

## NEWS RELEASE

### SECURE ENERGY SERVICES ANNOUNCES FIRST QUARTER 2019 RESULTS, 15% ADJUSTED EBITDA INCREASE AND AMENDMENT TO CREDIT FACILITY

CALGARY, ALBERTA – April 29, 2019

Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) announced today its operational and financial results for the three months ended March 31, 2019, highlighted by Adjusted EBITDA<sup>1</sup> of \$55.1 million, a 15% increase over the comparative period of 2018. Secure is also pleased to announce that it has amended the Corporation's existing First Lien Credit Facility ("the Facility") with a syndicate co-led by ATB Financial and National Bank of Canada of ten financial institutions and Canadian Chartered banks. The amendments increase the total availability under the Facility by \$130 million to \$600 million and extend the maturity date by two years, from June 30, 2021 to June 30, 2023. The Facility also includes an accordion feature which, if exercised and approved by the syndicate of lenders, would increase the Facility by \$100 million.

The Facility substantially retains the terms, conditions and covenants of the original first lien credit facility. In addition, Secure entered into a new \$75 million bilateral Letter of Credit Facility with a syndicate of two financial institutions and Chartered banks.

These amendments provide total capacity of \$805 million and additional stability to the Corporation's capital structure, offering Secure significant flexibility to continue to grow the business organically and execute on strategic acquisition opportunities that align with the profitable growth strategy of Secure.

Secure is also pleased to announce the appointment of Allen Gransch as Chief Operating Officer ("COO") Midstream. Mr. Gransch joined Secure in September 2007 and most recently served as Executive Vice President, Corporate Development. Prior to this, he held the role of Executive Vice President and Chief Financial Officer since December 2012. In his new role as COO Midstream, Mr. Gransch will oversee the Corporate Development, Midstream Operations, Commercial & Transportation and Corporate Services departments.

"Allen has been instrumental to Secure's success since 2007," said Rene Amirault, Secure's Chairman of the Board, President and Chief Executive Officer. Going forward, Allen will lead the midstream team operationally and guide the continued growth and development of the Corporation's midstream business."

#### 2019 FIRST QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following operational and financial highlights should be read in conjunction with the Corporation's management's discussion and analysis ("MD&A") and the interim consolidated financial statements and notes thereto for the three months ended March 31, 2019 of Secure which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

During the quarter, Secure remained focused on executing the Corporation's strategy for enhanced fluid management, providing customers with solutions to increase operating netbacks and improve capital efficiency. Secure's dedication to helping the customer has proven to be a competitive advantage to the Corporation and continued to drive Secure's growth and success in the three months ended March 31, 2019. Highlights from the first quarter include:

---

<sup>1</sup> Refer to the "Non-GAAP Measures and Operational Definitions" section herein.

- Despite lower oil and gas industry drilling and completions activity levels, Secure achieved Adjusted EBITDA of \$55.1 million, a 15% increase over the comparable period of 2018, demonstrating the reliability of the Corporation's cash flows. The increase was driven by growth initiatives over the last several years, ongoing production-related revenues, and a continued focus on efficient and proactive cost management. Additionally, Adjusted EBITDA increased by \$3.8 million in the quarter as a result of the adoption of International Financial Reporting Standard 16, Leases ("IFRS 16" or the "new standard")<sup>2</sup> on January 1, 2019;
- The Midstream Infrastructure division continued to lead the Corporation's financial results, generating revenue from services of \$94.1 million, a 16% increase over the same period in 2018. The increase in revenues was driven by infrastructure added in 2018, which resulted in new revenue streams and increased disposal capacity, and the Corporation's continued commitment to optimize realized pricing by utilizing multiple crude oil and condensate streams at Secure's pipeline connected FSTs, benefiting both the Corporation and our customers. The increase in revenue was partially offset by lower drilling and completions related processing and disposal volumes resulting from a slowdown in Canadian drilling and completion activity, as evidenced by a 39% decline in industry rig count from the first quarter of 2018;
- Revenue from the Technical Solutions division's production chemicals business modestly increased in the quarter as the Corporation continued to grow market share in western Canada leveraging off Secure's infrastructure, key relationships and proprietary patents. This, along with recurring work in the Environmental Solutions division, helped mitigate the impact of reduced demand for drilling fluids and water pumping services and rentals for fracing, which strongly correlate with drilling and completions activity in the Western Canadian Sedimentary Basin ("WCSB");
- Secure invested growth and expansion capital of \$19.8 million during the quarter, advancing several projects including construction of additional crude oil storage at the receipt terminal in Kerrobert and a produced water transfer and injection pipeline in the Montney region. The Corporation also initiated and continued work on several projects geared towards increasing the processing and disposal capacity at various other facilities, including additional disposal wells, purchasing equipment to support existing services, and long lead items and upfront costs on future projects;
- Subsequent to quarter end, the Corporation acquired a 27% interest in a crude oil storage facility located in Cushing, Oklahoma, and a 51% interest in an adjacent 80 acre parcel of undeveloped land (the "Cushing Acquisition"). The facility was constructed in 2015 and is strategically located on 10 acres of land in South Cushing with long-term connection agreements in place, ultimately providing connectivity to all major inbound and outbound pipelines in Cushing. Having access to multiple Canadian crude streams and well-connected tankage will benefit our customers getting their product to market at the optimum price. Secure's majority investment in the 80 acre parcel of land provides the Corporation with significant optionality to develop additional midstream infrastructure in one of North America's key trading hubs;
- At March 31, 2019, Secure's Total Debt to EBITDA ratio, as defined in the Corporation's lending agreements, was 2.1 to 1. The strength of the Corporation's balance sheet provides significant financial flexibility to continue to grow the business organically and execute on strategic acquisition opportunities that align with the profitable growth strategy of Secure.

---

<sup>2</sup> Refer to the "Reporting Changes" section herein for more information on Secure's adoption of IFRS 16. Secure anticipates the impact of the new standard to result in an increase of approximately \$12 to \$14 million to Adjusted EBITDA for the 2019 year following the reassignment of certain lease commitments during the second quarter.

The operating and financial highlights for the three months ending March 31, 2019 and 2018 can be summarized as follows:

(\$000's except share and per share data)	Three months ended March 31,		
	2019	2018	% change
Revenue (excludes oil purchase and resale)	177,379	181,698	(2)
Oil purchase and resale	611,503	523,747	17
Total revenue	788,882	705,445	12
Adjusted EBITDA <sup>(1)</sup>	55,139	47,807	15
Per share (\$), basic and diluted	0.34	0.29	17
Net income	1,259	6,077	(79)
Per share (\$), basic and diluted	0.01	0.04	(75)
Cash flows from operating activities	57,302	32,754	75
Per share (\$), basic and diluted	0.36	0.20	80
Dividends per common share	0.0675	0.0675	-
Capital expenditures <sup>(1)</sup>	22,792	56,581	(60)
Total assets	1,648,660	1,579,907	4
Long-term liabilities	582,143	560,863	4
Common shares - end of period	161,437,474	164,547,187	(2)
Weighted average common shares			
basic	160,440,879	164,009,829	(2)
diluted	163,456,268	166,079,649	(2)

<sup>(1)</sup> Refer to "Non-GAAP Measures and Operational Definitions" for further information.

• **REVENUE OF \$788.9 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2019**

- The Midstream Infrastructure division's revenue (excluding oil purchase and resale) increased to \$94.1 million during the three months ended March 31, 2019, up 16% from the comparative period in 2018. The increase was driven by the addition of new infrastructure since the first quarter of 2018, including the light oil feeder pipeline system and receipt terminal in the Kindersley-Kerrobert region of Saskatchewan (the "Kerrobert Light Pipeline System") and two new water disposal facilities, expansion initiatives over the past several years to increase capacity and offer additional services at Secure's existing facilities, Secure's utilization of multiple crude oil and condensate streams at the Corporation's pipeline connected FSTs to optimize realized pricing which benefited both the Corporation and our customers, and increased rail activity due to wide crude oil differentials. The increases to revenue were partially offset by a decrease in processing and disposal volumes tied to drilling and completions activity the three months ended March 31, 2019 compared to the same period in 2018;
- Oil purchase and resale revenue in the Midstream Infrastructure division for the three months ended March 31, 2019 increased by 17% from the 2018 comparative period to \$611.5 million driven by the addition of the Kerrobert Light Pipeline System and increased rail activity;
- Environmental Solutions division revenue of \$29.7 million in the first quarter of 2019 decreased 8% from the three months ended March 31, 2018 primarily due to lower completion activity in the WCSB which resulted in lower revenue from the integrated fluids solutions service line;

- Technical Solutions division revenue decreased 22% to \$53.6 million in the three months ended March 31, 2019 as a result of a slowdown in drilling activity driven by deteriorating commodity prices in Canada, as evidenced by a 39% decrease in rigs drilling in the WCSB from the same period in 2018. A significant portion of the Technical Solutions division's revenue comes from drilling fluids and related equipment, which strongly correlates with oil and gas drilling activity in the WCSB. However, the impact of reduced drilling activity was partially mitigated by the Corporation's growing production chemicals service line. Since the acquisition of a production chemicals business in April 2017, related revenue has been increasing at a steady rate as the Corporation wins bids for new jobs and expands its customer base.
- **ADJUSTED EBITDA OF \$55.1 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2019**
  - Adjusted EBITDA of \$55.1 million increased 15% from the three months ended March 31, 2018, primarily from higher revenues (excluding oil purchase and resale) and segment profit margin<sup>3</sup> achieved by the Midstream Infrastructure division, both up 16% from the three months ended March 31, 2018, a continued focus on cost controls, and the adoption of IFRS 16. In the Midstream Infrastructure division, Adjusted EBITDA increased 29% in the first quarter of 2019 compared to 2018. Higher water disposal volumes and Secure's utilization of multiple crude oil and condensate streams to optimize pricing at the Corporation's pipeline connected FSTs, benefiting both the Corporation and our customers, more than mitigated a decrease in facility volumes relating to less drilling and completions waste processing and disposal during the three months ended March 31, 2019;
  - Adjusted EBITDA generated from the Environmental Solutions division decreased 31% in the three months ended March 31, 2019 over the comparative period in 2018, primarily as a result of the variance in revenue, as described above. The majority of the Environmental Solutions division's cost of sales are variable, and fluctuations will correspond to change in revenue and project mix;
  - The Technical Solutions division's Adjusted EBITDA decreased 39% in the three months ended March 31, 2019 over the 2018 comparative period primarily due to lower revenue driven by reduced drilling activity.
- **NET INCOME OF \$1.3 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2019**
  - For the three months ended March 31, 2019, Secure's net income of \$1.3 million decreased by \$4.8 million from the three months ended March 31, 2018. The \$7.3 million increase to Adjusted EBITDA described above was more than offset by increased interest expense resulting from higher debt levels to fund organic development in the past year, increased share based compensation expense driven by higher expense associated with deferred share units and performance share unit grants in the quarter, and higher depreciation expense resulting from the adoption of IFRS 16 and new assets put into use since the first quarter of 2018.
- **CAPITAL EXPENDITURES OF \$22.8 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2019**
  - Total capital expenditures for the three months ended March 31, 2019 of \$22.8 million were comprised of \$19.8 million related to growth and expansion projects, and \$3.0 million of sustaining capital. Growth and expansion capital in the quarter relates primarily to advancing construction of additional crude oil storage at the receipt terminal in Kerrobert; increasing processing and disposal capacity at various other facilities, including a second disposal well at the Tony Creek water disposal facility; ongoing construction of a produced water transfer and injection pipeline from a customer plant; purchasing equipment to support existing services; and long lead items and upfront costs for future projects. Sustaining capital incurred in the three months ended March 31, 2019 relates primarily to regular well and facility maintenance.

---

<sup>3</sup> Refer to the "Non-GAAP Measures and Operational Definitions" section herein.

## • FINANCIAL FLEXIBILITY

- The total amount drawn on Secure's credit facilities as at March 31, 2019 decreased by 2% to \$405.2 million compared to \$413.5 million at December 31, 2018. The amount drawn decreased as a result of strong cash flows from operating activities, offset by amounts needed to fund the Corporation's organic capital program, monthly dividend payments and working capital changes;
- As at March 31, 2019, the Corporation had \$156.3 million available under its credit facilities, subject to covenant restrictions. On April 29, 2019, Secure closed an amendment to its First Lien Credit Facility, increasing the capacity by \$130 million and issued a new \$75 million bilateral Letter of Credit Facility, resulting in total credit capacity of \$805 million. The Corporation is well positioned to pursue further accretive acquisition opportunities and execute on the expected 2019 capital program;
- Secure is in compliance with all covenants related to its credit facilities at March 31, 2019. The following table outlines Secure's Senior Debt and Total Debt to trailing twelve month EBITDA ratios, as defined in the Corporation's lending agreements, at March 31, 2019 and December 31, 2018:

	Mar 31, 2019	Threshold	% Variance
Senior Debt to EBITDA	1.5	3.5	(57)
Total Debt to EBITDA	2.1	5.0	(58)

## MIDSTREAM INFRASTRUCTURE DIVISION HIGHLIGHTS

(\$000's)	Three months ended Mar 31,		
	2019	2018	% Change
<b>Revenue</b>			
Midstream Infrastructure (a)	94,138	80,855	16
Oil purchase and resale	611,503	523,747	17
<b>Total Midstream Infrastructure division revenue</b>	<b>705,641</b>	604,602	17
<b>Cost of Sales</b>			
Midstream Infrastructure excluding items noted below	39,237	33,451	17
Depreciation, depletion and amortization	20,364	18,479	10
Oil purchase and resale	611,503	523,747	17
<b>Total Midstream Infrastructure division cost of sales</b>	<b>671,104</b>	575,677	17
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>54,901</b>	47,404	16
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue (a)</b>	<b>58%</b>	59%	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation, depletion and amortization. Refer to "Non-GAAP measures and Operational Definitions" for further information.

- Revenue generated from Midstream Infrastructure services of \$94.1 million for the three months ended March 31, 2019 increased 16% from the 2018 comparative period. The increase in revenue during the quarter was primarily driven by higher volumes associated with new infrastructure, including the Kerrobert Light Pipeline System and expansions at certain of the Corporation's existing facilities during 2018. Further increases in revenue during the first quarter ended 2019 were due to Secure's continued utilization of multiple crude oil and condensate streams at the Corporation's pipeline connected FSTs to optimize realized pricing, which benefited both the Corporation and our customers, partially offset by a decrease in processing and disposal volumes tied to drilling and completion activity and lower realized pricing on recovered oil in the three months ended March 31, 2019, compared to the same period in 2018;

- Processing volumes decreased by 21% in the three months ended March 31, 2019 from the 2018 driven by decreases in both completion fluids processing and drilling mud processing over the comparative period due to cold weather in the first quarter of 2019 and the slowdown of oil and gas activity resulting from challenging industry fundamentals as evidenced by a decline in both rig activity and meters drilled of 39% and 31%, respectively, in the WCSB. Overall, disposal volumes decreased by 6% in the three months ended March 31, 2019 from the comparative period in 2018. Drilling activity slowed in the quarter causing a 59% decrease in landfill disposal volumes compared to the same period in 2018, as cold weather in the period further compounded lower capital spending in light of volatile crude oil pricing, low natural gas prices and uncertainty with respect to the addition of pipeline capacity out of the WCSB;
- The overall decrease in landfill disposal volumes was partially mitigated by an increase in water disposal volumes relating to production activities. The majority of the Corporation's facilities are located in high impact resource plays, such as the Montney and Duvernay regions, where producers were most active in the WCSB. Average fluids pumped per well in these regions are also significantly higher than other regions of the WCSB, driving incremental volumes at Secure's facilities. In the past year, Secure has strategically added new facilities, including the Gold Creek and Tony Creek water disposal facilities, and increased capacity for water disposal at various other facilities in these regions, including at the Dawson Creek and Fox Creek FSTs, Rycroft FSR and Big Mountain water disposal facility, in response to customer demand. These additions and expansions were the driving force behind an 8% increase in water disposal volumes during the three months ended March 31, 2019 over the comparative periods of 2018;
- The Kerrobert Light Pipeline System commenced commercial operations on October 1, 2018, resulting in a new revenue source for the Corporation in the three months ended March 31, 2019 compared to the same quarter of 2018 through pipeline tariffs. The feeder pipeline project includes area dedication and contracted volume on both an annual and cumulative term basis over a 10 year term;
- Oil purchase and resale revenue in the Midstream Infrastructure division for the three months ended March 31, 2019 increased by 17% from the 2018 comparative period to \$611.5 million driven by the addition of the Kerrobert Light Pipeline System and increased rail activity resulting from volatile crude oil differentials, partially offset by a decline in volumes at certain of the Corporation's pipeline connected FSTs in the first quarter of 2019 over the 2018 comparative period;
- The Midstream Infrastructure's segment profit margin for the three months ended March 31, 2019 of \$54.9 million increased by 16% from the prior year comparative period, driven by the impact of increased revenues, as discussed above. As a percentage of Midstream Infrastructure services revenue, segment profit margin decreased 1% for the three months ended March 31, 2019 from the comparative period in 2018 to 58%. The impact of higher revenues and the adoption of IFRS 16 was offset by the service mix in the three months ended March 31, 2019 compared to the same period of 2018;
- General and administrative ("G&A") expenses of \$7.3 million for the three months ended March 31, 2019 increased from the comparative period balances of \$6.2 million. Although the Corporation continues to minimize G&A costs by streamlining operations where possible, Midstream Infrastructure G&A expenses have increased primarily due to overhead requirements to support new service lines, facilities and expansions;
- Earnings before tax of \$26.8 million during the three months ended March 31, 2019 increased \$4.4 million from the three months ended March 31, 2018. The increase is primarily a result of a \$7.6 million increase in segment profit margin driven primarily as a result of facilities constructed in the second half of 2018. This increase was partially offset by higher G&A expenses incurred to support higher activity levels.

## ENVIRONMENTAL SOLUTIONS DIVISION HIGHLIGHTS

(\$000's)	Three months ended Mar 31,		
	2019	2018	% Change
<b>Revenue</b>			
Environmental Solutions	29,672	32,164	(8)
<b>Cost of Sales</b>			
Environmental Solutions excluding depreciation and amortization	24,664	25,529	(3)
Depreciation and amortization	2,537	2,397	6
<b>Total Environmental Solutions division cost of sales</b>	<b>27,201</b>	27,926	(3)
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>5,008</b>	6,635	(25)
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue</b>	<b>17%</b>	21%	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP measures and operational definitions" for further information.

- Environmental Solutions division revenue of \$29.7 million for the three months ended March 31, 2019 decreased by 8% from the comparative period of 2018. Higher revenue from projects generated from new customers, including several large decommissioning projects, and an increase in revenues from the management of scrap metal recycling programs in the oil sands, were offset by lower activity levels negatively impacting onsite water management and pumping services in the first quarter, and from lower environmental remediation revenue as major customers deferred this spending;
- Segment profit margin for the three months ended March 31, 2019 of \$5.0 million decreased by 25% from the prior year comparative period. As a percentage of revenue, segment profit margin was 17% for the three months ended March 31, 2019 compared to 21% in the three months ended March 31, 2018. The Environmental Solutions division's segment profit margin as a percentage of revenue can fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up, and other services in any given period. As a percentage of revenue, the segment profit margin in the three months ended March 31, 2019 decreased primarily due to lower demand for water pumping and fracing services which in turn creates a competitive pricing environment leading to lower margins as a percentage of revenue. This was partially offset by the nature of project work in the quarter which included several highly specialized projects which generate higher margins;
- G&A expenses for the three months ended March 31, 2019 decreased 16% from the 2018 comparative period to \$1.9 million as a result of ongoing initiatives to minimize costs, and the impact from the adoption of IFRS 16. Additionally, depreciation and amortization expenses were lower in the 2019 period as intangible assets recorded for two previous acquisitions were fully amortized in the second quarter of 2018;
- Earnings before tax of \$0.6 million during the three months ended March 31, 2019 has decreased \$1.4 million from the 2018 comparative period. The variances correspond primarily to the change in segment profit margin, offset by the positive impact of a \$0.3 million reduction in G&A expense in the quarter.

## TECHNICAL SOLUTIONS DIVISION HIGHLIGHTS

(\$000's)	Three months ended Mar 31,		
	2019	2018	% Change
<b>Revenue</b>			
Technical Solutions	53,569	68,679	(22)
<b>Cost of Sales</b>			
Technical Solutions excluding depreciation and amortization	43,520	55,316	(21)
Depreciation and amortization	5,675	5,173	10
<b>Total Technical Solutions division cost of sales</b>	<b>49,195</b>	60,489	(19)
<b>Segment Profit Margin <sup>(1)</sup></b>	<b>10,049</b>	13,363	(25)
<b>Segment Profit Margin <sup>(1)</sup> as a % of revenue</b>	<b>19%</b>	19%	

<sup>(1)</sup> Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP measures and operational definitions" for further information.

- During the three months ended March 31, 2019, rig activity and metres drilled in the WCSB decreased 39% and 31%, respectively, compared to the three months ended March 31, 2018. The Technical Solutions division's drilling fluids and equipment revenue correlates with oil and gas drilling activity in the WCSB. As a result, revenue generated from this service line was negatively impacted by fewer operating days and rigs serviced. Secure was able to partially mitigate the impact of reduced activity levels by continuing to focus on more complex wells which require specialized fluids, equipment and expertise. The increased contribution from Secure's production chemicals related services has also helped to lessen the impact of reduced activity levels, and the dependence on drilling activity through ongoing product development, new customers and increasing market share. Overall revenue from the Technical Solutions division for the three months ended March 31, 2019 decreased 22% to \$53.6 million from the comparative period of 2018;
- The Technical Solutions division's segment profit margin for the three months ended March 31, 2019 decreased 25% from the comparative period to \$10.0 million as a result of lower revenue and proportionately lower expenses. Although the continued cost inflation associated with drilling and production chemicals have outpaced the Technical Solutions division's ability to realize meaningful price increases during the period, the adoption of IFRS 16 has positively impacted the segment profit margin as certain production chemical blending plants are operated under lease agreements. As a result, segment profit margin as a percentage of revenue was 19%, unchanged from the comparable three months ended March 31, 2018;
- G&A expenses decreased 5% to \$5.7 million as a result of the Corporation's continued efforts to manage costs efficiently and proactively while still responding to customer demands and activity levels, including the positive impact on G&A from the adoption of IFRS 16. This is partially offset by costs associated with research and development projects as Secure continues its focus on expanding the value chain of services offered to customers, including innovative and cost-effective solutions to reduce waste in the drilling and production processes;
- During the three months ended March 31, 2019, the Technical Solutions division had a loss before tax of \$1.3 million compared to earnings of \$2.2 million in the 2018 comparative period. The variance of \$3.5 million was a result of a 25% decrease in segment profit margin, partially offset by a 5% decrease in G&A expense.

## OUTLOOK

In April, Alberta elected a new Provincial Government which ran on a platform of regulatory and economic reform, sending a message that Alberta is "Open for Business." Among other things, the new government is expected to reduce regulatory red tape to expedite project development, lower corporate taxes, guarantee that the royalty regimes in place at the time of project permitting remain in place into perpetuity, reduce regulatory costs for drilling rigs, repeal the carbon tax, and wind down production curtailments imposed by the previous administration as rail activity ramps up. These changes are expected to improve producer confidence and drive increased investment, activity levels and cash flows for the oil and gas sector in the province.

Narrowing price differentials in the first quarter of 2019 were positive for oil and gas producers, the majority of which also limited drilling and completion expenditures, resulting in higher than expected cash flows and improved balance sheets. These stronger financial positions combined with increased investment confidence in the WCSB is expected to result in increased drilling, completion and production activity in the second half of 2019 and beyond.

Production-related volumes represent the majority of the volumes processed and disposed of at Secure's midstream facilities, providing the Corporation with recurring cash flows that are more consistent during periods of reduced drilling and completion activity. These recurring cash flows, the addition of new infrastructure and expansions during 2018 and 2019, and the anticipation that drilling and completion activity will strengthen in the second half of 2019, are expected to result in increased volumes and cash flows for the Corporation following the second quarter's seasonal slowdown.

Secure's strategy remains focused on what is in the Corporation's control: working with customers to identify opportunities and integrated solutions where the Corporation can add value by increasing customer operating netbacks and improving capital efficiency. The recent Cushing Acquisition supports the continued growth and development of the Corporation's midstream business, providing Secure with a strategic footprint in a key U.S. crude market and the ability to offer customers market access flexibility to optimize pricing and increase operating netbacks. By continuing to focus on new and innovative ways to offer solutions, Secure's customers will be able to gain efficiencies for drilling, completing and producing their hydrocarbon reserves. Helping Secure's customers grow and being their trusted energy solutions partner will ensure that the Corporation continues to create long-term shareholder value.

The industry fundamentals driving the success of Secure's core operations remain unchanged:

- Trend towards increased outsourcing of midstream work by producers;
- Produced water increasing at a disproportionate rate relative to aggregate production as a result of larger fracs, aging wells and maturing basins in both Canada and the U.S.;
- Increasing opportunities relating to crude oil logistics as volatile differentials allow for opportunities related to crude oil storage, and transporting crude by rail and via pipeline;
- Well density improving economics to pipeline connect production volumes to midstream facilities;
- Forecast global oil and gas demand driving production growth in the WCSB;
- Highly regulated and best in the world environmental standards.

These factors are expected to result in the need for additional facilities to meet incremental requirements for processing and disposal capacity. Secure has made significant capital investments to ensure the business is well positioned to capture new demand. By offering exceptional customer service and owning and operating midstream facilities near customer production, Secure expects these trends will drive more volumes to the Corporation's midstream facilities. Additionally, customers continue to seek cost effective transportation solutions for water, oil and condensate volumes. Secure's successful execution of the Kerrobert Light Pipeline System will help the Corporation to take advantage of similar opportunities creating value for both the customer and Secure.

Secure has a solid balance sheet and is well positioned to respond with solutions and the right people to the market's requirements. With the Corporation's amended First Lien Credit Facility and the new Letter of Credit Facility, the Corporation now has total credit capacity of \$805 million providing financial flexibility and the incremental borrowing capacity required for Secure to continue to operate efficiently and execute on the Corporation's growth and capital investment strategy. The Corporation expects to incur approximately \$115 million of total growth and expansion capital in 2019 (acquisition and organic) depending on the outcome of various opportunities in development, such as regulatory approvals, development permits and other operating agreements. The initial organic growth and expansion capital plan of approximately \$100 million includes completing construction of two crude oil storage tanks at the receipt terminal in Kerrobert to be commissioned in May 2019; completing construction of two produced water transfer and injection pipelines from customer processing plants; optimizing capabilities and increasing processing and disposal capacity at various other facilities, including additional disposal wells; and purchasing equipment to support existing services.

## **REPORTING CHANGES**

The Corporation adopted IFRS 16 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.

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.

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 consolidated net income 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 cost of sales and general and administrative expenses. The adoption of IFRS 16 had no impact on cash flows.

## **FINANCIAL STATEMENTS AND MD&A**

The Corporation's condensed consolidated financial statements and notes thereto for the three months ended March 31, 2019 and 2018 and MD&A for the three months ended March 31, 2019 and 2018 are available immediately on Secure's website at [www.secure-energy.com](http://www.secure-energy.com). The condensed consolidated financial statements and MD&A will be available tomorrow on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining to: key factors driving the Corporation's success; the impact of new facilities, new service offerings, potential acquisitions, and prior year acquisitions on the Corporation's future financial results; demand for the Corporation's services and products; growth and expansion strategy; the Corporation's ability to continue to grow the business organically and execute on strategic growth opportunities based on current financial position; the oil and natural gas industry in Canada and the U.S.,

including 2019 and 2020 activity levels, spending by producers and the impact of this on Secure's activity levels; future pipeline development in Canada; industry fundamentals driving the success of Secure's core operations, including increased outsourcing of midstream work by producers, drilling, completion and production trends, opportunities relating to crude oil logistics, well density and economics for pipeline connecting production volumes to midstream facilities, and global oil and gas demand; the Corporation's proposed 2019 capital expenditure program including growth and expansion and sustaining capital expenditures, and the timing of completion for projects, in particular the additional storage at the Kerrobert terminal; debt service; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; access to capital; the Corporation's ability to meet obligations and commitments and operate within any credit facility restrictions; and the impact on Adjusted EBITDA in 2019 from the adoption of IFRS 16.

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

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to under the heading "*Risk Factors*" in the AIF for the year ended December 31, 2018 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in prior year acquisitions with the operations of Secure. Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

## **NON-GAAP MEASURES AND OPERATIONAL DEFINITIONS**

The Corporation uses accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS. These measures are intended as a complement to results provided in accordance with IFRS. The Corporation believes these measures provide additional useful information to analysts, shareholders and other users to understand the Corporation's financial results, profitability, cost management, liquidity and ability to generate funds to finance its operations. However, they should not be used as an alternative to IFRS measures

because they do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. See the management's discussion and analysis available at [www.sedar.com](http://www.sedar.com) for further details, including reconciliations of the Non-GAAP measures and additional GAAP measures to the most directly comparable measures calculated in accordance with IFRS.

#### **ABOUT SECURE ENERGY SERVICES INC.**

Secure is a TSX publicly traded integrated energy business with midstream infrastructure, environmental and technical solutions divisions providing industry leading customer solutions to upstream oil and natural gas companies operating in western Canada and certain regions in the United States ("U.S.").

*For more information please contact:*

#### **Secure Energy Services Inc.**

##### **Rene Amirault**

Chairman, President and Chief Executive Officer

Phone: (403) 984-6100

Fax: (403) 984-6101

##### **Allen Gransch**

Executive Vice President, Corporate Development

Phone: (403) 984-6100

Fax: (403) 984-6101

##### **Chad Magus**

Executive Vice President and Chief Financial Officer

Phone: (403) 984-6100

Fax: (403) 984-6101

Website: [www.secure-energy.com](http://www.secure-energy.com)

**TSX Symbol: SES**