



NEWS RELEASE

TSX.V: IES

## **INTERCEPT ENERGY SERVICES REPORTS SECOND QUARTER – JUNE 30, 2015 RESULTS**

**Edmonton, Canada – August 19, 2015** - Intercept Energy Services Inc. ("IES" or the "Corporation") (TSX-V: IES / OTCBB: IESCF), a leading Oilfield Services Firm ("OSF") specializing in frac water heating, unconventional energy extraction, oilfield equipment, oilfield waste disposal and recovery of reusable products from waste, today reported financial results for the second quarter ended June 30, 2015.

### **Second Quarter Ended June 30, 2015 Highlights**

- Gross revenues were higher by 114 percent to \$1.1 million compared to \$0.5 million for the same quarter last year and were higher by 19 percent to \$2.2 million compared to \$1.9 million on a year to date basis, due to increase in number of Heating Units in operation in 2015 and also additional revenues generated during the second quarter of 2015 on acquisition of 640 Energy by managing a water depot and a disposal well;
- The Company successfully completed the acquisition of 640 Energy Inc. on April 1, 2015 after receiving all necessary regulatory approvals in exchange for 13 million Common Shares of the Corporation. 640 Energy Inc, now operates as a fully owned subsidiary of the Corporation effective April 1, 2015;
- Net loss before other items for the quarter ended June 30, 2015 decreased to \$0.5 million compared to a net loss before other items of \$0.8 million for the same quarter last year due to increase in revenues during the quarter. Net loss before other items was \$1.4 million compared to \$1.1 million on a year to date basis compared to the same period last year, mainly due to increase in overall operation costs in first quarter of 2015.

Net loss for the quarter ended June 30, 2015 was \$0.2 million compared to a net loss of \$0.2 million for the same quarter last year and net loss was \$1.9 million compared to \$1.3 million on a year to date basis compared to the same period last year, mainly due to increase in overall operating costs in first quarter of 2015 and increase in finance expense on a year to date basis.

Commenting on second quarter ended June 30, 2015 results, Mr. Swapan Kakumanu, IES Chief Financial Officer stated, "Although our second quarter results showed continued growth, there is ongoing pressure on revenues and cost of operations, especially due to the continued slowdown in oil and gas activities in the regions we currently operate. The Company continues to explore and take necessary steps to generate alternate revenue streams in addition to the traditional Heating Unit operations. The recent acquisition of 640 Energy Inc. is a result of one of such initiatives to expand the revenue streams beyond Heating Units and generate revenues by managing a water depot and a disposal well in the USA under an agreement with 640 Energy Inc. We expect to see continued pressure on our charge out rates on our Heating Units during the remainder of 2015. Having closed a private placement of \$1 million in the first quarter of 2015, and the acquisition of 640 Energy Inc. in the second quarter of 2015, the Corporation is working on a plan to sustain and grow over the remainder of 2015 and manage its working capital during this process."

The following pages are taken from the Completed Financial Statements and are available through SEDAR at <http://sedar.com> or on the Company's website.

June 30, 2015 condensed interim consolidated financial statements

**INTERCEPT ENERGY SERVICES INC.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian dollars - Unaudited)

	June 30 2015 Unaudited	December 31, 2014 Audited
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,036,172	\$ 109,577
Trade and other receivables	1,641,308	3,251,976
Prepays and deposits	170,136	37,113
<b>Total current assets</b>	<b>3,847,616</b>	<b>3,398,666</b>
<b>Non-current assets</b>		
Equipment	6,430,535	3,446,677
Goodwill	95,237	-
<b>Total non-current assets</b>	<b>6,525,772</b>	<b>3,446,677</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,373,388</b>	<b>\$ 6,845,343</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	\$ 4,060,677	\$ 2,922,406
Current portion of loans and borrowings	887,184	830,693
Current portion of finance lease obligations	710,832	346,465
Current portion of derivative liability	31,195	42,311
<b>Total current liabilities</b>	<b>5,689,888</b>	<b>4,141,875</b>
<b>Non-current liabilities</b>		
Loans and borrowings	353,163	340,702
Finance lease obligations	4,538,927	2,031,376
Derivative liability	52,405	38,460
<b>Total long term liabilities</b>	<b>4,944,495</b>	<b>2,410,538</b>
<b>TOTAL LIABILITIES</b>	<b>10,634,383</b>	<b>6,552,413</b>
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		
Share capital	12,469,885	11,554,885
Contributed surplus	6,460,349	6,078,559
Deficit	(19,191,229)	(17,340,514)
<b>TOTAL (DEFICIENCY) EQUITY</b>	<b>(260,995)</b>	<b>292,930</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 10,373,388</b>	<b>\$ 6,845,343</b>

**INTERCEPT ENERGY SERVICES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars - Unaudited)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
<b>REVENUE</b>				
Rental and management fee income	\$ 1,071,224	\$ 501,190	\$ 2,230,497	\$ 1,866,536
<b>EXPENSES</b>				
Consulting fees	116,857	68,817	319,308	196,058
Depreciation	190,164	198,987	366,221	343,281
Equipment maintenance and rental	162,645	132,737	301,124	182,779
Fuel and sundry direct operating costs	313,889	159,346	682,739	746,413
Occupancy costs	38,559	38,808	128,718	82,910
Office and sundry	125,835	53,846	267,679	103,155
Professional fees	59,730	143,802	140,301	210,816
Royalties	71,336	70,524	179,392	287,607
Salaries and wages	347,467	336,300	882,541	698,461
Share based compensation	13,357	10,465	21,790	43,654
Travel, marketing and conferences	43,926	35,962	82,690	69,129
Allowance for doubtful debts	69,337	-	416,518	-
Foreign exchange (gain) loss	26,999	8,614	(120,494)	8,614
	<b>1,580,101</b>	<b>1,258,208</b>	<b>3,668,527</b>	<b>2,972,877</b>
Loss before other items	<b>(508,877)</b>	<b>(757,018)</b>	<b>(1,438,030)</b>	<b>(1,106,341)</b>
<b>OTHER ITEMS</b>				
Gain (loss) on derivative liability	2,070	(14,487)	(12,186)	(15,301)
Finance expense	(213,786)	(149,668)	(400,499)	(217,800)
	<b>(211,716)</b>	<b>(164,155)</b>	<b>(412,685)</b>	<b>(233,101)</b>
Net loss and total comprehensive loss for the period	\$ <b>(720,593)</b>	\$ (921,173)	\$ <b>(1,850,715)</b>	\$ (1,339,442)
Basic and diluted loss per common share	\$ <b>(0.00)</b>	\$ (0.01)	\$ <b>(0.01)</b>	\$ (0.01)
Weighted average number of common shares outstanding	<b>141,478,579</b>	109,873,310	<b>149,323,882</b>	109,583,164

**INTERCEPT ENERGY SERVICES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY**  
(Expressed in Canadian dollars - Unaudited)

	Share Capital Number of shares	Share Capital Amount	Contributed surplus	Deficit	Total
Balance at December 31, 2013	109,289,794	\$ 11,117,213	\$ 5,646,571	\$(18,398,509)	\$ (1,634,725)
Bonus shares issued	900,000	30,490	-	-	30,490
Share based compensation	-	-	43,654	-	43,654
Net income and comprehensive income for the period	-	-	-	(1,339,442)	(1,339,442)
Balance at June 30, 2014	110,189,794	\$11,147,703	\$5,690,225	\$(19,737,951)	\$(2,900,023)
<b>Balance at December 31, 2014</b>	<b>122,859,794</b>	<b>\$ 11,554,885</b>	<b>\$ 6,078,559</b>	<b>\$ (17,340,514)</b>	<b>\$ 292,930</b>
Private placement (Note 11(v))	20,000,000	1,000,000	-	-	1,000,000
Warrants (Note 11(v))	-	(360,000)	360,000	-	-
Share issue costs (Note 11(v))	-	(50,000)	-	-	(50,000)
Issued on acquisition of 640 Energy Inc. (Note 4)	13,000,000	325,000	-	-	325,000
Share based compensation	-	-	21,790	-	21,790
Net income and comprehensive income for the period	-	-	-	(1,850,715)	(1,850,715)
Balance at June 30, 2015	155,859,794	\$ 12,469,885	\$ 6,460,349	\$(19,191,229)	\$ (260,995)

**INTERCEPT ENERGY SERVICES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars - Unaudited)

	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) and comprehensive income (loss)	\$ (720,593)	\$ (921,173)	\$ (1,850,715)	\$ (1,339,442)
Add back (deduct) items not involving cash				
Accretion	6,444	5,562	12,461	15,419
Depreciation	190,164	198,987	366,221	343,281
Non cash portion of (gain) loss on derivative liability	(2,070)	16,115	12,186	15,301
Share based compensation	13,357	10,465	21,790	43,654
	<b>(512,698)</b>	<b>(690,044)</b>	<b>(1,438,057)</b>	<b>(921,787)</b>
Changes in non-cash working capital items:				
Trade and other receivables	4,196,222	421,046	4,998,754	(122,217)
Prepays and deposits	23,469	(9,115)	31,830	(17,456)
Inventory	-	-	-	(11,816)
Trade and other payables	(3,121,456)	143,684	(2,555,516)	944,109
	<b>1,098,235</b>	<b>555,615</b>	<b>2,475,068</b>	<b>792,620</b>
Net cash generated (used) in operating activities	<b>585,537</b>	<b>(134,429)</b>	<b>1,037,011</b>	<b>(129,167)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of equipment	(533,940)	(11,120)	(533,940)	(30,002)
Net cash generated (used) in investing activities	<b>(533,940)</b>	<b>(11,120)</b>	<b>(533,940)</b>	<b>(30,002)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	-	-	1,000,000	-
Share issue costs	-	-	(50,000)	-
Cash received on acquisition of 640 Energy	188,973	-	188,973	-
Loans and borrowings	28,380	201,066	56,491	448,631
Loans and borrowings repayments	-	2,571	-	-
Derivative liability	(5,238)	(21,628)	(9,357)	(31,118)
Finance leases	395,000	-	395,000	-
Finance leases repayments	(80,591)	(93,996)	(157,583)	(266,228)
Net cash generated (used) in financing activities	<b>526,524</b>	<b>88,013</b>	<b>1,423,524</b>	<b>151,285</b>
<b>Net increase in cash for the period</b>	<b>578,121</b>	<b>(57,536)</b>	<b>1,926,595</b>	<b>(7,884)</b>
<b>Cash, beginning of period</b>	<b>1,458,051</b>	<b>58,497</b>	<b>109,577</b>	<b>8,845</b>
<b>Cash, end of period</b>	<b>\$ 2,036,172</b>	<b>\$ 961</b>	<b>\$ 2,036,172</b>	<b>\$ 961</b>

## **About Intercept Energy Services Inc. ("IES")**

Intercept Energy Services Inc. employs innovative and proprietary technology to provide the highest efficiency heated water, used by oil and gas exploration and production companies in the fracturing process in Canada and the United States. Through the utilization of HE Heaters(TM), IES is able to reduce fuel consumption and emissions, enhance safety and productivity and enable extreme cold weather operations with significantly lower operating costs that result in a direct competitive advantage for its customers. For more information, visit <http://InterceptES.com>

IES is based in Edmonton, Alberta, Canada.

For more information, visit the IES website: [www.InterceptES.com](http://www.InterceptES.com)

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### **Forward-looking statements**

Certain information regarding IES in this news release, including management's assessment of its future development plans and access to various external sources of capital, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with heating technology and oilfield services operations, general risks associated with oil and gas exploration, development, production, marketing and disposal of waste, loss of markets, environmental risks, competition from other service providers, delays resulting from inability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect IES's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). The forward-looking statements or information contained in this news release are made as of the date hereof and IES does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.