

SECURE Energy Services Reports Second Quarter Results

CALGARY, July 27, 2016 /CNW/ - Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) announced today operational and financial results for the three and six months ended June 30, 2016. The following should be read in conjunction with the management's discussion and analysis ("MD&A") and the interim consolidated financial statements and notes thereto of Secure which are available on SEDAR at www.sedar.com.

Q2 2016 OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the three months ended June 30, 2016, crude oil prices rebounded from the lowest prices in a decade of \$36/barrel realized in the first quarter of 2016. However, average crude oil prices during the quarter remained 18% lower than the comparative period in the prior year. The Corporation's second quarter operating and financial results were influenced by these low oil prices, combined with typical seasonal weather conditions limiting producers' ability to drill and service wells. The impact of these factors were partially mitigated by ongoing production related volumes in the PRD division and diversification of services offered across the Corporation. As a result, Secure realized Adjusted EBITDA of \$8.5 million, demonstrating continued resilience during a period of reduced oil and gas activity levels.

During the quarter, Secure expanded its market presence and enhanced its service offering for continued midstream growth through the strategic acquisition of the operating assets (excluding working capital) of PetroLama Energy Canada Inc. (the "PetroLama Acquisition"). Following the end of the quarter, Secure also closed an acquisition resulting in an increase in Secure's ownership of the La Glace and Judy Creek full service terminals to 100% (the "JV Acquisition"). Secure is continuing to seek out and evaluate opportunities that will provide meaningful growth for the remainder of 2016, into 2017 and beyond.

During the extended downturn in oil and gas activity and relatively poor price environment, Secure has continued to generate positive funds from operations. This, combined with the Corporation's strong balance sheet, has allowed Secure to maintain a monthly \$0.02 dividend, pursue accretive acquisition opportunities, and continue investing in organic capital projects in capacity constrained regions. At June 30, 2016, Secure's net debt was \$69.3 million, and the Corporation is operating well within its credit facility covenant restrictions. The Corporation continues its disciplined approach to maintaining a strong balance sheet to effectively manage the business through a period of lower commodity pricing and industry activity.

The operating and financial highlights for the three and six months ended June 30, 2016 and 2015 can be summarized as follows:

(\$000's except share and per share data)	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% change	2016	2015	% change
Revenue (excludes oil purchase and resale)	66,148	112,533	(41)	168,415	282,185	(40)
Oil purchase and resale	202,460	244,036	(17)	309,325	440,931	(30)
Total revenue	268,608	356,569	(25)	477,740	723,116	(34)
Adjusted EBITDA ⁽¹⁾	8,540	19,446	(56)	33,623	59,482	(43)
Per share (\$), basic	0.05	0.14	(64)	0.23	0.46	(50)
Net loss	(20,681)	(16,780)	23	(30,747)	(20,003)	54
Per share (\$), basic	(0.13)	(0.12)	8	(0.21)	(0.15)	40
Per share (\$), diluted	(0.13)	(0.12)	8	(0.21)	(0.15)	40
Adjusted net loss ⁽¹⁾	(20,467)	(14,809)	38	(29,065)	(13,953)	108
Per share (\$), basic	(0.13)	(0.11)	18	(0.19)	(0.11)	73
Funds from operations ⁽¹⁾	7,544	17,022	(56)	30,103	53,247	(43)
Per share (\$), basic	0.05	0.12	(58)	0.20	0.41	(51)
Dividends per common share	0.06	0.06	-	0.12	0.12	-
Capital expenditures ⁽¹⁾	74,356	18,654	299	95,845	60,738	58
Total assets	1,374,164	1,420,412	(3)	1,374,164	1,420,412	(3)
Net debt ⁽¹⁾	69,289	137,240	(50)	69,289	137,240	(50)
Common Shares - end of period	159,321,292	136,440,802	17	159,321,292	136,440,802	17
Weighted average common shares - basic and diluted	158,437,296	136,186,284	16	149,226,219	129,475,350	15

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

• REVENUE OF \$268.6 MILLION AND \$477.7 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

- Total processing, recovery and disposal volumes at PRD facilities for the three months and six months ended June 30, 2016 decreased over the 2015 comparative periods as low oil prices and early spring break-up conditions negatively impacted volumes at PRD facilities from drilling and completion related activities. The impact of the above to the PRD division's revenue was partially mitigated by ongoing production related volumes, the addition of facilities in 2015, which included the construction and commissioning of Tullibie Lake FST, Big Mountain SWD, and Wonowon SWD, the conversion of the Rycroft FSR to include water disposal services, the conversion of 13 Mile from an SWD to an FST, and the PetroLama Acquisition on June 1, 2016. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of \$37.5 million and \$86.2 million, down 35% and 32% from the 2015 comparative periods;
- Oil purchase and resale revenue in the PRD division for the three and six months ended June 30, 2016 decreased by 17% and 30% from the 2015 comparative periods to \$202.5 million and \$309.3 million. The average price of crude oil declined by 18% and 20% for the three and six months ended June 30, 2016 from the 2015 comparative periods, which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold in the year to date. In the three months ended June 30, 2016, the impact of the above was partially mitigated by additional oil and purchase resale volumes related to the newly acquired Alida facility through the PetroLama Acquisition;
- Activity in the DPS division is strongly correlated with oil and gas drilling activity in the Western Canadian Sedimentary Basin ("WCSB"), where the rig count in the three and six months ended June 30, 2016 decreased by 48% and 49% from the respective 2015 comparative periods. As a result, DPS division revenue correspondingly decreased by 54% and 46% to \$11.2 million and \$46.4 million in the three and six months ended June 30, 2016;
- OS division revenue decreased 34% and 38% in the three and six months ended June 30, 2016 from the 2015 comparative periods to \$17.5 million and \$35.8 million, respectively. The decrease is primarily due to reduced Projects revenue resulting from two significant jobs in the first half of 2015 for which there was no equivalents to date in 2016, and lower completion activities given the current oil price, early spring break-up conditions, and wildfires during the second quarter of 2016 in Northern Alberta and British Columbia. The impact to revenue was partially mitigated by new service offerings and geographic expansion.

• ADJUSTED EBITDA OF \$8.5 MILLION AND \$33.6 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

- Diversification and integration across Secure's three divisions has contributed to positive Adjusted EBITDA for the three and six months ended June 30, 2016 as certain service lines are not as heavily impacted by drilling and completion activity. Additionally, Secure has considerably reduced the Corporation's cost structure and streamlined operations which has resulted in strong operating margins and decreased fixed costs. As a result, Adjusted EBITDA totaled \$8.5 million and \$33.6 million in the three and six months ended June 30, 2016, a 56% and 43% decrease from the same periods in 2015;

- Overall, Adjusted EBITDA for the three and six months ended June 30, 2016 was in line with Secure's expectation given a reduction in drilling and completion activity throughout the WCSB which most heavily impacted the DPS division as the majority of operations are currently tied to drilling operations. The decrease in the PRD division was partially offset by ongoing production related volumes, the construction of new facilities in 2015 and expansions at certain of the Corporation's existing facilities in the past year, the PetroLama Acquisition, and cost saving initiatives implemented in 2015 which maintained a strong operating margin and reduced general and administrative costs. The impact to the OS division resulting primarily from reduced Projects work and services correlated to completions activity was somewhat mitigated by geographic expansion, new and diversified service lines and integrated service offerings.

• NET LOSS OF \$20.7 MILLION AND \$30.7 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

- For the three and six months ended June 30, 2016, Secure's net loss of \$20.7 million and \$30.7 million increased 23% and 54% compared to \$16.8 million and \$20.0 million in the three and six months ended June 30, 2015 primarily as a result of the factors discussed above impacting Adjusted EBITDA, offset partially by lower general and administrative expenses, business development expenses and share-based compensation as the Corporation is realizing the cost saving initiatives implemented in 2015. Secure has reduced personnel levels to match current industry activity levels, as well as reduced discretionary spending and streamlined and consolidated support functions where possible.

• CAPITAL EXPENDITURES OF \$74.4 MILLION and \$95.8 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

- Total capital expenditures (excluding business combinations) for the three and six months ended June 30, 2016 of \$12.9 million and \$34.4 million includes:
 - Construction of the Kakwa FST, which is expected to be completed and commissioned in September 2016;
 - Disposal well expansions at the Kaybob and Big Mountain SWD facilities;
 - Landfill cell expansion at the Grande Prairie landfill;
 - Sustaining capital expenditures at existing facilities required to maintain ongoing business operations.

• PETROLAMA ACQUISITION

- On June 1, 2016, Secure closed the acquisition of all the operating assets (excluding working capital) of PetroLama Energy Canada Inc. PetroLama is a privately owned Calgary-based midstream company specializing in the storage, terminalling and transport of crude oil from western Canada to the North American market. PetroLama's main asset is a crude oil terminal in Alida, Saskatchewan which is connected to the Enbridge Pipelines (Saskatchewan) Inc. pipeline system and includes truck unload risers and storage tanks. Secure also acquired various marketing contracts relating the purchase, sale and transportation of propane, butane and condensate, including access to crude oil storage at Cushing, Oklahoma;
- The PetroLama Acquisition provides Secure with an attractive entry point into the southeast Saskatchewan midstream market. Secure has expanded its market presence and enhance its service offering for continued midstream growth. The Alida terminal, a facility constructed in 2013, is uniquely positioned for sustainable cash flow generation in a new market area. Secure expects to leverage PetroLama's existing business into further growth opportunities and build upon PetroLama's relationships with oil producers, marketers and refiners with its breadth of oil and gas services. Secure expects its size and strong history of operational expertise in the PRD division will allow the Corporation to achieve certain operating efficiencies;
- The purchase price was paid with \$61.5 million in cash and the balance of \$5.9 million through the issuance of 664,972 common shares of the Corporation ("Common Shares"), and included all of PetroLama's inventory on hand at closing.

• JV ACQUISITION

- Subsequent to quarter end, Secure completed the acquisition of the outstanding 50% interest in all of the joint venture assets of the La Glace and Judy Creek facilities, increasing Secure's interest in these facilities to 100%;
- The purchase price of \$26.7 million included working capital and was funded through existing capacity under the Corporation's credit facility. The JV Acquisition relieves Secure of the administrative requirements of operating the facilities under a joint venture structure, while adding additional cash flow from an increase in ownership in the facilities.

• FINANCIAL FLEXIBILITY

- On March 22, 2016, the Corporation completed a bought deal common share financing (the "Offering"), issuing a total of 19,550,000 Common Shares at a price of \$7.65 per Common Share for gross proceeds of \$149.6 million. Proceeds of the Offering have been used to repay outstanding debt and fund the cash portion of the PetroLama Acquisition and JV Acquisition, with the remaining balance expected to be used to fund capital expenditures, for other strategic acquisition opportunities, and/or general working capital purposes;
- Secure's total long-term borrowings as at June, 2016 have decreased 33% to \$176.0 million compared to \$262.0 million at December 31, 2015. The Corporation 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 June 30, 2016. Secure's debt to trailing twelve month EBITDA ratio, where 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, was 1.7 as at June 30, 2016 compared to 2.2 as at December 31, 2015. The Corporation is required under its credit facility to maintain a debt to EBITDA ratio of less than 3.5 to 1.0;
- As at June 30, 2016, the Corporation had \$489.8 million available under its credit facility, subject to maintaining the debt to EBITDA ratio described above.

PRD DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30, Six months ended June 30,					
	2016	2015	% Change	2016	2015	% Change
Revenue						
PRD services (a)	37,450	57,188	(35)	86,156	126,682	(32)
Oil purchase and resale service	202,460	244,036	(17)	309,325	440,931	(30)
Total PRD division revenue	239,910	301,224	(20)	395,481	567,613	(30)
Direct Operating Expenses						
PRD services	19,670	29,902	(34)	42,493	63,732	(33)
Deduct: non-recurring items						
Severance and related costs	(44)	-	100	(579)	(188)	208
PRD services less non-recurring items (b)	19,626	29,902	(34)	41,914	63,544	(34)
Oil purchase and resale service	202,460	244,036	(17)	309,325	440,931	(30)
Total PRD division direct operating expenses	222,130	273,938	(19)	351,818	504,663	(30)

Operating Margin ⁽¹⁾ (a-b)	17,824	27,286	(35)	44,242	63,138	(30)
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Operating Margin ⁽¹⁾ as a % of revenue (a)	48%	48%		51%	50%	
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⁽¹⁾ Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

Highlights for the PRD division for the three and six months ended June 30, 2016 included:

- Processing, recovery and disposal revenue: Revenue of \$37.5 million and \$86.2 million for the three and six months ended June 30, 2016 is down 35% and 32% from the 2015 comparative periods, primarily as a result of lower drilling and completion activity impacting volumes. The decrease in oil prices since the first quarter of 2015, combined with an extended spring break-up, has resulted in a 49% and 69% drop during the first half of 2016 in industry rig counts in the WCSB and North Dakota, respectively, from the 2015 comparative period, which has resulted in a significant decline in volumes associated with drilling and completion activities in the Corporation's service areas. Production related services have been impacted by a much lesser extent in the three and six months ended June 30, 2016 compared to the same periods in 2015 due to ongoing production related volumes, the construction of new facilities in 2015 and expansions at certain of the Corporation's existing facilities in the past year, and the PetroLama Acquisition;
- Processing volumes in the three and six months ended June 30, 2016 declined 23% and 21% from the 2015 comparative periods and relate primarily to emulsion and waste processing. Disposal volumes declined 22% in both the three and six months ended June 30, 2016 from the 2015 comparative periods due to a decrease in flow back water from completion activities and disposal of drilling waste in Secure's landfills. Recovery revenues decreased 35% in the three and six months ended June 30, 2016 from the comparative 2015 periods due to lower recovered oil sales as a result of the factors described above, compounded by an 18% and 20% decrease in crude oil prices in the quarter and year to date. The impact on recovery revenues from recovered oil sales was partially mitigated by the Corporation's ability to capitalize on crude oil marketing opportunities at its pipeline connected FSTs, resulting in relatively stable crude oil marketing revenues in the three and six months ended June 30, 2016 and 2015;
- Oil purchase and resale revenue: Oil purchase and resale revenue in the PRD division for the three and six months ended June 30, 2016 decreased by 17% and 30% from the 2015 comparative period to \$202.5 million and \$309.3 million, respectively. The price of crude oil declined by 18% and 20% for the three and six months ended June 30, 2016 from the 2015 comparative periods which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the year to date. In the three months ended June 30, 2016, the impact of the above was partially mitigated by additional oil and purchase resale volumes related to the newly acquired Alida facility through the PetroLama Acquisition;
- Direct operating expenses less non-recurring items from PRD services for the three and six months ended June 30, 2016 decreased 34% to \$19.6 million and \$41.9 million from \$29.9 million and \$63.5 million in the comparative periods of 2015. The decrease in direct operating expenses relates primarily to fewer variable costs resulting from lower volumes in the periods, fewer fixed costs associated with Secure's rail operations as the Corporation has reduced the cost structure associated with the rail transloading facilities to best match current activity levels, upfront commissioning costs incurred in the first half of 2015 associated with the 13 Mile and Tully Lake FSTs, the Wonowon and Big Mountain SWDs, and the Rycroft FSR (none in the first half of 2016), and a decrease in employee and other costs resulting from cost saving initiatives implemented by the Corporation in 2015;
- Operating margin as a percentage of revenue for the three and six months ended June 30, 2016 was 48% and 51% compared to 48% and 50% in the comparative periods of 2015. The stability in operating margin as a percentage of revenue during the three and six months ended June 30, 2016 and 2015 is due to cost saving initiatives implemented in 2015, including reducing employee costs, reduced costs associated with the Corporation's rail transloading facilities, and the elimination of start-up costs associated with new facilities commissioned in the first quarter of 2015, offset by lower drilling and completion volumes, and reduced recovered oil sales;
- General and administrative ("G&A") expenses less non-recurring items for the three and six months ended June 30, 2016 decreased 54% from the 2015 comparative periods to \$2.7 million and \$5.6 million as cost saving initiatives undertaken during 2015 are being realized. The Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. As part of these initiatives, certain costs in the current year have been moved to the Corporate division. Non-recurring items relate to employee severance payments.

DPS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30, Six months ended June 30,					
	2016	2015 ⁽¹⁾	% Change	2016	2015 ⁽¹⁾	% Change
Revenue						
Drilling and production services (a)	11,235	24,181	(54)	46,442	86,278	(46)
Direct Operating Expenses						
Drilling and production services	12,396	21,085	(41)	42,123	72,054	(42)
Deduct: non-recurring items						
Inventory impairment	-	-	-	-	(1,970)	(100)
Severance and related costs	(142)	(50)	184	(803)	(647)	24
Drilling and production services less non-recurring items (b)	12,254	21,035	(42)	41,320	69,437	(40)
Operating Margin ⁽²⁾ (a-b)	(1,019)	3,146	(132)	5,122	16,841	(70)
Operating Margin ⁽²⁾ as a % of revenue (a)	-9%	13%		11%	20%	

⁽¹⁾ Excludes the results from drilling services operations in the U.S. as these operations were wound down in the latter part of 2015 and are considered non-recurring.

⁽²⁾ Refer to "Non-GAAP measures, operational definitions and additional subtotals" for further information.

Highlights for the DPS division for the three and six months ended June 30, 2016 included:

- Revenue in the DPS division correlates 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 DPS division in the three and six months ended June 30, 2016. For the three and six months ended June 30, 2016, industry rig counts in the WCSB declined 48% and 49%, while meters drilled declined 54% and 42% from the 2015 comparative periods. As a result, revenue from the DPS division for the three and six months ended June 30, 2016 decreased 54% and 46% to \$11.2 million and \$46.4 million from \$24.2 million and \$86.3 million (net of Restructuring) in the comparative periods of 2015. This decrease in revenues was consistent with Secure's expectation given the decline in drilling activity, combined with pricing pressures on services and rental rates. Revenue in the DPS division was also impacted by the decline in the price of oil which reduced revenue earned on oil based drilling fluids sold to customers;
- Revenue per operating day increased by 20% and 4% during the three and six months ended June 30, 2016 compared to the same periods in 2015. The increase in the second quarter is a result of a higher proportion of rigs serviced with oil based drilling fluids, which typically generate a higher revenue per operating day. Additionally, Secure continues to focus on providing customers with innovative solutions for deeper and more technically complex wells. The DPS division's market share decreased from 31% in the first quarter of 2016 to 19% during the second. The decrease in market share is due to the volatility of low rig counts that comes with spring break-up, resulting in the timing of customer drilling activities having a significant effect on market shares, as one rig can change the percentage of market share held when rig counts are low;
- Secure continues diversification efforts in the DPS division through production chemicals expansion and ancillary offerings which should benefit the

Corporation in the medium to long-term. Strategic relationships with key suppliers has resulted in a significant expansion to Secure's production chemicals product offerings in 2016 to date;

- The DPS division's direct operating expenses less non-recurring items for the three and six months ended June 30, 2016 decreased by 42% and 40% to \$12.3 million and \$41.3 million from \$21.0 million and \$69.4 million (net of Restructuring) in the 2015 comparative period. Overall, the decrease in direct operating expenses over the 2015 comparative periods was primarily due to decreased activity levels, the realization of cost saving initiatives implemented in 2015, and a reduction in cost of goods sold for oil based drilling fluids. However, the stronger U.S. dollar in the first half of 2016 compared to the first half of 2015 impacted the cost of goods sourced from the U.S., specifically for specialty chemicals, which increased direct operating expenses;
- The DPS division's operating margin for the three and six months ending June 30, 2016 was a loss of \$1.0 million and income of \$5.1 million, compared to income of \$3.1 million and \$16.8 million in the 2015 comparative periods. The DPS division's operating margin decreased as a result of the factors discussed above, combined with price discounts given to customers to reflect the depressed price of crude oil, a higher cost associated with specialty chemicals purchased from the U.S. due to foreign exchange movements, and a higher proportion of lower margin products sold when compared to the same periods in 2015. As a result, operating margin as a percentage of revenue declined from 20% in the first half of 2015 to 11% in the first half of 2016;
- G&A expense less non-recurring items for the three and six months ended June 30, 2016 decreased 51% and 45% from the comparative periods of 2015 as a result of cost saving initiatives undertaken during 2015 and reduced shared service allocations from the Corporate division. Non-recurring items relate to severance costs incurred as the Corporation eliminated positions in order to properly align staff with activity levels.

OS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended June 30, Six months ended June 30,					
	2016	2015	% Change	2016	2015	% Change
Revenue						
OnSite services (a)	17,463	26,306	(34)	35,817	57,600	(38)
Direct Operating Expenses						
OnSite services	13,437	21,333	(37)	27,204	43,158	(37)
Deduct: non-recurring items						
Severance and related costs	(100)	-	100	(177)	(116)	53
OnSite services less non-recurring items (b)	13,337	21,333	(37)	27,027	43,042	(37)
Operating Margin ⁽¹⁾ (a-b)	4,126	4,973	(17)	8,790	14,558	(40)
Operating Margin ⁽¹⁾ as a % of revenue (a)	24%	19%		25%	25%	

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

Highlights for the OS division for the three and six months ended June 30, 2016 included:

- Diversified service lines, integrated service offerings and organic growth partially mitigated reduced customer activity driven by lower commodity prices, wet weather conditions, and wildfires in Northern Alberta and British Columbia, which resulted in a 34% and 38% decrease in revenue from \$26.3 million and \$57.6 million in the three and six months June 30, 2015 to \$17.5 million and \$35.8 million in the three and six months ended June 30, 2016;
- Projects revenue during the three and six months ended June 30, 2016 was approximately half of that in the 2015 comparative periods. Projects revenue is dependent on the type and size of jobs which vary quarter to quarter. The first and second quarters of 2015 included a significant demolition job and a major remediation job. Excluding these jobs, Projects revenue decreased only 15% in the first half of 2016 from the 2015 comparative period due primarily to lower activity levels from reduced spending initiatives by customers and as a result of poor weather conditions delaying projects. Partially offsetting the decrease is a multi-year contract to manage a landfill in northern Alberta and diversified offerings to new geographic regions and sectors outside of the oil and gas industry;
- Environmental services revenue for the three and six months ended June 30, 2016 decreased 13% and 20% from the 2015 comparative periods as a result of reduced reclamation and remediation revenue resulting from deferred customer spending due to low commodity prices, and due to lower drilling waste revenue from decreases in drilling activity period over period. The decreases noted above were partially offset by increased bin revenue resulting from geographic expansion, growth in NORM related solution services, and revenue generated by the new emergency response service line;
- Integrated fluids solutions revenue for the three and six months ended June 30, 2016 increased 21% and decreased 26% from the 2015 comparative periods. The increase quarter over quarter is as a result of the addition of fluid sales and treatment services, and increased pumping revenue generated from higher activity levels from a large customer. The year to date revenue decreased due to reduced customer field activity resulting from spring break-up and low commodity prices, therefore decreasing equipment utilization. Rental unit pricing decreased from the prior year due to the competitive pricing pressures from the current depressed industry environment;
- Direct operating expenses less non-recurring items for the three and six months ended June 30, 2016 decreased 37% to \$13.3 million and \$27.0 million from \$21.3 and \$43.0 million in the 2015 comparative periods. Overall, the variance in direct operating expenses was a direct result of the change in activity and revenues from the 2015 comparative periods;
- The three and six months ended June 30, 2016 operating margin in the OS division of \$4.1 million and \$8.8 million was lower than the prior year comparative periods due primarily to decreased revenues. The operating margin as a percentage of revenue for the OS division in the three and six months ended June 30, 2016 was 24% and 25% versus 19% and 25% in the comparative 2015 periods. The OS division's 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. As a percentage of revenue, the increased operating margin in the quarter resulted from increased bin rental and NORM service revenue from the Environmental service line and from higher pumping revenues in the IFS service line that more than offset the lower margins resulting from the Projects service line. The quarter and year to date had a higher proportion of smaller projects which typically have lower associated operating margins when compared to the same period in 2015;
- G&A expenses less non-recurring items for the three months and six ended June 30, 2016 decreased 24% and 32% from the 2015 comparative periods to \$1.6 million and \$2.9 million. G&A expenses in the three and six months ended June 30, 2016 decreased due to lower volumes of activity, reduced shared service allocations from the Corporate division's service departments, and cost saving initiatives taken across the organization.

OUTLOOK

As expected, activity levels during the second quarter of 2016 were significantly impacted by an extended spring break-up, a weak commodity price environment, and a significant decrease in drilling and completion activity. During the second quarter, oil and gas producers were unwilling to incur additional costs due to weather related issues if the oil and gas activity could be delayed into the third quarter where weather is more predictable. As a result, Secure anticipates that activity levels will ramp up into the second half of the year; however, where actual activity levels will reach in the remainder of 2016 remains difficult to predict as customers revise previous strategies and capital budgets in light of the commodity price environment.

The Corporation remains well positioned in the energy services sector. The equity offering completed during the first quarter further strengthened Secure's balance sheet and has provided the Corporation with significant flexibility to seek out and evaluate opportunities that will provide accretive growth to the Corporation in 2016 and beyond. The PetroLama Acquisition provided Secure with an attractive entry point into the southeast Saskatchewan midstream market. Following that strategic acquisition, Secure acquired the outstanding 50% interest in all of the joint venture assets of the La Glace and Judy Creek facilities, increasing Secure's interest in these facilities to 100%. Secure anticipates both of these acquisitions will result in additional stable cash flows and provide a solid platform for further

midstream growth. Secure will continue to evaluate and assess further 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.

During the remainder of the year, the Corporation will continue its prudent approach to organic capital spending. In July, Secure opened a second disposal well at the Big Mountain SWD located in the Alberta Deep Basin. During the third quarter, Secure expects to open the new Kakwa FST, also located in the Deep Basin. The Corporation will continue to increase capacity at current facilities by adding additional tanks, disposal wells and expansion landfill cells.

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. Secure continues to work with its customers to support their needs relating to new facilities, disposal wells, landfill expansions and specialized equipment. Secure's key priorities for success in the remainder of 2016 include:

- Working with partners to reduce the overall cost structure, gain efficiencies and provide new services;
- Maintaining financial flexibility;
- 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");
- 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;
- Expanding Secure's midstream facility network.

FINANCIAL STATEMENTS AND MD&A

The Corporation's unaudited condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2016 and 2015 and MD&A for the three months and six months ended June 30, 2016 and 2015 are available immediately on Secure's website at www.secure-energy.com. The unaudited condensed consolidated financial statements and MD&A will be available tomorrow on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains or implies forward-looking statements pertaining to: key priorities for the Corporation's success; the oil and natural gas industry; activity levels in the oil and gas sector, drilling levels, commodity prices for oil, natural gas liquids and natural gas; industry fundamentals for the third and fourth quarters 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; the Corporation's proposed 2016 capital expenditure program; debt service; completion of facilities (including the new PRD FST); acquisition strategy and timing of potential acquisitions; the impact of new facilities, potential acquisitions, the PetroLama Acquisition, and JV Acquisition on the Corporation's financial and operational performance and growth opportunities; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; access to capital; and the Corporation's ability to meet obligations and commitments and operate within the credit facility restrictions.

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

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "Business Risks" and under the heading "Risk Factors" in the AIF for the year ended December 31, 2015 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in the Acquisition 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, OPERATIONAL DEFINITIONS AND ADDITIONAL SUBTOTALS

The Corporation uses accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS. These non-GAAP measures, operational definitions and additional subtotals used by the Corporation may not be comparable to similar measures presented by other reporting issuers. These non-GAAP financial measures, operational definitions and additional subtotals are included because management uses the information to analyze operating performance, leverage and liquidity. Therefore, these non-GAAP financial measures, operational definitions and additional subtotals should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See the management's discussion and analysis available at www.sedar.com for a reconciliation of the Non-GAAP financial measures, operational definitions and additional subtotals.

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 and Production Services Division ("DPS"): The DPS 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, waste container services, and emergency response 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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For further information: Secure Energy Services Inc.: Rene Amirault, Chairman, President and Chief Executive Officer, Phone: (403) 984-6100, Fax: (403) 984-6101; Allen Gransch, Executive Vice President and Chief Financial Officer, Phone: (403) 984-6100, Fax: (403) 984-6101, Website: www.secure-energy.com, TSX Symbol: SES

CO: SECURE Energy Services Inc.

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