

Condensed Consolidated Financial Statements (unaudited)

**For the three and six months ended June 30, 2019**

*(Expressed in Canadian Dollars)*

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Financial Position**

(\$000's) (unaudited)	Notes	As at	
		June 30, 2019	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash		9,541	7,928
Accounts receivable and accrued receivables		189,188	242,528
Inventories		64,078	70,097
Prepaid expenses and other current assets		8,658	10,868
		<b>271,465</b>	<b>331,421</b>
Property, plant and equipment	4	1,229,020	1,203,382
Right-of-use assets	5	47,993	-
Intangible assets		46,383	36,258
Goodwill		11,127	11,127
Deferred tax assets		-	1,313
<b>Total Assets</b>		<b>1,605,988</b>	<b>1,583,501</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		139,295	168,121
Asset retirement obligations		3,044	2,978
Lease liabilities	7	21,822	7,223
		<b>164,161</b>	<b>178,322</b>
Long-term borrowings	6	435,693	412,919
Asset retirement obligations		97,593	87,707
Lease and other liabilities	7	25,589	9,464
Deferred tax liabilities		45,735	50,773
<b>Total Liabilities</b>		<b>768,771</b>	<b>739,185</b>
<b>Shareholders' Equity</b>			
Issued capital	8	1,027,803	1,031,189
Share-based compensation reserve		54,999	64,413
Foreign currency translation reserve		26,769	33,982
Non-controlling interest		34,995	-
Deficit		(307,349)	(285,268)
<b>Total Shareholders' Equity</b>		<b>837,217</b>	<b>844,316</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,605,988</b>	<b>1,583,501</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Comprehensive Loss**

(\$000's except per share and share data) (unaudited)	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2019	2018	2019	2018
Revenue	12	793,487	719,923	1,582,369	1,425,368
Cost of sales	10	772,747	697,477	1,521,723	1,363,221
<b>Gross margin</b>		<b>20,740</b>	<b>22,446</b>	<b>60,646</b>	<b>62,147</b>
General and administrative expenses	10	23,814	24,471	52,255	49,490
<b>Operating (loss) income</b>		<b>(3,074)</b>	<b>(2,025)</b>	<b>8,391</b>	<b>12,657</b>
Interest, accretion and finance costs		6,242	5,214	13,033	9,070
<b>(Loss) income before tax</b>		<b>(9,316)</b>	<b>(7,239)</b>	<b>(4,642)</b>	<b>3,587</b>
Current tax (recovery) expense		(342)	301	(44)	1,122
Deferred tax (recovery) expense		(6,847)	(639)	(3,730)	3,289
<b>Net loss</b>		<b>(2,127)</b>	<b>(6,901)</b>	<b>(868)</b>	<b>(824)</b>
<b>Net loss attributable to:</b>					
Shareholders of Secure		(1,678)	(6,901)	(419)	(824)
Non-controlling interest		(449)	-	(449)	-
Other comprehensive (loss) income					
Foreign currency translation adjustment		(4,116)	3,264	(7,213)	6,914
<b>Total comprehensive (loss) income</b>		<b>(6,243)</b>	<b>(3,637)</b>	<b>(8,081)</b>	<b>6,090</b>
<b>Total comprehensive (loss) income attributable to:</b>					
Shareholders of Secure		(5,547)	(3,637)	(7,385)	6,090
Non-controlling interest		(696)	-	(696)	-
Basic and diluted loss per common share		(0.01)	(0.04)	(0.01)	(0.01)
Weighted average shares outstanding - basic and diluted	8	160,371,354	164,524,360	160,405,924	164,268,516

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

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

<i>(\$000's) (unaudited)</i>	Note	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	Non-controlling interest	Deficit	Total Shareholders' Equity
<b>Balance at January 1, 2019</b>		<b>1,031,189</b>	<b>64,413</b>	<b>33,982</b>	-	<b>(285,268)</b>	<b>844,316</b>
Net loss		-	-	-	(449)	(419)	(868)
Dividends declared	8	-	-	-	(449)	(21,662)	(22,111)
Acquisition of non-controlling interest		-	-	-	35,646	-	35,646
Foreign currency translation adjustment		-	-	(7,213)	247	-	(6,966)
Exercise of share units	8	19,909	(19,909)	-	-	-	-
Share-based compensation		-	10,495	-	-	-	10,495
Shares cancelled under normal course issuer bid ("NCIB")	8	(23,295)	-	-	-	-	(23,295)
<b>Balance at June 30, 2019</b>		<b>1,027,803</b>	<b>54,999</b>	<b>26,769</b>	<b>34,995</b>	<b>(307,349)</b>	<b>837,217</b>
<b>Balance at January 1, 2018</b>		<b>1,057,505</b>	<b>56,524</b>	<b>21,618</b>	-	<b>(261,155)</b>	<b>874,492</b>
Net income		-	-	-	-	(824)	(824)
Dividends declared	8	-	-	-	-	(22,168)	(22,168)
Foreign currency translation adjustment		-	-	6,914	-	-	6,914
Exercise of options and share units	8	13,136	(13,081)	-	-	-	55
Share-based compensation		-	10,811	-	-	-	10,811
Shares cancelled under NCIB	8	(8,744)	-	-	-	-	(8,744)
<b>Balance at June 30, 2018</b>		<b>1,061,897</b>	<b>54,254</b>	<b>28,532</b>	-	<b>(284,147)</b>	<b>860,536</b>

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

**SECURE ENERGY SERVICES INC.**  
**Consolidated Statements of Cash Flows**

(\$000's) (unaudited)	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2019	2018	2019	2018
<b>Cash flows from (used in) operating activities</b>					
Net loss		(2,127)	(6,901)	(868)	(824)
Adjustments for non-cash items:					
Depreciation, depletion and amortization	10	33,975	27,381	65,874	54,675
Interest, accretion and finance costs		6,242	5,214	13,033	9,070
Current and deferred tax expense		(7,189)	(338)	(3,774)	4,411
Other non-cash (income) loss		(507)	59	3,983	(639)
Share-based compensation	10	4,614	5,487	11,902	11,115
Interest paid		(5,588)	(3,815)	(10,800)	(7,478)
Income taxes paid		-	-	(2,333)	(1,200)
Asset retirement costs incurred		(243)	67	(1,149)	60
Funds flow from operations		29,177	27,154	75,868	69,190
Change in non-cash working capital		24,749	47,418	35,360	38,136
<b>Net cash flows from operating activities</b>		<b>53,926</b>	<b>74,572</b>	<b>111,228</b>	<b>107,326</b>
<b>Cash flows (used in) from investing activities</b>					
Purchase of property, plant and equipment		(34,746)	(38,237)	(58,365)	(95,397)
Proceeds from dispositions		1,979	1,974	2,806	2,553
Partnership distributions to non-controlling interest		(449)	-	(449)	-
Business acquisition	3	(13,866)	-	(13,866)	-
Change in non-cash working capital		(4,749)	(6,390)	(4,825)	(20,524)
<b>Net cash flows used in investing activities</b>		<b>(51,831)</b>	<b>(42,653)</b>	<b>(74,699)</b>	<b>(113,368)</b>
<b>Cash flows (used in) from financing activities</b>					
Shares issued, net of share issue costs	8	-	-	-	55
Repurchase and cancellation of shares under NCIB	8	(22,402)	(8,744)	(23,295)	(8,744)
Draw (repayment) on credit facilities	6	31,766	(13,187)	23,550	30,813
Financing fees	6	(1,426)	-	(1,426)	-
Lease liability principal payment		(5,690)	(2,075)	(11,413)	(3,331)
Dividends paid	8	(10,856)	(11,111)	(21,662)	(22,168)
<b>Net cash flows used in financing activities</b>		<b>(8,608)</b>	<b>(35,117)</b>	<b>(34,246)</b>	<b>(3,375)</b>
<b>Effect of foreign exchange on cash</b>		<b>(137)</b>	<b>433</b>	<b>(670)</b>	<b>736</b>
(Decrease) increase in cash		(6,650)	(2,765)	1,613	(8,681)
Cash, beginning of period		16,191	3,814	7,928	9,730
<b>Cash, end of period</b>		<b>9,541</b>	<b>1,049</b>	<b>9,541</b>	<b>1,049</b>

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

## **SECURE ENERGY SERVICES INC.**

### **Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2019 and 2018**

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#### **1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

##### **Nature of Business**

Secure Energy Services Inc. ("Secure") is incorporated under the Business Corporations Act of Alberta. Secure operates through a number of wholly-owned subsidiaries (together referred to as the "Corporation") which are managed through three operating segments which provide innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry.

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

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

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

In Canada, the level of activity in the oilfield is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. This limits the movement of the heavy equipment required for drilling and well servicing activities, and the level of activity of the Corporation's customers may, consequently, be reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

##### **Basis of Presentation**

The condensed consolidated financial statements of Secure have been prepared by management in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") in effect at the closing date of June 30, 2019. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018.

These condensed consolidated financial statements are recorded and presented in Canadian dollars (\$), which is Secure's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value. All values are rounded to the nearest thousand dollars (\$000's), except where otherwise indicated. Certain reclassifications of prior year amounts have been made to conform to the current year presentation and certain amounts in the condensed consolidated financial statements are not comparable to the prior periods due to the adoption of IFRS 16 Leases on January 1, 2019.

These condensed consolidated financial statements were approved by Secure's Board of Directors on July 30, 2019.

## SECURE ENERGY SERVICES INC.

### Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2019 and 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

### Significant Accounting Policies

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2018, except as described in Note 3 of the Corporation's condensed consolidated financial statements for the three months ended March 31, 2019. Unless otherwise stated, these policies have been consistently applied to all periods presented.

### Significant Estimates and Judgments

The timely preparation of the Corporation's condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses, gains, losses, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis, with any adjustments recognized in the period in which the estimate is revised.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include those related to the determination of cash generating units, depreciation, depletion and amortization, recoverability of assets, asset retirement obligations and accretion, other provisions and contingent liabilities, inventories, share-based compensation, deferred income taxes, provision for doubtful accounts, and purchase price equations. Readers are cautioned that the preceding list is not exhaustive and other items may also be affected by estimates and judgments.

## 3. BUSINESS ACQUISITION

On April 11, 2019, the Corporation acquired a 27% interest in a crude oil storage business which owns a crude oil storage facility located in Cushing, Oklahoma. The facility is comprised of four above-ground 175,000 barrel tanks. The total purchase price of US\$9.9 million was paid in cash at closing.

Over the next two years, Secure has the option to purchase the remaining 73% interest in the business for US\$26.6 million. As the call option provides Secure with control due to substantive potential voting rights, Secure has applied the acquisition method of accounting for business combinations and consolidated the statements of financial position and comprehensive income of the acquired business for the period subsequent to the acquisition date.

The following summarizes management's preliminary purchase price equation:

	<b>Amount (\$000's)</b>
<b>Balance at acquisition date</b>	
Cash paid	13,184
	<b>13,184</b>
Net working capital	143
Property, plant and equipment	31,338
Intangible assets <sup>(1)</sup>	17,616
Asset retirement obligations	(267)
Non-controlling interest	(35,646)
	<b>13,184</b>

<sup>(1)</sup> Consists of interconnection and terminalling agreements.

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2019 and 2018**

**3. BUSINESS ACQUISITION (continued)**

Secure also acquired a 51% interest in 80 acres of undeveloped land located adjacent to the crude oil storage facility. The purchase price of US\$0.5 million was paid in cash at closing and has been included in property, plant and equipment on the consolidated statements of financial position.

**4. PROPERTY, PLANT AND EQUIPMENT**

(\$000's)

<b>Balance at December 31, 2018</b>	<b>1,203,382</b>
Reclass capital leases <sup>(1)</sup>	(17,684)
Additions	90,281
Change in asset retirement cost	10,681
Disposals	(4,249)
Depreciation and depletion	(47,061)
Foreign exchange effect	(6,330)
<b>Balance at June 30, 2019</b>	<b>1,229,020</b>

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

**5. RIGHT-OF-USE ASSETS**

(\$000's)	Buildings	Rail Cars	Vehicles & Equipment	Other	Total
<b>Cost</b>					
<b>January 1, 2019</b>	<b>18,672</b>	<b>11,892</b>	<b>28,966</b>	<b>2,981</b>	<b>62,511</b>
Additions	325	86	7,695	3	8,109
Disposals	(22)	-	(2,776)	-	(2,798)
Foreign exchange effect	(10)	-	(91)	-	(101)
<b>June 30, 2019</b>	<b>18,965</b>	<b>11,978</b>	<b>33,794</b>	<b>2,984</b>	<b>67,721</b>
<b>Accumulated depreciation</b>					
<b>January 1, 2019</b>	-	-	(11,140)	(238)	(11,378)
Depreciation	(2,972)	(3,612)	(3,500)	(16)	(10,100)
Disposals	5	-	1,711	-	1,716
Foreign exchange effect	-	-	34	-	34
<b>June 30, 2019</b>	<b>(2,967)</b>	<b>(3,612)</b>	<b>(12,895)</b>	<b>(254)</b>	<b>(19,728)</b>
<b>Net book value:</b>					
<b>June 30, 2019</b>	<b>15,998</b>	<b>8,366</b>	<b>20,899</b>	<b>2,730</b>	<b>47,993</b>
<b>January 1, 2019</b>	<b>18,672</b>	<b>11,892</b>	<b>17,826</b>	<b>2,743</b>	<b>51,133</b>



**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2019 and 2018****6. LONG-TERM BORROWINGS**

(\$000's)	June 30, 2019	Dec 31, 2018
Amount drawn on first and second lien credit facilities	437,000	413,450
Unamortized transaction costs	(1,307)	(531)
<b>Total long-term borrowings</b>	<b>435,693</b>	<b>412,919</b>
First lien credit facility capacity	600,000	470,000
Second lien credit facility capacity	130,000	130,000
Letter of credit facility capacity	75,000	-
<b>Total capacity of credit facilities</b>	<b>805,000</b>	<b>600,000</b>
Amount drawn on credit facilities	(437,000)	(413,450)
Letters of credit	(37,664)	(38,133)
<b>Available amount</b>	<b>330,336</b>	<b>148,417</b>

Secure's credit facilities at June 30, 2019 consist of a \$600 million first lien credit facility ("First Lien Facility") with a syndicate of ten financial institutions and Chartered banks, a \$130 million second lien credit facility ("Second Lien Facility") with a syndicate of three financial institutions and Canadian Chartered banks, and a \$75 million bilateral Letter of Credit Facility ("LC Facility") with a syndicate of two financial institutions and Chartered banks.

On April 29, 2019, Secure closed an amendment to its First Lien Facility increasing the overall size of the facility from \$470 million to \$600 million. The First Lien Facility has been amended to consist of a four-year \$565 million revolving credit facility and a \$35 million revolving operating facility with a new maturity date of June 30, 2023. The First Lien Facility also includes an accordion feature, which, if exercised and approved by the Corporation's lenders, would increase the First Lien Facility by \$100 million. The First Lien Facility is secured by a \$1 billion floating charge debenture and negative pledge from the Corporation creating a security interest over all of the Corporation's present and after acquired personal property and floating charge over all of its present and after acquired real property.

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

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

Senior Debt is defined in the lending agreement to include amounts drawn under the First Lien Facility and finance leases entered into by the Corporation as defined by IAS 17, less cash balances in excess of \$5 million. Total Debt includes Senior Debt plus amounts drawn under the Corporation's Second Lien Facility. Should the Corporation issue any unsecured notes in the future, Total Debt would also include the principal amount of the notes. EBITDA is defined in the lending agreement as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis. Financing Charges are defined to include interest expense on Total Debt.

The Corporation also covenants the following:

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

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2019 and 2018****6. LONG-TERM BORROWINGS (continued)**

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

The Second Lien Facility is a four year plus one month \$130 million term credit facility with a maturity date of July 31, 2021. The Second Lien Facility is subject to customary terms, conditions and covenants, including financial covenants consistent with the First Lien Facility. At June 30, 2019, the full amount of the \$130 million Second Lien Facility was drawn.

At June 30, 2019 and December 31, 2018, the Corporation was in compliance with all financial covenants contained in the lending agreements.

In connection with the amendments to the First Lien Facility, Secure also entered into a new \$75 million bilateral Letter of Credit Facility ("LC Facility") with two major financial institutions.

The Corporation incurred transaction costs in the amount of \$1.4 million in connection with the amendments to the First Lien Facility and the new LC Facility, of which the unamortized amount is offset against the outstanding principal balance of the long-term borrowings.

**7. LEASE LIABILITIES**

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

*(\$000's)*

<b>Balance at January 1, 2019</b>	<b>51,507</b>
Additions	7,713
Interest expense	1,159
Lease payments	(12,572)
Foreign exchange effect	(396)
<b>Balance at June 30, 2019</b>	<b>47,411</b>
Current portion	<b>21,822</b>
Non-current portion	<b>25,589</b>

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2019 and 2018****8. SHAREHOLDERS' EQUITY**

	Number of Shares	Amount (\$000's)
<b>Balance at December 31, 2018</b>	<b>159,274,147</b>	<b>1,031,189</b>
Restricted Share Units (RSUs) and Performance Share Units (PSUs) exercised	2,379,701	-
Transfer from reserves in equity	-	19,909
Shares repurchased and cancelled under NCIB	(3,201,600)	(23,295)
<b>Balance at June 30, 2019</b>	<b>158,452,248</b>	<b>1,027,803</b>

As at June 30, 2019, there were 259,859 common shares of the Corporation held in escrow in conjunction with the Corporation's business acquisitions (December 31, 2018: 305,538).

The Corporation declared dividends to holders of common shares for the three and six months ended June 30, 2019 of \$10.9 million and \$21.7 million (three and six months ended June 30, 2018: \$11.1 million and \$22.2 million).

Subsequent to June 30, 2019, the Corporation paid dividends to holders of common share of record on July 1, 2019 in the amount of \$0.0225 per common share and declared dividends to holders of common shares in the amount of \$0.0225 per common share which is payable on August 15, 2019 for shareholders of record on August 1, 2019.

During the second quarter, Secure renewed the previous NCIB which ended on May 27, 2018. Under the renewed NCIB, Secure may purchase for cancellation up to a maximum of 8,028,468 common shares of the Corporation from May 28, 2019 to May 27, 2020 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or terminated at the Corporation's election. The following table outlines the shares repurchased and cancelled during the three and six months ended June 30, 2019.

	For the three months ended,		For the six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Shares repurchased and cancelled under the NCIB	3,070,100	1,193,173	3,201,600	1,193,173
Average price per share repurchased	\$ 7.30	\$ 7.33	\$ 7.28	\$ 7.33

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

	For the three months ended,		For the six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Weighted average number of shares - basic and diluted	160,371,354	164,524,360	160,405,924	164,268,516

The above table excludes the effect of all options, RSUs and PSUs for the three and six months ended June 30, 2019 and June 30, 2018, as they are considered to be anti-dilutive.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2019 and 2018****9. SHARE-BASED COMPENSATION PLANS**

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

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

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

**Incentive Units and DSUs**

The following table summarizes the units outstanding:

	RSUs	PSUs	DSUs
<b>Balance at December 31, 2018</b>	<b>3,567,658</b>	<b>2,372,260</b>	<b>367,490</b>
Granted	1,500,176	918,964	94,784
Reinvested dividends	61,084	44,801	3,112
Redeemed for common shares	(1,484,475)	(895,226)	-
Forfeited	(151,481)	(14,360)	-
<b>Balance at June 30, 2019</b>	<b>3,492,962</b>	<b>2,426,439</b>	<b>465,386</b>

**Options**

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

	Outstanding options	Weighted average exercise price (\$)
<b>Balance at December 31, 2018</b>	<b>4,303,023</b>	<b>13.75</b>
Expired	(1,188,208)	19.12
Forfeited	(36,890)	16.96
<b>Balance at June 30, 2019</b>	<b>3,077,925</b>	<b>11.40</b>
<b>Exercisable at June 30, 2019</b>	<b>3,054,593</b>	<b>11.40</b>

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

As at June 30, 2019, \$3.4 million (December 31, 2018: \$2.6 million) was included in accounts payable and accrued liabilities for outstanding DSUs.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and six months ended June 30, 2019 and 2018****10. COST OF SALES AND GENERAL AND ADMINISTRATIVE EXPENSES**

The following table disaggregates the Corporation's cost of sales and general and administrative ("G&A") expenses for the three and six months ended June 30, 2019 and 2018:

(\$000's)

<b>For the three months ended June 30, 2019</b>	<b>Cost of sales</b>	<b>G&amp;A Expenses</b>	<b>Total</b>
Employee compensation and benefits	27,358	10,577	37,935
Share-based compensation	1,477	3,137	4,614
Depreciation, depletion and amortization	30,592	3,383	33,975
Business development expenses	-	1,766	1,766
Oil purchase/resale services expense	654,619	-	654,619
Other	58,701	4,951	63,652
<b>Total</b>	<b>772,747</b>	<b>23,814</b>	<b>796,561</b>

(\$000's)

<b>For the six months ended June 30, 2019</b>	<b>Cost of sales</b>	<b>G&amp;A Expenses</b>	<b>Total</b>
Employee compensation and benefits	59,039	21,727	80,766
Share-based compensation	2,954	8,948	11,902
Depreciation, depletion and amortization	59,167	6,707	65,874
Business development expenses	-	3,954	3,954
Oil purchase/resale services expense	1,266,121	-	1,266,121
Other	134,442	10,919	145,361
<b>Total</b>	<b>1,521,723</b>	<b>52,255</b>	<b>1,573,978</b>

(\$000's)

<b>For the three months ended June 30, 2018</b>	<b>Cost of sales</b>	<b>G&amp;A Expenses</b>	<b>Total</b>
Employee compensation and benefits	29,504	13,895	43,399
Share-based compensation	1,702	3,785	5,487
Depreciation, depletion and amortization	26,217	1,164	27,381
Business development expenses	-	1,241	1,241
Oil purchase/resale services expense	578,674	-	578,674
Other	61,380	4,386	65,766
<b>Total</b>	<b>697,477</b>	<b>24,471</b>	<b>721,948</b>

(\$000's)

<b>For the six months ended June 30, 2018</b>	<b>Cost of sales</b>	<b>G&amp;A Expenses</b>	<b>Total</b>
Employee compensation and benefits	60,307	27,882	88,189
Share-based compensation	3,355	7,760	11,115
Depreciation, depletion and amortization	52,265	2,410	54,675
Business development expenses	-	2,547	2,547
Oil purchase/resale services expense	1,102,420	-	1,102,420
Other	144,874	8,891	153,765
<b>Total</b>	<b>1,363,221</b>	<b>49,490</b>	<b>1,412,711</b>

**SECURE ENERGY SERVICES INC.**  
**Notes to the Condensed Consolidated Financial Statements (unaudited)**  
**For the three and six months ended June 30, 2019 and 2018**

**11. CONTRACTUAL OBLIGATIONS**

**As at June 30, 2019**

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Crude oil transportation <sup>(1)</sup>	42,814	148,298	81,911	273,023
Inventory purchases	5,517	-	-	5,517
Capital commitments	9,155	-	-	9,155
<b>Total contractual obligations</b>	<b>57,486</b>	<b>148,298</b>	<b>81,911</b>	<b>287,695</b>

<sup>(1)</sup> Crude oil transportation includes minimum crude oil transportation volumes for pipeline throughput.

**12. SEGMENT REPORTING**

For management purposes, the Corporation is organized into divisions based on the nature of the services and products provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Corporation has three reportable operating segments, as described in Note 1. The Corporation also reports activities not directly attributable to an operating segment under Corporate. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees and officers.

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

**SECURE ENERGY SERVICES INC.**
**Notes to the Condensed Consolidated Financial Statements (unaudited)**
**For the three and six months ended June 30, 2019 and 2018**
**12. SEGMENT REPORTING (continued)**

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
<b>Three months ended June 30, 2019</b>					
Revenue from services	85,544	16,027	37,298	-	138,869
Oil purchase and resale service	654,618	-	-	-	654,618
<b>Total revenue</b>	<b>740,162</b>	<b>16,027</b>	<b>37,298</b>	<b>-</b>	<b>793,487</b>
Cost of sales excluding items listed separately below	(694,037)	(13,371)	(33,270)	-	(740,678)
<b>Segment profit margin</b>	<b>46,125</b>	<b>2,656</b>	<b>4,028</b>	<b>-</b>	<b>52,809</b>
G&A expenses excluding items listed separately below	(5,911)	(1,412)	(4,283)	(5,688)	(17,294)
Depreciation, depletion and amortization <sup>(1)</sup>	(23,656)	(2,616)	(6,548)	(1,155)	(33,975)
Share-based compensation <sup>(1)</sup>	-	-	-	(4,614)	(4,614)
Interest, accretion and finance costs	(450)	-	-	(5,792)	(6,242)
<b>Earnings (loss) before tax</b>	<b>16,108</b>	<b>(1,372)</b>	<b>(6,803)</b>	<b>(17,249)</b>	<b>(9,316)</b>

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
<b>Six months ended June 30, 2019</b>					
Revenue from services	179,682	45,699	90,867	-	316,248
Oil purchase and resale service	1,266,121	-	-	-	1,266,121
<b>Total revenue</b>	<b>1,445,803</b>	<b>45,699</b>	<b>90,867</b>	<b>-</b>	<b>1,582,369</b>
Cost of sales excluding items listed separately below	(1,344,777)	(38,035)	(76,790)	-	(1,459,602)
<b>Segment profit margin</b>	<b>101,026</b>	<b>7,664</b>	<b>14,077</b>	<b>-</b>	<b>122,767</b>
G&A expenses excluding items listed separately below	(11,639)	(3,108)	(9,612)	(12,241)	(36,600)
Depreciation, depletion and amortization <sup>(1)</sup>	(45,592)	(5,316)	(12,613)	(2,353)	(65,874)
Share-based compensation <sup>(1)</sup>	-	-	-	(11,902)	(11,902)
Interest, accretion and finance costs	(924)	-	-	(12,109)	(13,033)
<b>Earnings (loss) before tax</b>	<b>42,871</b>	<b>(760)</b>	<b>(8,148)</b>	<b>(38,605)</b>	<b>(4,642)</b>

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
<b>Three months ended June 30, 2018</b>					
Revenue from services	80,496	26,043	34,710	-	141,249
Oil purchase and resale service	578,674	-	-	-	578,674
<b>Total revenue</b>	<b>659,170</b>	<b>26,043</b>	<b>34,710</b>	<b>-</b>	<b>719,923</b>
Cost of sales excluding items listed separately below	(616,470)	(21,100)	(31,988)	-	(669,558)
<b>Segment profit margin</b>	<b>42,700</b>	<b>4,943</b>	<b>2,722</b>	<b>-</b>	<b>50,365</b>
G&A expenses excluding items listed separately below	(6,287)	(2,055)	(4,972)	(6,208)	(19,522)
Depreciation, depletion and amortization <sup>(1)</sup>	(18,942)	(2,454)	(5,625)	(360)	(27,381)
Share-based compensation <sup>(1)</sup>	-	-	-	(5,487)	(5,487)
Interest, accretion and finance costs	(431)	-	-	(4,783)	(5,214)
<b>Earnings (loss) before tax</b>	<b>17,040</b>	<b>434</b>	<b>(7,875)</b>	<b>(16,838)</b>	<b>(7,239)</b>

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
<b>Six months ended June 30, 2018</b>					
Revenue from services	161,351	58,207	103,389	-	322,947
Oil purchase and resale service	1,102,421	-	-	-	1,102,421
<b>Total revenue</b>	<b>1,263,772</b>	<b>58,207</b>	<b>103,389</b>	<b>-</b>	<b>1,425,368</b>
Cost of sales excluding items listed separately below	(1,173,668)	(46,629)	(87,304)	-	(1,307,601)
<b>Segment profit margin</b>	<b>90,104</b>	<b>11,578</b>	<b>16,085</b>	<b>-</b>	<b>117,767</b>
G&A expenses excluding items listed separately below	(12,216)	(3,915)	(10,640)	(12,549)	(39,320)
Depreciation, depletion and amortization <sup>(1)</sup>	(37,660)	(5,196)	(11,140)	(679)	(54,675)
Share-based compensation <sup>(1)</sup>	-	-	-	(11,115)	(11,115)
Interest, accretion and finance costs	(844)	-	-	(8,226)	(9,070)
<b>Earnings (loss) before tax</b>	<b>39,384</b>	<b>2,467</b>	<b>(5,695)</b>	<b>(32,569)</b>	<b>3,587</b>

<sup>(1)</sup> Depreciation, depletion and amortization and share-based compensation have been allocated to cost of sales and general and administrative expenses on the Condensed Consolidated Statements of Comprehensive Loss based on function of the underlying asset or individual to which the charge relates.

**SECURE ENERGY SERVICES INC.**

**Notes to the Condensed Consolidated Financial Statements (unaudited)**

**For the three and six months ended June 30, 2019 and 2018**

**13. SEGMENT REPORTING (continued)**

(\$000's)	Midstream Infrastructure	Environmental Solutions	Technical Solutions	Corporate	Total
<b>As at June 30, 2019</b>					
Current assets	157,233	26,861	87,371	-	271,465
Property, plant and equipment	1,104,498	22,207	95,588	6,727	1,229,020
Right-of-use assets	18,561	10,274	13,175	5,983	47,993
Intangible assets	21,654	1,053	23,676	-	46,383
Goodwill	-	11,127	-	-	11,127
Total assets	1,301,946	71,522	219,810	12,710	1,605,988
Current liabilities	128,345	10,855	24,961	-	164,161
Total liabilities	283,734	18,244	31,100	435,693	768,771

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

**Geographical Financial Information**

(\$000's)	Canada		U.S.		Total	
	2019	2018	2019	2018	2019	2018
<b>Three months ended June 30,</b>						
Revenue	775,983	700,808	17,504	19,115	793,487	719,923
<b>Six months ended June 30,</b>						
Revenue	1,548,949	1,389,005	33,420	36,363	1,582,369	1,425,368
<b>As at June 30, 2019 and December 31, 2018</b>						
Total non-current assets	1,152,495	1,115,747	182,028	136,333	1,334,523	1,252,080



## SECURE ENERGY SERVICES INC.

### Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2019 and 2018

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#### CORPORATE INFORMATION

##### DIRECTORS

Rene Amirault - Chairman

Brad Munro <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

David Johnson <sup>(2)</sup>

Daniel Steinke <sup>(4)</sup>

Kevin Nugent <sup>(1)</sup> <sup>(3)</sup>

Michele Harradence <sup>(4)</sup>

Murray Cobbe <sup>(4)</sup> <sup>(5)</sup>

Shaun Paterson <sup>(1)</sup> <sup>(4)</sup>

Rick Wise <sup>(2)</sup> <sup>(3)</sup>

Deanna Zumwalt <sup>(1)</sup>

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance and Nominating Committee

<sup>4</sup> Health, Safety & Environment Committee

<sup>5</sup> Lead Director

##### STOCK EXCHANGE

Toronto Stock Exchange

Symbol: SES

##### AUDITORS

KPMG LLP

Calgary, Alberta

##### LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

##### LEAD BANKERS

ATB Financial

National Bank of Canada

##### TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company

Calgary, Alberta

##### OFFICERS

Rene Amirault

*President & Chief Executive Officer*

Chad Magus

*Executive Vice President & Chief Financial Officer*

Corey Higham

*Executive Vice President, Corporate Development*

George Wadsworth

*Executive Vice President, Technical Solutions*

David Mattinson

*Executive Vice President, Environmental Solutions*

Allen Gransch

*Chief Operating Officer Midstream*

Brian McGurk

*Executive Vice President, Corporate Services*

Mike Mikuska

*Executive Vice President, Commercial & Transportation*

David Engel

*Executive Vice President, Operations*