with IAS 18.

The following outlines the Corporation's policy for recognizing revenue from contracts with customers under IFRS 15:

**Revenue recognition**

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

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

**3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

- Revenue is measured net of trade discounts and volume rebates as they are incurred in relation to the goods and services provided.

***Standards issued but not effective***

**c) IFRS 16 Leases**

On January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

Secure will adopt IFRS 16 on the effective date of January 1, 2019, and has selected the modified retrospective transition approach. Secure has also elected to apply the optional exemptions for short-term and low-value leases. IFRS 16 is expected to increase the Corporation's assets and liabilities, increase depreciation, depletion and amortization expense, increase interest, accretion and finance costs and reduce direct expenses and general and administrative expenses. Cash payments associated with operating leases are currently presented within operating activities; under IFRS 16, the cash flows will be allocated between financing activities for the repayment of the principal liability and operating activities for the financing expense portion. The overall impact to cash flow is unchanged.

Secure has formed a team of qualified employees to assess the full impacts of IFRS 16. The transition team is currently in the process of reviewing and categorizing the Corporation's contracts to form a database of leases. The Corporation will disclose additional information throughout 2018 on the progress of the transition, including the estimated quantitative financial impacts.

**SECURE ENERGY SERVICES INC.**
**Notes to the Condensed Consolidated Financial Statements (unaudited)**  
**For the three months ended March 31, 2018 and 2017**
**4. PROPERTY, PLANT AND EQUIPMENT**

During the three months ended March 31, 2018, \$1.8 million (\$1.5 million for the three months ended March 31, 2017) 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 months ended March 31, 2018 was \$0.3 million (\$nil for the three months ended March 31, 2017).

| (\$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, 2017</b>                       | 104,895                   | 113,401            | 1,158,724                                          | 135,246                     | 43,066                        | <b>1,555,332</b> |
| Additions <sup>(1)</sup>                       | 55,554                    | 147                | 5,552                                              | 3,620                       | 223                           | <b>65,096</b>    |
| Change in asset retirement cost                | -                         | -                  | 2,675                                              | -                           | -                             | <b>2,675</b>     |
| Disposals                                      | -                         | (67)               | (382)                                              | (953)                       | -                             | <b>(1,402)</b>   |
| Transfers <sup>(1)</sup>                       | (6,006)                   | -                  | -                                                  | -                           | -                             | <b>(6,006)</b>   |
| Foreign exchange effect                        | (1)                       | 556                | 3,648                                              | 348                         | 32                            | <b>4,583</b>     |
| <b>March 31, 2018</b>                          | <b>154,442</b>            | <b>114,037</b>     | <b>1,170,217</b>                                   | <b>138,261</b>              | <b>43,321</b>                 | <b>1,620,278</b> |
| <b>Accumulated depreciation and depletion:</b> |                           |                    |                                                    |                             |                               |                  |
| <b>December 31, 2017</b>                       | -                         | (27,513)           | (359,122)                                          | (56,110)                    | (24,436)                      | <b>(467,181)</b> |
| Depreciation and depletion                     | -                         | (987)              | (17,781)                                           | (3,451)                     | (1,163)                       | <b>(23,382)</b>  |
| Disposals                                      | -                         | 28                 | 119                                                | 742                         | 5                             | <b>894</b>       |
| Foreign exchange effect                        | -                         | (103)              | (1,006)                                            | (94)                        | 6                             | <b>(1,197)</b>   |
| <b>March 31, 2018</b>                          | <b>-</b>                  | <b>(28,575)</b>    | <b>(377,790)</b>                                   | <b>(58,913)</b>             | <b>(25,588)</b>               | <b>(490,866)</b> |
| <b>Net book value:</b>                         |                           |                    |                                                    |                             |                               |                  |
| <b>March 31, 2018</b>                          | <b>154,442</b>            | <b>85,462</b>      | <b>792,427</b>                                     | <b>79,348</b>               | <b>17,733</b>                 | <b>1,129,412</b> |
| <b>December 31, 2017</b>                       | <b>104,895</b>            | <b>85,888</b>      | <b>799,602</b>                                     | <b>79,136</b>               | <b>18,630</b>                 | <b>1,088,151</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 months ended March 31, 2018 and 2017**
**5. LONG-TERM BORROWINGS**

| (\$000's)                         | March 31, 2018 | Dec 31, 2017   |
|-----------------------------------|----------------|----------------|
| Amount drawn on credit facilities | 344,000        | 300,000        |
| Unamortized transaction costs     | (1,327)        | (1,592)        |
| <b>Total long-term borrowings</b> | <b>342,673</b> | <b>298,408</b> |
| Credit facilities                 | 600,000        | 600,000        |
| Amount drawn on credit facilities | (344,000)      | (300,000)      |
| Letters of credit                 | (61,280)       | (39,713)       |
| <b>Available amount</b>           | <b>194,720</b> | <b>260,287</b> |

The Corporation has a \$470 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions and Canadian Chartered banks. In addition, the Corporation has a \$130 million second lien credit facility ("Second Lien Facility") with a syndicate of three financial institutions and Canadian Chartered banks. The combined facilities total \$600 million. At March 31, 2018, the full amount of the \$130 million Second Lien Facility was drawn.

At March 31, 2018 and December 31, 2017, the Corporation was in compliance with all financial covenants contained in the lending agreements.

**6. SHAREHOLDERS' EQUITY**

|                                     | Number of Shares   | Amount (\$000's) |
|-------------------------------------|--------------------|------------------|
| <b>Balance at December 31, 2017</b> | 163,352,572        | 1,057,505        |
| Options exercised                   | 6,666              | 55               |
| RSUs and PSUs exercised             | 1,187,949          | -                |
| Transfer from reserves in equity    | -                  | 12,400           |
| <b>Balance at March 31, 2018</b>    | <b>164,547,187</b> | <b>1,069,960</b> |

As at March 31, 2018, there were 1,328,105 common shares of the Corporation held in escrow in conjunction with the Corporation's business acquisitions (December 31, 2017: 1,508,564).

The Corporation declared dividends to holders of common shares for the three months ended March 31, 2018 of \$11.1 million (three months ended March 31, 2017: \$9.7 million).

Subsequent to March 31, 2018, the Corporation declared dividends to holders of common shares in the amount of \$0.0225 per common share payable on April 16 and May 15, 2018 for shareholders of record on April 1 and May 1, 2018, respectively.

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

|                                                                         | For the three months ended, |                    |
|-------------------------------------------------------------------------|-----------------------------|--------------------|
|                                                                         | March 31, 2018              | March 31, 2017     |
| Weighted average number of shares for basic earnings per share          | 164,009,829                 | 162,049,821        |
| Effect of dilution:                                                     |                             |                    |
| Options, RSUs, PSUs and CSUs                                            | 2,069,820                   | 3,895,085          |
| <b>Weighted average number of shares for diluted earnings per share</b> | <b>166,079,649</b>          | <b>165,944,906</b> |

The above table excludes the impact of 3,998,143 options, 77,198 restricted share units ("RSUs") and 971 performance share units ("PSUs") for the three months ended March 31, 2018 (4,716,417 options for the three months ended March 31, 2017), as they are considered to be anti-dilutive.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2018 and 2017****7. SHARE-BASED COMPENSATION PLANS**

The Corporation has share-based compensation plans (the "Plans") under which the Corporation may grant share options, RSUs, PSUs and compensation share units ("CSUs") 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 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, 2017.

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

|                                    | March 31, 2018      |                                      | Dec 31, 2017        |                                      |
|------------------------------------|---------------------|--------------------------------------|---------------------|--------------------------------------|
|                                    | Outstanding options | Weighted average exercise price (\$) | Outstanding options | Weighted average exercise price (\$) |
| Balance - beginning of year        | 6,153,925           | 13.71                                | 7,209,139           | 13.17                                |
| Granted                            | -                   | -                                    | 50,000              | 11.48                                |
| Exercised                          | (6,666)             | 8.23                                 | (547,524)           | 7.97                                 |
| Expired                            | (507,763)           | 11.55                                | (337,778)           | 9.49                                 |
| Forfeited                          | (43,500)            | 14.86                                | (219,912)           | 16.11                                |
| <b>Balance - end of period</b>     | <b>5,595,996</b>    | <b>13.91</b>                         | <b>6,153,925</b>    | <b>13.71</b>                         |
| <b>Exercisable - end of period</b> | <b>4,950,911</b>    | <b>14.65</b>                         | <b>4,534,175</b>    | <b>15.07</b>                         |

**Unit Incentive and DSU Plans**

The following table summarizes the units outstanding:

| For the three months ended March 31, 2018: | RSUs             | PSUs             | DSUs           |
|--------------------------------------------|------------------|------------------|----------------|
| Balance - beginning of period              | 3,125,795        | 1,694,216        | 258,305        |
| Granted                                    | 1,778,687        | 731,676          | 90,360         |
| Reinvested dividends                       | 30,100           | 17,664           | 2,079          |
| Redeemed for common shares                 | (1,078,939)      | (109,010)        | -              |
| Forfeited                                  | (84,829)         | (32,586)         | -              |
| <b>Balance - end of period</b>             | <b>3,770,814</b> | <b>2,301,960</b> | <b>350,744</b> |

As at March 31, 2018, \$2.6 million (December 31, 2017: \$2.3 million) was included in accounts payable and accrued liabilities for outstanding DSUs. Share-based compensation included in the consolidated statements of comprehensive income related to the DSUs was an expense of \$0.3 million for the three months ended March 31, 2018 (\$0.4 million for the three months ended March 31, 2017).

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2018 and 2017****8. REVENUE**

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

The following table disaggregates the Corporation's revenue by type of good or service:

| (\$000's)                                    |                |               |               |           |                |
|----------------------------------------------|----------------|---------------|---------------|-----------|----------------|
| Three months ended March 31, 2018            | PRD division   | DPS division  | OS division   | Corporate | Total          |
| Oil purchase and resale service              | 523,747        | -             | -             | -         | 523,747        |
| Processing, recovery and disposal services   | 80,855         | -             | -             | -         | 80,855         |
| Drilling and production services             | -              | 68,679        | -             | -         | 68,679         |
| OnSite services                              | -              | -             | 32,164        | -         | 32,164         |
| <b>Revenue from contracts with customers</b> | <b>604,602</b> | <b>68,679</b> | <b>32,164</b> | <b>-</b>  | <b>705,445</b> |

  

| (\$000's)                                    |                |               |               |           |                |
|----------------------------------------------|----------------|---------------|---------------|-----------|----------------|
| Three months ended March 31, 2017            | PRD division   | DPS division  | OS division   | Corporate | Total          |
| Oil purchase and resale service              | 309,876        | -             | -             | -         | 309,876        |
| Processing, recovery and disposal services   | 67,470         | -             | -             | -         | 67,470         |
| Drilling and production services             | -              | 50,468        | -             | -         | 50,468         |
| OnSite services                              | -              | -             | 22,775        | -         | 22,775         |
| <b>Revenue from contracts with customers</b> | <b>377,346</b> | <b>50,468</b> | <b>22,775</b> | <b>-</b>  | <b>450,589</b> |

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

**9. CONTRACTUAL OBLIGATIONS****As at March 31, 2018**

| (\$000's)                               | Payments due by period |                |                        | Total          |
|-----------------------------------------|------------------------|----------------|------------------------|----------------|
|                                         | 1 year or less         | 1-5 years      | 5 years and thereafter |                |
| Finance leases                          | 5,917                  | 7,005          | -                      | 12,922         |
| Operating leases                        | 12,995                 | 27,868         | 8,047                  | 48,910         |
| Crude oil transportation <sup>(1)</sup> | 29,266                 | 125,310        | 118,385                | 272,961        |
| Inventory purchases                     | 13,719                 | 6,842          | -                      | 20,561         |
| Capital commitments                     | 27,334                 | -              | -                      | 27,334         |
| <b>Total contractual obligations</b>    | <b>89,231</b>          | <b>167,025</b> | <b>126,432</b>         | <b>382,688</b> |

<sup>(1)</sup> Crude oil transportation includes rail car operating lease commitments and crude oil transportation volumes for pipeline throughput at certain pipeline connected full service terminals.

**SECURE ENERGY SERVICES INC.**
**Notes to the Condensed Consolidated Financial Statements (unaudited)**
**For the three months ended March 31, 2018 and 2017**
**10. 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)

| Three months ended March 31, 2018        | PRD division  | DPS division  | OS division  | Corporate       | Total         |
|------------------------------------------|---------------|---------------|--------------|-----------------|---------------|
| Revenue                                  | 604,602       | 68,679        | 32,164       | -               | 705,445       |
| Direct expenses                          | (557,198)     | (55,316)      | (25,529)     | -               | (638,043)     |
| <b>Operating margin</b>                  | <b>47,404</b> | <b>13,363</b> | <b>6,635</b> | <b>-</b>        | <b>67,402</b> |
| General and administrative expenses      | (5,929)       | (5,668)       | (1,860)      | (5,035)         | (18,492)      |
| Share-based compensation                 | -             | -             | -            | (5,628)         | (5,628)       |
| Business development expenses            | -             | -             | -            | (1,306)         | (1,306)       |
| Depreciation, depletion and amortization | (18,718)      | (5,515)       | (2,742)      | (319)           | (27,294)      |
| Interest, accretion and finance costs    | (413)         | -             | -            | (3,443)         | (3,856)       |
| <b>Earnings (loss) before tax</b>        | <b>22,344</b> | <b>2,180</b>  | <b>2,033</b> | <b>(15,731)</b> | <b>10,826</b> |

(\$000's)

| Three months ended March 31, 2017        | PRD division  | DPS division  | OS division  | Corporate       | Total         |
|------------------------------------------|---------------|---------------|--------------|-----------------|---------------|
| Revenue                                  | 377,346       | 50,468        | 22,775       | -               | 450,589       |
| Direct expenses                          | (337,529)     | (38,867)      | (17,186)     | -               | (393,582)     |
| <b>Operating margin</b>                  | <b>39,817</b> | <b>11,601</b> | <b>5,589</b> | <b>-</b>        | <b>57,007</b> |
| General and administrative expenses      | (3,962)       | (3,449)       | (2,078)      | (3,793)         | (13,282)      |
| Share-based compensation                 | -             | -             | -            | (6,174)         | (6,174)       |
| Business development expenses            | -             | -             | -            | (1,640)         | (1,640)       |
| Depreciation, depletion and amortization | (17,397)      | (4,874)       | (3,044)      | (377)           | (25,692)      |
| Interest, accretion and finance costs    | (422)         | -             | -            | (2,462)         | (2,884)       |
| <b>Earnings (loss) before tax</b>        | <b>18,036</b> | <b>3,278</b>  | <b>467</b>   | <b>(14,446)</b> | <b>7,335</b>  |

(\$000's)

| As at March 31, 2018          | PRD division | DPS division | OS division | Corporate | Total     |
|-------------------------------|--------------|--------------|-------------|-----------|-----------|
| Current assets                | 231,547      | 122,718      | 31,618      | -         | 385,883   |
| Property, plant and equipment | 980,620      | 108,382      | 34,184      | 6,226     | 1,129,412 |
| Intangible assets             | 6,144        | 38,698       | 2,880       | -         | 47,722    |
| Goodwill                      | -            | -            | 11,127      | -         | 11,127    |
| Total assets                  | 1,219,159    | 275,559      | 78,963      | 6,226     | 1,579,907 |
| Current liabilities           | 190,362      | 24,256       | 13,226      | -         | 227,844   |
| Total liabilities             | 304,171      | 40,019       | 14,511      | 342,673   | 701,374   |

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

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2018 and 2017****10. OPERATING SEGMENTS (continued)****Geographical Financial Information**

| (\$000's)                                  | Canada    |           | US      |         | Total     |           |
|--------------------------------------------|-----------|-----------|---------|---------|-----------|-----------|
| Three months ended March 31,               | 2018      | 2017      | 2018    | 2017    | 2018      | 2017      |
| Revenue                                    | 688,197   | 438,577   | 17,248  | 12,012  | 705,445   | 450,589   |
|                                            |           |           |         |         |           |           |
| As at March 31, 2018 and December 31, 2017 |           |           |         |         |           |           |
| Total non-current assets                   | 1,064,000 | 1,027,962 | 130,024 | 129,376 | 1,194,024 | 1,157,338 |

## SECURE ENERGY SERVICES INC.

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

For the three months ended March 31, 2018 and 2017

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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> <sup>(5)</sup>

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

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee

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

<sup>5</sup> Lead Director

### STOCK EXCHANGE

Toronto Stock Exchange

Symbol: SES

### AUDITORS

KPMG LLP

Calgary, Alberta

### LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

### LEAD BANKERS

ATB Financial

National Bank of Canada

### TRANSFER AGENT AND REGISTRAR

Computershare

Calgary, Alberta

### OFFICERS

Rene Amirault

*President & Chief Executive Officer*

Allen Gransch

*Executive Vice President, Corporate Development*

Chad Magus

*Executive Vice President & Chief Financial Officer*

Daniel Steinke

*Executive Vice President, New Ventures & Government Affairs*

Corey Higham

*Executive Vice President, Processing, Recovery & Disposal*

Brian McGurk

*Executive Vice President, Human Resources & Strategy*

George Wadsworth

*Executive Vice President, Drilling & Production Services*

Mike Mikuska

*Executive Vice President, Commercial & Transportation*

David Mattinson

*Executive Vice President, OnSite Services*

David Engel

*Executive Vice President, Technical Services*