



Condensed Consolidated Financial Statements (unaudited)

**For the three and nine months ended September 30, 2014 and 2013**

*(Expressed in Canadian Dollars)*

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

<i>(\$000's) (unaudited)</i>	Notes	September 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash		11,384	12,019
Accounts receivable and accrued receivables		225,502	167,476
Prepaid expenses and deposits		11,426	6,014
Inventories		74,530	50,800
		<b>322,842</b>	<b>236,309</b>
Assets under construction		178,396	109,586
Property, plant and equipment	4	657,406	512,184
Intangible assets		126,051	79,722
Goodwill	5	141,167	101,924
Other assets		2,995	-
<b>Total Assets</b>		<b>1,428,857</b>	<b>1,039,725</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		205,909	120,145
Asset retirement obligations	7	2,803	2,807
Current income tax liability		6,404	5,277
Finance lease liabilities		7,522	6,249
		<b>222,638</b>	<b>134,478</b>
Long term borrowings	6	333,935	159,931
Asset retirement obligations	7	45,036	35,984
Finance lease liabilities		10,941	9,368
Deferred income tax liability		45,490	35,630
<b>Total Liabilities</b>		<b>658,040</b>	<b>375,391</b>
<b>Shareholders' Equity</b>			
Issued capital	8	629,868	562,306
Share-based payment reserve	9	20,379	14,659
Foreign currency translation reserve		9,625	4,424
Retained earnings		110,945	82,945
<b>Total Shareholders' Equity</b>		<b>770,817</b>	<b>664,334</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,428,857</b>	<b>1,039,725</b>

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

**SECURE ENERGY SERVICES INC.**  
**Condensed Consolidated Statements of Comprehensive Income**

(\$000's except per share and share data) (unaudited)	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2014	2013	2014	2013
<b>Revenue</b>		599,414	443,760	1,693,565	1,104,591
Operating expenses		545,903	403,285	1,546,844	1,010,000
General and administrative		22,825	16,941	61,908	45,082
Business development		3,468	2,889	11,084	6,828
Interest, accretion and finance costs		2,954	2,140	7,092	4,706
<b>Total expenses</b>		<b>575,150</b>	<b>425,255</b>	<b>1,626,928</b>	<b>1,066,616</b>
Other (expense) income	4	(2,740)	(604)	(2,740)	1,071
<b>Earnings for the period before income taxes</b>		<b>21,524</b>	<b>17,901</b>	<b>63,897</b>	<b>39,046</b>
Current income tax expense		5,067	4,496	13,905	8,076
Deferred income tax expense		1,701	1,369	5,683	3,552
		6,768	5,865	19,588	11,628
<b>Net earnings for the period</b>		<b>14,756</b>	<b>12,036</b>	<b>44,309</b>	<b>27,418</b>
Other comprehensive income					
Foreign currency translation adjustment, net of tax		6,185	1,449	5,201	2,540
<b>Total comprehensive income for the period</b>		<b>20,942</b>	<b>13,485</b>	<b>49,510</b>	<b>29,958</b>
Earnings per share					
Basic, earnings for the period per common share		0.12	0.11	0.37	0.26
Diluted, earnings for the period per common share		0.12	0.11	0.36	0.25
Weighted average shares outstanding - basic	8	120,048,665	108,648,873	118,601,288	106,750,533
Weighted average shares outstanding - diluted	8	123,736,572	111,500,617	121,988,685	109,537,459

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

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

<i>(\$000's) (unaudited)</i>	Notes	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total Shareholders' Equity
<b>Balance at January 1, 2014</b>		<b>562,306</b>	<b>14,659</b>	<b>4,424</b>	<b>82,945</b>	<b>664,334</b>
Net earnings for the period		-	-	-	44,309	44,309
Dividends declared	8	-	-	-	(16,309)	(16,309)
Shares issued under dividend reinvestment plan	8	2,137	-	-	-	2,137
Foreign currency translation adjustment, net of tax		-	-	5,201	-	5,201
Issue of share capital for business combination	8	50,808	-	-	-	50,808
Exercise of options and RSUs	8	14,680	(4,183)	-	-	10,497
Share issue costs, net of tax	8	(63)	-	-	-	(63)
Share-based payments		-	9,903	-	-	9,903
<b>Balance at September 30, 2014</b>		<b>629,868</b>	<b>20,379</b>	<b>9,625</b>	<b>110,945</b>	<b>770,817</b>
<b>Balance at January 1, 2013</b>		<b>415,288</b>	<b>9,400</b>	<b>(1,091)</b>	<b>54,802</b>	<b>478,399</b>
Net earnings for the period		-	-	-	27,418	27,418
Dividends declared		-	-	-	(6,729)	(6,729)
Shares issued under dividend reinvestment plan		833	-	-	-	833
Foreign currency translation adjustment, net of tax		-	-	2,540	-	2,540
Issue of share capital for business combination		29,236	-	-	-	29,236
Exercise of options		7,619	(1,822)	-	-	5,797
Share issue costs, net of tax		(190)	-	-	-	(190)
Share-based payments		-	5,450	-	-	5,450
<b>Balance at September 30, 2013</b>		<b>452,786</b>	<b>13,028</b>	<b>1,449</b>	<b>75,491</b>	<b>542,754</b>

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

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

(\$000's) (unaudited)	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2014	2013	2014	2013
<b>Cash flows from operating activities</b>					
Net earnings for the period		14,756	12,036	44,309	27,418
Adjustments for non-cash items:					
Depreciation, depletion and amortization		26,713	18,711	71,209	46,832
Accretion	7	277	187	831	486
Interest expense		3,238	1,953	6,708	4,220
Current income tax expense		5,067	4,496	13,905	8,076
Deferred income tax (recovery) expense		1,701	1,369	5,683	3,552
Amortization of financing fees		60	70	170	207
Unrealized foreign exchange (gain) loss		(102)	171	131	234
Other expense (income)	4	2,740	(1,661)	2,226	1,052
Share-based payments	9	4,296	2,186	10,887	5,891
<b>Funds from operations</b>		<b>58,746</b>	<b>39,518</b>	<b>156,058</b>	<b>97,968</b>
Change in accounts receivable and accrued receivables, prepaid expenses and deposits, other assets		(65,565)	(47,900)	(65,148)	(28,979)
Change in inventories		(18,883)	(1,741)	(20,978)	4,489
Change in accounts payable and accrued liabilities related to operating activities		28,597	42,093	83,793	20,314
<b>Cash generated from operations</b>		<b>2,895</b>	<b>31,970</b>	<b>153,725</b>	<b>93,792</b>
Interest paid		(2,562)	(1,732)	(6,276)	(4,384)
Income taxes paid		(1,376)	(1,669)	(13,059)	(8,572)
<b>Net cash flows (used in) from operating activities</b>		<b>(1,043)</b>	<b>28,569</b>	<b>134,390</b>	<b>80,836</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(88,474)	(54,321)	(207,919)	(133,918)
Business combinations	3	(61,404)	(21,335)	(91,034)	(26,683)
Change in non-cash working capital		5,108	(13,689)	(6,083)	(5,944)
<b>Net cash flows used in investing activities</b>		<b>(144,770)</b>	<b>(89,345)</b>	<b>(305,036)</b>	<b>(166,545)</b>
<b>Cash flows from financing activities</b>					
Shares issued, net of share issue costs		3,471	2,295	12,571	6,433
Draw on credit facility		157,000	66,000	174,500	87,500
Financing fees		(1,088)	-	(1,088)	(28)
Dividends paid	8	(5,991)	(4,058)	(16,309)	(6,729)
<b>Net cash flows from financing activities</b>		<b>153,392</b>	<b>64,237</b>	<b>169,674</b>	<b>87,176</b>
<b>Effect of foreign exchange on cash</b>		<b>144</b>	<b>(143)</b>	<b>336</b>	<b>(64)</b>
Increase (decrease) in cash		7,722	3,318	(635)	1,403
Cash, beginning of period		3,662	5,591	12,019	7,506
<b>Cash, end of period</b>		<b>11,384</b>	<b>8,909</b>	<b>11,384</b>	<b>8,909</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 nine months ended September 30, 2014 and 2013

#### 1. 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 fluids and solids solutions are provided through an integrated service and product offering that includes midstream services, environmental services, systems and products for drilling fluids and other specialized services and products. The Corporation also owns and operates midstream infrastructure and provides services and products to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and the Rocky Mountain Region in the United States.

The processing, recovery and disposal services division ("PRD") owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. 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. The drilling services division ("DS") provides equipment and chemical solutions for building, maintaining, processing and recycling of drilling and completion fluids. The OnSite division ("OS") includes environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, laboratory services, and "CleanSite" waste container services; integrated fluid solutions 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.

In the second quarter ended June 30, 2014, the Corporation rebranded all of its operating entities under the Secure Energy Services brand name and changed the legal name of its subsidiaries to reflect this. The following entities have been consolidated within Secure's condensed consolidated financial statements for the period ended September 30, 2014:

Subsidiary	Country	Functional Currency	Segment	% Interest	
				Sep 30, 2014	Dec 31, 2013
Secure Energy Services Inc. (parent company)	Canada	Canadian Dollar	PRD		
True West Energy Ltd.	Canada	Canadian Dollar	PRD	100%	0%
Chaleur Terminals Inc.	Canada	Canadian Dollar	PRD	100%	0%
Secure Energy (Drilling Services) Inc. (formerly Marquis Alliance Energy Group Inc.)	Canada	Canadian Dollar	DS	100%	100%
Alliance Energy Services International Ltd.	Canada	Canadian Dollar	DS	100%	100%
Secure Minerals Inc.	Canada	Canadian Dollar	DS	100%	0%
Secure Energy (OnSite Services) Inc. (formerly Frontline Integrated Services Ltd.)	Canada	Canadian Dollar	OS	100%	100%
Secure Energy (Logistics Services) Inc. (formerly Target Rentals Ltd.)	Canada	Canadian Dollar	DS	100%	100%
SES USA Holdings Inc.	USA	US Dollar	PRD/DS/OS	100%	100%
Secure Energy Services USA LLC	USA	US Dollar	PRD	100%	100%
Secure Energy Services LLC (formerly Marquis Alliance Energy Group USA LLC)	USA	US Dollar	PRD	100%	100%
Secure Drilling Services USA LLC	USA	US Dollar	DS	100%	100%
Secure Minerals USA LLC	USA	US Dollar	DS	100%	0%
Secure On-Site Services USA LLC	USA	US Dollar	OS	100%	100%

## **SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

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#### **1. NATURE OF BUSINESS (continued)**

In Canada, the level of activity in the oilfield services industry 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 quarter's 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.

#### **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). 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 and notes thereto in the Corporation's 2013 Annual Report available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

The condensed consolidated financial statements of the Corporation are stated in and recorded in thousands of Canadian dollars (\$) which is the Corporation's presentation currency and have been prepared on a historical cost basis, except for financial instruments and share-based payment transactions that have been measured at fair value.

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to the determination of cash generating units, depreciation, depletion and amortization, asset retirement obligations, fair values of financial instruments, recoverability of assets, income taxes, and share-based payments. Actual results may differ from these estimates.

These condensed consolidated financial statements were approved by the Board of Directors on November 6, 2014. The address of the Corporation's registered office is: Suite 3600, 205 - 5th Ave S.W. Calgary, Alberta, T2P 2V7.

##### **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, 2013. Unless otherwise stated, these policies have been consistently applied to all periods presented.

## **SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

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## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Recent Accounting Pronouncements**

On May 28, 2014, the International Accounting Standards Board issued International Financial Reporting Standard ("IFRS") 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on the Corporation's financial statements.

## **3. BUSINESS COMBINATIONS**

### **(a) First, Second and Third Quarter Acquisitions (the "Acquisitions")**

During the nine months ended September 30, 2014, the Corporation completed the Acquisitions of the assets of six private oilfield services companies for total cash consideration of \$31.5 million, assumption of \$0.8 million of debt and the issuance of 987,596 common shares of the Corporation based on the closing price for total consideration of \$47.5 million. The consideration was adjusted to fair value for accounting purposes to \$45.1 million which was determined using a discounted cash flow analysis considering such factors as the escrow period of the shares issued and liquidity of the Corporation's shares in the marketplace.

Four of the acquisitions are included in the OS division including two water management and pumping businesses, an environmental contracting business, and a business that specializes in analysis, containment, and management of naturally occurring radioactive materials within the US market.

The remaining two acquisitions are included in the DS division. A mineral products plant mainly processes barite which is a product used in drilling fluids and allows Secure to vertically integrate the operations in the DS division to improve supply logistics and quality. The other business acquired provides additional drilling fluid systems for highly complex wells.

These Acquisitions are a continuation of the Corporation's strategy to add complementary services along the energy services value chain. The goodwill arises as a result of the synergies existing within the acquired businesses and also the synergies expected to be achieved as a result of combining the acquisitions with the rest of the Corporation. \$6.2 million of the goodwill recognized is expected to be deductible for income tax purposes.

The Corporation incurred costs related to the acquisitions of \$0.5 million relating to due diligence and external legal fees. These costs have been included in business development costs on the condensed consolidated statements of comprehensive income.

The assets of the Acquisitions were acquired and integrated with the Corporation's existing operations and therefore specific income information in respect of these asset acquisitions are not included in these condensed consolidated financial statements.



**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****3. BUSINESS COMBINATIONS (continued)****(b) Acquisition of Predator Midstream Ltd. ("Predator")**

On August 15, 2014, the Corporation completed the acquisition of the assets of Predator Midstream Ltd. ("Predator") for total cash consideration of \$59.3 million, and 1,824,580 common shares of the Corporation issued at a closing price of \$24.84 for total consideration of \$104.6 million. The consideration was adjusted to fair value for accounting purposes to \$97.3 million which was determined using a discounted cash flow analysis considering such factors as the escrow period of the shares issued and liquidity of the Corporation's shares in the marketplace.

Predator is a private midstream company that owns and operates three rail transloading terminals in Alberta that transload crude oil from truck to rail, where rail cars are aggregated and subsequently sold to refineries.

The goodwill arises as a result of the synergies existing within the acquired businesses and also the synergies expected to be achieved as a result of combining the acquisitions with the rest of the Corporation. \$24.4 million of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to September 30, 2014, the assets of Predator contributed an estimated \$2.6 million of revenue and \$1.1 million of earnings before tax for the Corporation. If the business combinations had been completed on January 1, 2014, the estimated revenue and earnings before income tax for the nine month period ending September 30, 2014 would have been \$10.1 million and \$3.4 million, respectively.

The Corporation incurred costs related to the acquisition of \$0.2 million relating to due diligence and external legal fees. These costs have been included in business development costs on the condensed consolidated statements of comprehensive income.

The following summarizes the allocation of the consideration for the acquisitions:

	(a) Amount (\$000's)	(b) Amount (\$000's)
Cash paid	31,470	59,313
Shares issued	12,868	37,940
Assumption of debt	791	-
	<b>45,129</b>	<b>97,253</b>

The following summarizes the allocation of the aggregate consideration for the acquisitions:

	(a) Amount (\$000's)	(b) Amount (\$000's)
Property and equipment	19,687	29,603
Inventory	2,586	-
Intangible assets	15,759	43,769
Goodwill	8,205	32,480
Deferred revenue	-	(5,687)
Asset retirement obligation	-	(283)
Deferred tax liability	(1,108)	(2,629)
	<b>45,129</b>	<b>97,253</b>

## **SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

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#### **3. BUSINESS COMBINATIONS (continued)**

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The acquisitions have been accounted for using the acquisition method from the date of acquisition, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition dates, the operating results have been included in the Corporation's revenues and expenses.

#### **4. PROPERTY, PLANT AND EQUIPMENT**

Included in operating expenses on the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2014 is \$20.9 million and \$57.7 million, respectively, of depreciation and depletion expense (\$14.1 million and \$35.9 million for the three and nine months ended September 30, 2013, respectively), for the Corporation's property, plant and equipment. \$2.7 million and \$7.2 million of directly attributable capitalized salaries and overhead were added to assets under construction for the three and nine month ended September 30, 2014, respectively (\$1.6 million and \$3.9 million for the three and nine months ended September 30, 2013, respectively).

The Corporation's policy is to capitalize borrowing costs on projects with a substantial time to completion. Typically, borrowing costs are only capitalized on the construction of the Corporation's full-service terminals and full service rail facilities. The amount of borrowing costs capitalized to assets under construction for the three and nine months ended September 30, 2014 was \$0.1 million and \$0.6 million, respectively (\$0.2 million and \$1.2 million for the three and nine months ended September 30, 2013, respectively) based on a capitalized borrowing rate of 3.01% (3.75% for September 30, 2013).

During the three and nine months ended September 30, 2014, \$59.3 million and \$125.6 million, respectively, was transferred from assets under construction to property, plant and equipment for completed projects (\$59.1 million and \$138.2 million for the three and nine months ended September 30, 2013, respectively).

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of \$18.5 million at September 30, 2014 (\$16.2 million as at December 31, 2013). There are no significant changes to the finance lease commitments over the next five years as described in the annual audited consolidated financial statements for the year ended December 31, 2013.

In August 2014, the Corporation's Watford, North Dakota stand-alone water disposal facility (the "Watford facility") was struck by lightning which caused extensive damage to specific assets at the facility. The Corporation has set up a temporary facility in order to continue operations however at a significantly reduced capacity.

**SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

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**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

The Corporation estimates the net book value of the damage to the assets at the facility to be \$1.8 million, which resulted in an impairment write-down on that facility based on fair value less costs of disposal. The Corporation expects to be reimbursed up to the replacement value for the majority of repair related costs through its insurance coverage and has therefore accrued the related insurance proceeds of \$0.9 million. Both the impairment loss on assets of \$1.8 million and the insurance recoverable of \$0.9 million are recorded in other expenses on the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2014. The impairment loss on assets is included in the PRD operating segment and is recorded against plant infrastructure, equipment and landfill cells, disposal wells and buildings. The above estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control.

**SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

(\$000's)	Land	Buildings	Plant, Infrastructure, Equipment, and Landfill Cells	Rental Equipment	Mobile Equipment	Disposal Wells	Furniture and Fixtures	Computer Equipment and Software	Total
<b>Cost:</b>									
<b>December 31, 2013</b>	4,193	44,582	413,506	76,599	7,508	76,975	4,093	12,418	<b>639,874</b>
Additions from business combinations (Note 3)	2,650	1,400	40,327	-	4,825	-	8	80	<b>49,290</b>
Additions	3,463	10,410	92,049	15,320	1,512	14,541	3,657	4,001	<b>144,953</b>
Impairment	-	-	(1,829)	-	-	-	-	-	<b>(1,829)</b>
Change in asset retirement cost (Note 6)	-	-	7,179	-	-	633	-	-	<b>7,812</b>
Disposals	-	(894)	(3,556)	(1,767)	(385)	(1,264)	(26)	(423)	<b>(8,315)</b>
Foreign exchange effect	43	522	3,593	549	6	1,132	35	24	<b>5,904</b>
<b>September 30, 2014</b>	<b>10,349</b>	<b>56,020</b>	<b>551,269</b>	<b>90,701</b>	<b>13,466</b>	<b>92,017</b>	<b>7,767</b>	<b>16,100</b>	<b>837,689</b>
<b>Accumulated depreciation and depletion:</b>									
<b>December 31, 2013</b>	-	(6,081)	(92,180)	(8,010)	(3,643)	(13,083)	(1,149)	(3,544)	<b>(127,690)</b>
Depreciation and depletion	-	(2,509)	(39,241)	(5,717)	(1,152)	(4,427)	(529)	(1,985)	<b>(55,560)</b>
Disposals	-	333	2,136	497	192	199	6	98	<b>3,461</b>
Foreign exchange effect	-	(28)	(256)	(124)	(2)	(70)	(6)	(8)	<b>(494)</b>
<b>September 30, 2014</b>	<b>-</b>	<b>(8,285)</b>	<b>(129,541)</b>	<b>(13,354)</b>	<b>(4,605)</b>	<b>(17,381)</b>	<b>(1,678)</b>	<b>(5,439)</b>	<b>(180,283)</b>
<b>Net book value:</b>									
<b>September 30, 2014</b>	<b>10,349</b>	<b>47,735</b>	<b>421,728</b>	<b>77,347</b>	<b>8,861</b>	<b>74,636</b>	<b>6,089</b>	<b>10,661</b>	<b>657,406</b>
December 31, 2013	4,193	38,501	321,326	68,589	3,865	63,892	2,944	8,874	512,184

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****5. GOODWILL**

	Sep 30, 2014	Dec 31, 2013
<b>(\$000's)</b>		
<b>Balance - beginning of period</b>	<b>101,924</b>	92,516
Additions through business combination (Note 3)	40,685	8,550
Impairment of Goodwill	(1,766)	-
Foreign exchange effect	324	858
<b>Balance - end of period</b>	<b>141,167</b>	<b>101,924</b>

The Corporation tests goodwill annually for impairment or more frequently if there are indicators that the asset may be impaired. In August 2014, the Corporation's Watford Facility was struck by lightning which caused extensive damage to specific assets at the facility. The Corporation has set up a temporary facility in order to continue operations however at a significantly reduced capacity. The Corporation identified this incident as an indicator of goodwill impairment as at September 30, 2014. The Corporation performed an impairment test on the related cash generating unit ("CGU") which resulted in a goodwill impairment of \$1.8 million.

The recoverable amount of the individual CGU was estimated as its value in use, determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter (average of 6.1%). The terminal growth rate was determined based on management's estimate of the long-term compound annual earnings before interest, taxes, depreciation and amortization, growth rate, and was consistent with the assumption of what a market participant would make. The discount rate used to calculate the net present value of cash flows is 17.3% (before tax) and is based on estimates of the Corporation's weighted average cost of capital, with reference to an approximate industry peer group. The principal sensitivities are the discount rate used and growth rate of cash flows. A 1% change in the discount rate and a 1% decrease in the growth rate would result in additional \$0.9 million and \$1.1 million, respectively, of impairment.

The goodwill impairment of \$1.8 million is recorded in other expenses on the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2014. The goodwill impairment has been recorded in the PRD operating segment. The above estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control.

The remaining balance of goodwill, after impairment, of the Watford CGU as at September 30, 2014 was \$6.7 million (\$8.1 million as at December 31, 2013).

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****6. LONG TERM BORROWINGS**

(\$000's)	Sep 30, 2014	Dec 31, 2013
Amount drawn on Credit Facility	335,000	160,500
Unamortized transaction costs	(1,065)	(569)
Total long term borrowings	333,935	159,931

On September 26, 2014, the Corporation entered into an amended and restated \$700.0 million syndicated credit facility (the "Credit Facility"). The Credit Facility consists of a \$675.0 million extendible revolving term credit facility and a \$25.0 million revolving operating facility that replaces the Corporation's \$400.0 million credit facility. The Credit Facility includes an accordion feature which, if exercised and approved by the Corporation's lenders, would increase the Credit Facility by \$100.0 million.

Amounts borrowed under the Credit Facility will bear interest at the Corporation's option of either the Canadian prime rate plus 0.45% to 2.00% or the Bankers' Acceptance rate plus 1.45% to 3.00%, depending in each case on the ratio of consolidated Senior Debt to EBITDA ratio, with any unused outstanding amounts subject to standby fees ranging from 0.29% to 0.60%. Senior Debt includes outstanding debt, finance leases, and any outstanding letters of credit. Total Debt is equal to Senior Debt plus any unsecured debt, excluding any convertible debentures. The Corporation currently does not have any unsecured debt and as a result, Total Debt is equal to Senior Debt. The Credit Facility is to be used for working capital purposes, capital expenditures, acquisitions, and general corporate purposes.

The Credit Facility is due on September 26, 2018 (the "maturity date"), and includes an option for the Corporation to extend the maturity date (once per annum) to a maximum of four years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the Credit Facility was not extended.

The following covenants apply to the existing Credit Facility:

- The Total Debt to EBITDA Ratio shall not exceed 5:00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- The Senior Debt to EBITDA Ratio shall not exceed 3:5:1; and
- The Interest Coverage Ratio shall not be less than 2:50:1.

At September 30, 2014, the Corporation was in compliance with all covenants.

In conjunction with obtaining the credit facility, the Corporation incurred transaction costs in the amount of \$1.1 million, of which the unamortized amount will be offset against the outstanding principal balance of the debt. Any transaction costs relating to the previous Credit Facility were expensed in the third quarter of 2014.

As security for the Credit Facility, the Corporation has granted the lenders a security interest over all of its present and after acquired property. A \$1.0 billion debenture provides a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subject to a fixed charge.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****6. LONG TERM BORROWINGS (continued)**

The available credit facility is reduced by any outstanding letters of credit. As at September 30, 2014 the Corporation has \$29.9 million (\$19.2 million as at December 31, 2013) in letters of credit issued by the Corporation's lenders. The letters of credit are issued to various government authorities for potential asset retirement obligations in accordance with applicable regulations (Note 7) and crude oil marketing contracts.

(\$000's)	Sep 30, 2014	Dec 31, 2013
Credit facility	700,000	400,000
Amount drawn on Credit Facility	(335,000)	(160,500)
Letters of credit	(29,926)	(19,221)
Available amount	<b>335,074</b>	<b>220,279</b>

**7. ASSET RETIREMENT OBLIGATIONS**

(\$000's)	
<b>December 31, 2013</b>	<b>38,791</b>
Arising during the period through development activities	3,991
Revisions during the period	551
Arising during the year through acquisitions (Note 3b)	283
Accretion	831
Change in discount rate	2,987
Foreign exchange effect	405
<b>September 30, 2014</b>	<b>47,839</b>

The Corporation's asset retirement obligations were estimated by a third party or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at September 30, 2014 to be \$47.8 million (\$38.8 million as at December 31, 2013) based on a total future liability of \$64.2 million as at September 30, 2014 (\$60.9 million as at December 31, 2013). The Corporation used its risk-free interest rates of 1.13% to 2.78% (0.94% to 4.23% as at December 31, 2013) and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations at September 30, 2014 (3.00% as at December 31, 2013).

The Corporation expects to incur the majority of the costs over the next twenty-five years. The amount expected to be incurred within the next twelve months is related to the capping of a number of the Corporation's landfill cells.

(\$000's)	Sep 30, 2014	Dec 31, 2013
Current	2,803	2,807
Non-current	45,036	35,984
	<b>47,839</b>	<b>38,791</b>

The Corporation has issued \$13.1 million (\$7.2 million as at December 31, 2013) of performance bonds and has letters of credit issued by the Corporation's banker in relation to the Corporation's asset retirement obligations.

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****8. SHAREHOLDERS' EQUITY****Authorized**

Unlimited number of common voting shares of no par value

Unlimited number of preferred shares of no par value

	Number of Shares	Amount (\$000's)
<b>Balance, December 31, 2013</b>	116,574,147	562,306
Options exercised	1,658,534	10,497
Restricted Share Units ("RSU") exercised	47,596	635
Transfer from reserves in equity	-	3,548
Shares issued as consideration for business combination (Notes 3 and 8a)	2,812,176	50,808
Shares issued through dividend reinvestment plan ("DRIP") (Note 8b)	107,310	2,137
Share issue costs, net of tax	-	(63)
<b>Balance, September 30, 2014</b>	<b>121,199,763</b>	<b>629,868</b>

As at September 30, 2014 there were 9,831,491 (10,145,914 as at December 31, 2013) common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations.

- a) Pursuant to the acquisitions described in Note 3, the Corporation issued 2,812,176 common shares. The acquisition agreements provide that all of the common shares issued by the Corporation will be held in escrow and will be released on a straight line basis annually over one to five years. Accordingly, as at September 30, 2014, all 2,812,176 common shares issued pursuant to the First, Second, and Third Quarter Acquisitions, were held in escrow.
- b) The Corporation declared dividends to holders of common shares for the nine months ended September 30, 2014, as follows:

	Dividend record date	Dividend payment date	Per common share (\$)	Amount (\$000's)
January	Jan 1, 2014	Jan 15, 2014	0.0125	1,457
February	Feb 1, 2014	Feb 17, 2014	0.0125	1,467
March	Mar 1, 2014	Mar 17, 2014	0.0125	1,468
April	April 1, 2014	April 15, 2014	0.0167	1,975
May	May 1, 2014	May 15, 2014	0.0167	1,976
June	June 1, 2014	June 16, 2014	0.0167	1,975
July	July 1, 2014	July 15, 2014	0.0167	1,963
August	Aug 1, 2014	Aug 15, 2014	0.0167	2,012
September	Sept 1, 2014	Sept 15, 2014	0.0167	2,016
<b>Total dividends declared during the period</b>			<b>0.1377</b>	<b>16,309</b>

Of the dividends declared, \$0.7 million and \$2.1 million was reinvested in additional common shares through the DRIP for the three and nine months ended September 30, 2014, respectively. The Corporation has 450,327 common shares reserved for issue under the DRIP as at September 30, 2014. In addition, on November 6, 2014, the Corporation's board of directors approved a \$0.04 per share increase to the annual dividend for a total annualized dividend of \$0.24, effective January 2015.



**SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

**8. SHAREHOLDERS' EQUITY (continued)**

Subsequent to September 30, 2014, the Corporation declared dividends to holders of common shares in the amount of \$0.0167 per common share payable on October 15, 2014 and November 17, 2014, for shareholders of record on October 1, 2014 and November 1, 2014, respectively.

The basic and diluted number of common shares used to calculate earnings per share amounts are as follows:

	For the three months ended		For the nine months ended	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Weighted average number of shares for basic earnings per share	120,048,665	108,648,873	118,601,288	106,750,533
Effect of dilution:				
Options and RSUs	3,687,907	2,851,744	3,387,397	2,786,926
Weighted average number of shares for diluted earnings per share	123,736,572	111,500,617	121,988,685	109,537,459

The above table excludes 76,169 and 640,933 options and RSUs for the three and nine months ended September 30, 2014, respectively (404,961 and 1,440,384 options and RSUs for the three and nine months ended September 30, 2013, respectively) that are considered to be anti-dilutive.

**9. SHARE-BASED PAYMENT PLANS**

The Corporation has share-based payment plans (the "Plans") under which the Corporation may grant share options, RSU's and Performance Share Units ("PSU") to its employees and employee directors. In addition, the Corporation has a Deferred Share Unit ("DSU") Plan for non-employee directors of the Corporation. The terms of the Plans and aggregate number of common shares issuable remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2013.

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

	Sep 30, 2014		Dec 31, 2013	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	7,519,300	9.03	7,230,522	6.04
Granted	1,938,322	19.54	2,597,962	13.52
Exercised	(1,658,534)	6.34	(1,947,249)	4.03
Forfeited	(237,554)	13.18	(361,935)	8.50
Balance - end of period	7,561,534	12.18	7,519,300	9.03
Exercisable - end of period	3,019,009	7.84	2,970,444	5.63

**SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

**9. SHARE-BASED PAYMENT PLANS (continued)**

The following table summarizes information about share options outstanding as at September 30, 2014:

Exercise price (\$)	Options outstanding			Options exercisable	
	Outstanding options	Weighted average exercise price (\$)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price (\$)
2.50 - 5.00	798,733	3.13	0.54	798,733	3.13
5.01 - 7.50	67,580	5.64	1.38	62,030	5.51
7.51 - 10.00	2,355,545	8.40	2.34	1,569,279	8.46
10.01 - 12.50	843,759	11.23	3.39	227,813	11.22
12.51 - 15.00	1,248,512	13.81	3.65	361,154	13.81
15.01 - 17.50	363,208	16.26	4.18	-	-
17.51 - 20.00	1,793,854	19.25	4.59	-	-
25.01 - 27.50	90,343	25.51	4.89	-	-
	<b>7,561,534</b>	<b>12.18</b>	<b>3.13</b>	<b>3,019,009</b>	<b>7.84</b>

The fair value of options granted to employees, employee directors and consultants was estimated at the date of grant using the Black-Scholes Option Pricing Model, including the following assumptions:

	Sep 30, 2014	Dec 31, 2013
Volatility factor of expected market price (%)	38.00	39.64
Weighted average risk-free interest rate (%)	1.35	1.33
Weighted average expected life in years	3.98	4.08
Weighted average expected annual dividends per share (%)	1.03	0.77
Weighted average fair value per option (\$)	5.60	4.14
Weighted average forfeiture rate (%)	5.53	5.28

The Corporation uses a weighted average historical trading volatility for input into the Black-Scholes Option Pricing Model. The forfeiture rate is estimated by using actual historical forfeiture rates.

**RSU plan**

The Corporation has an RSU plan which allows the Corporation to issue RSUs that are redeemable for the issuance of common shares. The Corporation has granted RSUs to employees and employee directors.

The following table summarizes the RSUs outstanding:

	Sep 30, 2014	Dec 31, 2013
<b>Balance - beginning of period</b>	<b>171,932</b>	<b>-</b>
Granted	680,140	195,743
Redeemed for common shares	(47,596)	-
Forfeited	(42,542)	(23,811)
<b>Balance - end of period</b>	<b>761,934</b>	<b>171,932</b>

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****9. SHARE-BASED PAYMENT PLANS (continued)**

The fair value of the RSUs issued is determined on the grant date based on the market price of the common shares on the grant date, and includes the following assumptions:

	Sep 30, 2014	Dec 31, 2013
Weighted average expected life in years	2.07	2.00
Weighted average expected annual dividends per share (%)	1.03	1.08
Weighted average fair value per RSU (\$)	20.30	13.97
Weighted average forfeiture rate (%)	8.37	5.94

**PSU plan**

The Corporation has a PSU plan which allows the Corporation to issue PSUs to senior officers that are redeemable for the issuance of common shares. The Board of Directors shall designate, at the time of grant, the date or dates which all or a portion of the PSUs shall vest and any performance conditions to such vesting. PSUs will be settled in equity or cash at the discretion of the Corporation, in the amount equal to the fair value of the PSU on that date. The Corporation intends to equity settle these units and as such, the fair value of the PSUs is determined on the grant date based on the market price of the common shares on the grant date and taking into account any performance conditions. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the PSUs outstanding plus the graded vested portion of any dividends paid on common shares since the grant date. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The following table summarizes the PSUs outstanding:

	Sep 30, 2014	Dec 31, 2013
<b>Balance - beginning of period</b>	-	-
Granted	21,560	-
Redeemed for common shares	-	-
Forfeited	-	-
<b>Balance - end of period</b>	<b>21,560</b>	-

The fair value of the PSUs issued is determined on the grant date based on the market price of the common shares on the grant date, and includes the following assumptions:

	Sep 30, 2014	Dec 31, 2013
Weighted average expected life in years	3.00	-
Weighted average expected annual dividends per share (%)	1.07	-
Weighted average fair value per PSU (\$)	17.88	-
Weighted average forfeiture rate (%)	0.00	-

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****9. SHARE-BASED PAYMENT PLANS (continued)****Share-based payment reserve**

For the three and nine months ended September 30, 2014, share-based payment expense of \$4.2 million and \$9.9 million, respectively (\$2.6 million and \$5.9 million for the three and nine months ended September 30, 2013, respectively) has been recognized for stock options, RSUs, and PSUs granted, and is included in general and administrative expenses on the condensed consolidated statements of comprehensive income. These costs are recorded as share-based payment expense with the offsetting amount being credited to share-based payment reserve as shown in the following table:

	Sep 30, 2014	Dec 31, 2013
<b>(\$000's)</b>		
<b>Balance - beginning of period</b>	<b>14,659</b>	9,400
Share-based payments	9,903	7,758
Transfer to issued capital	(4,183)	(2,499)
<b>Balance - end of period</b>	<b>20,379</b>	<b>14,659</b>

**DSU Plan**

The Corporation has a DSU plan for non-employee members of the Board of Directors. A summary of the status of the Corporation's DSU plan is as follows:

	Sep 30, 2014	Dec 31, 2013
<b>Balance - beginning of period</b>	<b>52,220</b>	28,864
Granted	26,976	23,356
Settled in cash	-	-
Forfeited	-	-
<b>Balance - end of period</b>	<b>79,196</b>	<b>52,220</b>
<b>Exercisable - end of period</b>	<b>79,196</b>	<b>52,220</b>

Share-based payment expense for DSUs is included in general and administrative expenses in the condensed consolidated statements of comprehensive income and credited to accounts payable and accrued liabilities on the condensed consolidated statement of financial position. As at September 30, 2014, \$1.9 million (\$0.9 million as at December 31, 2013) was included in accounts payable and accrued liabilities for outstanding DSUs and share based payment expense was \$0.7 million and \$1.1 million for the three and nine months ended September 30, 2014 respectively (\$0.01 million and \$0.4 million for the three and nine months ended September 30, 2013, respectively).

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****10. FINANCIAL INSTRUMENTS**

During the third quarter of 2014, the Corporation entered into forward currency contracts to manage the foreign currency risk that arises from the purchase and sale of crude oil in the PRD division. Fair value measurement of assets and liabilities recognized on the consolidated statement of financial position are categorized into levels within a fair value hierarchy based on the nature of valuation inputs. All of the Corporation's derivative financial instruments are classified as Level 2 given the fair value is derived by using observable inputs from foreign currency curves.

Derivative financial instruments are measured at fair value through profit and loss. Derivative instruments are recorded on the consolidated statement of financial position at fair value. Changes in the fair value of these financial instruments are recognized in the consolidated statements of comprehensive income in the period in which they arise.

The fair values and carrying values of the derivative instruments are listed below and represent an estimate of the amount that the Corporation would receive (pay) if these instruments were settled at the end of the period:

As at Sep 30, 2014	Notional Value (USD) (\$000s)	Weighted Average Price (\$USD)	Fair Value Hierchy Level	Net Fair Value \$000's	Derivative Liability \$000's
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**Currency:**

Seller of forward contracts  
(maturing Oct 27, 2014)

13,387	1.10	Level 2	(237)	(237)
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The unrealized gain (loss) related to the financial instruments for the three and nine months ended September 30, 2014 is \$0.2 million which has been included in interest, accretion, and finance costs in the condensed consolidated statements of comprehensive income. The associated derivative liability has been recorded in accounts payable as at September 30, 2014. The Corporation also has USD payables related to crude oil marketing activities which offset the loss on forward contracts to a nominal amount.

**11. COMMITMENTS AND CONTINGENCIES****As at September 30, 2014**

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Operating leases	8,704	16,281	8,359	33,344
Crude oil transportation	23,869	92,067	86,767	202,702
Inventory purchases	6,497	35,100	-	41,597
Capital purchases	31,784	-	-	31,784
Earn out payments	1,746	-	-	1,746
<b>Total Commitments</b>	<b>72,600</b>	<b>143,448</b>	<b>95,126</b>	<b>311,173</b>

**SECURE ENERGY SERVICES INC.****Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three and nine months ended September 30, 2014 and 2013****11. COMMITMENTS AND CONTINGENCIES (continued)****As at December 31, 2013**

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Operating leases	5,984	8,617	1,238	15,839
Crude oil transportation	4,457	16,297	2,000	22,754
Inventory purchases	5,474	-	-	5,474
Capital purchases	12,670	-	-	12,670
Earn out payments	2,274	1,709	-	3,983
Total Commitments	30,859	26,623	3,238	60,720

**Operating lease commitments**

The Corporation has entered into operating land lease agreements at the Corporation's facilities. In addition, the Corporation has entered into operating leases for office and warehouse spaces.

**Crude oil transportation commitments**

As a result of the acquisition of Predator, the Corporation has assumed certain rail car operating lease commitments and crude oil transportation commitments. During the quarter, the Corporation also increased committed crude oil volumes for pipeline throughput at certain pipeline connected FSTs.

**Inventory purchase commitments**

During the second quarter, the Corporation purchased a minerals product plant. As part of that acquisition, and the increase in drilling fluids activity, the Corporation entered into inventory purchase commitments. These commitments were entered into in order to meet operation requirements and provide the required inventory to be used in operations.

**Capital commitments**

As at September 30, 2014, the Corporation has committed \$31.8 million (\$12.7 million as at December 31, 2013) relating to various capital purchases for use in the Corporation's current and future capital projects. All amounts are current and due within one year.

**Commodity contract purchase commitments**

In the normal course of operations, the Corporation is committed to volumes of commodities for use in the Corporation's crude oil marketing activities. The Corporation is also committed over the next 12 months to purchasing oil and non-oil commodities for use in the normal course of operations of the DS and PRD divisions.

## SECURE ENERGY SERVICES INC.

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

For the three and nine months ended September 30, 2014 and 2013

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#### 11. COMMITMENTS AND CONTINGENCIES (continued)

##### Litigation

On December 21, 2007, Tervita Corporation (formerly known as CCS Inc.) ("Tervita") filed a statement of claim commencing Action No. 0701-13328 (the "Tervita Action") in the Judicial District of Calgary of the Court of Queen's Bench of Alberta (the "Court") against the Corporation, certain of the Corporation's employees who were previously employed by Tervita (collectively, the "Secure Defendants") and others in which Tervita alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to Tervita, and conspired with one another. Tervita seeks damages in the amount of \$110.0 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief. The matters raised in the lawsuit are considered by the Corporation to be unfounded and unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. The Corporation believes it has valid defences to this claim and accordingly has not recorded any related liability.

A Statement of Defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, more recently amended on October 17, 2013, the Corporation claims damages in the amount of \$97.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the Competition Act (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. In addition, the Amended Counterclaim now includes damages related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia. The Corporation contends that Tervita purchased the landfill with the intention of maintaining its geographic monopoly and conspiring to cause injury to the Corporation. A decision to that effect by the Competition Tribunal of Canada is now under review by the Supreme Court of Canada.

The Corporation is a defendant and plaintiff in legal actions that arise in the normal course of business. The Corporation believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

#### 12. OPERATING SEGMENTS

For management purposes, the Corporation is organized into divisions based on their products and services 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 follows:

- PRD division owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. 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 ENERGY SERVICES INC.**
**Notes to the Condensed Consolidated Financial Statements (unaudited)**
**For the three and nine months ended September 30, 2014 and 2013**
**12. OPERATING SEGMENTS (continued)**

- DS division provides equipment and chemicals for building, maintaining, processing and recycling of drilling and completion fluids.
- OS division includes environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, laboratory services, and "CleanSite" waste container services; integrated fluid solutions 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.
- The Corporate division does not represent an operating segment and is included for informational purposes only. 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.

(\$000's)	PRD division	DS division	OS division	Corporate	Total
	Nine Months Ended Sep 30, 2014				
Revenue	1,323,360	289,737	80,468	-	1,693,565
Operating expenses	(1,246,736)	(233,295)	(65,956)	(857)	(1,546,844)
General and administrative	(23,498)	(23,923)	(5,680)	(8,807)	(61,908)
Business development	-	-	-	(11,084)	(11,084)
Depreciation, depletion and amortization	(47,045)	(16,005)	(7,422)	(737)	(71,209)
Interest, accretion and finance costs	(804)	-	-	(6,288)	(7,092)
Other (expense) income	(2,740)	-	-	-	(2,740)
Earnings before income taxes	49,582	32,519	8,832	(27,036)	63,897
Three Months Ended Sep 30, 2014					
Revenue	460,384	103,481	35,549	-	599,414
Operating expenses	(434,701)	(83,088)	(27,862)	(252)	(545,903)
General and administrative	(8,970)	(9,097)	(2,185)	(2,573)	(22,825)
Business development	-	-	-	(3,468)	(3,468)
Depreciation, depletion and amortization	(18,062)	(5,623)	(2,896)	(132)	(26,713)
Interest, accretion and finance costs	(246)	-	-	(2,708)	(2,954)
Other (expense) income	(2,740)	-	-	-	(2,740)
Earnings before income taxes	13,727	11,296	5,502	(9,001)	21,524

(\$000's)	PRD division	DS division	OS division	Corporate	Total
	Nine Months Ended Sep 30, 2013				
Revenue	845,828	221,873	36,890	-	1,104,591
Operating expenses	(796,457)	(180,552)	(32,270)	(721)	(1,010,000)
General and administrative	(17,265)	(17,571)	(4,300)	(5,946)	(45,082)
Business development	-	-	-	(6,828)	(6,828)
Depreciation, depletion and amortization	(30,858)	(12,658)	(2,595)	(721)	(46,832)
Interest, accretion and finance costs	(488)	-	-	(4,218)	(4,706)
Other (expense) income	1,071	-	-	-	1,071
Earnings before income taxes	32,689	23,750	320	(17,713)	39,046
Three Months Ended Sep 30, 2013					
Revenue	337,331	87,622	18,807	-	443,760
Operating expenses	(319,109)	(68,913)	(14,980)	(283)	(403,285)
General and administrative	(6,560)	(6,609)	(1,647)	(2,125)	(16,941)
Business development	-	-	-	(2,889)	(2,889)
Depreciation, depletion and amortization	(12,003)	(5,184)	(1,241)	(283)	(18,711)
Interest, accretion and finance costs	(190)	-	-	(1,950)	(2,140)
Other (expense) income	(604)	-	-	-	(604)
Earnings before income taxes	10,868	12,100	2,180	(7,247)	17,901



**SECURE ENERGY SERVICES INC.**

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

**For the three and nine months ended September 30, 2014 and 2013**

**12. OPERATING SEGMENTS (continued)**

	PRD division	DS division	OS division	Corporate	Total
	<b>As at Sep 30, 2014</b>				
Current assets	114,724	166,727	41,391	-	322,842
Total assets	890,147	429,245	101,614	7,851	1,428,857
Goodwill	44,197	85,675	11,295	-	141,167
Intangible assets	49,306	59,674	17,071	-	126,051
Property, plant and equipment and assets under construction	681,920	114,174	31,857	7,851	835,802
Current liabilities	143,408	58,147	21,083	-	222,638
Total liabilities	215,028	83,586	25,492	333,934	658,040
	<b>As at December 31, 2013</b>				
Current assets	74,556	140,841	20,912	-	236,309
Total assets	606,907	380,807	45,379	6,632	1,039,725
Goodwill	12,805	85,205	3,914	-	101,924
Intangible assets	8,420	64,516	6,786	-	79,722
Property, plant and equipment and assets under construction	511,209	90,244	13,685	6,632	621,770
Current liabilities	84,813	41,335	8,330	-	134,478
Total liabilities	139,125	63,630	12,705	159,931	375,391

**Geographical Financial Information**

(\$000's)	Canada		USA		Total	
	2014	2013	2014	2013	2014	2013
<b>Three Months Ended Sep 30</b>						
Revenue	575,888	431,765	23,526	11,995	599,414	443,760
<b>Nine months ended Sep 30</b>						
Revenue	1,634,228	1,068,056	59,337	36,535	1,693,565	1,104,591
<b>As at Sep 30, 2014 and Dec 31, 2013</b>						
Total non-current assets	952,475	686,536	153,540	116,880	1,106,015	803,416

## Corporate Information

### DIRECTORS

Rene Amirault - Chairman

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

David Johnson <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup>

George Wadsworth <sup>(4)</sup>

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

Murray Cobbe <sup>(1)</sup> <sup>(2)</sup>

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

### OFFICERS

Rene Amirault

*President & Chief Executive Officer*

Allen Gransch

*Executive Vice President & Chief Financial Officer*

Brian McGurk

*Executive Vice President, Human Resources & Strategy*

Corey Higham

*Executive Vice President, Midstream*

Dan Steinke

*Executive Vice President, Operations, PRD*

David Mattinson

*Executive Vice President, OnSite Services*

George Wadsworth

*Executive Vice President, Drilling Services & USA Operations*

### STOCK EXCHANGE

Toronto Stock Exchange

Symbol: SES

### AUDITORS

MNP LLP

Calgary, Alberta

### LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

### BANKERS

Alberta Treasury Branches

### TRANSFER AGENT AND REGISTRAR

Computershare

Calgary, Alberta

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee

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