

SECURE Energy Services Announces Fourth Quarter Adjusted EBITDA of \$32 Million and Annual 2015 Results

CALGARY, March 1, 2016 /CNW/ - Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) today announced operational and financial results for the three and twelve months ended December 31, 2015. The following should be read in conjunction with the management's discussion and analysis ("MD&A") and the annual audited consolidated financial statements and notes thereto of Secure which are available on SEDAR at www.sedar.com.

2015 OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the year ended December 31, 2015, Secure realized Adjusted EBITDA of \$126.7 million, demonstrating diversity and resilience during a period of reduced oil and gas activity levels due to the low commodity prices. The PRD and OS divisions continued to show stable cash flows during 2015 on the back of production related volumes, ongoing project work, and integrated service offerings. The continued weakness in commodity pricing had the most significant impact on the DS divisional results as operations are tied directly to drilling activity.

Throughout 2015, Secure has implemented continuous improvement strategies to minimize future costs, including streamlining operations and appropriately managing general and administrative expenses in the current oil and gas price environment. As part of this initiative, Secure was also able to minimize the impact on margins in the divisions by working with customers in order to find more efficient ways to manage their fluids and solids through more integrated offerings, volume-based contracts and reducing costs where it did not impact safety, operations and environmental performance.

With the 2015 results, Secure has demonstrated with its current midstream infrastructure that positive cash flows are sustainable at the current oil and gas price and activity levels. Combined with a solid balance sheet and financial flexibility, the Corporation is well positioned to succeed in 2016 and beyond.

The operating and financial highlights for the year ending December 31, 2015 and each of the previous two years can be summarized as follows:

(\$000's except share and per share data)	Twelve months ended Dec 31,		
	2015	2014	2013
Revenue (excludes oil purchase and resale)	560,898	794,590	541,947
Oil purchase and resale	785,527	1,477,061	950,593
Total revenue	1,346,425	2,271,651	1,492,540
Adjusted EBITDA ⁽¹⁾	126,652	208,990	135,870
Per share (\$), basic	0.95	1.75	1.26
Per share (\$), diluted	0.95	1.71	1.23
Net (loss) earnings	(159,870)	30,651	38,963
Per share (\$), basic	(1.20)	0.26	0.36
Per share (\$), diluted	(1.20)	0.25	0.35
Adjusted net (loss) earnings ⁽¹⁾	(30,166)	59,246	37,086
Per share (\$), basic	(0.23)	0.50	0.34
Per share (\$), diluted	(0.23)	0.48	0.34
Funds from operations ⁽¹⁾	112,061	210,531	140,342
Per share (\$), basic	0.84	1.77	1.30
Per share (\$), diluted	0.84	1.72	1.27
Dividends per common share	0.24	0.19	0.10
Capital expenditures ⁽¹⁾	130,455	400,806	224,861
Total assets	1,315,420	1,496,117	1,039,725
Long-term liabilities	393,774	522,557	240,913
Net debt ⁽¹⁾	153,263	309,706	68,037
Common Shares - end of period	137,708,127	121,367,451	116,574,147
Weighted average common shares			
basic	133,380,634	119,272,994	107,747,722
diluted	133,380,634	122,364,419	110,586,896

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

• REVENUE OF \$1,346.4 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015

- Total processing, recovery and disposal volumes at PRD facilities for the year ended December 31, 2015 remained relatively consistent over 2014 due to production related volumes and the addition of ten new facilities in 2014 and 2015, offset by the decline in drilling activity. Average crude oil prices decreased 40% in 2015 which negatively impacted drilling and completion related activities, recovered oil revenue and activity at the Corporation's rail transloading facilities. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of \$242.7 million in 2015, down 11% from 2014;
- Oil purchase and resale revenue in the PRD division for the year ended December 31, 2015 decreased by 47% from 2014 to \$785.5 million. The average price of crude oil declined by 40% which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the year;
- Activity in the DS division is strongly correlated with oil and gas drilling activity in the Western Canadian Sedimentary Basin ("WCSB"), which experienced a 49% decline in active rig count in 2015 from 2014 levels. As a result, DS division revenue correspondingly decreased by 52% to \$192.1 million in 2015;
- OS division revenue has remained strong in 2015, increasing slightly from 2014 to \$126.1 million. The overall increase in 2015 is significant considering approximately 25% of the OS division revenue relates to completion activities, where activity levels are substantially lower given the current oil price. The higher revenues that have offset this reduction relate to Projects service line work, and four acquisitions completed during 2014. The OS division continues to grow through larger scale project work, diversified and integrated services, and expansion into new geographic areas.

• ADJUSTED EBITDA OF \$126.7 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015

- Diversification and integration across Secure's three divisions has contributed to positive Adjusted EBITDA for the year ended December 31, 2015 as certain service lines are not as heavily impacted by drilling activity and commodity prices. Adjusted EBITDA totaled \$126.7 million in 2015, a 39% decrease from 2014.
- Overall, Adjusted EBITDA was in line with Secure's expectation given a reduction in drilling and completion activity throughout the WCSB which most heavily impacted the DS division as operations are tied directly to drilling operations. The decrease in the PRD division was partially offset by ongoing production related volumes, the construction of new facilities in 2014 and 2015 and expansions at certain of the Corporation's existing facilities. The impact to the OS division was mitigated by diversified service lines and integrated service offerings, combined with four strategic acquisitions completed in 2014.

• NET LOSS OF \$159.9 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015

- For the year ended December 31, 2015, Secure's net loss of \$159.9 million, compared to net earnings of \$30.7 million in 2014, is a result of the factors discussed above impacting Adjusted EBITDA, combined with non-cash impairments of non-current assets totaling \$157.7 million (2014: \$33.4 million) relating primarily to goodwill in the DS division and intangible assets and goodwill associated with the Corporation's rail facilities acquired in 2014.

Partially offsetting the pre-tax net loss is a tax recovery of \$24.1 million for the twelve months ended December 31, 2015 (2014: \$20.6 million expense).

• **ADJUSTED NET LOSS OF \$30.2 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015**

- For the year ended December 31, 2015, Secure's adjusted net loss of \$30.2 million, compared to earnings of \$59.2 million in 2014, is primarily the result of lower year over year Adjusted EBITDA.

• **2015 CAPITAL EXPENDITURES**

- Total capital expenditures for the year ended December 31, 2015 of \$130.5 million includes:
 - Six facilities were completed and commissioned in the first half of 2015: Tulliby Lake FST, 13 Mile FST conversion, Rycroft FSR, Big Mountain and Wonowon SWDs, and Kindersley FSR;
 - Construction of additional landfill cells at the Willesden Green and Pembina Landfills;
 - Commencement of construction of the Kakwa FST which is expected to be completed and commissioned in the third quarter of 2016;
 - Various expansions at existing facilities to increase capacity including treaters, disposal wells and tanks; and
 - Sustaining capital expenditures at existing facilities required to maintain ongoing business operations;
 - Pre-design and engineering of future facility locations;
 - Specialized rental equipment for specific OS division projects.

• **FINANCIAL FLEXIBILITY**

- Secure's net debt as at December 31, 2015 was \$153.3 million compared to \$309.7 million at December 31, 2014. The Corporation has strengthened its balance sheet and increased its financial flexibility to take advantage of opportunities during the current low commodity price environment.
- Secure is in compliance with all covenants related to its credit facility at December 31, 2015. Secure's debt to trailing twelve month EBITDA ratio, where EBITDA is defined as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis, was 2.2 as at December 31, 2015 compared to 2.0 as at December 31, 2014.
- As at December 31, 2015, the Corporation had \$421.6 million available under its credit facility.

FOURTH QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

(\$000's except share and per share data)	Three months ended Dec 31,		
	2015	2014	% change
Revenue (excludes oil purchase and resale)	129,770	224,523	(42)
Oil purchase and resale	160,203	353,561	(55)
Total revenue	289,973	578,084	(50)
Adjusted EBITDA ⁽¹⁾	31,808	55,597	(43)
Per share (\$), basic	0.23	0.46	(50)
Per share (\$), diluted	0.23	0.45	(49)
Net (loss) earnings	(86,825)	(13,659)	536
Per share (\$), basic	(0.63)	(0.11)	473
Per share (\$), diluted	(0.63)	(0.11)	473
Adjusted net (loss) earnings ⁽¹⁾	(14,650)	14,266	(203)
Per share (\$), basic	(0.11)	0.12	(192)
Per share (\$), diluted	(0.11)	0.12	(192)
Funds from operations ⁽¹⁾	29,006	54,471	(47)
Per share (\$), basic	0.21	0.45	(53)
Per share (\$), diluted	0.21	0.44	(52)
Dividends per common share	0.06	0.05	20
Capital expenditures ⁽¹⁾	33,363	101,853	(67)
Total assets	1,315,420	1,496,117	(12)
Long-term liabilities	393,774	522,557	(25)
Net debt ⁽¹⁾	153,263	309,706	(51)
Common Shares - end of period	137,708,127	121,367,451	13
Weighted average common shares			
basic	137,500,242	121,266,210	13
diluted	137,500,242	123,479,368	11

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

• **REVENUE OF \$290.0 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2015**

- Total processing, recovery and disposal volumes at PRD facilities for the three months ended December 31, 2015 decreased approximately 15% from the 2014 comparative period due to the prolonged decline in crude oil prices which has resulted in the Corporation facing a significant decrease in drilling and completion related volumes. This decrease was partially offset by the addition of five new facilities subsequent to December 31, 2014. In addition to lower volumes, recovered oil revenue has also been negatively impacted by the 33% decline in crude oil prices in the three months ended December 31, 2015 compared to the same period in 2014. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) for the three months ended December 31, 2015 of \$55.2 million, down 23% from the 2014 comparative period;
- Oil purchase and resale revenue in the PRD division for the three months ended December 31, 2015 decreased by 55% from the 2014 comparative period to \$160.2 million. The price of crude oil declined by 33% in the three months ended December 31, 2015 from the 2014 comparative periods which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the period;
- Activity in the DS division is strongly correlated with oil and gas drilling activity in the WCSB which saw a decline in active rig count for the three months ended December 31, 2015 of 56% from the 2014 comparative period. As a result of this, combined with pricing pressures from customers, the DS division revenue for the three months ended December 31, 2015 decreased 61% from the 2014 comparative period to \$42.2 million;
- OS division revenue of \$32.4 million in the three months ended December 31, 2015 has decreased 26% from the 2014 comparative period. While the OS division continues to grow through larger scale project work, diversified and integrated services, and expansion into new geographic areas, certain services the division offers have been impacted by reduced oil and gas drilling and completion activity and pricing pressures from customers in the quarter. Additionally, the revenue generated by the Projects service line is dependent on the type and size of jobs which vary quarter to quarter, and the fourth quarter of 2014 included a significant demolition job.

• **ADJUSTED EBITDA OF \$31.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2015**

- Adjusted EBITDA for the three months ended December 31, 2015 was \$31.8 million, a 43% decrease from the 2014 comparative period. Overall, this result was in line with Secure's expectation and previous guidance provided in the MD&A dated November 5, 2015 which projected Adjusted EBITDA for Q4 2015 in the range of \$25 to \$35 million. The decrease from the 2014 comparative period is a result of the reduction in drilling and completion activity, primarily affecting the DS division and the IFS service line, and reduced crude oil prices impacting both the PRD and DS divisions. These factors were partially offset by the addition of new facilities in the fourth quarter of 2014 and 2015 in the PRD division and the expansion of the OS division into new geographic areas.

• **Q4 2015 CAPITAL EXPENDITURES**

- Total capital expenditures for the three months ended December 31, 2015 of \$33.4 million relates primarily to various expansion and sustaining projects at existing PRD facilities and progressing construction of a new PRD full service terminal. In Secure's MD&A dated November 5, 2015, the Corporation projected total capital expenditures of approximately \$15 million during the three months ended December 31, 2015. The variance is a result of expenditures on various long lead items related to projects scheduled to commence in 2016 and incurring certain costs related to the Kakwa FST earlier than expected.

PRD DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue						
PRD services (a)	55,171	71,422	(23)	242,734	271,281	(11)
Oil purchase and resale service	160,203	353,561	(55)	785,527	1,477,061	(47)
Total PRD division revenue	215,374	424,983	(49)	1,028,261	1,748,342	(41)
Direct Operating Expenses						
PRD services	25,855	31,362	(18)	118,515	107,672	10
Deduct: non-recurring items						
Severance and related costs	(917)	-	100	(1,224)	-	100
PRD services less non-recurring items (b)	24,938	31,362	(20)	117,291	107,672	9
Oil purchase and resale service	160,203	353,561	(55)	785,527	1,477,061	(47)
Total PRD division direct operating expenses	186,058	384,923	(52)	904,042	1,584,733	(43)
Operating Margin ⁽¹⁾ (a-b)	30,233	40,060	(25)	125,443	163,609	(23)
Operating Margin ⁽¹⁾ as a % of revenue (a)	55%	56%		52%	60%	

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

Highlights for the PRD division for the three and twelve months ended December 31, 2015 included:

- Revenue of \$55.2 million and \$242.7 million for the three and twelve months ended December 31, 2015, is down 23% and 11% from the 2014 comparative periods, primarily as a result of lower drilling and completion activity and lower recovered oil revenue caused by the decrease in oil prices during the period. The decrease in oil prices has resulted in a drop in industry rig counts and meters drilled from the 2014 comparative periods which has resulted in a significant decline in volumes associated with drilling and completion activities. However, ongoing production related volumes, the construction of new facilities in 2014 and 2015 and expansions at certain of the Corporation's existing facilities have all contributed to offsetting the decline in drilling and completion volumes. Accordingly, overall revenue for the year has only declined 11%;
- Processing: Processing volumes for the three months ended December 31, 2015 decreased 13% from the 2014 comparative period primarily as a result of lower drilling and completion activities and lower production related volumes at certain facilities outside of core areas, including heavy oil facilities where current commodity prices are proving to be very challenging for producers in this area. These declines are offset by the addition of new facilities and expansions at existing facilities in the fourth quarter of 2014 and in 2015. Processing volumes for the twelve months ended December 31, 2015 remained relatively consistent with the 2014 comparative period due to increased volumes from the new facilities and expansions in 2014 and 2015, which more than offset the declines experienced from lower drilling and completion activities and the drop in production related volumes at certain facilities in the latter part of 2015;
- Recovery: Recovered oil revenues have decreased approximately 40% for the three and twelve month periods ended December 31, 2015 over the 2014 comparative periods as a result of the decline in crude oil pricing of 33% and 40% from the 2014 comparative periods. In addition to lower recovered oil revenue, a continued compression of crude oil differentials has limited the Corporation's ability to significantly utilize its FSR network;
- Disposal: Disposal volumes for the three months ended December 31, 2015 decreased 11% compared to the 2014 comparative period primarily due to a decrease in disposal of drilling waste in Secure's landfills and flow back water from completion activities as described above. Disposal volumes for the year ended December 31, 2015 have remained relatively consistent compared to the 2014 comparative period as the declines in drilling waste and flow back water have been offset by additional disposal capacity and produced water as the Corporation continues to see more water volumes on maturing producing wells;
- Oil purchase and resale revenue: Oil purchase and resale revenue in the PRD division for the three and twelve months ended December 31, 2015 decreased by 55% and 47% from the 2014 comparative periods to \$160.2 million and \$785.5 million. The price of crude oil declined by 33% and 40% for the three and twelve months ended December 31, 2015 from the 2014 comparative periods which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the period;
- Operating margin as a percentage of revenue for the three months ended December 31, 2015 was 55%, a slight decrease from 56% in the comparative period of 2014. Operating margin as a percentage of revenue for the twelve months ended December 31, 2015 was 52% compared to 60% in 2014. The impact to the operating margin for the twelve months ended December 31, 2015 compared to 2014 is approximately 6% resulting from lower drilling and completion volumes, reduced recovered oil sales and costs associated with new facilities commissioned in the second quarter of 2015. The remaining margin impact relates to fixed costs associated with rail car leases as tightened differentials during the twelve months ended December 31, 2015 were not favorable to optimize the use of the rail transloading facilities. Overall, the operating margin continues to improve from the first half of 2015 as the Corporation continues to streamline and optimize operating efficiencies where possible;
- General and administrative ("G&A") expenses less non-recurring items for the three and twelve months ended December 31, 2015 decreased 32% and 14% from the 2014 comparative periods to \$4.8 million and \$22.1 million as a result of cost saving initiatives undertaken in 2015 as the Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. Non-recurring items relate to severance payments made to terminated employees.

DS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue						
Drilling services (a)	42,153	109,226	(61)	192,076	398,965	(52)
Direct Operating Expenses						
Drilling services	36,248	82,449	(56)	165,981	299,739	(45)
Deduct: non-recurring items						
Inventory impairment	-	(1,420)	(100)	(1,970)	(1,420)	39

Severance and related costs	(38)	-	100	(945)	-	100
Drilling services less non-recurring items (b)	36,210	81,029	(55)	163,066	298,319	(45)
Operating Margin (a-b)	5,943	28,197	(79)	29,010	100,646	(71)
Adjust for: non-recurring items						
Restructuring (Drilling Services U.S.)	1,759	(1,779)	(199)	5,944	(7,499)	(179)
Operating Margin after Restructuring ⁽¹⁾	7,702	26,418	(71)	34,954	93,147	(62)
Operating Margin after Restructuring ⁽¹⁾ as a % of Canadian revenue	19%	27%		20%	26%	

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

Highlights for the DS division for the three and twelve months ended December 31, 2015 included:

- Revenue in the DS division is directly correlated with oil and gas drilling activity in the WCSB, most notably active rig counts and meters drilled. As a result, the weakness in commodity pricing and the resulting drop off in activity levels from oil and gas producers had a significant impact on the DS division in the three and twelve months ended December 31, 2015. For the three and twelve months ended December 31, 2015, industry rig counts declined 56% and 49%, while meters drilled declined 53% and 44% respectively, from the 2014 comparative periods. As a result, revenue from the DS division for the three and twelve months ended December 31, 2015 decreased 61% and 52% to \$42.2 million and \$192.1 million from \$109.2 million and \$399.0 million in the comparative periods of 2014. This decrease in revenues for the three and twelve months ended December 31, 2015 was consistent with Secure's expectation given the decline in drilling activity, combined with pricing pressures on services and rental rates. Revenue in the DS division was also impacted by the decline in the price of oil which reduced revenue earned on oil based drilling fluids sold to customers;
- Secure has continued to focus on providing customers with innovative solutions for deeper and more technically complex wells. This has enabled the division to achieve a Canadian market share of 31% and 30% for the three and twelve months ended December 31, 2015 compared to 30% and 32% in the three and twelve months ended December 31, 2014. As the rig count has dropped substantially over the 2014 comparative periods, the timing of when customers ramp-up or slow down drilling activities has a significant effect on market share at any point in time as one rig can change the percentage of market share held;
- Drilling fluids revenue per operating day decreased slightly to \$7,171 and \$7,481 for the three and twelve months ended December 31, 2015 from \$8,334 and \$7,657 in the comparative periods of 2014. This decrease was driven by the decline in revenue earned on oil based drilling fluids and pricing pressures from customers, partially offset by a 9% (fourth quarter) and 6% (full year) increase in depth per well as customers continue to drill deeper, more complex wells which require greater amounts of specialized drilling fluids;
- The operating margin after Restructuring was \$7.7 million and \$35.0 million for the three and twelve months ended December 31, 2015, down 71% and 62% compared to the same periods in 2014. The DS division's adjusted operating margin was impacted by a significant reduction in drilling activity resulting in under-utilized crews, price discounts given to customers to reflect the depressed price of crude oil, losses realized on oil based drilling fluids and the higher cost of specialty chemicals purchased from the U.S. due to foreign exchange movements. Further, the reduction in drilling activity resulted in lower revenues from higher margin complementary products which are used in various types of drilling activities;
- G&A expense less non-recurring items for the three and twelve months ended December 31, 2015 decreased 38% and 19% from the comparative periods of 2014 as a result of cost saving initiatives undertaken during 2015 as the Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. Non-recurring items relate to the wind-down of the DS operations in the U.S. and severance costs incurred in Canada as the Corporation eliminated positions significantly impacted by the decline in activity.

OS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Dec 31,			Twelve months ended Dec 31,		
	2015	2014	% Change	2015	2014	% Change
Revenue						
OnSite services (a)	32,446	43,875	(26)	126,088	124,344	1
Direct Operating Expenses						
OnSite services	23,614	33,335	(29)	93,961	91,869	2
Deduct: non-recurring items						
Severance and related costs	-	-	-	(116)	-	100
OnSite services less non-recurring items (b)	23,614	33,335	(29)	93,845	91,869	2
Operating Margin ⁽¹⁾ (a-b)	8,832	10,540	(16)	32,243	32,475	(1)
Operating Margin ⁽¹⁾ as a % of revenue (a)	27%	24%		26%	26%	

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

Highlights for the OS division for the three and twelve months ended December 31, 2015 included:

- Diversified service lines and integrated service offerings, combined with the four strategic acquisitions completed in 2014, delivered a slight increase in revenue from \$124.3 million in the twelve months ended December 31, 2014 to \$126.1 million in the twelve months ended December 31, 2015. However, reduced customer activity, specifically related to the IFS business line, resulted in a 26% decrease in revenue in the three months ended December 31, 2015 compared to the same period in 2014;
- Projects: Projects revenue decreased 10% in the three months ended December 31, 2015 from the 2014 comparative period. Projects revenue is dependent on the type and size of jobs which vary quarter to quarter. In the comparative period, Projects revenue included a significant demolition job in northern Alberta which continued into the first quarter of 2015. Projects revenue for the twelve months ended December 31, 2015 increased 27% due to an acquisition completed in April 2014 which added a new geographic area and an increased customer base. In addition, there was an increase in large scale demolition and remediation projects that contributed to increased revenues over the 2014 comparative period. During the year, Secure also began a multi-year contract to manage a landfill in northern Alberta and diversified its offerings to sectors outside of the oil and gas industry;
- Environmental services: Environmental services revenue for the three and twelve months ended December 31, 2015 decreased 20% and 3%, respectively, from the 2014 comparative periods. Canadian and U.S. environmental remediation job volumes increased year over year and CleanSite bins were added to the rental fleet during 2014 and 2015, increasing revenues from the 2014 comparative periods. In addition, integrated service offerings with the Projects service line has resulted in the award of larger scale projects during the three and twelve months ended December 31, 2015. These increases were, however, more than offset by reduced drilling waste revenue as this business line is tied directly to drilling activity;
- Integrated fluids solutions: IFS revenue for the three and twelve months ended December 31, 2015 decreased 54% and 31% from the 2014 comparative periods as a result of decreased completion activity resulting in lower equipment utilization, and pricing pressures resulting from the current economic environment. The decrease was partially offset by one acquisition completed subsequent to the second quarter of 2014 and increased offering of

complementary services.

- The operating margin in the OS division of \$8.8 million in the fourth quarter was lower compared to the prior year due to muted drilling activity levels and low commodity pricing impacting certain service lines. The operating margin for the twelve months ended December 31, 2015 of \$32.2 million was 1% lower than the 2014 comparative period. The operating margin as a percentage of revenue for the OS division in the three and twelve months ended December 31, 2015 was 27% and 26%, respectively, compared to 24% and 26% in the comparative 2014 periods. Operating margin as a percentage of revenue fluctuates 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. Larger scale and more technically challenging demolition and remediation projects undertaken in the twelve months ended December 31, 2015 contributed a higher margin, which was offset by the impact of decreased industry activity and pricing pressures in the drilling waste and IFS service lines;
- G&A expenses for the three and twelve months ended December 31, 2015 increased 95% and 35% to \$2.4 million and \$8.7 million from \$1.2 million and \$6.5 million in the comparative periods of 2014. G&A expenses in the three months ended December 31, 2015 increased due to higher volumes of activity and expansion into the U.S. G&A expenses in the twelve months ended December 31, 2015 increased due to four acquisitions completed in 2014, an increase in activity and operations in the division and costs associated with moving to a new OS division office in the second quarter of 2014, partially offset by cost saving initiatives taken across the organization. G&A is expected to fluctuate based on the growth and activity of the division.

OUTLOOK

Secure expects 2016 will be another challenging year for the oil and gas industry. The steep and rapid decline in commodity prices over the past year impacted industry cash flows, resulting in reduced capital investment and drilling activity across the WCSB. With oil prices reaching their lowest levels in over a decade at the beginning of 2016, industry activity levels are expected to remain negatively impacted throughout 2016. Based on current activity levels and commodity prices, Secure expects:

- A further decrease in drilling and completion activity in the first half of 2016 compared to 2015 and potentially the remainder of 2016 which will directly impact the Drilling Services division as results are tied to rig activity and meters drilled;
- The impact of reduced drilling and completion activity on revenues to be partially mitigated in the PRD and OS divisions. Most of Secure's 38 PRD facilities are strategically located in each of the high impact resource plays in Western Canada and North Dakota where production related volumes continue to support the required need for Secure's services. The overall impact to the OS division is expected to be mitigated by diversified service lines and integrated service offerings;
- A continued focus on cost control, including streamlining activities, consolidation and positioning the organization to align with current industry activity;
- To continue its prudent approach to organic capital spending by allocating funds to projects that generate the highest rates of return. Secure expects to spend approximately \$50 million in 2016 on the following:
 - Kakwa Full Service Terminal;
 - Landfill expansion;
 - Two disposal well expansions;
 - Additional tanks and risers;
 - Maintenance expenditures;
- To continue to evaluate and assess potential merger and acquisition opportunities and/or partnership opportunities that provide strategic advantages. Secure remains patient to ensure the right acquisitions are executed to complement existing services and/or expand geographical presence in key operating areas, particularly in the current oil and gas environment.

Secure's key priorities for success in 2016 include:

- Working with partners to reduce the overall cost structure, gain efficiencies and provide new services;
- Maintaining financial resilience. At December 31, 2015, the Corporation has a solid balance sheet and \$421.6 million available under its credit facility. However, Secure will continue to execute on its prudent approach to organic capital spending and implement further continuous improvement initiatives and operating efficiencies to maintain the strength of its balance sheet and increase its financial flexibility in response to the current market environment;
- Leveraging on all three operating divisions to gain efficiencies for customers for drilling, completion, production and remediation services;
- Gaining further traction on new services and products associated with production chemicals and chemical enhanced oil recovery ("EOR"). Strategically, both the production chemicals and drilling fluids service lines can be supported by the 7,000 square foot, fully equipped state of the art research laboratory facility to work directly with customers to enhance production and create drilling efficiencies;
- Working with customers on water recycling, storage and logistics. This market continues to expand as producers understand the need to access water sources and reuse fluids during completion activities.

Overall, Secure has a solid balance sheet and is well positioned to respond with solutions and the right people to the market's needs today. As industry activity increases the Corporation will be able to respond quickly and remain agile. Secure continues to work with its customers to support their needs relating to new facilities, disposal wells, landfill expansions and specialized equipment. Market share growth and new service lines will ensure that Secure is well positioned for future growth.

FINANCIAL STATEMENTS AND MD&A

The Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014 and MD&A for the three and twelve months ended December 31, 2015 and 2014 are available immediately on Secure's website at www.secure-energy.com. The audited consolidated financial statements and MD&A will be available tomorrow on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining to: corporate strategy; goals; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including market fundamentals and the impact to each division on revenue and operating margins, drilling levels, commodity prices for oil, natural gas liquids ("NGLs") and natural gas; industry fundamentals for the first quarter of 2016; capital forecasts and spending by producers; demand for the Corporation's services and products; expansion strategy; the impact of the reduction in oil and gas activity on 2016 activity levels; revenue and operating margin for the PRD, DS and OS divisions; the range of the Corporation's proposed 2016 capital expenditure program and the intended use thereof; debt service; completion of facilities (including the new PRD FST); the impact of new facilities on the Corporation's financial and operational performance; future capital needs; access to capital; and acquisition strategy.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as the assumption that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and similar phases of previous economic cycles. Forward-looking statements concerning the availability of funding for future operations are based upon the assumption that the sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking statements concerning the relative future competitive position of the Corporation are based upon the assumption that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest and foreign exchange rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation and its subsidiaries' to successfully market their services and drilling and production activity in North America will lead to sufficient demand for the Corporation's services and its subsidiaries' services including demand for oilfield services for drilling and completion of oil and natural gas wells, that the current business environment will

remain substantially unchanged, and that present and anticipated programs and expansion plans of other organizations operating in the energy service industry will result in increased demand for the Corporation's services and its subsidiary's services. Forward-looking statements concerning the nature and timing of growth are based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking statements in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance costs will not significantly increase from past acquisition and maintenance costs.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "*Business Risks*" and under the heading '*Risk Factors*' in the AIF for the year ended December 31, 2015. 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"). These financial measures are Non-GAAP financial measures and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures used by the Corporation may not be comparable to a similar measures presented by other reporting issuers. See the management's discussion and analysis available at www.sedar.com for a reconciliation of the Non-GAAP financial measures and operational definitions. These non-GAAP financial measures and operational definitions are included because management uses the information to analyze operating performance, leverage and liquidity. Therefore, these non-GAAP financial measures and operational definitions should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

ABOUT SECURE ENERGY SERVICES INC.

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

The Corporation operates three divisions:

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

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

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

SOURCE SECURE Energy Services Inc.

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CO: SECURE Energy Services Inc.

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