

SECURE Energy Services Announces Third Quarter 2016 Adjusted EBITDA of \$27.4 Million and 2017 Capital Expenditure Program

CALGARY, Nov. 3, 2016 /CNW/ - Secure Energy Services Inc. ("Secure" or the "Corporation") (TSX – SES) announced today operational and financial results for the three and nine months ended September 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.

Q3 2016 OPERATIONAL AND FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2016, Secure realized Adjusted EBITDA of \$27.4 million, demonstrating continued resilience during a period of reduced oil and gas activity levels. Unseasonably wet weather conditions and continuing weak commodity prices hampered industry activity across Western Canada during the third quarter. Compared to the prior year, during the three months ended September 30, 2016, industry rig counts were down 35% and metres drilled declined 31%, impacting both the DPS and PRD divisions. Additionally, wet weather caused project work delays within the OS division as site access was restricted. However, the impact of these factors was partially mitigated by ongoing production related volumes in the PRD division, the addition of new facilities, a continued focus on cost controls, and diversification of services offered across the Corporation.

During the quarter, Secure continued to expand its market presence with the opening of the new Kakwa FST located south of Grande Prairie. Secure also closed an acquisition resulting in an increase in Secure's ownership of the La Glace and Judy Creek FSTs to 100% (the "JV Acquisition"). Secure is continuing to seek out and evaluate opportunities to organically build or acquire assets that will provide meaningful growth for 2017 and beyond.

Throughout 2016, Secure has achieved numerous operational successes; as a result, the Corporation has continued to generate positive funds from operations during the extended downturn in oil and gas activity and relatively poor price environment, demonstrating that positive cash flows from operating activities are sustainable at the current oil and gas price and activity levels with its current midstream infrastructure. Some of these operational highlights to date in 2016 include:

- Completing construction of the Kakwa FST, a facility that was designed and constructed to meet specific customer requirements in a capacity constrained region;
- Expanding Secure's midstream facility network in Saskatchewan through the acquisition of all of the operating assets of PetroLama Energy Inc. and the expansion of the Corporation's Kindersley FST to increase storage and services, expected to be completed in late 2016;
- Increasing capacity to meet demand at various existing facilities by adding additional tanks and disposal wells, and expanding landfill cells;
- Performing various drilling, completion, production and remediation services for ten of the most active drillers in Western Canada;
- Gaining customer traction with the DPS division's new production chemicals and enhanced oil recovery service line;
- Working with customers in the Alberta Deep Basin and Duvernay Formation on water recycling, storage and logistics.

The Corporation's strong balance sheet has allowed Secure to maintain a monthly dividend, pursue accretive acquisition opportunities, and continue investing in organic capital projects in capacity constrained regions. At September 30, 2016, Secure's net debt was \$86.8 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. As a result of this approach, Secure has maintained a debt to EBITDA ratio, as defined by the Corporation's credit facility, of 2.1 at September 30, 2016, well below other oilfield service providers during the extended downturn in oil and gas activity.

The financial highlights for the three and nine months ended September 30, 2016 and 2015 can be summarized as follows:

(\$000's except share and per share data)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2016	2015	% change	2016	2015	% change
Revenue (excludes oil purchase and resale)	100,160	148,943	(33)	268,575	431,128	(38)
Oil purchase and resale	301,640	184,393	64	610,965	625,324	(2)
Total revenue	401,800	333,336	21	879,540	1,056,452	(17)
Adjusted EBITDA ⁽¹⁾	27,431	35,362	(22)	61,054	94,844	(36)
Per share (\$), basic	0.17	0.26	(35)	0.40	0.72	(44)
Net loss	(8,121)	(53,042)	(85)	(38,868)	(73,045)	(47)
Per share (\$), basic and diluted	(0.05)	(0.39)	(87)	(0.25)	(0.55)	(55)
Adjusted net loss ⁽¹⁾	(7,617)	(1,563)	387	(36,681)	(15,516)	136
Per share (\$), basic	(0.05)	(0.01)	400	(0.24)	(0.12)	100
Funds from operations ⁽¹⁾	26,499	29,808	(11)	56,602	83,055	(32)
Per share (\$), basic	0.17	0.22	(23)	0.37	0.63	(41)
Dividends per common share	0.06	0.06	-	0.18	0.18	-
Capital expenditures ⁽¹⁾	39,624	27,421	45	135,469	88,159	54
Total assets	1,406,641	1,400,438	-	1,406,641	1,400,438	-
Net debt ⁽¹⁾	86,811	143,547	(40)	86,811	143,547	(40)
Common Shares - end of period	159,930,448	137,297,777	16	159,930,448	137,297,777	16
Weighted average common shares - basic and diluted	159,618,869	136,944,300	17	152,715,722	131,992,359	16

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

• REVENUE OF \$401.8 MILLION AND \$879.5 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

- Total processing, recovery and disposal volumes at PRD facilities for the three and nine months ended September 30, 2016 decreased over the 2015 comparative periods as poor weather conditions and continued low oil prices 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 and the addition of facilities in 2015 and 2016 to date, which included the construction and commissioning of Tulliby Lake FST, Kakwa 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, the acquisition of the Alida crude oil terminal facility from PetroLama Energy Canada Inc. in June 2016, and the JV Acquisition in July 2016. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of \$50.7 million and \$136.8 million, down 17% and 27% from the 2015 comparative periods;
- Oil purchase and resale revenue in the PRD division for the three and nine months ended September 30, 2016 increased by 64% and decreased by 2% from the 2015 comparative periods to \$301.6 million and \$611.0 million, respectively. The increase in the three months ended September 30, 2016 is primarily due to additional oil purchase and resale volumes related to the newly acquired Alida facility and the increased ownership in the Judy Creek and La Glace FSTs;
- 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 nine months ended September 30, 2016 decreased by 35% and 44% from the respective 2015 comparative periods. As a result of these decreased activity levels and pricing pressures, DPS division revenue less non-recurring items decreased by 45% and 46% to \$26.8 million and \$73.3 million in the three and nine months ended September 30, 2016;

- OS division revenue decreased 37% and 38% in the three and nine months ended September 30, 2016 from the 2015 comparative periods to \$22.7 million and \$58.5 million, respectively. The decrease is primarily due to reduced Projects revenue resulting from two significant jobs in the nine months ended September 30, 2015 for which there was no equivalents to date in 2016, wet weather conditions in the third quarter restricting site access and delaying job starts, and lower completion activities given the poor weather conditions and low oil price. The impact to revenue was partially mitigated by new service offerings and geographic expansion.

• **ADJUSTED EBITDA OF \$27.4 MILLION AND \$61.1 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

- Adjusted EBITDA of \$27.4 million for the three and nine months ended September 30, 2016 was driven by certain service lines that are not as heavily impacted by drilling and completion activity. Additionally, Secure has streamlined operations which has resulted in strong operating margins and decreased fixed costs across the Corporation's cost structure. As a result, Adjusted EBITDA decreased 22% and 36% from the same periods in 2015;
- Adjusted EBITDA for the three and nine months ended September 30, 2016 was impacted by unseasonable weather conditions causing 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 2016 and expansions at certain of the Corporation's existing facilities in the past year, the PetroLama and JV Acquisitions, and cost saving initiatives implemented in 2015 and 2016 which has resulted in a strong operating margin and reduced general and administrative costs. The decrease in the OS division due to project work delays resulting from wet weather, and reduced services correlated to completions activity was somewhat mitigated by geographic expansion, new and diversified service lines and integrated service offerings.

• **NET LOSS OF \$8.1 MILLION AND \$38.9 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

- For the three and nine months ended September 30, 2016, Secure's net loss of \$8.1 million and \$38.9 million improved 85% and 47% compared to net losses of \$53.0 million and \$73.0 million in the three and nine months ended September 30, 2015. The decrease in net loss is primarily a result of a \$62.8 million non-cash impairment charge recorded in the third quarter of 2015 in response to the decrease in commodity prices and industry activity levels in the prior year. No impairment has been recorded in 2016 to date.

• **ADJUSTED NET LOSS OF \$7.6 MILLION AND \$36.7 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

- For the three and nine months ended September 30, 2016, Secure's adjusted net loss of \$7.6 million and \$36.7 million increased from \$1.6 million and \$15.5 million in the three and nine months ended September 30, 2015 primarily as a result of the factors discussed above impacting Adjusted EBITDA, partially offset by lower general and administrative expenses and business development expenses as the Corporation is realizing the cost saving initiatives implemented in 2015 and 2016. 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 \$39.6 MILLION AND \$135.5 MILLION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

- Excluding business acquisitions, capital expenditures for the three and nine months ended September 30, 2016 of \$12.9 million and \$47.2 million relates primarily to:
 - Construction of the Kakwa FST, which opened in August 2016;
 - Disposal well additions 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 Acquisition"). The main asset acquired by the Corporation from PetroLama 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 to 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 enhanced 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 \$61.7 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 \$13.8 million of crude oil inventory stored at Cushing, Oklahoma. The value of the oil inventory fluctuates with oil prices and the U.S. dollar. At September 30, 2016, the oil inventory was valued at \$14.1 million and is hedged with futures contracts.

• **JV ACQUISITION**

- On July 12, 2016, 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 \$26.6 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;
- The total amount drawn on Secure's credit facility as at September 30, 2016 decreased 23% to \$202.0 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 September 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 2.1 as at September 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 September 30, 2016, the Corporation had \$462.4 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 Sept 30, 2016			Nine months ended Sept 30, 2016		
	2016	2015	% Change	2016	2015	% Change
Revenue						
PRD services (a)	50,669	60,881	(17)	136,825	187,563	(27)
Oil purchase and resale service	301,640	184,393	64	610,965	625,324	(2)
Total PRD division revenue	352,309	245,274	44	747,790	812,887	(8)
Direct expenses less non-recurring items⁽¹⁾						
PRD services	23,322	28,928	(19)	65,815	92,660	(29)
Deduct: non-recurring items						
Severance and related costs	(4)	(119)	(97)	(583)	(307)	90
PRD services less non-recurring items (b)	23,318	28,809	(19)	65,232	92,353	(29)
Oil purchase and resale service	301,640	184,393	64	610,965	625,324	(2)
Total PRD division direct expenses less non-recurring items⁽¹⁾	324,958	213,202	52	676,197	717,677	(6)
Operating Margin⁽¹⁾ (a-b)	27,351	32,072	(15)	71,593	95,210	(25)
Operating Margin⁽¹⁾ as a % of revenue (a)	54%	53%		52%	51%	

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

Highlights for the PRD division for the three and nine months ended September 30, 2016 included:

- Processing, recovery and disposal revenue of \$50.7 million and \$136.8 million for the three and nine months ended September 30, 2016 is down 17% and 27% from the 2015 comparative periods, primarily as a result of lower drilling and completion activity impacting volumes. The continued low oil price, combined with unseasonably wet weather conditions during the third quarter, has resulted in a 44% and 67% drop during the nine months ended September 30, 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 nine months ended September 30, 2016 compared to the same periods in 2015 due to ongoing production related volumes, the construction of new facilities in 2015 and 2016, expansions at certain of the Corporation's existing facilities in the past year, and the PetroLama and JV Acquisitions;
- The addition of new facilities, both organically and through acquisitions, accounted for \$6.0 million and \$18.9 million of revenue in the three and nine months ended September 30, 2016, offsetting the negative revenue variance when comparing to the same periods in 2015 by 10%;
- Processing volumes in the three and nine months ended September 30, 2016 declined 9% and 17% from the 2015 comparative periods and relate primarily to emulsion and waste processing. Disposal volumes declined 7% and 17% in the three and nine months ended September 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. Produced water volumes remained relatively stable period over period;
- Recovery revenues decreased 20% and 30% in the three and nine months ended September 30, 2016 from the comparative 2015 periods due to lower recovered oil sales as a result of the factors described above, compounded by a 4% and 15% decrease in average crude oil prices from approximately \$61 to \$59 in the quarter and from \$64 to \$55 in the 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 and the Alida crude oil terminalling facility, resulting in relatively stable crude oil marketing revenues in the three and nine months ended September 30, 2016 and 2015;
- Oil purchase and resale revenue in the PRD division for the three and nine months ended September 30, 2016 increased by 64% and decreased by 2% from the 2015 comparative periods to \$301.6 million and \$611.0 million. The increase in the three months ended September 30, 2016 is primarily due to additional oil and purchase resale volumes related to the newly acquired Alida facility and the increased ownership in the Judy Creek and La Glace FSTs, which in total accounted for approximately half of oil purchase and resale revenue in the three months ended September 30, 2016;
- Direct expenses less non-recurring items from PRD services for the three and nine months ended September 30, 2016 decreased 19% and 29% to \$23.3 million and \$65.2 million from \$28.8 million and \$92.4 million in the comparative periods of 2015. The decrease in direct expenses less non-recurring items 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 2015 associated with the 13 Mile and Tulliby Lake FSTs, the Wonowon and Big Mountain SWDs, and the Rycroft FSR (only the Kakwa FST has been commissioned to date in 2016), and a decrease in employment and other costs resulting from cost saving initiatives implemented by the Corporation in 2015 and 2016;
- Operating margin as a percentage of PRD services revenue for the three and nine months ended September 30, 2016 was up slightly to 54% and 52% compared to 53% and 51% in the comparative periods of 2015. The increase in operating margin as a percentage of revenue during the three and nine months ended September 30, 2016 and 2015 is due to cost saving initiatives implemented in 2015 and 2016, including reducing employment costs, reduced costs associated with the Corporation's rail transloading facilities, and the elimination of start-up costs associated with new facilities commissioned, offset by lower drilling and completion volumes, and reduced recovered oil sales;
- General and administrative ("G&A") less non-recurring items for the three and nine months ended September 30, 2016 decreased 22% and 45% from the 2015 comparative periods to \$3.9 million and \$9.5 million as cost saving initiatives undertaken during 2015 and 2016 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.

DPS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Sept 30, 2016			Nine months ended Sept 30, 2016		
	2016	2015	% Change	2016	2015	% Change
Revenue						
Drilling and production services	26,824	52,020	(48)	73,266	149,923	(51)
Deduct: non-recurring items						
Restructuring (Drilling Services U.S.)	-	(3,332)	(100)	-	(14,955)	(100)
DPS division revenue less non-recurring items⁽¹⁾ (a)	26,824	48,688	(45)	73,266	134,968	(46)

Direct expenses less non-recurring items⁽¹⁾

Drilling and production services	21,617	45,354	(52)	63,740	129,733	(51)
Deduct: non-recurring items						
Inventory impairment	-	-	-	-	(1,970)	(100)
Restructuring (Drilling Services U.S.)	-	(6,813)	(100)	-	(19,138)	(100)
Severance and related costs	-	(262)	(100)	(803)	(909)	(12)
DPS division direct expenses less non-recurring items ^{(1)(b)}	21,617	38,279	(44)	62,937	107,716	(42)
Operating Margin ⁽¹⁾ (a-b)	5,207	10,409	(50)	10,329	27,252	(62)
Operating Margin ⁽¹⁾ as a % of revenue (a)	19%	21%		14%	20%	

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

Highlights for the DPS division for the three and nine months ended September 30, 2016 included:

- Revenue in the DPS division correlates with oil and gas drilling activity in the WCSB, most notably active rig counts and metres drilled. The weakness in commodity pricing, wet weather conditions during the second and third quarters and the resulting drop off in activity levels from oil and gas producers had a significant impact on the DPS division. For the three and nine months ended September 30, 2016, industry rig counts in the WCSB declined 35% and 44%, while metres drilled decreased 31% and 38% from the 2015 comparative periods. When combined with pricing pressures on services and rental rates, revenue less non-recurring items from the DPS division for the three and nine months ended September 30, 2016 decreased 45% and 46% to \$26.8 million and \$73.3 million from \$48.7 million and \$135.0 million in the comparative periods of 2015;
 - Revenue per operating day decreased slightly to \$6,838 and \$7,501 during the three and nine months ended September 30, 2016 compared to the same periods in 2015 which generated revenue of \$7,504 and \$7,575 per operating day. The variance is a result of the proportion of type of rigs serviced, which typically fluctuates quarter over quarter;
 - The DPS division's market share decreased slightly to 30% and 29% in the three and nine months ended September 30, 2016 from the comparative periods in 2015 (32% and 30%, respectively). During periods when the total rig count is low, the timing of one customer's drilling activities can have a significant impact on market share;
 - Secure continues diversification efforts in the DPS division through expansion of the production chemicals service line 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 expenses less non-recurring items for the three and nine months ended September 30, 2016 decreased by 44% and 42% to \$21.6 million and \$62.9 million, from \$38.3 million and \$107.7 million in the 2015 comparative periods. Overall, the decrease in direct expenses less non-recurring items over the 2015 comparative periods was primarily due to decreased activity levels, the realization of cost saving initiatives implemented in 2015 and 2016, and a reduction in cost of goods sold for oil based drilling fluids;
 - The DPS division's operating margin for the three and nine months ended September 30, 2016 decreased 50% and 62% from the 2015 comparative periods to \$5.2 million and \$10.3 million. 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 commodities, 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 less non-recurring items declined from 21% and 20% in the three and nine months ended September 30, 2015 to 19% and 14% in the three and nine months ended September 30, 2016;
- G&A expenses less non-recurring items for the three and nine months ended September 30, 2016 decreased 50% and 47% from the comparative periods of 2015 as a result of cost saving initiatives undertaken during 2015 and 2016, and reduced shared service allocations from the Corporate division.

OS DIVISION OPERATING HIGHLIGHTS

(\$000's)	Three months ended Sept 30, 2016			Nine months ended Sept 30, 2016		
	2016	2015	% Change	2016	2015	% Change
Revenue						
OnSite services (a)	22,667	36,042	(37)	58,484	93,642	(38)
Direct expenses less non-recurring items⁽¹⁾						
OnSite services	16,441	27,189	(40)	43,645	70,347	(38)
Deduct: non-recurring items						
Severance and related costs	(51)	-	100	(228)	(116)	97
OS division direct expenses less non-recurring items ^{(1)(b)}	16,390	27,189	(40)	43,417	70,231	(38)
Operating Margin ⁽¹⁾ (a-b)	6,277	8,853	(29)	15,067	23,411	(36)
Operating Margin ⁽¹⁾ as a % of revenue (a)	28%	25%		26%	25%	

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

Highlights for the OS division for the three and nine months ended September 30, 2016 included:

- Diversified service lines, integrated service offerings and organic growth partially mitigated reduced activity driven by wet weather conditions and low commodity prices, resulting in a 37% and 38% decrease in revenue from \$36.0 million and \$93.6 million in the three and nine months September 30, 2015 to \$22.7 million and \$58.5 million in the three and nine months ended September 30, 2016;
- Revenue from the Projects service line during the three and nine months ended September 30, 2016 decreased approximately 40% from the 2015 comparative periods. Projects revenue is dependent on the type and size of jobs which can vary quarter to quarter. Projects completed significant demolition and remediation jobs during 2015; similar jobs have not been repeated to date in 2016. Excluding these two jobs, revenue would have decreased 17% for the nine months ended September 30, 2016 from the comparative period in 2015 due primarily to poor weather conditions in the third quarter which delayed work. In general, revenue has decreased as customers react to the low commodity price environment by reducing spending leading to lower activity levels. Partially offsetting the decrease was revenue generated from new services and geographic expansion;
- Environmental services revenue for the three and nine months ended September 30, 2016 decreased 49% and 33% from the 2015 comparative periods primarily due to reduced reclamation and remediation revenue resulting from deferred customer spending created by low commodity prices. Drilling waste revenue has also decreased due to lower drilling activity. This lack of activity has produced a competitive pricing environment for drill waste services. These

decreases were partially offset by revenue generated from an emergency response job managed by the drill waste group, and by increased bin revenue in the nine months ended September 30, 2016 compared to the same period in 2015 resulting from geographic expansion and growth in NORM related solution services;

- Integrated fluids solutions revenue for the three and nine months ended September 30, 2016 decreased approximately 25% from the 2015 comparative periods. Revenue decreased primarily due to lower customer field activity from continued depressed commodity prices. Wet weather conditions limiting field access in the third quarter and lower than anticipated activity during spring break-up decreased rental equipment utilization. As well, revenue has suffered from competitive pricing pressure as a result of lower industry activity;
- Direct expenses less non-recurring items for the three and nine months ended September 30, 2016 decreased 40% and 38% to \$16.4 million and \$43.4 million from \$27.2 and \$70.2 million in the 2015 comparative periods. Overall, the variance in direct expenses was a direct result of the change in activity levels from the 2015 comparative periods. Additionally, operating overhead expenses have been reduced in order to match activity levels. These reductions were partially offset by operating expenses associated with new service lines offered by the OS division this year;
- The three and nine months ended September 30, 2016 operating margin in the OS division of \$6.3 million and \$15.1 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 nine months ended September 30, 2016 was 28% and 26%, up from 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 three months ended September 30, 2016 resulted from a higher proportion of pipeline related jobs which typically generate higher margins, as well as lower overhead expenses compared to 2015. During the nine months ended September 30, 2016, increased bin rental and NORM service revenue from the Environmental service line and higher margin equipment rentals related to pumping in the IFS service line more than offset the lower margins resulting from the lack of large scale work in the Projects service line. The first nine months of 2016 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 nine ended September 30, 2016 decreased 16% and 27% from the 2015 comparative periods to \$1.7 million and \$4.6 million due to reduced shared service allocations from the Corporate division's service departments, and cost saving initiatives taken across the organization.

OUTLOOK

Activity levels during the third quarter of 2016 were impacted by unseasonably wet weather conditions. This, combined with the continued weak commodity price environment, resulted in decreased drilling and completion activity compared to the prior year. However, activity levels did continue to ramp up throughout the third quarter, and Secure anticipates a further increase in activity levels during the fourth quarter as customers work to complete their 2016 capital spending targets. The fourth quarter results will also be partially impacted positively or negatively depending on the start of the typical December holiday drilling slow-down. As it appears commodity prices have bottomed earlier this year, Secure expects an increase in oil and gas producers' capital budgets for 2017 over 2016, which will drive higher activity levels and benefit all three of the Corporation's divisions. Additionally, the industry trend towards drilling longer and more challenging wells which require specialty drilling fluids is expected to continue to benefit the DPS division.

During the remainder of the year and into 2017, the Corporation will continue its prudent approach to both acquisitions and organic capital spending. The Corporation will continue to increase capacity to meet demand at current facilities by adding additional tanks, disposal wells and expansion landfill cells. Secure estimates total organic capital expenditures of approximately \$65 million in 2016, up from previous estimates of \$50 million. The increase relates primarily to an expansion at the Kindersley FST to increase storage and throughput capacity, an additional cell added to the Corporation's Fox Creek landfill, and various sustaining projects at existing facilities. In 2017, the corporation anticipates that capital opportunities at existing facilities will be comparable to 2016 spending of \$65 million. However, capital spend could increase above \$65 million as the corporation responds to customer demand and continued evaluation of multiple opportunities. Secure will also continue to evaluate and assess further acquisition opportunities and/or partnership opportunities that provide strategic advantages which may increase anticipated spending.

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 requirements relating to new facilities, disposal wells, landfill expansions and specialized equipment. Secure's key priorities for success during the remainder of 2016 and throughout 2017 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; and
- 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 nine months ended September 30, 2016 and 2015 and MD&A for the three months and nine months ended September 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 fourth quarter of 2016 and 2017; 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 and 2017 activity levels; the Corporation's proposed 2016 and 2017 capital expenditure programs; debt service; 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 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.); 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; and Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions.

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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