

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)



KPMG LLP
3100 205 - 5th Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Secure Energy Services Inc.

We have audited the accompanying consolidated financial statements of Secure Energy Services Inc. ("the Corporation"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 3, 2015.

KPMG LLP

Chartered Professional Accountants

March 1, 2016
Calgary, Canada

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position
As at December 31,

(\$000's)	Notes	2015	2014
Assets			
Current assets			
Cash		4,863	4,882
Accounts receivable and accrued receivables	19	125,358	228,642
Current tax assets		15,416	-
Prepaid expenses and deposits		8,427	8,396
Inventories	6	58,848	70,199
		212,912	312,119
Property, plant and equipment	7	1,007,626	945,335
Intangible assets	8	70,323	124,102
Goodwill	9	11,127	111,650
Deferred tax assets	16	13,432	-
Other assets		-	2,911
Total Assets		1,315,420	1,496,117
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		86,785	193,121
Asset retirement obligations	12	1,476	1,800
Current tax liabilities		-	5,886
Finance lease liabilities		8,873	10,458
		97,134	211,265
Long-term borrowings	11	260,683	397,385
Asset retirement obligations	12	84,511	70,639
Finance lease liabilities		7,041	12,060
Onerous lease liabilities	18	3,644	-
Deferred tax liabilities	16	37,895	42,473
Total Liabilities		490,908	733,822
Shareholders' Equity			
Issued capital	13	851,490	631,229
Share-based compensation reserve	14	37,194	25,227
Foreign currency translation reserve		36,403	14,629
(Deficit) retained earnings		(100,575)	91,210
Total Shareholders' Equity		824,512	762,295
Total Liabilities and Shareholders' Equity		1,315,420	1,496,117

Approved by the Board of Directors:

"SIGNED"
 Rene Amirault

"SIGNED"
 Kevin Nugent

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Comprehensive (Loss) Income
For the years ended December 31,

<i>(\$000's except per share and share data)</i>	Notes	2015	2014
Revenue		1,346,425	2,271,651
Operating expenses:			
Direct expenses	17	1,163,984	1,976,341
Depreciation, depletion and amortization		126,161	100,964
		1,290,145	2,077,305
General and administrative expenses		63,411	69,445
Share-based compensation		19,829	15,422
Business development expenses		11,649	15,477
		94,889	100,344
Operating (loss) earnings		(38,609)	94,002
Interest, accretion and finance costs		12,098	10,450
Impairment	10	139,752	32,260
Other income	18	(6,529)	-
(Loss) earnings for the year before tax		(183,930)	51,292
Current tax (recovery) expense	16	(10,110)	17,779
Deferred tax (recovery) expense	16	(13,950)	2,862
		(24,060)	20,641
Net (loss) earnings for the year		(159,870)	30,651
Other comprehensive income			
Foreign currency translation adjustment, net of tax		21,774	10,205
Total comprehensive (loss) income for the year		(138,096)	40,856
(Loss) earnings per share			
Basic, (loss) earnings for the year per common share	15	(1.20)	0.26
Diluted, (loss) earnings for the year per common share	15	(1.20)	0.25
Weighted average shares outstanding - basic	15	133,380,634	119,272,994
Weighted average shares outstanding - diluted	15	133,380,634	122,364,419

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

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

<i>(\$000's)</i>	Notes	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	(Deficit) retained earnings	Total Shareholders' Equity
Balance at January 1, 2015		631,229	25,227	14,629	91,210	762,295
Net loss for the year		-	-	-	(159,870)	(159,870)
Dividends declared	13	-	-	-	(31,915)	(31,915)
Shares issued through dividend reinvestment plan ("DRIP")	13	7,105	-	-	-	7,105
Foreign currency translation adjustment, net of tax		-	-	21,774	-	21,774
Issue of share capital for business combination	13	3,957	-	-	-	3,957
Bought deal equity financing	13	198,000	-	-	-	198,000
Exercise of options and Restricted Share Units ("RSUs")	13	17,675	(8,527)	-	-	9,148
Share issue costs, net of tax	13	(6,476)	-	-	-	(6,476)
Share-based compensation		-	20,494	-	-	20,494
Balance at December 31, 2015		851,490	37,194	36,403	(100,575)	824,512
Balance at January 1, 2014		562,306	14,659	4,424	82,945	664,334
Net earnings for the year		-	-	-	30,651	30,651
Dividends declared		-	-	-	(22,386)	(22,386)
Shares issued through DRIP		2,952	-	-	-	2,952
Foreign currency translation adjustment, net of tax		-	-	10,205	-	10,205
Issue of share capital for business combination		50,808	-	-	-	50,808
Exercise of options and RSUs		15,483	(4,436)	-	-	11,047
Share issue costs, net of tax		(320)	-	-	-	(320)
Share-based compensation		-	15,004	-	-	15,004
Balance at December 31, 2014		631,229	25,227	14,629	91,210	762,295

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows
For the years ended December 31,

(\$000's)	Notes	2015	2014
Cash flows from operating activities			
Net (loss) earnings for the year		(159,870)	30,651
Adjustments for non-cash items:			
Depreciation, depletion and amortization		126,161	100,964
Interest, accretion and finance costs	12	12,098	10,450
Other income	18	(6,529)	-
Current and deferred tax (recovery) expense		(24,060)	20,641
Other non-cash expense		708	143
Impairment of inventory	6	3,972	-
Impairment	10	139,752	32,260
Share-based compensation		19,829	15,422
Funds from operations		112,061	210,531
Change in non-cash working capital		42,760	12,178
Asset retirement obligations incurred	12	(1,647)	(1,564)
Cash generated from operations		153,174	221,145
Interest paid		(9,874)	(9,666)
Income taxes paid		(12,282)	(16,241)
Net cash flows from operating activities		131,018	195,238
Cash flows (used in) investing activities			
Purchase of property, plant and equipment		(127,183)	(302,967)
Business combinations	5	(3,272)	(97,839)
Change in non-cash working capital		(37,975)	(29,825)
Net cash flows (used in) investing activities		(168,430)	(430,631)
Cash flows from (used in) financing activities			
Shares issued, net of share issue costs	13	198,501	10,727
(Repayment) draw on credit facility		(136,500)	238,000
Financing fees	11	(525)	(1,210)
Dividends paid	13	(24,810)	(19,434)
Net cash flows from financing activities		36,666	228,083
Effect of foreign exchange on cash		727	173
Decrease in cash		(19)	(7,137)
Cash, beginning of year		4,882	12,019
Cash, end of year		4,863	4,882

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

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

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 fluids and solids solutions are provided through an integrated service and product offering that includes midstream services, environmental services, systems and products for drilling, production and completion 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 Western Canada and in certain regions in the United States ("U.S.").

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. More specifically these services are clean oil terminalling and rail transloading, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. The drilling services division ("DS") provides equipment and product solutions for drilling, completion and production operations for oil and gas producers in Western Canada. The OnSite division ("OS") includes Environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, Naturally Occurring Radioactive Material ("NORM") management, and waste container services; Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions; and Projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning, and reclamation and remediation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

The following entities have been consolidated within Secure's consolidated financial statements for the year ended December 31, 2015:

Subsidiaries	Country	Functional Currency	Segment	% Interest
				Dec 31, 2015 and 2014
Secure Energy Services Inc. (parent company)	Canada	Canadian Dollar	PRD/CORP	
True West Energy Ltd.	Canada	Canadian Dollar	PRD	100%
Chaleur Terminals Inc.	Canada	Canadian Dollar	PRD	100%
Secure Energy (Drilling Services) Inc.	Canada	Canadian Dollar	DS	100%
Alliance Energy Services International Ltd.	Canada	Canadian Dollar	DS	100%
Secure Minerals Inc.	Canada	Canadian Dollar	DS	100%
Secure Energy (OnSite Services) Inc.	Canada	Canadian Dollar	OS	100%
Secure Energy (Logistics Services) Inc.	Canada	Canadian Dollar	DS	100%
SES USA Holdings Inc.	USA	US Dollar	PRD/DS/OS	100%
Secure Energy Services USA LLC	USA	US Dollar	PRD	100%
Secure Drilling Services USA LLC	USA	US Dollar	DS	100%
Secure Minerals USA LLC	USA	US Dollar	DS	100%
Secure OnSite Services USA LLC	USA	US Dollar	OS	100%

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)

Basis of Presentation

The consolidated financial statements of Secure have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect at the closing date of December 31, 2015.

These 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. The accounting policies described in Note 2 have been applied consistently to all periods presented in these consolidated financial statements, except as noted herein. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

The timely preparation of financial statements requires that management make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. See Note 3 for a description of significant estimates and judgments used in the preparation of the consolidated financial statements.

These consolidated financial statements were approved by Secure's Board of Directors on March 1, 2016. The head office of the Corporation is located at 3600, 205 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 2V7. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of Secure and its subsidiaries and the proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint operations. All inter-company balances and transactions are eliminated on consolidation.

b) Investments in joint operations

A joint operation is a joint arrangement whereby two or more parties have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Two of the Corporation's facilities are operated jointly with others and therefore, the Corporation as a joint operator recognizes its share of assets and liabilities jointly owned and incurred, and its share of revenue and expenses of the joint operation.

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and liabilities assumed are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed. The measurement of goodwill is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities.

Transaction costs associated with business combinations, other than those related to issuing debt or equity securities, are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Changes to liability classified contingent consideration is recognized in net (loss) earnings. If the contingent consideration is classified in equity, it is not be re-measured and its final settlement is accounted for within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition

The Corporation has many different business lines offering services, products and integrated solutions to meet customer needs. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Corporation and the amount of revenue can be measured with reliability.

- Revenue associated with services provided in the PRD division such as processing, disposal, transportation, terminalling and rail transloading are recognized when the services are rendered.
- Revenue from the sale of crude oil and natural gas liquids is recorded when title to the product and risk of loss transfers to the customer.
- Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used.
- Revenue from drilling services is recognized when services are provided and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluids inventory.
- Revenue from rentals is recognized once the equipment is delivered, over the term of the rental agreement at pre-determined rates.
- Revenue from the sale of production chemicals and minerals inventories is recognized at the point of sale, when the customer takes ownership of the products.
- Revenue from OnSite services is recognized when services are provided. For longer-term projects where costs can be measured reliably, revenue is recognized based on stage of completion of the contract, determined by the physical portion of work performed.
- Revenue is measured net of trade discounts and volume rebates.

e) Inventories

Inventories are comprised of crude oil, natural gas liquids, drilling fluids, minerals, speciality chemicals, production chemicals and spare parts. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The value of the crude oil and natural gas liquids in inventory will fluctuate based on the market price of crude oil and natural gas liquids in any given month. The cost of drilling fluids is determined on a weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory in transit is recognized at the point of shipment. Any inventory write-downs are included in operating expenses. The reversal of previous net realizable value write-downs to inventories is permitted when there is a subsequent increase to the value of inventories.

f) Property, plant and equipment

Land is measured at cost, net of accumulated impairment losses, if any. Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such costs include geological and geophysical, drilling of wells, labour and materials, site investigation, equipment and facilities, contracted services and borrowing costs for long-term construction projects if the recognition criteria are met. Overhead costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by management are capitalized. These costs include compensation costs paid to internal personnel dedicated to capital projects. When significant parts of plant and equipment are required to be replaced, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in net (loss) earnings as incurred. The present value of the expected cost for the asset retirement obligation of the asset after its use is included in the cost of the respective asset if the recognition

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

criteria for a provision are met. Refer to Note 12 for further information about the recognition and measurement of the asset retirement obligation.

Costs related to assets under construction are capitalized when incurred. Assets under construction or refurbishment are not depreciated until they are complete and available for use in the manner intended by management. When this occurs, the asset is transferred to property, plant and equipment and classified by the nature of the asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds.

An item of property, plant and equipment and any significant part is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net (loss) earnings when the asset is derecognized.

g) Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets resulting from a business combination are initially recorded at fair value. Fair value is estimated by management taking into account its highest and best use associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life and intangible assets with an indefinite life are not subject to amortization and are tested for impairment at least annually.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Depreciation, depletion and amortization

Capital expenditures are not depreciated until assets are substantially complete and ready for their intended use. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation and depletion

Depreciation of property, plant and equipment, other than landfill cells, is based on a straight line basis and is calculated over the estimated useful life of the asset as follows:

Buildings	10 to 45 years
Plant equipment and disposal wells	2 to 25 years
Rental and mobile equipment	2 to 25 years
Office and computer equipment	3 to 10 years

Landfill cells are depleted based on units of total capacity utilized in the period.

Amortization

Amortization of intangible assets is recorded on a straight line basis over the estimated useful life of the intangible asset as follows:

Non-competition agreements	3 to 5 years
Customer relationships	5 to 15 years
Licenses and patents	10 to 13 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets

The non-financial assets of the Corporation are comprised of property, plant and equipment, goodwill and intangible assets.

The Corporation assesses at each reporting date whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the CGU's recoverable amount. An asset or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. In determining fair value less costs to sell, recent market transactions are taken into account, if available. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in net (loss) earnings.

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGUs compared to the individual CGU or group of CGUs' respective carrying amount(s).

For non-financial assets other than goodwill and intangible assets with an indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in net (loss) earnings.

Impairment losses related to assets under construction and property, plant and equipment are included with depreciation, depletion and amortization expense on the consolidated statements of comprehensive (loss) income. Impairment losses related to goodwill and intangible assets are recorded on the impairment line on the consolidated statements of comprehensive (loss) income.

j) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net (loss) earnings.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight line basis in net (loss) earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Recognition and Measurement

Financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified upon initial recognition into one of the following categories: fair value through profit or loss ("FVTPL"), available for sale, held-to-maturity investments, loans and receivables, derivatives designated as hedging instruments in an effective hedge, and other financial liabilities. All financial instruments are recognized initially at fair value, net of any transaction costs except for financial instruments classified as FVTPL where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification.

The Corporation has classified cash, and accounts receivable and accrued receivables as loans and receivables, accounts payable and accrued liabilities, and long-term borrowings as other financial liabilities, and derivative financial instruments as FVTPL.

The Corporation may enter into forward currency contracts to manage the foreign currency risk that arises from the purchase and sale of crude oil in the PRD division. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net (loss) earnings.

The Corporation accounts for its physical delivery purchase and sale contracts as executory contracts as they were entered into and continue to be held for the purpose of receipt or delivery of products in accordance with its expected purchase, sale or usage requirements. As such, these contracts are not considered to be derivative financial instruments. Settlement on these physical contracts is recognized in the comprehensive statements of (loss) income over the term of the contracts as they occur.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value measurement

The Corporation has classified its financial instrument fair values based on the required three-level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit that has not yet been incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in net (loss) earnings. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in net (loss) earnings. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in net (loss) earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive (loss) income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a risk-free rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest, accretion and finance costs in net (loss) earnings.

m) Asset retirement obligations

Asset retirement obligations associated with well sites, facilities and landfills are measured at the present value of the expenditures expected to be incurred. The Corporation uses a risk-free rate in the measurement of the present value of its asset retirement obligations. The associated asset retirement cost is capitalized as part of the related asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in the discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost. Accretion is expensed as incurred and recognized in the consolidated statements of comprehensive (loss) income as interest, accretion and finance costs. The estimated future costs of the Corporation's asset retirement obligations are reviewed at each reporting period and adjusted as appropriate.

n) Shareholders' equity

Common shares are presented in issued capital within shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from issued capital, net of any tax effects.

o) (Loss) earnings per share

The Corporation calculates basic (loss) earnings per share by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share reflects the potential dilution that would occur if in-the-money stock options were exercised. Diluted (loss) earnings per share is calculated by dividing net (loss) earnings available to common shareholders by the total of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, utilizing the treasury method, arising from the exercise of in-the-money share options. The treasury method for outstanding options assumes that the use of proceeds that could be obtained upon exercise of options in computing diluted per share are used to purchase the Corporation's common shares at the average market price during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Share-based compensation

Equity-settled transactions

The Corporation has a share option plan for eligible employees and consultants of the Corporation. The Corporation follows the fair-value method to record share-based compensation expense with respect to share options granted. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based compensation expense over the vesting period of those grants, with a corresponding increase to share-based compensation reserve less an estimated forfeiture rate. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in the share-based compensation reserve. Forfeitures are estimated based on historical information for each reporting period, and adjusted as required to reflect actual forfeitures that have occurred in the period.

The Corporation has a performance share unit ("PSU") plan for eligible employees and consultants. 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. Assuming the PSUs are equity settled, the fair value of the PSUs are determined on the grant date based on the market price of the common shares on the grant date. The fair value is expensed over the vesting term on a graded vesting basis. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The Corporation also has a restricted share unit ("RSU") plan for eligible employees and consultants. Under the terms of the RSU plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in equity or cash at the discretion of the Corporation, in the amount equal to the fair value of the RSU on that date. If the RSUs are equity settled, 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. The fair value is expensed over the vesting term on a graded vesting basis. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of RSUs that vest.

The Corporation does not intend to make cash payments and there is no history of the Corporation making cash payments under the PSU and RSU plans and, as such, the PSUs and RSUs are accounted for within shareholders' equity.

Cash-settled transactions

The Corporation has a deferred share unit ("DSU") plan for its non-employee directors. The DSUs vest immediately and the fair value of the liability and the corresponding expense is recognised in the consolidated statements of comprehensive (loss) income at the grant date. Subsequently, at each reporting date between the grant date and settlement date, the fair value of the liability is revalued with any changes in the fair value recognized in net (loss) earnings for the period. When the awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. The liability is included in accounts payable and accrued liabilities in the consolidated statements of financial position and the expense is included in the share-based compensation expense in the consolidated statements of comprehensive (loss) income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in the various jurisdictions in which the Corporation operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the various jurisdictions where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in the consolidated statement of changes in shareholders' equity is recognized in the consolidated statement of changes in shareholders' equity and not in the consolidated statements of comprehensive (loss) income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

Deferred income tax

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items relating to items recognized outside of earnings are recognized in correlation to the underlying transaction either in other comprehensive (loss) income or directly in shareholders' equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

r) Foreign currency translation and transactions

Entities who transact in currencies that are not their functional currency translate monetary assets and liabilities at period-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in net (loss) earnings in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Corporation translates assets and liabilities at period-end rates and income and expense accounts at average exchange rates in effect during the period. Adjustments resulting from these translations are reflected in total comprehensive (loss) income as foreign currency translation adjustments.

Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign currency translation reserve in the cumulative amount of foreign currency translation differences.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's Chief Executive Officer in order to make decisions regarding the allocation of resources to the segment.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Corporation's 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 are outlined below. Readers are cautioned that the following list is not exhaustive and other items may also be affected by estimates and judgments.

Significant judgments

Determining CGUs

For the purpose of assessing impairment of non-financial assets, the Corporation must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Management has determined that the appropriate CGUs for the Corporation is each service line in the DS division and OS division, and each facility that comprises the PRD division (each rail transloading facility in the PRD division is aggregated as a single CGU to test for impairment). The Corporation aggregates each service line in the DS division to test for goodwill impairment.

Significant estimates and assumptions

Depreciation, depletion and amortization

Determination of which components of an item of property, plant and equipment represent a significant cost to the asset as a whole and identifying the consumption patterns along with the useful lives and residual values of these significant parts involve management judgment and estimates. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs. Amounts recorded for depletion on the landfill cells are based on estimates of the total capacity utilized in the period.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Effective January 1, 2015, Secure reassessed the useful lives of property, plant and equipment based on the current condition of the assets and taking into consideration the operating history of the assets. As a result of this change, there was an estimated decrease in depreciation and depletion expense of \$27.2 million for the year ended December 31, 2015. Secure could not determine the effect of the change in estimate for future periods beyond 2015 as the information will not be meaningful as capital expenditures for future periods and timing of new facilities being commissioned are subject to a high level of uncertainty.

Recoverability of assets

The Corporation assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgment. Goodwill is tested annually for impairment or when an indicator is present. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Corporation normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil and gas industry, future sustaining capital costs, discount rates, tax rates, and operating margins. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

Asset retirement obligations and accretion

The amounts recorded for asset retirement obligations and the related accretion expenses are based on management's best estimate of the costs to abandon and reclaim the wells, facilities and landfills, and the estimated time period in which these costs are expected to be incurred in the future. In determining the asset retirement obligation, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Corporation's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. The Corporation's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Other provisions and contingent liabilities

The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates on timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Inventories

The Corporation evaluates its inventory to ensure it is carried at the lower of cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to direct expenses. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in direct expenses in the period in which the reversal occurred.

Share-based compensation

The Corporation provides share-based awards to certain employees in the form of share options, restricted share units, and performance share units (the "Awards"). The Corporation follows the fair-value method to record share-based compensation expense with respect to the Awards granted. In order to record share-based compensation expense, the Corporation estimates the fair value of the Awards granted using assumptions related to interest rates, expected lives of the Awards, volatility of the underlying security, forfeitures and expected dividend yields. The accounting for PSUs and RSUs within shareholders' equity requires management's judgment with respect to the future settlement of these awards. Management has assumed these awards will be settled in equity based on past practice and current intentions.

Deferred income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Provision for doubtful accounts

The provision for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

Purchase price equations

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment, other assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Net investments in foreign subsidiaries

Determination of whether an advance to a foreign subsidiary constitutes a net investment involves judgments about the outcomes of future events, specifically related to the timing and amount of repayment of the advance by the foreign subsidiary. Unrealized foreign gains and losses from advances classified as net investments are recorded as foreign currency translation adjustments in other comprehensive (loss) income. The accumulated foreign currency translation adjustments are reclassified to net (loss) income when the foreign subsidiary is disposed of, or the loan is repaid.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Corporation. Management anticipates that all of the pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements.

On July 24, 2014, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. The IASB has determined the mandatory effective date of IFRS 9 to be January 1, 2018. The full impact of the standard on the Corporation's consolidated financial statements is still being assessed at this time.

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. 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, 2018. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on the Corporation's consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. The full impact of the standard on the Corporation's consolidated financial statements is still being assessed at this time.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

5. BUSINESS COMBINATIONS

a) The Corporation did not complete any significant acquisitions in the year ended December 31, 2015.

b) Predator Midstream Ltd. – 2014

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 taking into consideration the escrow period.

Predator was a private midstream company that owned and operated 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 following summarizes the allocation of the consideration for the acquisition:

Balance, August 15, 2014	Amount (\$000's)
Cash paid	59,313
Shares issued	37,940
	97,253

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

Balance, August 15, 2014	Amount (\$000's)
Property and equipment	29,603
Intangible assets	43,269
Goodwill	32,197
Deferred revenue	(5,187)
Deferred tax liability	(2,629)
	97,253

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. \$24.1 million of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to December 31, 2014, the assets of Predator contributed an estimated \$4.6 million of revenue and \$0.4 million of earnings before tax for the Corporation. If the business combination had been completed on January 1, 2014, the estimated revenue and earnings before income tax for the year ending December 31, 2014 would have been \$12.1 million and \$2.7 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 consolidated statements of comprehensive (loss) income.

c) Other Acquisitions - 2014

During 2014, the Corporation acquire the assets of six private oilfield services companies and the shares of one private oilfield services company (collectively, the "2014 Acquisitions") for total cash consideration of \$38.5 million, assumption of \$0.9 million of debt and the issuance of 987,596 common shares of the Corporation based on the closing price for total consideration of \$54.6 million. The consideration was adjusted to fair value for accounting purposes to \$52.3 million which was determined using a discounted cash flow analysis taking into consideration the escrow period.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

5. BUSINESS COMBINATIONS (continued)

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 U.S. market.

The other three acquisitions are included in the DS division: a mineral products plant that 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; a drilling fluids company that provides drilling fluids systems for highly complex wells; and a private company that adds proprietary technology products that provide high impact solutions for production, drilling, and completion fluids.

The following summarizes the allocation of the consideration for the 2014 Acquisitions:

Balance 2014	Amount (\$000's)
Cash paid	38,526
Shares issued	12,868
Assumption of debt	922
	52,316

The following summarizes the allocation of the aggregate consideration for the 2014 Acquisitions:

Balance 2014	Amount (\$000's)
Property and equipment	20,722
Inventory	2,831
Net working capital	(1,496)
Intangible assets	21,100
Goodwill	9,026
Deferred tax asset	133
	52,316

The 2014 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. \$6.9 million of the goodwill recognized is expected to be deductible for income tax purposes.

The Corporation incurred costs related to the acquisitions of \$0.7 million relating to due diligence and external legal fees. These costs have been included in business development costs on the consolidated statements of comprehensive (loss) income.

The assets of the 2014 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 consolidated financial statements.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

6. INVENTORIES

(\$000's)	Dec 31, 2015	Dec 31, 2014
Drilling fluids	30,034	54,755
Minerals and specialty chemicals	25,989	11,374
Crude oil and natural gas liquids	1,715	2,539
Spare parts and supplies	1,110	1,531
Total inventories	58,848	70,199

Inventories are recorded at the lower of cost and net realizable value. Drilling fluids, minerals and specialty chemical inventories recognized as operating expenses in the consolidated statements of comprehensive (loss) income for the for the year ended December 31, 2015 were \$126.2 million (2014: \$243.0 million). Included in the expense for the year ended December 31, 2015 is \$3.9 million to write-down oil-based inventory and slow moving and obsolete inventory relating to the wind down of U.S. Drilling Services to net realizable value (2014: \$1.4 million).

Inventories are included in the general security agreements held by the banks as security for the Corporation's credit facility (Note 11).

7. PROPERTY, PLANT AND EQUIPMENT

Included in property, plant and equipment is assets under construction of \$60.3 million (2014: \$210.1 million). The amounts included in assets under construction consist of assets associated with a variety of ongoing projects. During the year ended December 31, 2015, \$13.4 million (2014: \$11.8 million) of directly attributable capitalized salaries and overhead were added to property, plant and equipment. The amount of borrowing costs capitalized to property, plant and equipment for the year ended December 31, 2015 was \$0.4 million (2014: \$1.0 million) based on a capitalized borrowing rate of 2.6% (2014: 3.1%) incurred only on facilities that are generally longer to construct.

During the year ended December 31, 2015, \$266.7 million (2014: \$185.6 million) was transferred from assets under construction to property, plant and equipment for completed projects.

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of \$21.7 million at December 31, 2015 (2014: \$24.5 million). The finance lease commitments over the next five years are disclosed in Note 22.

Included in depreciation, depletion and amortization expense in the consolidated statements of comprehensive (loss) income for the year ended December 31, 2015 is \$18.0 million (2014: \$1.1 million) relating to impairment of property, plant and equipment and \$4.4 million (2014: \$2.6 million) relating to the loss on disposal of assets. The Corporation has incurred impairment losses on certain projects where the significant decline in commodity prices in the year have left their development plans uncertain. Additionally, the Corporation has impaired equipment withdrawn from active use in the year in instances where they cannot be repurposed or otherwise deployed.

SECURE ENERGY SERVICES INC.

**Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

(\$000's)	Assets Under Construction	Land and Buildings	Plant Equipment, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
Cost:						
December 31, 2013	109,586	48,775	490,481	84,107	16,511	749,460
Additions from business combinations (Note 5b)	-	1,450	25,753	2,400	-	29,603
Additions from business combinations (Note 5c)	-	2,600	15,426	2,587	109	20,722
Additions	284,394	18,615	157,983	35,057	11,576	507,625
Change in asset retirement cost	-	-	33,461	-	-	33,461
Disposals	-	(980)	(4,970)	(7,861)	(542)	(14,353)
Transfers ⁽¹⁾	(185,600)	-	-	-	-	(185,600)
Foreign exchange effect	1,759	968	3,772	283	83	6,865
December 31, 2014	210,139	71,428	721,906	116,573	27,737	1,147,783
Additions	113,818	31,539	224,272	21,614	5,974	397,217
Change in asset retirement cost	-	-	10,127	-	-	10,127
Disposals	-	(2,316)	(5,611)	(10,713)	(1,383)	(20,023)
Transfers ⁽¹⁾	(266,702)	-	-	-	-	(266,702)
Foreign exchange effect	3,002	3,233	23,367	3,864	263	33,729
December 31, 2015	60,257	103,884	974,061	131,338	32,591	1,302,131
Accumulated depreciation and depletion:						
December 31, 2013	-	(6,081)	(105,263)	(11,653)	(4,693)	(127,690)
Depreciation and depletion	-	(3,446)	(55,647)	(15,795)	(3,643)	(78,531)
Disposals	-	385	1,499	1,787	121	3,792
Foreign exchange effect	-	(62)	(13)	78	(22)	(19)
December 31, 2014	-	(9,204)	(159,424)	(25,583)	(8,237)	(202,448)
Depreciation and depletion ⁽²⁾	-	(10,964)	(61,540)	(16,821)	(6,284)	(95,609)
Disposals	-	156	809	5,943	764	7,672
Foreign exchange effect	-	(289)	(2,848)	(1,089)	106	(4,120)
December 31, 2015	-	(20,301)	(223,003)	(37,550)	(13,651)	(294,505)
Net book value:						
December 31, 2015	60,257	83,583	751,058	93,788	18,940	1,007,626
December 31, 2014	210,139	62,224	562,482	90,990	19,500	945,335

⁽¹⁾ Costs related to assets under construction are transferred to property, plant and equipment and classified by nature of the asset when available for use in the manner intended by management.

⁽²⁾ Depreciation and depletion includes amounts relating to impairment of assets under construction and property, plant and equipment.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

8. INTANGIBLE ASSETS

(\$000's)	Non-competition agreements	Customer relationships	Licenses & Patents	Total
Cost:				
December 31, 2013	27,622	67,367	10,638	105,627
Additions through business combinations (Note 5b)	24,950	17,750	569	43,269
Additions through business combinations (Note 5c)	9,648	5,629	5,823	21,100
Foreign exchange effect	847	409	42	1,298
December 31, 2014	63,067	91,155	17,072	171,294
Additions	2,308	6,245	-	8,553
Foreign exchange effect	1,201	1,437	147	2,785
December 31, 2015	66,576	98,837	17,219	182,632
Accumulated amortization:				
December 31, 2013	(11,625)	(11,770)	(2,510)	(25,905)
Amortization	(12,182)	(7,098)	(1,526)	(20,806)
Foreign exchange effect	(401)	(80)	-	(481)
December 31, 2014	(24,208)	(18,948)	(4,036)	(47,192)
Amortization	(14,130)	(9,827)	(2,151)	(26,108)
Impairment	(17,705)	(18,825)	(1,022)	(37,552)
Foreign exchange effect	(1,032)	(425)	-	(1,457)
December 31, 2015	(57,075)	(48,025)	(7,209)	(112,309)
Net book value:				
December 31, 2015	9,501	50,812	10,010	70,323
December 31, 2014	38,859	72,207	13,036	124,102

Refer to Note 10 for discussion of impairment charges.

9. GOODWILL

(\$000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	111,650	101,924
Additions through business combination (Note 5b)	-	32,197
Additions through business combination (Note 5c)	-	9,026
Impairment of goodwill	(102,200)	(32,260)
Foreign exchange effect	1,677	763
Balance - end of year	11,127	111,650

The remaining carrying amount of goodwill at December 31, 2015 is allocated to the OS division (2014: \$70.1 million to the DS division, \$30.4 million to the PRD division and \$11.1 million to the OS division).

Refer to Note 10 for discussion of impairment charges.

10. IMPAIRMENT

The Corporation's non-current assets are tested for impairment in accordance with the accounting policy stated in note 2(i). The Corporation assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. As a result of the significant decline in commodity prices in the year and the corresponding decrease in oil and gas industry activity, the Corporation performed impairment tests on its rail transloading facilities and Drilling Services CGUs in 2015.

As a result of the impairment tests performed in the year, the Corporation is recognizing impairment of \$54.2 million (2014: \$11.0 million) against the goodwill and intangible assets recorded on the acquisition of three rail transloading facilities in 2014 (refer to Note 5(b)). The Corporation's rail transloading facilities have been significantly impacted by lower levels of activity as a result of the severe weakening in crude oil prices and the narrowing of oil price differentials. The Corporation also recorded impairment of \$74.7 million related to goodwill and intangible assets in its DS division for the year ended December 31, 2015 (2014: \$16.6 million). The continued weakness in commodity pricing has had a significant impact on the DS divisional results as operations are tied directly to drilling activity.

Regardless if any indicators of impairment are present, the Corporation must complete an annual impairment assessment for any CGU, or group of CGUs, whose net carrying value includes indefinite-life intangible assets or an allocation of goodwill. Secure completed this review as at December 31, 2015 and as a result recorded impairment equal to the full \$10.9 million carrying value of the goodwill related to two PRD facilities located in North Dakota (2014: \$4.7 million). No impairment was recorded as a result of the year-end impairment tests performed on the OS CGUs.

The Corporation used the value in use method to determine the recoverable amount of its CGUs determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal valuation. The estimated cash flows were based on the 2015 run rate with revenue and margins changing in correlation with the anticipated oil and gas industry activity based on oil price projections over the following five years, and a terminal value thereafter was applied. The terminal valuation is determined based on management's estimate of the long-term compound growth rate of annual net earnings excluding depreciation, depletion, amortization and accretion, share-based compensation expense, interest, and taxes ("EBITDA"), consistent with the assumption that a market participant would make. The Corporation used a terminal growth rate of 4%. The discount rate used to calculate the net present value of cash flows is based on estimates of the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile. The Corporation used a pre-tax discount rate range of 16.5% to 18.4%. Changes in the general economic environment could result in significant changes to this estimate.

The commodity price environment in 2015 has created considerable uncertainty as to the level of exploration and development activity that will be undertaken by the majority of the Corporation's customers and considerably increases the estimation uncertainty associated with the future cash flows used in the impairment tests. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available.

The estimated value in use for the CGUs that were tested are particularly sensitive to the following estimates:

- For the rail transloading facilities CGU, an increase of 1% in the pre-tax discount rate and a 1% decrease in the terminal growth rate would have increased the impairment by approximately \$2.6 million and \$1.5 million, respectively.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

10. IMPAIRMENT (continued)

- For the Drilling Services CGUs, an increase of 1% in the pre-tax discount rate and a 1% decrease in the terminal growth rate would have increased the impairment by approximately \$11.1 million and \$7.6 million, respectively.

The impairment of goodwill and intangible assets is recorded in the impairment line on the consolidated statements of comprehensive (loss) income.

11. LONG-TERM BORROWINGS

(\$000's)	Dec 31, 2015	Dec 31, 2014
Amount drawn on credit facility	262,000	398,500
Unamortized transaction costs	(1,317)	(1,115)
Total long-term borrowings	260,683	397,385

The Corporation has a \$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. 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 amount drawn on the Credit Facility and finance leases. Total Debt is equal to Senior Debt plus any unsecured debt, excluding any convertible debentures. EBITDA is adjusted for non-recurring losses, any non-cash impairment charges, any other non-cash charges, and acquisitions on a pro-forma trailing twelve month basis. 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.

During the year, the maturity date of the Credit Facility was extended by one year, to September 26, 2019 (the "maturity date"). The Credit Facility 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 Senior Debt to EBITDA Ratio shall not exceed 3.5:1;
- The Total Debt to EBITDA Ratio shall not exceed 5.0:1; and
- The Interest Coverage Ratio, defined as EBITDA divided by interest expense on Total Debt, shall not be less than 2.5:1.

At December 31, 2015 and December 31, 2014, the Corporation was in compliance with all covenants.

As security for the Credit Facility, the Corporation granted its 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 the fixed charge.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

11. LONG-TERM BORROWINGS (continued)

The amount available under the Credit Facility is reduced by any outstanding letters of credit. As at December 31, 2015, the Corporation has \$16.4 million (2014: \$22.4 million) in letters of credit issued by the Corporation's lenders. The letters of credit are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (Note 12) and crude oil marketing contracts.

(\$000's)	Dec 31, 2015	Dec 31, 2014
Credit facility	700,000	700,000
Amount drawn on credit facility	(262,000)	(398,500)
Letters of credit	(16,371)	(22,439)
Available amount	421,629	279,061

12. ASSET RETIREMENT OBLIGATIONS

(\$000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	72,439	38,791
Arising during the period through development activities	8,800	15,243
Revisions during the period	1,612	12,029
Accretion	1,581	1,154
Change in discount rate	(285)	6,189
Asset retirement obligations incurred	(1,647)	(1,564)
Foreign exchange effect	3,487	597
Balance - end of year	85,987	72,439

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 December 31, 2015 to be \$86.0 million (December 31, 2014: \$72.4 million) based on a total future liability of \$136.0 million as at December 31, 2015 (December 31, 2014: \$93.9 million). The Corporation used its risk-free interest rates of 0.5% to 2.8% (December 31, 2014: 1.0% to 2.5%) and an inflation rate of 3.0% to calculate the net present value of its asset retirement obligations at December 31, 2015 (December 31, 2014: 3.0%).

The Corporation expects to incur the majority of the costs over the next 25 years. The amount expected to be incurred within the next 12 months is related to the capping of a number of the Corporation's landfill cells and retirement of wells.

(\$000's)	Dec 31, 2015	Dec 31, 2014
Current	1,476	1,800
Non-current	84,511	70,639
Total asset retirement obligations	85,987	72,439

The Corporation has issued \$17.2 million (December 31, 2014: \$16.0 million) of performance bonds and \$13.4 million (December 31, 2014: \$12.7 million) for letters of credit issued by the Corporation's lenders in relation to the Corporation's asset retirement obligations.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

13. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common voting shares of no par value.

Unlimited number of preferred shares of no par value, none of which have been issued.

	Number of Shares	Amount (\$000's)
Balance, December 31, 2013	116,574,147	562,306
Options exercised	1,775,400	11,047
Restricted Share Units ("RSUs") exercised	50,357	676
Transfer from reserves in equity	-	3,760
Shares issued through Dividend Reinvestment Plan ("DRIP")	155,371	2,952
Shares issued as consideration for business combination (Note 5)	2,812,176	50,808
Share issue costs, net of tax	-	(320)
Balance, December 31, 2014	121,367,451	631,229
Options exercised	1,502,471	9,148
RSUs exercised	270,895	3,428
Transfer from reserves in equity	-	5,099
Bought deal equity financing	13,515,370	198,000
Shares issued through DRIP	686,598	7,105
Shares issued as consideration for business combination	365,342	3,957
Share issue costs, net of tax	-	(6,476)
Balance, December 31, 2015	137,708,127	851,490

As at December 31, 2015, there were 5,959,456 common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations (2014: 9,528,483).

On March 24, 2015, the Corporation closed a bought deal financing (the "Offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 13,515,370 common shares (including overallotment) of the Corporation at a price of \$14.65 per common share for gross proceeds of \$198.0 million. In connection with the Offering, the Corporation incurred approximately \$8.5 million in transaction costs which included \$7.9 million in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital.

The Corporation has a Dividend Reinvestment Plan ("DRIP") that provides eligible shareholders with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional Common Shares ("Plan Shares"), which will be issued from treasury.

Under the terms of the DRIP, Plan Shares issued from treasury will be issued on the applicable dividend payment date to eligible shareholders at a 3% discount to the average market price of the Common Shares. Average market price is defined in the DRIP to be the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days preceding the dividend payment date.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

13. SHAREHOLDERS' EQUITY (continued)

The Corporation declared dividends to holders of common shares for the year ended December 31, 2015, as follows:

	Dividend record date	Dividend payment date	Per common share (\$)	Amount (\$000's)
January	Jan 1, 2015	Jan 15, 2015	0.02	2,429
February	Feb 1, 2015	Feb 16, 2015	0.02	2,429
March	Mar 1, 2015	Mar 16, 2015	0.02	2,433
April	April 1, 2015	April 15, 2015	0.02	2,715
May	May 1, 2015	May 15, 2015	0.02	2,721
June	June 1, 2015	June 15, 2015	0.02	2,727
July	July 1, 2015	July 15, 2015	0.02	2,729
August	Aug 1, 2015	Aug 17, 2015	0.02	2,740
September	Sept 1, 2015	Sept 15, 2015	0.02	2,744
October	Oct 1, 2015	Oct 15, 2015	0.02	2,747
November	Nov 1, 2015	Nov 16, 2015	0.02	2,750
December	Dec 1, 2015	Dec 15, 2015	0.02	2,751
Total dividends declared during the year				31,915

Of the dividends declared, \$7.1 million were reinvested in additional common shares through the DRIP for the year ended December 31, 2015 (2014: \$3.0 million). The Corporation has 415,668 common shares reserved for issue under the DRIP as at December 31, 2015 (2014: 402,266).

Subsequent to December 31, 2015, the Corporation declared dividends to holders of common shares in the amount of \$0.02 per common share payable on January 15, February 16, and March 15, 2016, for shareholders of record on January 1, February 1, and March 1, 2016, respectively.

14. SHARE-BASED COMPENSATION PLANS

The Corporation has share-based compensation plans (the "Plans") under which the Corporation may grant share options, RSUs and PSUs to its employees and consultants. In addition the Corporation has a DSU plan for non-employee directors of the Corporation.

The aggregate number of common shares issuable pursuant to the exercise of options, RSUs, and PSUs granted under the Plans shall not exceed ten percent of the issued and outstanding common shares of Secure calculated on a non-diluted basis at the time of the grant.

Share Option Plan

The exercise price of options granted under the Plan is calculated as the five day weighted average trading price of the common shares for the five trading days immediately preceding the date the options are granted. Options issued under the Plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

14. SHARE-BASED COMPENSATION PLANS (continued)

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

	Dec 31, 2015		Dec 31, 2014	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of year	7,665,806	12.45	7,519,300	9.03
Granted	3,558,968	11.59	2,211,571	19.29
Exercised	(1,502,471)	6.08	(1,775,400)	6.22
Forfeited	(1,113,433)	15.13	(289,665)	13.92
Balance - end of year	8,608,870	12.88	7,665,806	12.45
Exercisable - end of year	3,516,903	12.06	3,210,619	8.34

The following table summarizes information about share options outstanding as at December 31, 2015:

Exercise price (\$)	Options outstanding			Options exercisable	
	Outstanding options	Weighted average exercise price (\$)	average remaining term (years)	Outstanding options	Weighted average exercise price (\$)
5.80 - 7.80	670,128	7.72	1.3	670,128	7.72
7.81 - 8.00	1,711,693	7.82	4.9	38,311	7.88
8.01 - 11.00	1,173,510	9.25	1.6	1,043,066	9.13
11.01 - 15.00	1,691,760	13.20	2.5	977,103	13.09
15.01 - 17.00	1,632,726	15.68	3.8	211,314	16.28
17.01 - 25.51	1,729,053	19.39	3.4	576,981	19.39
	8,608,870	12.88	3.2	3,516,903	12.06

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

For the years ended	Dec 31, 2015	Dec 31, 2014
Volatility factor of expected market price (%)	40.8	38.0
Weighted average risk-free interest rate (%)	0.8	1.3
Weighted average expected life in years	4.0	4.0
Weighted average expected annual dividends per share (%)	2.3	1.1
Weighted average fair value per option (\$)	3.15	5.54
Weighted average forfeiture rate (%)	6.5	5.5

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

14. SHARE-BASED COMPENSATION PLANS (continued)

RSU plan

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

Unless otherwise directed by the Board of Directors, one third of each RSU grant vests and is redeemed on each of the first, second, and third anniversaries of the date of grant. RSUs terminate and cease to be redeemable on December 31st of the third year following the year in which the grant of the RSU was made.

The following table summarizes the RSUs outstanding:

	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	843,913	171,932
Granted	1,226,134	783,010
Redeemed for common shares	(270,895)	(50,357)
Forfeited	(450,273)	(60,672)
Balance - end of year	1,348,879	843,913

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, using the following weighted average assumptions:

For the years ended	Dec 31, 2015	Dec 31, 2014
Weighted average expected life in years	2.1	2.0
Weighted average expected annual dividends per share (%)	1.7	1.0
Weighted average fair value per RSU (\$)	13.80	20.11
Weighted average forfeiture rate (%)	14.3	7.7

PSU plan

The Corporation has a PSU plan which allows the Corporation to issue PSUs to senior management 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.

The following table summarizes the PSUs outstanding:

	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	21,620	-
Granted	133,088	21,620
Balance - end of year	154,708	21,620

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, using the following weighted average assumptions:

For the years ended	Dec 31, 2015	Dec 31, 2014
Weighted average expected life in years	3.0	2.0
Weighted average expected annual dividends per share (%)	1.6	0.9
Weighted average fair value per PSU (\$)	14.79	18.12
Weighted average forfeiture rate (%)	-	-

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

14. SHARE-BASED COMPENSATION PLANS (continued)

DSU Plan

The Corporation has a DSU plan for non-employee members of the Board of Directors. Under the terms of the plan, DSUs awarded will vest immediately and will be settled in cash in the amount equal to the previous five day's weighted average price of the Corporation's common shares on the date the members of the Board of Directors specify upon the holder resigning from the Board of Directors. A summary of the status of the Corporation's DSU plan is as follows:

	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	79,427	52,220
Granted	33,583	27,207
Balance - end of year	113,010	79,427
Exercisable - end of year	113,010	79,427

As at December 31, 2015, \$0.7 million (2014: \$1.3 million) was included in accounts payable and accrued liabilities for outstanding DSUs and share-based compensation included in the statements of consolidated (loss) income was a recovery of \$0.7 million for the year ended December 31, 2015 (2014: expense of \$0.4 million).

Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to contribute up to 20% of their base salaries to purchase common shares of Secure. The Corporation suspended its matching of employee contributions in March 2015. Prior to the suspension of the employer matching program, the Corporation incurred expense of \$0.5 million for 2015 (2014: \$2.2 million) which is recognized in either direct expenses or general and administrative expenses on the consolidated statements of comprehensive (loss) income.

Prior to the suspension of the employer matching program, the Corporation matched contributions, subject to certain limitations, based on the employee's years of service with the Corporation. Shares purchased for both the employee contributions and Corporation's matching contributions are purchased on the open market.

15. EARNINGS PER COMMON SHARE

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

	For the years ended	
	Dec 31, 2015	Dec 31, 2014
Weighted average number of shares for basic (loss) earnings per share	133,380,634	119,272,994
Effect of dilution:		
Options, RSUs and PSUs	-	3,091,425
Weighted average number of shares for diluted (loss) earnings per share	133,380,634	122,364,419

The above table excludes all options, RSUs and PSUs for the year ended December 31, 2015, (2014: 90,343 options, RSUs, and PSUs) as they are considered to be anti-dilutive.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

16. INCOME TAXES

(\$000's)	Dec 31, 2015	Dec 31, 2014
Current tax (recovery) expense		
Current year	(10,452)	17,701
Adjustments related to prior years	342	78
	(10,110)	17,779
Deferred tax (recovery) expense		
Current year	(13,950)	4,901
Adjustments related to prior years	-	(2,039)
	(13,950)	2,862
Total tax (recovery) expense	(24,060)	20,641

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 26.1% (2014: 25.00%) to (loss) earnings before income taxes for the following reasons:

(\$000's)	Dec 31, 2015	Dec 31, 2014
(Loss) earnings for the year before tax	(183,930)	51,292
Combined federal and provincial income tax rate	26.10%	25.00%
Expected combined federal and provincial income tax (recovery) expense	(48,006)	12,823
Foreign and other statutory rate differentials	(2,030)	1,286
Non-deductible impairments	18,321	4,152
Share-based compensation	5,238	3,850
Non-deductible expenses	2,075	491
Adjustments related to prior years	342	(1,961)
Total income tax (recovery) expense	(24,060)	20,641

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

16. INCOME TAXES (continued)

The components of the net deferred tax liabilities as at December 31, 2015 and 2014 are as follows:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Deferred tax assets:		
Non-capital loss carry forwards	36,190	19,977
Property, plant and equipment	18,740	361
Share issue costs	2,721	1,558
Asset retirement obligations	3,294	10,506
Goodwill and intangible assets	7,129	-
Other	6,075	10,492
	74,149	42,894
Deferred tax liabilities:		
Property, plant and equipment	(85,064)	(67,563)
Goodwill and intangible assets	(12,706)	(17,524)
Other	(842)	(280)
	(98,612)	(85,367)
Net deferred tax liabilities	(24,463)	(42,473)
Deferred tax assets by jurisdiction:		
Canada	29,062	11,104
U.S.	44,607	27,638
	73,669	38,742
Deferred tax liabilities by jurisdiction:		
Canada	(66,957)	(54,232)
U.S.	(31,175)	(26,983)
	(98,132)	(81,215)
Net deferred tax liabilities	(24,463)	(42,473)

Included above in deferred tax assets is \$93.5 million (2014: \$52.9 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. The gross non-capital losses in the U.S. are \$89.0 million (2014: \$48.0 million) and expire between 2029 and 2035. The gross non-capital losses in Canada are \$4.5 million (2014: \$4.9 million) and expire between 2028 and 2033. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. The recognition involves the Corporation assessing when the deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available in the future to offset these tax assets when they do reverse. This assessment requires assumptions and assessments regarding future taxable income, and is therefore inherently uncertain.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

16. INCOME TAXES (continued)

The movements in the Corporation's temporary differences are as follows:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Movement in net deferred tax assets and liabilities		
Net deferred tax liabilities at beginning of year	(42,473)	(35,630)
Recovery (expense) for the year in net (loss) earnings	13,950	(2,168)
Deferred tax liabilities from acquisitions	(577)	(1,980)
Foreign exchange adjustments and other	4,637	(2,695)
Net deferred tax liabilities	(24,463)	(42,473)

17. DIRECT EXPENSES

Included in direct expenses for the year ended December 31, 2015 is employee compensation and benefits of \$101.2 million (2014: \$107.5 million).

18. OTHER INCOME

(\$000's)	Dec 31, 2015	Dec 31, 2014
Realized foreign exchange (gain)	(12,280)	-
Onerous lease expense	5,751	-
Other (income)	(6,529)	-

Included in other income is recognition of foreign exchange gains on the translation of the Corporation's interest in its foreign subsidiary and cumulative operating losses of the DS U.S. division that was included in the foreign currency translation reserve in equity. These operations were substantively liquidated by December 31, 2015.

Onerous lease expense relates to a provision for unused office space as a result of reduced staff levels within the Corporation during the year ended December 31, 2015.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. FINANCIAL INSTRUMENTS

Carrying values and fair values

The Corporation's financial instruments consist of cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, derivative liability, and long-term borrowings. The fair values of the Corporation's financial instruments are as follows:

(\$000's)	December 31, 2015				
	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Carrying amount	Fair value amount
Financial assets:					
Cash	4,863	-	-	4,863	4,863
Accounts receivable and accrued receivables	125,358	-	-	125,358	125,358
	130,221	-	-	130,221	130,221
Financial liabilities:					
Accounts payable and accrued liabilities	-	-	86,710	86,710	86,710
Derivative liability	-	75	-	75	75
Long-term borrowings	-	-	260,683	260,683	262,000
	-	75	347,393	347,468	348,785

(\$000's)	December 31, 2014				
	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Carrying amount	Fair value amount
Financial assets:					
Cash	4,882	-	-	4,882	4,882
Accounts receivable and accrued receivables	228,642	-	-	228,642	228,642
	233,524	-	-	233,524	233,524
Financial liabilities:					
Accounts payable and accrued liabilities	-	-	193,046	193,046	193,046
Derivative liability	-	75	-	75	75
Long-term borrowings	-	-	397,385	397,385	398,500
	-	75	590,431	590,506	591,621

The carrying value of cash, accounts receivable and accrued receivables, and accounts payable and accrued liabilities is estimated to be their fair value. This is due to the fact that transactions which give rise to these balances arise in the normal course of trade, have industry standard payment terms and are of a short-term nature. Derivative liabilities are stated at fair value as they are revalued at each reporting period based on observable inputs from foreign currency curves.

The Corporation's long term-borrowings are recorded at amortized cost using the effective interest rate method ("EIR"). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest, accretion and finance costs on the consolidated statements of comprehensive (loss) income. The carrying value of long-term borrowings (excluding transaction costs) approximate their fair values due to the variable interest rates applied to these facilities, which approximate market interest rates.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below analyses financial instruments by fair value hierarchy. The different levels have been defined in Note 2 (k):

(\$000's)	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Long-term borrowings	-	262,000	-	262,000
Forward currency contracts	-	75	-	75
Total financial liabilities	-	262,075	-	262,075

(\$000's)	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Long-term borrowings	-	398,500	-	398,500
Forward currency contracts	-	75	-	75
Total financial liabilities	-	398,575	-	398,575

There were no transfers between levels in the hierarchy in the year ended December 31, 2015 (2014: nil).

Risks

Commodity price risk – non-trading

The value of the Corporation's crude oil inventory, including oil inventory purchased as base stock for drilling fluids, is impacted by the commodity price of crude oil. Crude oil prices have historically fluctuated widely and are affected by numerous factors outside of the Corporation's control. Crude oil prices are primarily based on West Texas Intermediate ("WTI") plus or minus a differential to WTI based on the crude oil type and other contributing market conditions. As part of normal operating activities, the Corporation is required to hold a certain amount of inventory in any given month. In addition, changes in the prices of crude oil and natural gas can impact overall drilling activity and demand for the Corporation's products and services. In the DS division, the Corporation purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items. The Corporation has elected not to hedge commodity price risk associated with crude oil and drilling fluids inventory at this time.

19. FINANCIAL INSTRUMENTS (continued)

Commodity price risk – trading

The Corporation is exposed to commodity price risk on its contracts. The physical trading activities related to the contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the prices of commodities; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; disagreements over terms of deals and/or contracts; and pipeline apportionment. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period, and the Corporation does not currently participate in the long-term storage of the commodities. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations. As part of the Corporation's processing, and facility operations, Secure will use net buy and net sell crude oil contracts for marketing and trading of crude oil.

In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil contracts offset against physical delivery of all net sell crude oil contracts. The open position is subject to commodity price risk. As a result, the Corporation's strategy is to reduce all open positions for any given month. The Corporation does hold open positions however, these positions are closed within a relatively short period after the production month and therefore the overall exposure to the Corporation is significantly reduced. At December 31, 2015, the Corporation's open position was not significant.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty fails to meet its contractual obligations. The Corporation provides credit to its customers in the normal course of operations. This includes credit risk on trading activities as the Corporation is at risk for potential losses if the counterparties do not fulfill their contractual obligations. In order to mitigate collection risk, the Corporation assesses the credit worthiness of customers or counterparties by assessing the financial strength of the customers or counterparties through a formal credit process and by routinely monitoring credit risk exposures. In addition, the Corporation uses standard agreements that allow for the netting of exposures associated with a single counterparty. Where the Corporation has a legally enforceable right to offset, the amounts are recorded on a net basis.

A substantial portion of the Corporation's accounts receivable are with customers or counterparties involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Collection of these receivables could be influenced by economic factors affecting this industry. The carrying value of trade accounts receivable reflects management's assessment of the associated risks.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. FINANCIAL INSTRUMENTS (continued)

The following is a schedule of the Corporation's trade accounts receivable:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Less than 30 days	67,130	105,189
31 to 60 days	18,336	42,128
61 to 90 days	5,377	11,311
Greater than 90 days	2,507	5,809
	93,350	164,437
Allowance for doubtful accounts	1,673	908

The balance of \$67.1 million under 30 days includes \$25.2 million of crude oil contracts settled as part of the trading activities for December 2015. The entire amount of \$25.2 million is due from 21 counterparties and relates to crude oil payments, which as part of industry practice, are settled within 30 days of the production month. The remainder of accounts receivable and accrued receivables relates to accrued and non-trade receivables.

The counterparties noted above are approved by the Corporation's risk management committee in accordance with the Corporation's credit policy relating to crude oil payments. The Corporation's credit exposure to any crude oil contracts settled is limited to transactions occurring over a 60 day period. Of the receivables relating to crude oil payments, approximately 87% of the counter parties have a credit rating of B or higher.

The change in the allowance for doubtful accounts is as follows:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	908	489
Additional allowance	1,547	1,694
Amounts used	(807)	(1,284)
Foreign exchange effect	25	9
Balance - end of year	1,673	908

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Corporation considers all amounts greater than 90 days to be past due. As at December 31, 2015, \$2.5 million (2014: \$5.8 million) of accounts receivable are past due and a provision of \$1.7 million (2014: \$0.9 million) has been established as an allowance for doubtful accounts. All other amounts past due are considered to be collectable.

The Corporation is also exposed to credit risk with respect to its cash. However, the risk is minimized as cash is held at major financial institutions.

Maximum credit risk is calculated as the total recorded value of cash, and accounts receivable and accrued receivables as at the date of the consolidated statement of financial position.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk as it has borrowed funds at variable interest rates on its credit facility. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. If interest rates had been 1% higher/lower, and all other variables were held constant, the Corporation's consolidated (loss) earnings before income taxes for the year would be approximately \$2.7 million lower/higher for the year ended December 31, 2015 (2014: \$2.5 million).

The Corporation currently does not use interest rate hedges or fixed interest rate contracts to mitigate the Corporation's exposure to interest rate fluctuations.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions. As at December 31, 2015, the Corporation has \$4.9 million in cash and \$421.6 million available on its revolving credit facility (Note 11). The timing of cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below:

(\$000's)	Due within 1 year	Between 1-5 years	Greater than 5 years
Accounts payable and accrued liabilities	86,710	-	-
Derivative liability	75	-	-
Finance and operating lease obligations	22,332	50,056	8,888
Long-term borrowings	7,820	284,144	-
	116,937	334,200	8,888

The Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its debt repayments and obligations and will provide sufficient funding for anticipated capital expenditures.

Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its purchase and sale of crude oil, working capital balances denominated in foreign currencies and on the translation of its foreign operations. Foreign currency risk on the purchase and sale of crude oil is mitigated as the majority of the activities occur in the same period, therefore foreign currency risk exposure is limited to crude oil held in inventory. The Corporation also has foreign currency risk arising from the translation of amounts receivable from and payable to its foreign subsidiary. The Corporation also has loans that are considered to form part of the net investment and foreign exchange gains and losses are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends, forecasted economic conditions, and forward currency contracts.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. FINANCIAL INSTRUMENTS (continued)

The Corporation entered into forward currency contracts during the year to manage the foreign currency risk that arises from the purchase and sale of crude oil in the PRD division. 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 net (loss) earnings 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 year:

As at December 31, 2015	Notional Volume ¹ (\$US)	Weighted Average Price (\$US)	Fair Value Hierarchy Level	Fair Value \$000's	Carrying Value \$000's
Currency:					
Seller of forward contracts (matured Jan 25, 2016)	5,045,000	1.38	Level 2	(75)	(75)

¹All notional amounts represent actual volumes or actual prices and are not expressed in thousands.

The unrealized loss related to the financial instruments for the year ended December 31, 2015 of \$0.1 million (2014: \$0.1 million) has been included in interest, accretion, and finance costs in the consolidated statements of comprehensive (loss) income. The associated derivative liability has been recorded in accounts payable as at December 31, 2015. The Corporation also has USD payables related to crude oil marketing activities which offset the loss on forward contracts to a nominal amount.

A 10% increase or decrease in foreign exchange rates would result in a \$1.6 million decrease or increase in the Corporation's consolidated (loss) earnings before income taxes for the year ended December 31, 2015 (2014: \$0.5 million).

20. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Current assets	212,912	312,119
Current liabilities	(97,134)	(211,265)
Long-term borrowings	262,000	398,500
Shareholders' equity	824,512	762,295
	1,202,290	1,261,649

The Corporation's objective in capital management is to ensure adequate sources of capital are available to carry out its planned capital program, while maintaining operational growth, payment of dividends and increased cash flow so as to sustain future development of the business and to maintain creditor and shareholder confidence. Management considers capital to be the Corporation's current assets less current liabilities, total amounts drawn on debt facilities and shareholders' equity as the components of capital to be managed.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

20. CAPITAL MANAGEMENT (continued)

The Corporation's overall capital management strategy remains unchanged in 2015. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures. This includes the Board of Directors, reviewing the Corporation's results on a monthly basis, and capital costs to budget and approved authorizations for expenditures on a quarterly basis. The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized budgets, EBITDA on all of its operations, and return on investment. The Corporation is subject to certain financial covenants in its credit facility. The Corporation is in compliance with all financial covenants. Management will manage its debt to maintain compliance with the various financial covenants contained within its long-term borrowings (Note 11).

21. RELATED PARTY DISCLOSURES

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its executive officers and the board of directors. In addition to the salaries and short-term benefits paid to the executive officers and directors fees paid to the directors, the Corporation also provides compensation under the Corporation's ESOP (Note 14) to its executive officers. In addition, the Corporation provides compensation to both its executive officers and directors under its share-based compensation plans (Note 14).

The compensation related to key management personnel is as follows:

(\$000's)	Dec 31, 2015	Dec 31, 2014
Salaries and short-term employee benefits	2,549	4,754
Share-based compensation	3,696	2,973
	6,245	7,727

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

22. COMMITMENTS AND CONTINGENCIES

As at December 31, 2015

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Finance leases	9,174	7,302	-	16,476
Operating leases	13,158	42,754	8,888	64,800
Crude oil transportation	20,734	84,490	51,008	156,232
Inventory purchases	11,533	34,600	-	46,133
Capital commitments	5,736	-	-	5,736
Total commitments	60,335	169,146	59,896	289,377

Finance lease commitments

The Corporation has entered into finance lease agreements for computer equipment, vehicles, and mobile equipment. The average lease term is three years (2014: three years). The Corporation's obligations under finance leases are secured by the related assets. Interest rates underlying finance lease obligations are fixed at respective contract rates ranging from 0.0% to 6.4% (2014: 0.0% to 6.4%) per annum.

Operating lease commitments

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

Crude oil transportation commitments

Included in this number are committed crude oil volumes for pipeline throughput at certain of the Corporation's pipeline connected Full Service Terminals (FSTs). This amount reflects the total payment that would have to be made should the Corporation not fulfill the committed pipeline volumes. Additionally, the Corporation has certain rail car operating lease commitments.

Inventory purchase commitments

The Corporation has inventory purchase commitments related to its minerals product plant in order to meet expected operating requirements.

Capital commitments

The amounts relate 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 addition to the items in the table above, the Corporation is committed to purchasing commodities for use in its normal course of operations.

Fixed price contracts

In the normal course of operations, the Corporation enters into contracts that contain fixed selling prices within its OS division and therefore the Corporation is exposed to variability in input costs.

22. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

On December 21, 2007, Tervita Corporation ("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, the Corporation claims damages in the amount of \$97.8 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, including conduct related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia.

The Corporation is a defendant and plaintiff in various other 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.

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

23. 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 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.

(\$000's)

Year ended December 31, 2015	PRD division	DS division	OS division	Corporate	Total
Revenue	1,028,261	192,076	126,088	-	1,346,425
Direct expenses	(904,042)	(165,981)	(93,961)	-	(1,163,984)
Operating margin	124,219	26,095	32,127	-	182,441
General and administrative expenses	(23,948)	(25,564)	(8,707)	(5,192)	(63,411)
Share-based compensation	-	-	-	(19,829)	(19,829)
Business development expenses	-	-	-	(11,649)	(11,649)
Depreciation, depletion and amortization	(81,379)	(30,621)	(13,616)	(545)	(126,161)
Interest, accretion and finance costs	(1,581)	-	-	(10,517)	(12,098)
Impairment	(65,098)	(74,654)	-	-	(139,752)
Other (expense) income	(3,680)	10,209	-	-	6,529
(Loss) earnings before tax	(51,467)	(94,535)	9,804	(47,732)	(183,930)

Year ended December 31, 2014	PRD division	DS division	OS division	Corporate	Total
Revenue	1,748,342	398,965	124,344	-	2,271,651
Direct expenses	(1,584,733)	(299,739)	(91,869)	-	(1,976,341)
Operating margin	163,609	99,226	32,475	-	295,310
General and administrative expenses	(25,505)	(29,093)	(6,458)	(8,389)	(69,445)
Share-based compensation	-	-	-	(15,422)	(15,422)
Business development expenses	-	-	-	(15,477)	(15,477)
Depreciation, depletion and amortization	(67,442)	(22,139)	(10,532)	(851)	(100,964)
Interest, accretion and finance costs	(1,154)	-	-	(9,296)	(10,450)
Impairment	(15,704)	(16,556)	-	-	(32,260)
Earnings (loss) before tax	53,804	31,438	15,485	(49,435)	51,292

(\$000's)

As at December 31, 2015	PRD division	DS division	OS division	Corporate	Total
Current assets	90,200	92,720	29,992	-	212,912
Total assets	944,915	273,457	88,030	9,018	1,315,420
Goodwill	-	-	11,127	-	11,127
Intangible assets	4,222	55,556	10,545	-	70,323
Property, plant and equipment	850,493	111,750	36,365	9,018	1,007,626
Current liabilities	60,905	22,078	14,151	-	97,134
Total liabilities	168,710	44,829	16,686	260,683	490,908

As at December 31, 2014	PRD division	DS division	OS division	Corporate	Total
Current assets	104,874	169,084	38,161	-	312,119
Total assets	959,980	426,002	100,183	9,952	1,496,117
Goodwill	30,397	70,125	11,128	-	111,650
Intangible assets	45,809	62,536	15,757	-	124,102
Property, plant and equipment	778,899	121,347	35,137	9,952	945,335
Current liabilities	141,569	45,628	24,068	-	211,265
Total liabilities	239,102	68,778	28,557	397,385	733,822

SECURE ENERGY SERVICES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

23. OPERATING SEGMENTS (continued)

Geographical Financial Information

(\$000's)	Canada		US		Total	
Year ended December 31,	2015	2014	2015	2014	2015	2014
Revenue	1,273,383	2,185,645	73,042	86,006	1,346,425	2,271,651
As at December 31,						
Total non-current assets	930,713	1,006,518	171,795	177,480	1,102,508	1,183,998

Corporate Information

DIRECTORS

Rene Amirault - Chairman

Brad Munro ⁽¹⁾ ⁽²⁾ ⁽³⁾

David Johnson ⁽²⁾ ⁽³⁾ ⁽⁴⁾

Daniel Steinke ⁽⁴⁾

Kevin Nugent ⁽¹⁾ ⁽³⁾

Murray Cobbe ⁽¹⁾ ⁽²⁾

Shaun Paterson ⁽¹⁾ ⁽⁴⁾

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

Daniel 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

KPMG LLP

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

BANKERS

Alberta Treasury Branches

TRANSFER AGENT AND REGISTRAR

Computershare

Calgary, Alberta

¹ Audit Committee

² Compensation Committee

³ Corporate Governance Committee

⁴ Health, Safety & Environment Committee