

Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2019

(Expressed in Canadian Dollars)

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position

		As at	
(\$000's) (unaudited)	Notes	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash		16,191	7,928
Accounts receivable and accrued receivables		270,939	242,528
Inventories		68,437	70,097
Prepaid expenses and other current assets		7,419	10,868
		362,986	331,421
Property, plant and equipment	4	1,188,644	1,203,382
Right-of-use assets	5	53,115	-
Intangible assets		32,788	36,258
Goodwill		11,127	11,127
Deferred tax assets		-	1,313
Total Assets		1,648,660	1,583,501
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		205,690	168,121
Asset retirement obligations		3,334	2,978
Lease liabilities	7	20,813	7,223
		229,837	178,322
Long-term borrowings	6	404,969	412,919
Asset retirement obligations		93,083	87,707
Lease and other liabilities	7	31,659	9,464
Deferred tax liabilities		52,602	50,773
Total Liabilities		812,150	739,185
Shareholders' Equity			
Issued capital	8	1,049,503	1,031,189
Share-based compensation reserve		50,937	64,413
Foreign currency translation reserve		30,885	33,982
Deficit		(294,815)	(285,268)
Total Shareholders' Equity		836,510	844,316
Total Liabilities and Shareholders' Equity			
		1,648,660	1,583,501

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Comprehensive (Loss) Income

		For the three months ended March 31,	
<i>(\$000's except per share and share data) (unaudited)</i>	Notes	2019	2018
Revenue	12	788,882	705,445
Cost of sales	10	748,976	665,744
Gross margin		39,906	39,701
General and administrative expenses	10	28,441	25,019
Operating income		11,465	14,682
Interest, accretion and finance costs		6,791	3,856
Income before tax		4,674	10,826
Current tax expense		298	821
Deferred tax expense		3,117	3,928
Net income		1,259	6,077
Other comprehensive (loss) income			
Foreign currency translation adjustment		(3,097)	3,650
Total comprehensive (loss) income		(1,838)	9,727
Basic and diluted income per common share		0.01	0.04
Weighted average shares outstanding - basic	8	160,440,879	164,009,829
Weighted average shares outstanding - diluted	8	163,456,268	166,079,649

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

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

<i>(\$000's) (unaudited)</i>	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Deficit	Total Shareholders' Equity
Balance at January 1, 2019		1,031,189	64,413	33,982	(285,268)	844,316
Net income		-	-	-	1,259	1,259
Dividends declared	8	-	-	-	(10,806)	(10,806)
Foreign currency translation adjustment		-	-	(3,097)	-	(3,097)
Exercise of share units	8	19,207	(19,207)	-	-	-
Share-based compensation		-	5,731	-	-	5,731
Shares cancelled under normal course issuer bid ("NCIB")	8	(893)	-	-	-	(893)
Balance at March 31, 2019		1,049,503	50,937	30,885	(294,815)	836,510
Balance at January 1, 2018		1,057,505	56,524	21,618	(261,155)	874,492
Net income		-	-	-	6,077	6,077
Dividends declared		-	-	-	(11,057)	(11,057)
Foreign currency translation adjustment		-	-	3,650	-	3,650
Exercise of options and share units		12,455	(12,400)	-	-	55
Share-based compensation		-	5,316	-	-	5,316
Balance at March 31, 2018		1,069,960	49,440	25,268	(266,135)	878,533

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows

		For the three months ended March 31,	
(\$000's) (unaudited)	Notes	2019	2018
Cash flows from (used in) operating activities			
Net income		1,259	6,077
Adjustments for non-cash items:			
Depreciation, depletion and amortization		31,899	27,294
Interest, accretion and finance costs		6,791	3,856
Current and deferred tax expense		3,415	4,749
Other non-cash loss (income)		4,490	(698)
Share-based compensation	9	7,288	5,628
Interest paid		(5,212)	(3,663)
Income taxes paid		(2,333)	(1,200)
Asset retirement costs incurred		(906)	(7)
Funds flow from operations		46,691	42,036
Change in non-cash working capital		10,611	(9,282)
Net cash flows from operating activities		57,302	32,754
Cash flows used in investing activities			
Purchase of property, plant and equipment		(22,792)	(56,581)
Change in non-cash working capital		(76)	(14,134)
Net cash flows used in investing activities		(22,868)	(70,715)
Cash flows (used in) from financing activities			
Shares issued, net of share issue costs	8	-	55
Repurchase and cancellation of shares under NCIB	8	(893)	-
(Repayment) draw on credit facilities	6	(8,216)	44,000
Lease liability principal payment		(5,723)	(1,256)
Dividends paid	8	(10,806)	(11,057)
Net cash flows (used in) from financing activities		(25,638)	31,742
Effect of foreign exchange on cash		(533)	303
Increase in cash		8,263	(5,916)
Cash, beginning of period		7,928	9,730
Cash, end of period		16,191	3,814

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, 2019 and 2018

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 Midstream Infrastructure division owns and operates a network of facilities throughout western Canada and certain regions of the United States (U.S.). The Midstream Infrastructure division services include clean oil terminalling, rail transloading, pipeline transportation, crude oil storage and marketing, custom treating of crude oil, produced and waste water disposal, oilfield waste processing, and oil purchase/resale service. Secure provides these services at its full service terminals, full service rail facilities, crude oil pipelines, crude oil terminalling facilities, water disposal facilities, and landfills.

The Environmental Solutions division provides comprehensive environmental solutions, from initial project assessment and planning, to reclamation and remediation. The Environmental Solutions division also offers integrated fluid solutions which includes water management, recycling, pumping and storage solutions.

The Technical Solutions division provides customer focused product solutions for drilling, completion and production operations for oil and gas producers in western Canada.

In Canada, the level of activity in the oilfield 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.

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, 2019. 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, 2018.

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 reclassifications of prior year amounts have been made to conform to the current year presentation and certain amounts in the condensed consolidated financial statements are not comparable to the prior periods due to the adoption of new IFRS as discussed in Note 3.

These condensed consolidated financial statements were approved by Secure's Board of Directors on April 29, 2019.

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, 2018, 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, and purchase price equations. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 16 Leases

The Corporation adopted International Financial Reporting Standard 16, *Leases* ("IFRS 16" or the "new standard") as at the effective date of January 1, 2019 which replaced IAS 17, *Leases* ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required 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. There was no impact to lessor accounting from the adoption of IFRS 16.

The Corporation elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

In addition, the Corporation elected to utilize practical expedients permitted under the transition guidance within the new standard, which amount other things, allowed the Corporation to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and rely on its assessment as to whether leases are onerous applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018****3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

Secure has also applied the recognition exemptions for low-value asset leases and short-term leases.

Adoption of the new standard at January 1, 2019 resulted in the recording of additional right-of-use assets and lease liabilities of \$33.4 million and \$35.9 million, respectively, related to office space, warehouses, surface land, rail cars and certain heavy equipment.

The new standard did not materially impact net income for the three months ended March 31, 2019 as the depreciation of right-of-use assets and interest and finance costs related to the lease liabilities recognized under IFRS 16 were mostly offset by reductions in operating lease expense, which were previously recognized in net income. The adoption of IFRS 16 had no impact on cash flows.

The following provides a comparison of the Corporation's accounting policies with respect to leases under IAS 17 and IFRS 16.

Policies applicable for the year ended December 31, 2018 (IAS 17)	Policies effective January 1, 2019 (IFRS16)
<u>Lessee</u> Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an expense on a straight line basis in net income	<u>Lessee</u> Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Corporation. Lease liabilities are initially measured at the present value of unpaid lease payments, less any lease incentives. Lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Lease payments are discounted using the Corporation's incremental borrowing rate where the rate implicit in the lease is not readily determinable. Right-of-use assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any initial direct costs, and estimated cost for dismantling or restoring the asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018****3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

Policies Applicable for the year ended December 31, 2018	Policies effective January 1, 2019
	The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments on short-term leases or leases on which the underlying asset is of low value are accounted for as expenses on a straight-line basis in the consolidated statement of operations.
<u>Lessor</u> Leases in contractual arrangements which transfer substantially all the risks and benefits of ownership of property the lessee are accounted for as finance leases, while all other leases are accounted for as operating leases. Finance leases are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue. Operating lease income is recognized in the consolidated statements of operations as it is earned over the lease term. Secure has no net investments in finance leases as at March 31, 2019.	

4. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2019, \$1.3 million (\$1.8 million for the three months ended March 31, 2018) of directly attributable capitalized salaries and overhead were added to property, plant and equipment. There were no borrowing costs capitalized to property, plant and equipment for the three months ended March 31, 2019 (\$0.3 million for the three months ended March 31, 2018).

(\$000's)

Balance at December 31, 2018	1,203,382
Reclass capital leases ⁽¹⁾	(17,684)
Additions	23,515
Change in asset retirement cost	6,409
Disposals	(1,137)
Depreciation and depletion	(23,140)
Foreign exchange effect	(2,701)
Balance at March 31, 2019	1,188,644

⁽¹⁾ With the adoption of IFRS 16 at January 1, 2019, Secure has reclassified capital leases previously presented with Property, plant and equipment to Right-of-use assets.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2019 and 2018
5. RIGHT-OF-USE ASSETS

(\$000's)	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
Cost					
IFRS 16 transition entry (note 3)	18,672	11,892	177	2,708	33,449
Reclass capital leases ⁽¹⁾	-	-	28,789	273	29,062
January 1, 2019	18,672	11,892	28,966	2,981	62,511
Additions	309	-	6,690	3	7,002
Disposals	-	-	(512)	-	(512)
Foreign exchange effect	-	(6)	-	-	(6)
March 31, 2019	18,981	11,886	35,144	2,984	68,995
Accumulated depreciation					
Reclass capital leases ⁽¹⁾	-	-	(11,140)	(238)	(11,378)
January 1, 2019	-	-	(11,140)	(238)	(11,378)
Depreciation	(1,492)	(1,805)	(1,599)	(10)	(4,906)
Disposals	-	-	404	-	404
March 31, 2019	(1,492)	(1,805)	(12,335)	(248)	(15,880)
Net book value:					
March 31, 2019	17,489	10,081	22,809	2,736	53,115
January 1, 2019	18,672	11,892	17,826	2,743	51,133

⁽¹⁾ As at January 1, 2019, Secure has reclassified capital leases previously presented with Property, plant and equipment to Right-of-use assets.

6. LONG-TERM BORROWINGS

(\$000's)	Mar 31, 2019	Dec 31, 2018
Amount drawn on credit facilities	405,234	413,450
Unamortized transaction costs	(265)	(531)
Total long-term borrowings	404,969	412,919
Credit facilities	600,000	600,000
Amount drawn on credit facilities	(405,234)	(413,450)
Letters of credit	(38,503)	(38,133)
Available amount	156,263	148,417

At March 31, 2019, the Corporation had a \$470 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions and Canadian Chartered banks. The First Lien Facility was amended effective April 29, 2019; refer to subsequent events discussion in Note 13. 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. At March 31, 2019, the full amount of the \$130 million Second Lien Facility was drawn.

At March 31, 2019 and December 31, 2018, the Corporation was in compliance with all financial covenants contained in the lending agreements.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018****7. LEASE LIABILITIES**

The Corporation incurs lease payments related to corporate and field offices, warehouses, rail cars, vehicles, equipment and surface leases. Leases are entered into and exist in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Corporation has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments, except for short-term leases and leases of low-value assets which have been charged to cost of sales and general and administrative expenses in these condensed consolidated statements of operations.

(\$000's)

Balance at December 31, 2018	15,557
IFRS 16 transition entry (note 3)	35,943
Additions	6,902
Interest expense	600
Lease payments	(6,323)
Foreign exchange effect	(207)
Balance at March 31, 2019	52,472
Current portion	20,813
Non-current portion	31,659

8. SHAREHOLDERS' EQUITY

	Number of Shares	Amount (\$000's)
Balance at December 31, 2018	159,274,147	1,031,189
Restricted Share Units (RSUs) and Performance Share Units (PSUs) exercised	2,294,827	-
Transfer from reserves in equity	-	19,207
Shares repurchased and cancelled under NCIB	(131,500)	(893)
Balance at March 31, 2019	161,437,474	1,049,503

As at March 31, 2019, there were 289,302 common shares of the Corporation held in escrow in conjunction with the Corporation's business acquisitions (December 31, 2018: 305,538).

The Corporation declared dividends to holders of common shares for the three months ended March 31, 2019 of \$10.8 million (three months ended March 31, 2018: \$11.1 million). Subsequent to March 31, 2019, the Corporation paid dividends to holders of common share of record on April 1, 2019 in the amount of \$0.0225 per common share and declared dividends to holders of common shares in the amount of \$0.0225 per common share which is payable on May 15, 2019 for shareholders of record on May 1, 2019.

On May 28, 2018, the Corporation commenced an NCIB, under which the Corporation may purchase for cancellation up to a maximum of 8,227,359 common shares of the Corporation. The NCIB will terminate on May 27, 2019 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Corporation's election. For the three months ended March 31, 2019, a total of 131,500 common shares at a cost of \$0.9 million were purchased, cancelled and removed from share capital under the terms of the NCIB, representing an average purchase price of \$6.79 per common share.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018****8. SHAREHOLDERS' EQUITY (continued)**

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

	For the three months ended,	
	March 31, 2019	March 31, 2018
Weighted average number of shares - basic	160,440,879	164,009,829
Effect of dilution:		
Options, RSUs, and PSUs	3,015,389	2,069,820
Weighted average number of shares - diluted	163,456,268	166,079,649

The above table excludes the impact of 2,213,527 options for the three months ended March 31, 2019 (3,998,143 options for the three months ended March 31, 2018), as they are considered to be anti-dilutive.

9. SHARE-BASED COMPENSATION PLANS

The Corporation has a Unit Incentive Plan under which the Corporation may grant incentive units, comprised of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") to employees and consultants. During the three months ended March 31, 2019, Secure amended the terms of the Unit Incentive Plan to eliminate the ability to issue compensation share units and reduce the number of common shares reserved for issuance pursuant to the plan from 10% to 7%. The remaining terms of the Plan remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2018.

The Corporation has a deferred share unit ("DSU") plan for non-employee directors of the Corporation. The terms of this plan remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2018.

During the three months ended March 31, 2019, the Corporation eliminated the Corporation's Stock Option Plan, removing the Corporation's ability to issue new stock options. Outstanding options remain subject to the terms and conditions of the plan in effect at the time of the grant.

Incentive Units and DSUs

The following table summarizes the units outstanding:

	RSUs	PSUs	DSUs
Balance at December 31, 2018	3,567,658	2,372,260	367,490
Granted	1,411,480	817,234	94,784
Reinvested dividends	29,805	23,658	3,112
Redeemed for common shares	(1,399,601)	(895,226)	-
Forfeited	(89,493)	(8,857)	-
Balance at March 31, 2019	3,519,849	2,309,069	465,386

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018****9. SHARE-BASED COMPENSATION PLANS (continued)****Options**

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

	Outstanding options	Weighted average exercise price (\$)
Balance at December 31, 2018	4,303,023	13.75
Expired	(458,582)	18.37
Forfeited	(23,061)	17.64
Balance at March 31, 2019	3,821,380	12.98
Exercisable at March 31, 2019	3,798,048	13.00

The fair value of the RSUs, PSUs and DSUs issued is determined using the five day volume weighted average share price at the grant date.

As at March 31, 2019, \$3.8 million (December 31, 2018: \$2.6 million) was included in accounts payable and accrued liabilities for outstanding DSUs.

10. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES

The following table disaggregates the Corporation's cost of sales and general and administrative ("G&A") expenses for the three months ended March 31, 2019 and 2018:

(\$000's)

For the three months ended March 31, 2019	Cost of sales	G&A Expenses	Total
Employee compensation and benefits	31,681	11,150	42,831
Share-based compensation	1,477	5,811	7,288
Depreciation, depletion and amortization	28,575	3,324	31,899
Business development expenses	-	2,188	2,188
Oil purchase/resale services expense	611,503	-	611,503
Other	75,740	5,968	81,708
Total	748,976	28,441	777,417

(\$000's)

For the three months ended March 31, 2018	Cost of sales	G&A Expenses	Total
Employee compensation and benefits	30,803	13,987	44,790
Share-based compensation	1,653	3,975	5,628
Depreciation, depletion and amortization	26,048	1,246	27,294
Business development expenses	-	1,306	1,306
Oil purchase/resale services expense	523,746	-	523,746
Other	83,494	4,505	87,999
Total	665,744	25,019	690,763

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2019 and 2018
11. CONTRACTUAL OBLIGATIONS
As at March 31, 2019

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Crude oil transportation ⁽¹⁾	35,534	143,519	90,924	269,977
Inventory purchases	9,057	-	-	9,057
Capital commitments	17,713	-	-	17,713
Total contractual obligations	62,304	143,519	90,924	296,747

⁽¹⁾ Crude oil transportation includes crude oil transportation volumes for pipeline throughput at certain pipeline connected full service terminals.

12. SEGMENT REPORTING

For management purposes, the Corporation is organized into divisions based on the nature of the services and products 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.

The Corporation disaggregates revenue from contracts with customers by type of service or good to reflect how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following table presents the financial performance by reportable segment and includes a measure of segment profit or loss regularly reviewed by management. Additionally, revenues have been disaggregated by type of service or good.

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Three months ended March 31, 2019					
Revenue from services	94,138	29,672	53,569	-	177,379
Oil purchase and resale service	611,503	-	-	-	611,503
Total revenue	705,641	29,672	53,569	-	788,882
Cost of sales excluding items listed separately below	(650,740)	(24,664)	(43,520)	-	(718,924)
Segment profit margin	54,901	5,008	10,049	-	69,958
G&A expenses excluding items listed separately below	(5,728)	(1,696)	(5,329)	(6,553)	(19,306)
Depreciation, depletion and amortization ⁽¹⁾	(21,936)	(2,700)	(6,065)	(1,198)	(31,899)
Share-based compensation ⁽¹⁾	-	-	-	(7,288)	(7,288)
Interest, accretion and finance costs	(474)	-	-	(6,317)	(6,791)
Earnings (loss) before tax	26,763	612	(1,345)	(21,356)	4,674

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
Three months ended March 31, 2018					
Revenue from services	80,855	32,164	68,679	-	181,698
Oil purchase and resale service	523,747	-	-	-	523,747
Total revenue	604,602	32,164	68,679	-	705,445
Cost of sales excluding items listed separately below	(557,198)	(25,529)	(55,316)	-	(638,043)
Segment profit margin	47,404	6,635	13,363	-	67,402
G&A expenses excluding items listed separately below	(5,929)	(1,860)	(5,668)	(6,341)	(19,798)
Depreciation, depletion and amortization ⁽¹⁾	(18,718)	(2,742)	(5,515)	(319)	(27,294)
Share-based compensation ⁽¹⁾	-	-	-	(5,628)	(5,628)
Interest, accretion and finance costs	(413)	-	-	(3,443)	(3,856)
Earnings (loss) before tax	22,344	2,033	2,180	(15,731)	10,826

⁽¹⁾ Depreciation, depletion and amortization and share-based compensation have been allocated to cost of sales and general and administrative expenses on the condensed consolidated statements of comprehensive (loss) income based on function of the underlying asset or individual to which the charge relates.

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2019 and 2018

12. SEGMENT REPORTING (continued)

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
As at March 31, 2019					
Current assets	211,642	45,302	106,042	-	362,986
Property, plant and equipment	1,061,683	22,497	98,359	6,105	1,188,644
Right-of-use assets	21,429	11,802	13,901	5,983	53,115
Intangible assets	4,890	1,216	26,682	-	32,788
Goodwill	-	11,127	-	-	11,127
Total assets	1,299,644	91,944	244,984	12,088	1,648,660
Current liabilities	190,220	17,388	22,229	-	229,837
Total liabilities	348,692	25,332	33,157	404,969	812,150

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
As at December 31, 2018					
Current assets	175,763	37,224	118,434	-	331,421
Property, plant and equipment	1,065,943	26,336	105,258	5,845	1,203,382
Intangible assets	5,255	1,399	29,604	-	36,258
Goodwill	-	11,127	-	-	11,127
Total assets	1,246,961	76,086	254,609	5,845	1,583,501
Current liabilities	138,621	19,016	20,685	-	178,322
Total liabilities	279,068	19,615	27,583	412,919	739,185

Geographical Financial Information

(\$000's)	Canada		U.S.		Total	
Three months ended March 31,	2019	2018	2019	2018	2019	2018
Revenue	772,966	688,197	15,916	17,248	788,882	705,445
As at March 31, 2019 and December 31, 2018	2019	2018	2019	2018	2019	2018
Total non-current assets	1,153,232	1,115,747	132,442	136,333	1,285,674	1,252,080

13. SUBSEQUENT EVENTS

Business Acquisition

On April 11, 2019, the Corporation acquired a 27% interest in a crude oil storage facility comprised of four above-ground 175,000 bbl tanks located in Cushing, Oklahoma ("the Facility"), and a 51% interest in an 80 acre parcel of undeveloped land adjacent to the Facility. The total purchase price of US\$10.4 million was paid in cash at closing.

Over the next two years, Secure has the option to purchase the remaining 73% interest in the Facility for US\$26.6 million.

Credit Facility Amendment

On April 29, 2019, Secure closed an amendment to its First Lien Facility with a syndicate of ten financial institutions and Chartered banks increasing the overall size of the facility from \$470 million to \$600 million.

The First Lien Facility has been amended to consist of a four-year \$565 million revolving credit facility and a \$35 million revolving operating facility with a maturity date of June 30, 2023. The First Lien Facility also includes an accordion feature, which, if exercised and approved by the Corporation's lenders, would increase the First Lien Facility by \$100 million. The First Lien Facility is secured by a \$1 billion floating charge debenture and negative pledge from the Corporation creating a security interest over all of the Corporation's present and after acquired personal property and floating charge over all of its present and after acquired real property.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2019 and 2018**

13. SUBSEQUENT EVENTS (continued)

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

- the Senior Debt to EBITDA ratio is not to exceed 3.5 to 1.0;
- the Total Debt to EBITDA ratio is not to exceed 5.0 to 1.0; and
- the EBITDA to Financing Charges ratio is not less than 2.5 to 1.0.

Senior Debt is defined in the lending agreement to include amounts drawn under the First Lien Facility and finance leases entered into by the Corporation as defined by IAS 17, less cash balances in excess of \$5 million. Total Debt includes Senior Debt plus amounts drawn under the Corporation's Second Lien Facility, and should the Corporation issue any unsecured notes in the future, Total Debt would also include the principal amount of the notes. 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. Financing Charges are defined to include interest expense on Total Debt.

The Corporation also covenants the following:

- the aggregate principal amount of unsecured notes, if any, will not exceed \$500 million; and
- the aggregate principal amount of any unsecured notes, principal amount outstanding under the First Lien Facility and the principal amount outstanding under Second Lien Facility will not exceed \$1 billion.

Amounts borrowed under the First Lien Facility will bear interest at the Corporation's option of either the Canadian prime rate plus 0.45% to 2.00% or the banker acceptance rate plus 1.45% to 3.00%, depending, in each case, on the ratio of senior funded debt to EBITDA.

In addition, Secure entered into a new \$75 million bilateral Letter of Credit Facility ("LC Facility") with a syndicate of two financial institutions and Chartered banks.

The First Lien Facility and the LC Facility are to be used for working capital, to refinance existing debt, for capital expenditures including acquisitions, and for general corporate purposes.

In connection with amending the First Lien Facility and obtaining the LC Facility, the Corporation incurred transaction costs in the amount of \$1.4 million, of which the unamortized amount will be offset against the outstanding principal balance of the long-term borrowings. Unamortized costs of \$0.2 million at March 31, 2019 relating to the original facility will be expensed in the three months ended June 30, 2019.

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2019 and 2018

CORPORATE INFORMATION

DIRECTORS

Rene Amirault - Chairman

Brad Munro ⁽¹⁾ ⁽²⁾ ⁽³⁾

David Johnson ⁽²⁾

Daniel Steinke ⁽⁴⁾

Kevin Nugent ⁽¹⁾ ⁽³⁾

Michele Harradence ⁽⁴⁾

Murray Cobbe ⁽¹⁾ ⁽⁴⁾ ⁽⁵⁾

Shaun Paterson ⁽¹⁾ ⁽⁴⁾

Richard Wise ⁽²⁾ ⁽³⁾

¹ Audit Committee

² Compensation Committee

³ Corporate Governance and Nominating Committee

⁴ Health, Safety & Environment Committee

⁵ 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

Odyssey Trust Company

Calgary, Alberta

OFFICERS

Rene Amirault

President & Chief Executive Officer

Chad Magus

Executive Vice President & Chief Financial Officer

Corey Higham

Executive Vice President, Midstream Infrastructure

George Wadsworth

Executive Vice President, Technical Solutions

David Mattinson

Executive Vice President, Environmental Solutions

Allen Gransch

Chief Operating Officer Midstream

Brian McGurk

Executive Vice President, Human Resources & Strategy

Mike Mikuska

Executive Vice President, Commercial & Transportation

David Engel

Executive Vice President, Technical Services