SECURE ENERGY SERVICE INC.

2010 ANNUAL REPORT

TSX: SES

CONTENTS

NOTICE OF ANNUAL MEETING

Secure Energy Services Inc. ("**Secure**" or the "**Corporation**") is pleased to invite its shareholders and other interested parties to the Corporation's Annual meeting at 4 p.m. on May 12th, 300 (3rd floor, Hamilton Room), 205-5th Avenue S.W., Calgary, Alberta T2P 2V7.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements" within the meaning of securities laws, including the "safe harbor" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains forward-looking statements pertaining to: general market conditions, the oil and natural gas industry, activity levels in the oil and gas sector, commodity prices for oil, NGLs and natural gas, expansion strategy, debt service, capital expenditures, completion of facilities, future capital needs, access to capital, acquisition strategy, anticipated completion of the Obed and South Grande Prairie waste expansion, the Brazeau disposal well facility, and anticipated completion of the Drayton Valley full service terminal.

Forward-looking information concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity and growth levels in similar phases of previous economic cycles. Forward-looking information concerning the availability of funding for future operations is based upon assumptions that sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking information concerning the relative future competitive position of the Corporation is based upon assumptions that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation to successfully market its services and drilling and production activity in the Western Canadian Sedimentary Basin will lead to sufficient demand for the Corporation's services, that the current business environment will remain substantially unchanged, and that, present and anticipated programs and expansion plans of other organizations operating in the energy service industry will result in increased demand for the Corporation's services. Forward-looking information concerning the nature and timing of growth is based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking information in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance costs will not significantly increase from past acquisition and maintenance costs.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. We caution readers not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "Risk Factors" in the Corporation's annual information form "AIF" for the year ended December 31, 2010. Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

CORPORATE PROFILE

Secure is an energy services corporation that focuses on providing specialized services to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB"). The services provided by Secure assist these companies with the treatment and sale of crude oil and the handling of by-products associated with oil and natural gas development and production. The services provided by Secure include crude oil emulsion treatment, the terminalling and marketing of crude oil, oilfield waste processing, tank washing, landfill disposal, disposal of produced and waste water and the purchase and resale of crude oil at Secure's facilities. The Corporation provides a variety of these services depending on the type of facility. Secure operates three types of facilities; Full Service Terminals (FST's), Stand Alone Water Disposal (SWD's) and Class I & II landfills. A SWD can be converted to a FST by adding equipment to handle oilfield waste processing and crude oil emulsion treating. Over the past year, a number of Secure's facilities have been converted from a SWD to a FST. Currently, only two FST's are pipeline connected, however at all other non pipeline connected FST's, the crude oil is trucked to the nearest Secure pipeline connected facility. Secure owns and operates twelve facilities throughout Alberta and British Columbia as shown below.

The Corporation's broad service offerings ensure that its customers have a complete solution for their oil terminalling, waste processing and disposal requirements. All facilities are complimentary to one another and create synergies for the Corporation and its customers. For a complete description of Secure's business assets and operations, please refer to the headings, "Description of Business" and "Industry Overview" in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2010. The AIF is available on SEDAR at www.sedar.com

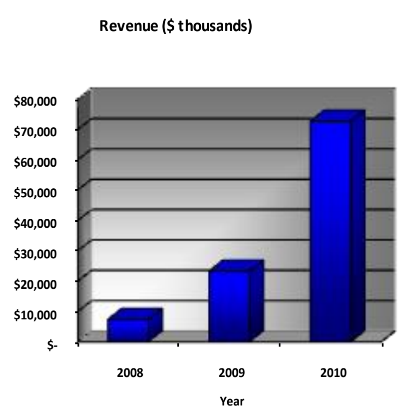
On March 30, 2010, the Corporation completed its initial public offering ("**IPO**") of common shares ("**Common Shares**"), which are now listed and posted for trading under the symbol "SES" on the Toronto Stock Exchange.

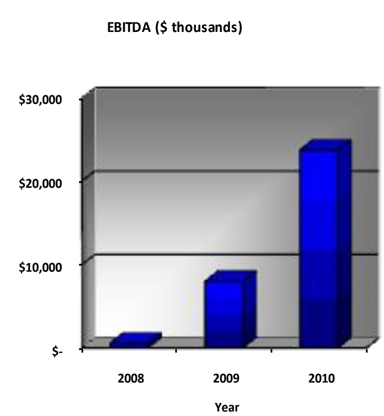
MESSAGE TO SHAREHOLDERS

Rene Amirault
President and Chief Executive Officer

On behalf of the employees and the Board of Directors of Secure Energy Services Inc. ("Secure" or the "Corporation"), it is my pleasure to report on the Corporation's 2010 operational and financial results. We enjoyed a very successful 2010 as we accomplished our goal of achieving profitable growth while providing cost effective solutions and delivering exceptional customer service. In March of 2010, the Corporation completed its initial public offering ("IPO") and began trading on the Toronto Stock Exchange. In November 2010, the Globe & Mail announced Secure as the number one Canadian IPO on the Toronto Stock Exchange, highlighting that the Corporation's shares were up 72% from the March IPO. Our progress is a result of our commitment to our vision and values. Together, the strength of our people and our business model can be seen in the performance of Secure since inception. Our track record shows what can be accomplished with hard work, innovation and fortitude.

From start up, a key part of our vision and values was to develop an entrepreneurial culture among all employees. To this end, each facility operates as a profit centre, with the facility manager playing a key role in the Corporation's strategic planning by developing goals and budgets. Our facility managers and employees in particular maintain relationships with customers to ensure that Secure is consistently exceeding their expectations and considered a key industry partner. This approach allows us to carefully consider our customer's treatment and disposal needs in the various stages of oil and gas drilling, production and reclamation cycle. Within each area, Secure was able to capitalize on drill cuttings to our landfills, produced water to our SWD's or crude oil emulsion to our FST's. We constructed and acquired facilities in key market areas that were underserviced or capacity constrained. Our business development team, along with senior management, worked tirelessly to purse the right opportunities to invest Secure's available funds. As shown below in the two graphs, our revenue from 2008 has increased from $7.4 million to $72.8 million in 2010. Moreover, our earnings before interest, taxes and depreciation ("EBITDA") has also increased from $0.6 million in 2008 to $24.0 million in 2010. In 2010, we were also able to achieve an overall operating margin of 59%, a significant increase from our 2009 operating margin of 55%. Our strategic approach over the past three years has established Secure as a key player in the Canadian energy services market.





While our revenue and EBITDA grew significantly in 2010, our capital program also increased considerably. In 2010, Secure began construction of the Dawson Creek FST, the Brazeau SWD facility, the Drayton Valley FST, expansion of our Obed and South Grand Prairie SWD's to FST's and expansion of disposal capacity at two of our landfills. Furthermore, Secure acquired the Pembina Area Landfill, a Class I & II landfill, in May of 2010. This significant deployment of capital is a result of Secure focusing on projects that maximize profitability and return on investment. Our facilities in western Alberta are well positioned to service the Cardium region in the WCSB. This area has both a long history of stable oil and natural gas production, and a significant amount of current drilling activity driven by the success of modern horizontal drilling technology.

It is impossible to overstate the importance of safety in our day-to-day operations and ongoing construction projects. We are committed to employing responsible management practices that result in protecting the health and safety of our employees, contractors, agents and the public. As part of this commitment, we adhere to the policies and procedures as set out in the Health and

Safety Certificate of Recognition Program and have adopted this into our Corporate Health and Safety Policy. We take safety very seriously and we are committed to ensuring our management practices promote the highest standards of safety and reliability.

During 2010, we also continued to expand the list of services provided to our customers. We began offering a new oil purchase/resale service at several of our facilities. This service increased the overall volumes received, thereby increasing revenues derived from the core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. This is an excellent example of Secure working with its customers to ensure we are exceeding expectations. We proceeded to expand this offering even further in December of 2010, by becoming a shipper of crude oil on the Pembina Pipeline system at our Fox Creek FST. Prior to Secure becoming a single shipper, Secure engaged a third party contractor to act as our shipper. As a single shipper, Secure has improved customer service and gained operational efficiencies. By integrating this function with the Fox Creek operation, Secure purchases all volumes of crude oil entering the terminal for resale in Edmonton. Overall, we are proud to be providing our customers alternative solutions to their handling of crude oil and the by-products associated with crude oil and natural gas production.

OUTLOOK

As we move forward, we will continue to evaluate our portfolio of opportunities to expand the Corporation through additional service lines, organic growth, and/or through strategic acquisitions. Secure has a total of $25 million related to 2010 carry over capital associated with the construction of the Drayton Valley FST, Brazeau SWD and waste expansion at the existing South Grande Prairie facility. Brazeau SWD and South Grande Prairie waste services are expected to be operational at the beginning of the second quarter. Construction on the Drayton Valley FST is well underway and it is expected to be completed during the third quarter of 2011. In addition, we dedicated approximately $30 million in 2011 for expansion and sustaining capital relating to increasing throughput capacity and the introduction of new services at the Corporation's existing facilities. We will increase capacity through additional disposal wells, pipeline connections, upgraded metering systems and additional truck unload infrastructure. The Corporation's available debt capacity and cash flow from operations moving in to 2011 will allow us the financial flexibility to deploy our capital strategy.

We expect activity levels experienced in the fourth quarter of 2010 in the oil and natural gas sector to continue into 2011. The Petroleum Services Association of Canada (PSAC) forecasts a total of 12,750 wells drilled in Canada for 2011, an increase over the expected 2010 final wells drilled of 12,158. In Alberta, PSAC is forecasting 8,390 wells drilled in 2011, an increase of three percent over 2010. Despite relatively low natural gas prices forecasted for 2011, natural gas producers will continue to realize the value of liquids-rich gas or natural gas liquids ("NGL's") in improving cash flow from natural gas wells. When prices are lower for natural gas, the sale of NGL's provide additional cash flow in determining whether an appropriate netback can be achieved on a specific well. Secure anticipates these NGL plays to continue into 2011, which promotes additional drilling and oilfield waste activity. In addition, higher levels of oilfield waste will also continue to increase as a result of advances in horizontal drilling and completion techniques. Drilling in Western Canada continues to steadily shift towards more horizontal drilling, and the horizontal wells have also become longer in total measured depth. The Daily Oil Bulletin (DOB) shows over 50% of wells drilled in Western Canada in 2009 were horizontal and directionally drilled – rising steadily from 21% in 2004. Total meters drilled in 2010 were 74% higher than 2009. The DOB has also reported that the average well depth has increased more than 35% from 2004-2009. Prices for crude oil have remained strong in 2010 and it is expected that oil wells drilled will outpace natural gas wells again in 2011. Overall, the strength of crude oil and NGL prices will continue to revitalize key market areas for 2011.

In 2011, we will continue to focus on strengthening our market position across all service lines and executing on our business strategy. We believe that our investment in developing a strong market position will continue to provide us with opportunities for growth. We expect the demand for our services to continue to grow based on a trend of greater outsourcing by oil and gas producers, and the increasing volume of byproducts requiring treatment and disposal from producing oil and gas wells. With the increase in volume, Secure is not only focusing on the treatment and disposal aspect in 2011, but also the opportunities for environmental recycling process improvements and cost saving initiatives for customers. Overall, we are excited about the opportunities ahead, and we look forward to the future of Secure. Secure's employees and management thank you for your support.

On behalf of the Board of Directors,

R. Amirault

Rene Amirault
President and Chief Executive Officer
Date: March 3, 2011

MANAGEMENT DISCUSSION AND ANALSYIS

(all tabular amounts are expressed in thousands of CDN dollars, except per share amounts)

Three and Twelve Months ended December 31, 2010 and 2009

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("**Secure**" or the "**Corporation**") has been prepared taking into consideration information available to March 3, 2011 and should be read in conjunction with the audited consolidated financial statements and accompanying notes. The MD&A has been prepared by management and reviewed and approved by the Board of Directors of Secure on March 3, 2011. Its focus is primarily a comparison of the financial performance for the three and twelve months ended December 31, 2010 and 2009. The Corporation prepared its consolidated financial statements for the year ended December 31, 2010 in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

CORPORATE OVERVIEW

Secure is incorporated under the *Business Corporations Act* (Alberta) and is primarily engaged in clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal and oil purchase/resale service.

SELECTED FINANCIAL HIGHLIGHTS

	Three Months Ended December 31,			Year Ended December 31,		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
($000's except share and per share data)						
(unaudited)						
	32,858	7,520	3,844	72,759	22,377	7,437
Operating margin (1)	11,643	4,043	2,228	32,142	12,295	4,554
EBITDA (1)	7,788	2,759	1,063	24,012	8,027	566
Per share ($), basic	0.12	0.07	0.03	0.41	0.20	0.02
Per share ($), diluted	0.12	0.06	0.03	0.41	0.19	0.02
Net income (loss)	1,951	(970)	(224)	4,474	(2,758)	(1,529)
Per share ($), basic	0.03	(0.02)	(0.01)	0.07	(0.07)	(0.05)
Per share ($), diluted	0.03	(0.02)	(0.01)	0.07	(0.07)	(0.05)
Funds from operations (1)	9,059	2,704	1,253	25,214	7,958	1,242
Per share ($), basic	0.14	0.06	0.04	0.43	0.19	0.04
Per share ($), diluted	0.14	0.06	0.04	0.43	0.19	0.04
Cash dividends per common share	nil	nil	nil	nil	nil	nil
Capital Expenditures	19,894	3,487	24,517	51,993	22,686	65,078
Total assets	192,976	96,979	97,887	192,976	96,979	97,887
Long term debt - including current portion	-	4,788	-	-	4,788	-
Total long term liabilities	8,594	8,150	2,863	8,594	8,150	2,863
Common Shares - end of period	63,754,348	41,631,991	39,962,075	63,754,348	41,631,991	39,962,075
Weighted average common shares						
basic	63,730,396	41,624,234	31,954,775	58,560,338	40,857,737	29,629,577
diluted	66,732,263	42,600,342	32,798,930	59,163,845	41,788,605	30,252,502

(1) **Refer to "Non GAAP measures" on page 8 for futher information**

FINANCIAL OVERVIEW

Secure's revenue and EBITDA grew dramatically in 2010 as facilities constructed in prior years started to mature within their respective markets. The growing trend towards horizontal drilling and multi-stage fracturing increased demand for the Corporation's services particularly at facilities located in unconventional oil and liquids rich gas producing area's. During 2010, Secure also added the new Dawson Creek full service terminal ("FST") to provide treatment and disposal options for customer's developing unconventional Montney shale gas and acquired the Pembina Area Landfill ("Pembina Landfill") to provide disposal services related to unconventional Cardium oil development. All of these factors contributed to higher revenue and EBITDA for 2010. Overall, the operating and financial highlights for the fourth quarter and year ended December 31, 2010 may be summarized as follows:

Operating and Financial Highlights

- Record revenue of $32.9 million and $72.8 million for the three and twelve months ended December 31, 2010 compared to $7.5 million and $22.4 million in the comparable periods of 2009. Total revenue is split into the following two streams:
  - **Core processing, recovery and disposal revenue:** $18.4 million and $54.2 million for the three and twelve months ended December 31, 2010 compared to $7.5 million and $22.4 million in the comparable periods of 2009. The 2010 fourth quarter proved to be the strongest quarter of the year. The fourth quarter benefited from the introduction of waste services at Dawson Creek in early November. As described above, the increase year to date is due to increased volume, the new Dawson facility and the Pembina Landfill acquisition in May of 2010;
  - **Oil purchase/resale service**: $14.5 million and $18.5 million for the three and twelve months ended December 31, 2010 compared to nil in the comparable periods of 2009. The Corporation began offering this new oil purchase and resale service during 2010 at a couple of its facilities. This service increased significantly in the month of December as Secure became a single shipper at its Fox Creek FST. Prior to December, Secure engaged a third party contractor to act as Secure's shipper. As a single shipper, Secure improved customer service, gained operational efficiencies and increased volumes from core processing, recovery and disposal. By integrating this function with the Fox Creek operation, Secure now purchases all volumes of crude oil entering the terminal for resale in Edmonton;
- Record EBITDA of $7.8 million and $24.0 million for the three and twelve months ended December 31, 2010 compared to $2.8 million and $8.0 million in the same periods of 2009. For both the fourth quarter and year to date, the increases relate to higher activity levels in 2010 over 2009 and increased market share. The increase is also related to the new facilities added during the year as described above;
- In the fourth quarter of 2010, Secure generated net income after taxes of $2.0 million, a significant improvement over the net loss after taxes of $1.0 million in the fourth quarter of 2009. For the year ended December 31, 2010, net income after taxes was $4.5 million, compared to the net loss after taxes of $2.8 million in 2009;
- During the fourth quarter, the Corporation expensed $1.3 million as a one time charge in business development expenses associated with Secure's Heritage landfill project. The project was to provide landfill disposal services to oil and gas customers located south of Dawson Creek, B.C. The Corporation was unable to obtain the necessary rezoning permits for the piece of property originally selected for the proposed landfill. Secure had to incur significant costs on the project prior to submitting the rezoning application. The Corporation determined in the fourth quarter of 2010 not to re-apply for zoning as this process would delay the project for an unreasonable period of time. During the fourth quarter, the Corporation made significant progress on a new landfill project in Alberta to service the same market area. Business development expenses in the fourth quarter of 2010 also include $0.6 million relating to research and development undertaken by Secure for environmental recycling process improvements and cost saving initiatives for customers;
- Overall, G&A as a percentage of the Corporations core revenue or processing, recovery and disposal services decreased to 10.8% for the year ended December 31, 2010 from 19.8% for the year ended December 31, 2009. This decrease continues to reflect the efficiencies gained as the Corporation expands its network of facilities;
- On December 1, 2010, Secure became a single shipper at its Fox Creek facility. There are three significant changes in the Corporation's operating and financial results by becoming a single shipper;
  - Oil purchase/resale services increased significantly in the month of December as all volume entering Fox Creek is purchased by Secure and sold back to customers in Edmonton;
  - Secure's accounts receivable and accounts payable increased significantly as commodity contracts are executed over the forecast period and commodity contracts are fulfilled on physically delivery. The majority of commodity contracts offset in subsequent payment month;
  - Secure is required by Pembina Pipeline Corporation ("Pembina") to hold physical linefill inventory from the Fox Creek terminal to the Edmonton terminal, based on a percentage of volume shipped by Secure in the given month; Subsequent to December 31, 2010, Pembina announced that shippers on its Peace pipeline system would no longer be required to hold line fill inventory. The announcement will free up working capital of approximately $2 million entering into 2011;

- Capital expenditures of $18.6 million in the fourth quarter related to the construction of the new Brazeau stand-alone water disposal “SWD” facility, waste expansion at the Obed FST and Dawson FST and the start of construction on the new Drayton Valley FST.

NON-GAAP MEASURES

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under Canadian GAAP and, therefore, are considered non-GAAP measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Corporation’s financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent GAAP measure. However, they should not be used as an alternative to GAAP because they may not be consistent with calculations of other companies. These measures are further explained below.

Operating margin

Operating margin is used by management to evaluate the operating performance of its facilities, and is calculated as revenues less operating expenses. Management analyzes operating margin as a key indicator of operating efficiency and variable cost control.

Funds from operations

Funds from operations refers to cash flow from operations before changes in non-cash working capital. Secure’s management views cash flow from operating activities before changes in non-cash working capital balances, as a measure of liquidity, and believes that funds from operations is a metric used by many investors to assess the financial performance of the Corporation. Any use of cash from an increase in working capital in a particular period will be financed by existing cash or by the credit facility.

	Three Months Ended December 31,			Year Ended December 31,		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
($000's) (unaudited)						
Cash from operating activities	5,326	2,412	(121)	18,994	8,626	(120)
Add (deduct):						
Non-cash working capital	3,732	292	1,178	6,220	(668)	(1,031)
Funds from operations	9,059	2,704	235	25,214	7,958	217

EBITDA

EBITDA is not a recognized measure under GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation’s principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as net income excluding depreciation, depletion and accretion, stock-based compensation, interest, and taxes.

	Three Months Ended December 31,			Year Ended December 31,		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
($000's) (unaudited)						
Net income (loss)	1,951	(970)	301	4,474	(2,758)	262
Add:						
Depreciation, depletion and accretion	4,603	3,713	24	15,567	10,657	46
Stock-based compensation	389	121	221	1,170	459	155
Financing fees	-	51	(100)	112	192	(42)
Future income tax expense (recovery)	816	(211)	(487)	2,544	(593)	(529)
Interest expense (income)	29	55	(47)	145	70	107
EBITDA	7,788	2,759	182	24,012	8,027	199

Expansion, growth, acquisition or sustaining capital

Expansion, growth or acquisition capital is capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business acquisition. Sustaining capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion capital involves judgment by management.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER

	Three Months Ended December 31,		
	2010	2009	% Change
($000's except per share data)			
(unaudited)			
Revenue	32,858	7,520	337
Expenses			
Operating	21,215	3,477	510
General and administrative	2,000	1,314	52
Stock-based compensation	389	121	221
Business development	1,855	21	8,733
Interest and financing	103	60	72
Depreciation, depletion and accretion	4,603	3,713	24
Other revenue			
Interest income	74	5	1,380
Income (loss) before income taxes	2,767	(1,181)	334
Income taxes			
Future income tax expense (recovery)	816	(211)	(487)
Net income (loss) and comprehensive income (loss)	1,951	(970)	301
Earnings per share			
Basic	0.03	(0.02)	
Diluted	0.03	(0.02)	

Revenue

In order to understand the Corporation's core business, total revenue has been split into two separate revenue streams; core processing, recovery and disposal services; and oil purchase/resale services.

- Core processing, recovery and disposal services: Processing services are primarily performed at FST's and include waste processing and crude oil emulsion treating. Two of Secure's FST's are connected to oil pipelines through which Secure provides customers with an access point to process and/or treat their crude oil for shipment to market. The crude oil or oilfield waste is delivered by customers to Secure by tanker truck or by a vacuum truck. Oilfield waste is delivered on the receiving pad and processed through a shaker and centrifuge system. Crude oil not meeting pipeline specifications is processed through a crude oil emulsion treater. Recovery includes revenue from the sale of oil recovered through waste processing, crude oil handling, terminalling and marketing. Clean crude oil and treated crude oil are stored on site until the volumes are ready to be shipped through the gathering or transmission pipelines. Disposal services include produced and waste water disposal services through a network of class IB disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.
- Oil purchase/resale services: Although this service has no operating margin, the purpose of providing the service is to increase the overall volumes received, thereby increasing revenues derived from Secure's core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure's non pipeline connected facilities, Secure will meter the crude oil volumes and purchase the crude oil directly from its customers. The Corporation will then process, transport and handle the shipment of crude oil to its pipeline connected FSTs. The crude oil will then have direct access to be shipped down the pipeline. The revenue earned in relation to processing, transportation, and marketing the crude oil are all included in the core processing, recovery, and disposal services revenue stream. The Corporations oil purchase/resale service also includes oil purchased at the Fox Creek FST and resold in Edmonton as part of Secure becoming a single shipper in December 2010.

	Three Months Ended December 31,		
	2010	2009	% Change
($000's) (unaudited)			
Revenue			
Core processing, recovery and disposal services	**18,372**	7,520	144
Oil purchase/resale service	**14,486**	-	100
Total revenue	**32,858**	7,520	337
Operating Expenses			
Core processing, recovery and disposal services	**6,729**	3,477	94
Oil purchase/resale service	**14,486**	-	100
Total operating expenses	**21,215**	3,477	510
Operating Margin	**11,643**	4,043	188
Operating Margin as a % of core processing, recovery and disposal services	**63%**	54%	17
Operating margin as a % of total revenue	**35%**	54%	(35)

For the fourth quarter 2010, core processing, recovery and disposal revenue increased significantly to $18.4 million from $7.5 million in the fourth quarter of 2009. The significant increase includes a 98% increase in processing crude oil volumes in the fourth quarter of 2010 compared to 2009. Secure's processing volumes are higher primarily as a result of the increased activity and demand, as well as, the opening of the Dawson Creek waste expansion in November 2010. Total sales from recovery for the three months ended December 31, 2010 increased by 189% over the same period in 2009. The increase is a result of higher crude oil volumes allowing for greater crude oil handling, marketing and terminalling. In addition, the higher amount of oil recovered during waste processing, the higher price of crude oil in 2010 compared to 2009 and the higher volume of waste processed in the fourth quarter also contributed to the increase in revenue. Finally, during the fourth quarter of 2010, the Corporation's disposal volumes increased by 108% compared to the fourth quarter of 2009. As noted above, activity and demand has increased in 2010, however the other factors that contributed to the increase in disposal volume of waste were the addition of the Pembina Landfill, the Dawson FST and Obed FST facilities.

Oil purchase/resale service revenue for the three months ended December 31, 2010 increased to $14.5 million from nil in the comparative period of 2009. Secure started offering this new service to customers in 2010 so customers could gain efficiencies in transportation and handling of their crude oil to the pipeline. In the fourth quarter of 2010, the revenue and expenses associated with this service increased dramatically as a result of Secure becoming a single shipper on the Pembina Pipeline at its Fox Creek FST. Oil purchase/resale services increased significantly in the month of December as all volume entering Fox Creek is purchased by Secure and sold back to customers in Edmonton. As a single shipper, Secure's accounts receivable and accounts payable have increased significantly, as commodity contracts are executed over the forecast period and commodity contracts are fulfilled on physical delivery. The majority of commodity contracts offset in subsequent payment months. See the "**Business Risks**" section in this MD&A for further discussion. Secure is also required by Pembina Pipeline Corporation ("Pembina") to hold physical linefill inventory from the Fox Creek terminal to the Edmonton terminal, based on a percentage of volume shipped by Secure in the given month. Subsequent to December 31, 2010, Pembina announced that shippers on the peace pipeline will no longer be required to hold line fill inventory. The announcement will free up working capital of approximately $2 million entering into 2011. The revenue and corresponding expense of this service will fluctuate depending upon the volume of crude oil received in any given period and the price of crude oil for that period. As shown above, oil purchase/resale revenue is deducted to calculate the operating margin of core processing, recovery and disposal services (63%).

Operating Expenses (core processing, recovery and disposal services)

For the three months ended December 31, 2010 operating expenses increased to $6.7 million from $3.5 million in the comparative period of 2009. The increase in operating expenses corresponds to the 139% increase in revenue for the fourth quarter 2010 compared to the fourth quarter of 2009 as variable operating costs have risen accordingly. Operating expenses are also higher as a result of the addition of the Dawson FST and Pembina Landfill in mid 2010. As shown in the above table, operating margin is split by the core processing, recovery and disposal services stream and the oil purchase/resale revenue stream in order to evaluate the performance of the operating facilities. Operating margin as a percentage of revenue from core processing, recovery and disposal services for the fourth quarter 2010 was 63%, up from 54% in the fourth quarter of 2009. The change in operating margin may fluctuate quarter to quarter as a result of changes in volumes affected by seasonality, as new facilities come online and activity levels increase, as the Corporation's sales mix or type of services received varies, and as commodity prices rise and fall. The increase in the fourth quarter 2010, relates to higher commodity price and operational efficiencies gained with the addition of the Dawson FST and the Pembina landfill.

General and Administrative

General and administrative expenses ("G&A") increased in the fourth quarter 2010 to $2.0 million from $1.3 million in 2009. The most significant accounts within G&A includes, salaries and benefits for office staff, professional fees, rent, insurance, utilities and communications in the Corporation's head office. In the fourth quarter of 2010, the Corporation has increased office staff to meet the growing demands of Secure's business. Associated with this increase in staff are increased training costs and professional fees.

Stock-based Compensation

The non-cash stock based compensation expense for the three months ended December 31, 2010 increased by 221% over the comparable period in 2009. The increase in stock-based compensation relates mainly to the stock options granted to new employees hired in the fourth quarter and options granted during the Corporation's IPO in March 2010.

Business Development Expense

For the three months ended December 31, 2010 business development expenses were $1.9 million, up from $0.1 million in the comparative period of 2009. During the fourth quarter, the Corporation expensed a one-time cost of $1.3 million associated with Secure's Heritage landfill project. Work on this project commenced in October 2008 with preliminary site studies. Over the next year and a half, Secure worked with the British Columbia ("BC") Environmental Assessment Office, completing the necessary environmental studies and public consultations in order to submit an application for a BC landfill. Secure was unable to obtain the necessary rezoning permits for the property originally selected for the proposed landfill. Without the property rezoning approved, the project could not proceed on the timelines originally expected. The Corporation had to incur significant costs on the project prior to submitting the rezoning application. The Corporation determined in the fourth quarter of 2010 not to re-apply for re-zoning as this process would potentially delay the project for a significant period of time. During the fourth quarter, the Corporation made significant progress on a new landfill project in Alberta to service the same market area. The majority of the remaining $0.6 million relates to research and development undertaken by Secure for environmental recycling process improvements and cost saving initiatives for customers.

Interest and Financing

Interest and financing costs remained unchanged in the fourth quarter of 2010 over the same period in 2009. The financing costs in the fourth quarter of 2010 relate to standby fees associated with the undrawn portion of the credit facility and charges relating to the letters of guarantee (see also note 12 to the annual financial statements).

Depreciation, Depletion and Accretion

Depreciation, depletion and accretion expense for the three months ended December 31, 2010 increased to $4.6 million from $3.7 million for the three months ended December 31, 2009. The addition of the Dawson FST facility and the Pembina landfill in 2010 have both contributed to the increase. The additional landfill and higher activity and volumes all contributed to increased depletion for the three months ended December 31, 2010.

Income Taxes

The Corporation follows the liability method of accounting for income taxes. Future income tax expense (recovery) for the fourth quarter 2010 increased to $0.8 million from a future tax expense (recovery) of ($0.2) million in the fourth quarter of 2009. The increase in future tax expense is a result of increased activity and demand at the Corporation's facilities, which in turn resulted in an increase in net income before taxes.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

	Year Ended December 31,		
	2010	2009	% Change
($000's except per share data)			
(audited)			
Revenue	72,759	22,377	225
Expenses			
Operating	40,617	10,082	303
General and administrative	5,833	4,428	32
Stock-based compensation	1,170	459	155
Business development	2,297	64	3,489
Interest and financing	491	105	368
Depreciation, depletion and accretion	15,567	10,657	46
Other revenue			
Interest income	234	67	249
Income (loss) before income taxes	7,018	(3,351)	309
Income taxes			
Future income tax expense (recovery)	2,544	(593)	(529)
Net income (loss) and comprehensive income (loss)	4,474	(2,758)	262
Earnings per share			
Basic	0.07	(0.07)	
Diluted	0.07	(0.07)	

Revenue

Revenue for the year ended December 31, 2010 increased 225% to $72.8 million from $22.4 million in the same period of 2009. Core processing, recovery and disposal revenue increased significantly for the year ended December 31, 2010 to $54.2 million from $22.4 million in the comparative period in 2009, as shown on the next page. Core processing volumes increased 149% from 2009 to 2010 primarily as a result of the Corporation's Fox Creek FST, which began operations in July 2009 and the addition of the Dawson FST in the second half of 2010. Total sales from recovery, crude oil handling, marketing and terminalling for the year ended December 31, 2010 increased by 209% over the year end December 31, 2009. All of Secure's processing facilities experienced higher volumes of waste which correlates to higher recovery of oil from waste processing. Secure's Fox Creek and La Glace FST also had increased crude oil volumes, which led to higher crude oil handling, marketing and terminalling revenue. In addition, the higher crude oil prices in 2010 over 2009 also contributed to the increase. Finally, the Corporation's disposal volumes increased by 117% in 2010 compared to the same period in 2009. Increased activity, increased demand, the addition of the Pembina Landfill, the Dawson FST, Fox Creek FST and Obed FST facilities, all contributed to the increase in disposal volumes for the year. As shown below, oil purchase/resale revenue is deducted to calculate the operating margin of core processing, recovery and disposal services (59%).

($000's)	Year Ended December 31, 2010	2009	% Change
Revenue			
Core processing, recovery and disposal services	**54,224**	22,377	142
Oil purchase/resale service	**18,535**	-	100
Total revenue (audited)	**72,759**	22,377	225
Operating Expenses			
Core processing, recovery and disposal services	**22,082**	10,082	119
Oil purchase/resale service	**18,535**	-	100
Total operating expenses (audited)	**40,617**	10,082	303
Operating Margin	**32,142**	12,295	161
Operating Margin as a % of core processing, recovery and disposal services	**59%**	55%	7
Operating margin as a % of total revenue	**44%**	55%	(20)

As described in the results of the fourth quarter section of this MD&A, oil purchase/resale service increased dramatically during the year as a result of Secure becoming a single shipper. The increase in this service drives demand for Secure's other services. For the year ended December 31, 2010, this service increased to $18.5 million from nil in the comparative period in 2009 as a result of Secure offering this new service in 2010. As a result of becoming a single shipper on Pembina Pipeline in December of 2010 at the Fox Creek FST, this service increased by $11.3 million for one month which correlates to the volume purchased at the facility and then sold in Edmonton. The revenue and corresponding expense of this service will fluctuate depending upon the volume of crude oil received in any given period and the price of crude oil for that period. The Corporation expects the amount of revenue and expense associated with this service to increase to approximately $30 to $40 million in each quarter of 2011.

Operating Expenses (core processing, recovery and disposal services)

For the year ended December 31, 2010 operating expenses increased significantly to $22.1 million from $10.1 million for the year ended December 31, 2009. Corresponding with the significant increase in revenue, volumes at all facilities have increased in 2010 over the 2009 year. Accordingly, variable operating costs have increased with the higher revenue. Moreover, operating expenses are also significantly higher with the addition of the Dawson FST and Pembina landfill in mid 2010 as well as both the Fox Creek FST and Obed FST were in the start up phase in the third quarter of 2009. Operating margin in the table above is split by the core processing, recovery and disposal services stream and the oil purchase/resale revenue stream in order to evaluate the operating performance of the facilities. Operating margin as a percentage of revenue from core processing, recovery and disposal services for the year ended December 31, 2010 was 59%, up from 55% for the year ended December 31, 2009. The increase in operating margin over 2009 is a result of having both Obed and Fox Creek FST in the start up phase in 2009, offset slightly by Dawson Creek FST being in the start up phase in the second half of 2010 and overall efficiencies gained at all facilities during 2010. Year to date the margin is also higher due to increased activity levels and volumes received over 2009.

General and Administrative

The Corporation's G&A expenses increased for the year ended December 31, 2010 to $5.8 million from $4.4 million in 2009. G&A year over year have increased as a result of the Corporation becoming a public company in March of 2010 and due to the increased office staff needed to meet the growing demands of Secure's business. Overall, G&A as a percentage of the Corporations core revenue or processing, recovery and disposal services decreased to 10.8% for the year ended December 31, 2010 from 19.8% for the year ended December 31, 2009. This decrease continues to reflect the efficiencies gained as the Corporation expands its network of facilities.

Stock-based Compensation

Stock-based compensation expense is the amortization of the fair value of stock options granted to employees, officers, directors and key consultants of the Corporation. The fair value of all options and performance warrants granted is estimated at the date of grant using the Black-Scholes option pricing model. The fair value of options and performance warrants granted prior to January 1, 2010 was estimated at the date of grant using the minimum value method in the Black-Scholes option pricing model. Subsequent to December 31, 2009, the Corporation has incorporated a weighted-average volatility factor of 52% in the Black-Scholes option pricing model. Accordingly, future option grants will likely be recorded at a higher amount, thereby increasing the Corporation's stock based compensation expense in future periods. The non-cash compensation expense for the year ended December 31, 2010 increased by 155% over the comparable period in 2009. The increase in stock-based compensation relates mainly to the stock options granted to new employees and options granted during the Corporation's IPO in March 2010 and as a result of all remaining warrants vesting at the end of 2010. Year to date, the Corporation has granted 2,317,800 stock options to employees, officers, directors and key consultants under the Corporation's stock option plan.

Business Development Expense

Business development expenses for the year ended December 31, 2010 were $2.3 million up from $0.1 million for the year ended December 31, 2009. Business development expenses in 2010 are higher as a result of a one time expense of $1.3 million associated with Secure's Heritage landfill project. Secure was unable to obtain the necessary rezoning permits for the piece of property originally selected for the proposed landfill. Without the property rezoning approved, the project could not proceed on the timelines originally expected. However, during the fourth quarter, the Corporation began working on a new landfill project in Alberta to service the same market area. Business development expenses are also higher due to the adoption of the new business combinations accounting standard (CICA Handbook Section 1582) in preparation for the transition to IFRS in 2011. As a result of adopting this new accounting standard, transaction costs relating to an acquisition are no longer capitalized as part of the purchase price equation. Accordingly, transaction costs of $0.2 million associated with the Pembina landfill acquisition were expensed as incurred. The majority of the remaining business development expense relates to research and development undertaken by Secure for environmental recycling process improvements and cost saving initiatives for customers.

Interest and Financing

For the year ended December 31, 2010, interest and financing costs increased to $0.5 million from $0.1 million over the same period in 2009. In the first three months of 2010, the Corporation had $4.9 million drawn on its credit facility compared to nil drawn in the same period of 2009. In addition, financing charges of $0.1 million associated with establishing the new credit facility in 2009 were expensed when the facility was repaid in the first quarter of 2010. In the remaining quarters of 2010, no amounts were drawn on the loan, therefore remaining financing costs relate to standby fees associated with the undrawn portion of the credit facility and charges relating to the letters of guarantee (see also note 12 to the consolidated financial statements).

Depreciation, Depletion and Accretion

For the year ended December 31, 2010, depreciation, depletion and accretion expense increased to $15.6 million from $10.7 million for the same period in 2009. The significant increases relate to higher volumes at the Corporation's landfills (depleted on a unit of capacity basis), the full year depreciation of both the Fox Creek FST and Obed FST, as well as, the addition of the Dawson FST facility and the Pembina landfill.

Income Taxes

Future income tax expense (recovery) for the year ended December 31, 2010 increased to $2.5 million from a future tax expense (recovery) of ($0.6) million for the year ended December 31, 2009. In 2010, the Corporation experienced a significant increase in activity, demand and added new facilities, all of which lead to higher pre-tax net income. The effect is an increase in future income tax expense. The future income tax expense also includes the impact of tax rates decreasing in future periods and the corresponding reduction on the Corporation's value of non-capital losses. Secure does not have any current tax expense for the year ended December 31, 2010, as it has non-capital loss carry forwards of $17.0 million available for future use.

Significant Projects

Secure's 2010 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2010 capital expenditure program, see "***Liquidity and Capital Resources***" in the next section.

SUMMARY OF QUARTERLY RESULTS

Seasonality

Seasonality impacts Secure's operations. In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities may be restricted, and the level of activity of Secure's customers may be consequently reduced and as such the level of oilfield waste processing and landfill disposal is therefore reduced accordingly. The transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to the Corporation's facilities. Accordingly, while Secure's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. The table below summarizes unaudited quarterly information for each of the eight most recently completed fiscal quarters.

($000s except share and per share data)	2010				2009			
(unaudited)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Core processing, recovery and disposal services revenue	18,372	13,845	9,806	12,201	7,520	4,954	3,534	6,369
Oil purchase/resale service revenue	14,486	2,679	1,370	-	-	-	-	-
Total Revenue	32,858	16,524	11,176	12,201	7,520	4,954	3,534	6,369
Earnings (loss) per share - basic	0.03	0.02	0.00	0.02	(0.02)	(0.03)	(0.02)	0.01
Earnings (loss) per share - diluted	0.03	0.02	0.00	0.02	(0.02)	(0.03)	(0.02)	0.01
Weighted average shares - basic	63,730,396	63,701,941	63,187,252	43,341,202	41,624,234	41,620,292	40,074,801	39,962,075
Weighted average shares - diluted	66,732,263	65,859,648	64,716,438	44,242,584	42,600,342	42,568,727	40,995,562	40,839,554
EBITDA	7,788	6,173	3,399	6,428	2,761	1,444	741	3,051

Quarterly Review Summary

As described above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth during 2009 and the year ended December 31, 2010, variations in quarterly results extend beyond seasonal factors. Each quarter was impacted by the date at which any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's business assets and operations, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2010 which will also include a description of the date on which each of Secure's facilities commenced operations. In addition to when the facility commenced operating activities or was acquired, the quarters were also impacted by the length of time required for several oil and natural gas producers to conduct their own individual audits of the facilities to ensure Secure meets all required internal specifications for disposal of oilfield wastes. This process is conducted at all landfills, FSTs and SWDs before the producer will begin sending waste. Depending on the producer, this process can take several months.

LIQUIDITY AND CAPITAL RESOURCES

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. The Corporation has historically funded its operations and capital program primarily with equity financing, cash flow from operations and its credit facility. The Corporation's objective in capital program management is to ensure adequate sources of capital are available to carry out its capital plan, while maintaining operational growth and increased cash flow so as to sustain future development of the business.

Sources of Cash

a) ***Funds from operations***

	Year Ended December 31,		
	2010	2009	% Change
($000's) (audited)			
Funds from operations	25,214	7,958	217

Funds from operations increased dramatically for the year ended December 31, 2010 to $25.2 million from $8.0 million for the year ended December 31, 2009. The substantial change in funds from operations is due to the growth in operations of all facilities, increases in oil and natural gas activity and the increase in the price of oil, volume of crude oil received, and the addition of the new Dawson Creek FST and Pembina landfill. Furthermore, Secure's Fox Creek FST and Obed SWD were only in the start up phase in the third quarter of 2009, therefore in 2010 these facilities were operating for a full year.

b) Issue of common shares

	Year Ended December 31,		
	2010	**2009**	**% Change**
($000's) (audited)			
Issue of common shares, net of issue costs	61,672	4,482	100

For the year ended December 31, 2010, the substantial increase of $61.7 million from $4.5 million over the year ended December 31, 2009 relates to the IPO completed in March 2010 where the Corporation issued 19.2 million Common Shares for net proceeds of $53.6 million to be utilized to fund the Corporation's capital expenditure program. Secure issued an additional 2.9 million Common Shares as part of the over-allotment option granted to the Agents in connection with the IPO for $7.9 million in April 2010. The remaining amount relates to options exercised during the year.

Uses of Cash

a) Capital Expenditures

	Year Ended December 31,		
	2010	**2009**	**% Change**
($000's) (unaudited)			
Capital Expenditures			
Expansion and Growth Capital expenditures	63,033	22,686	178
Sustaining Capital Expenditures	710	-	100
Total Capital Expenditures	63,743	22,686	181

Expansion and growth capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business acquisition. The Corporation's expansion and growth capital expenditures for the year ended December 31, 2010 increased to $63.7 million from $22.7 million compared to the year ended December 31, 2009. During the year, the Corporation incurred expansion capital expenditures of $7.0 million for increased cell capacity at Secure's existing South Grand Prairie landfill and the Willesden Green landfill, the addition of a second well at Fox Creek FST and the recompletion of the Obed FST well to increase capacity.

During 2010, the Corporation also incurred growth capital expenditures of $51.3 which includes the purchase of the Pembina landfill for $11.8 million in May 2010, completion of the Dawson FST, the construction of the new Brazeau SWD, the addition of waste processing to both Obed FST and the South Grand Prairie FST, and the preliminary construction of the Drayton Valley FST. The waste processing expansions include crude oil treating and waste processing services which will increase revenue potential in those markets. Any oil processed at Obed FST or South Grand Prairie FST will be trucked to the nearest Secure pipeline connected facility. Secure has a total of $25 million related to 2010 carry over capital projects, as well as $30 million dedicated in 2011 for expansion and sustaining capital relating to increasing throughput capacity and the introduction of new services at the Corporation's existing facilities. The Corporation intends to fund its capital program primarily with existing cash, cash flow from operations and its credit facility. The remaining costs for the year ended December 31, 2010 relate to purchasing assets for other upcoming projects for the 2011 capital program.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgment by management. During the year ended December 31, 2010, sustaining capital was $0.7 million compared to nil in the same period of 2009. Sustaining capital in the first two years of operation of a facility is expected to be minimal because each facility is constructed with new equipment or refurbished equipment. As a facility matures, the amount of sustaining capital required will increase.

b) Credit Facility

	Year Ended December 31,		
	2010	**2009**	**% Change**
($000's) (audited)			
Use of secured Credit Facility	4,900	(4,788)	100

In December 2009, the Corporation entered into a secured credit facility with a Canadian financial institution consisting of a $35.0 million committed revolving term facility (the "credit facility"). The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011. If the credit facility is not renewed prior to May 31, 2011, then a non-revolving term period shall commence immediately thereafter and shall end one year later on May 31, 2012. The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011, at which point the Corporation is required to repay in full all amounts owing under the credit facility. During March 2010, the Corporation repaid the entire outstanding balance of its credit facility.

The credit facility is a multi-use facility and is intended to provide capital project financing, fund working capital requirements and for the issuance of letters of guarantee in support of financial security requirements. The credit facility has a $10,000,000 sublimit for the issue of letters of guarantee which bear interest at 1.50% while issued. The aggregate dollar amounts of the outstanding letters of guarantee are not categorized in the consolidated financial statements as long term debt; however, the issued letters of guarantee reduce the amount available under the credit facility. The credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. The credit facility bears interest ranging from 1.5% to 2.5% above the prime rate depending on the applicable funded debt to EBITDA ratio, with any unused amounts subject to standby fees. Funded debt includes all outstanding debt, including capital leases, and any outstanding letters of guarantees. At the option of the Corporation, the credit facility may be utilized by way of guaranteed notes with interest calculated at the lenders base rate for such notes plus 3.0% to 4.0% based on the funded debt to EBITDA ratio. EBITDA as defined in the credit facility has the same meaning as ascribed in the Non GAAP measurement section of this MD&A. Under the terms and conditions of the credit facility, the Corporation is subject to certain covenants with respect to maintaining minimum financial ratios. As at December 31, 2010, the Corporation is in compliance with all of its covenants. As security for the credit facility, the Corporation granted lenders a security interest over all of its present and after acquired property. A $200.0 million debenture provides a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subjected to the fixed charge.

	Dec 31,	Dec 31,	
	2010	**2009**	**% Change**
($000's) (audited)			
Committed secured Credit Facility	35,000	35,000	-
Letters of guarantee issued	(8,494)	(8,380)	1
Available amount	26,506	26,620	(1)

At December 31, 2010, the Corporation had issued approximately $8.5 million in letters of guarantee to various environmental regulatory authorities in Alberta and British Columbia. The Energy Resource and Conservation Board ("ERCB"), is implementing amendments to the *Energy Statutes Amendment Act, 2009* (Alberta) with respect to the Oilfield Waste Liability ("OWL") program. The OWL program is expected to replace the current fully funded liability management program for oilfield waste facilities with a facility specific asset to liability risk based assessment that is backed by the existing upstream oil and natural gas industry liability management program. The amount of letters of guarantee issued will fluctuate based on the growth of the Corporation and future refunds under the OWL program, which are undeterminable at this time. As at December 31, 2010, the Corporation has $26.5 million available under its credit facility.

c) *Contractual Obligations*

The Corporation's has commitments for capital and operating lease agreements, primarily for heavy equipment, vehicles, land leases and office space, in the aggregate amount of $6.6 million.

		Payments due by period			
	Total	1 year or less	1-3 years	4-5 years	5 years and thereafter
($000's) (audited)					
Capital leases	1,842	807	1,033	2	-
Operating leases	4,746	1,067	1,768	629	1,282
Total Commitments	6,588	1,874	2,801	631	1,282

The Corporation also has commitments for estimated future costs for asset retirement obligations. The net present value of its total asset retirement obligations as at December 31, 2010 are approximately $7.6 million (December 31, 2009 - approximately $3.1 million) based on a total future liability as at December 31, 2010 of approximately $14.1 million (December 31, 2009 - approximately $7.3 million). These costs are expected to be incurred over the next two to twenty-five years.

OUTLOOK

As we move forward, we will continue to evaluate our portfolio of opportunities to expand the Corporation through additional service lines, organic growth, and/or through strategic acquisitions. Secure has a total of $25 million related to 2010 carry over capital associated with the construction of the Drayton Valley FST, Brazeau SWD and waste expansion at the existing South Grande Prairie facility. Brazeau SWD and South Grande Prairie waste services are expected to be operational at the beginning of the second quarter. Construction on the Drayton Valley FST is well underway and it is expected to be completed during the third quarter of 2011. In addition, we dedicated approximately $30 million in 2011 for expansion and sustaining capital relating to increasing throughput capacity and the introduction of new services at the Corporation's existing facilities. We will increase capacity through additional disposal wells, pipeline connections, upgraded metering systems and additional truck unload infrastructure. The Corporation's available debt capacity and cash flow from operations moving in to 2011 will allow us the financial flexibility to deploy our capital strategy.

We expect activity levels experienced in the fourth quarter of 2010 in the oil and natural gas sector to continue into 2011. The Petroleum Services Association of Canada (PSAC) forecasts a total of 12,750 wells drilled in Canada for 2011, an increase over the expected 2010 final wells drilled of 12,158. In Alberta, PSAC is forecasting 8,390 wells drilled in 2011, an increase of three percent over 2010. Despite relatively low natural gas prices forecasted for 2011, natural gas producers will continue to realize the value of liquids-rich gas or natural gas liquids ("NGL's") in improving cash flow from natural gas wells. When prices are lower for natural gas, the sale of NGL's provide additional cash flow in determining whether an appropriate netback can be achieved on a specific well. Secure anticipates these NGL plays to continue into 2011, which promotes additional drilling and oilfield waste activity. In addition, higher levels of oilfield waste will also continue to increase as a result of advances in horizontal drilling and completion techniques. Drilling in Western Canada continues to steadily shift towards more horizontal drilling, and the horizontal wells have also become longer in total measured depth. The Daily Oil Bulletin (DOB) shows over 50% of wells drilled in Western Canada in 2009 were horizontal and directionally drilled – rising steadily from 21% in 2004. Total meters drilled in 2010 were 74% higher than 2009. The DOB has also reported that the average well depth has increased more than 35% from 2004-2009. Prices for crude oil have remained strong in 2010 and it is expected that oil wells drilled will outpace natural gas wells again in 2011. Overall, the strength of crude oil and NGL prices will continue to revitalize key market areas for 2011.

In 2011, we will continue to focus on strengthening our market position across all service lines and executing on our business strategy. We believe that our investment in developing a strong market position will continue to provide us with opportunities for growth. We expect the demand for our services to continue to grow based on a trend of greater outsourcing by oil and gas producers, and the increasing volume of byproducts requiring treatment and disposal from producing oil and gas wells. With the increase in volume, Secure is not only focusing on the treatment and disposal aspect in 2011, but also the opportunities for environmental recycling process improvements and cost saving initiatives for customers. Overall, we are excited about the opportunities ahead, and we look forward to the future of Secure.

BUSINESS RISKS

The following information describes certain significant risks and uncertainties inherent in the Corporation's business. This section does not describe all risks applicable to the Corporation, its industry or its business, and it is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occurs, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.

Oil and Natural Gas prices

The oil and natural gas exploration and production industry in which the Corporation operates is highly volatile, and there can be no assurance that demand for the Corporation's services will be maintained at current levels. The demand, pricing and terms for oilfield waste disposal services in the Corporation's existing or future service areas largely depend upon the level of exploration, development and production activity for both crude oil and natural gas in the Western Canadian Sedimentary Basin ("WCSB"). Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas industry in the WCSB is volatile. No assurance can be given that natural gas exploration and production activities will continue at their current levels. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas companies. Any addition to, or elimination or curtailment of, government incentives for companies involved in the exploration for and production of oil and natural gas could have a significant effect on the oilfield services industry in the WCSB. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. In addition, treatment and waste disposal services are largely dependant on the willingness of customers to outsource their waste management activities. As such, the demand for Secure's services could be curtailed by a trend towards internal waste management.

Oil and Natural Gas market

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the effect of changing demand for oil and natural gas products, and any major changes may materially and adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Commodity price risk – non-trading

The value of the Corporation's crude oil inventory 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 Western Texas Intermediate ("WTI"), plus or minus a differential to WTI based on the crude type and market conditions. As part of normal operating activities, the Corporation is required to hold a certain amount of inventory in any given month. The Corporation is therefore exposed to commodity price fluctuations. The Corporation has elected not to actively manage commodity price risk associated with crude oil inventory at this time as the exposure to these fluctuations is not considered significant.

Commodity price risk – trading

The Corporation is exposed to commodity price risk on its net buy and net sell crude oil derivative contracts (the "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 risk; 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; and disagreements over terms of deals and/or contracts.

Secure's contracts relate to the oil purchase and resale service which is focused on providing customers another solution for effectively marketing their commodity requirements. The Corporation trades crude oil by physically buying and selling volumes from oil producers or through their designated shipper of oil ("shipper"). The Corporation will typically enter into net buy or net sell derivative contracts with the shipper prior to the production month. The volume purchased or sold relates to physical volumes only. Through this process, the Corporation may hold open positions. The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil derivative contracts offset against physical delivery of all net sell crude oil derivative contracts. The Corporation may choose to do this based on energy commodity pricing relationships, time periods or qualities.

Secure will carry exposures to changes in commodity prices based on the Corporation's market views or as a consequence of managing physical positions on a daily basis. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period (forecast and production month), and the Corporation does not currently participate in the long term storage of the commodities. In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

Foreign Currency Risk
A significant portion of Secure's activities related to the purchase and sale of crude oil are transacted in or referenced to US dollars. The risk 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 does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time.

Competitive conditions
The Corporation competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market is dominated by two large market participants, CCS Midstream Services with 53 facilities and Newalta Corporation with 35 locations. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation, or that new or existing competitors will not enter the various markets in which the Corporation is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Corporation. The Corporation's customers may elect not to purchase its services if they view the Corporation's financial viability as unacceptable, which would cause the Corporation to lose customers.

Access to capital markets
The Corporation's business strategy is based in part upon the continued expansion of the Corporation's network of facilities. In order to continue to implement its business strategy, the Corporation will be required to further its capital investment. The Corporation expects to finance these capital expenditures through vendor financings, ongoing cash flow from operations, a portion of the net proceeds of the IPO, borrowings under its credit facility and by raising capital through the sale of additional debt or equity securities. The Corporation's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants in the Corporation's current and future debt agreements, by the Corporation's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Corporation's control.

Financing future growth or expansion
The Corporation may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures, or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect on the Corporation. The credit agreement governing the credit facility imposes operating and financial restrictions on the Corporation that may prevent the Corporation from pursuing certain business opportunities and restrict its ability to operate its business

The credit agreement governing the credit facility contains covenants that restrict the Corporation's ability to take various actions. In addition, the credit agreement requires the Corporation to comply with specified financial ratios, including, but not limited to, working capital ratio, fixed charge coverage, funded debt to EBITDA, and tangible assets to funded debt. The Corporation's ability to comply with these covenants will likely be affected by events beyond its control, and the Corporation cannot assure that it will satisfy those requirements.

The restrictions contained in the credit agreement could also limit the Corporation's ability to plan for or react to market conditions, meet capital needs or otherwise restrict the Corporation's activities or business plans and adversely affect its ability to finance its operations, enter into acquisitions or to engage in other business activities that would be in the Corporation's interest.

Seasonal nature of the industry
In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted, and the level of activity of Secure's customers is consequently reduced. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to Secure's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up.

Development of new technology and equipment
The technology used in the waste treatment, recovery and disposal business is not protected by intellectual property rights. As such, there are no significant technological barriers to entry within the industry.

Credit risk

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. 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. 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.

Environmental Protection & Health and Safety

The Canadian oil and natural gas industry is regulated by a number of federal and provincial governmental bodies and agencies under a variety of complex federal and provincial legislation that sets forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. The legislation addresses various permits required for drilling, access road construction, camp construction, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas.

The Corporation is subject to a complex and increasingly stringent array of legal requirements and potential liabilities, including with respect to the ownership and management of property, the need to obtain and comply with permits and approvals, the health and safety of employees, and the handling, use, storage, disposal, intentional or accidental release of hazardous products or oilfield waste material. Failure to comply with these requirements could expose the Corporation to substantial potential penalties. There can be no assurance that the Corporation will not be required, at some future date, to incur significant costs to comply with environmental laws, or that its operations, business, assets or cash flow will not be materially adversely affected by existing conditions or by the requirements or potential liability under current or future environmental laws.

The Corporation may incur substantial costs, including fines, damages, criminal or civil sanctions, and remediation costs, or experience interruptions in the Corporation's operations for violations or liabilities arising under these laws and regulations. The Corporation may have the benefit of insurance maintained by the Corporation, its customers or others. However, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The occurrence of any of the matters above, including new legislation or more rigorous enforcement of existing legislation may result in significant liability to the Corporation, which could have a material adverse affect on the financial results, cash flows and overall financial condition of the Corporation.

In addition, the Corporation's customers may elect not to purchase its services if they view its safety record as unacceptable, which could cause the Corporation to lose customers and substantial revenues. These risks may be greater for the Corporation because it may acquire companies that have not allocated significant resources and management focus to safety or have a poor safety record.

Governmental Regulation

In addition to environmental regulations, the Corporation's operations are subject to a variety of other federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, and the manufacture, management, transportation, storage, and disposal of certain materials used in the Corporation's operations. The Corporation believes that it is in compliance with such laws, regulations and guidelines. The Corporation has invested financial and managerial resources to comply with applicable laws, regulations and guidelines and will continue to do so in the future. Although regulatory expenditures have not, historically, been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or effect of such laws, regulations or guidelines on the Corporation's future operations. In addition, the Corporation's securities are being sold in Canada and are listed on the TSX, and the Corporation is accordingly subject to regulation by Canadian securities regulators and Canadian federal and provincial laws and regulations. The Corporation believes that it is in compliance with such laws and regulations.

Operating Risks and Insurance
The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunctions, failures, accidents, and natural disasters. These risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution, and other environmental damages.

Although the Corporation has obtained insurance against certain of these risks, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation incurs substantial liability and such damages are not covered by insurance or are in excess of policy limits, or if the Corporation incurs such liability at a time when it is not able to obtain liability insurance, the Corporation's business, results of operations and financial condition could be materially adversely affected.

Legal Proceedings
The Corporation is named as a defendant in the CCS Action. While management of Secure does not believe that this action will have an adverse effect on the business or financial condition of the Corporation, no assurance can be given as to the final outcome of this or any other legal proceedings or that the ultimate resolution of this or any other legal proceedings will not have a material adverse effect on the Corporation.

In the event that the plaintiff is successful in asserting its claim against the Corporation, the Corporation has insurance and potential damages received from the Corporations countersuit which may mitigate the impact upon the financial condition of the Corporation; however, the Corporations insurance is limited to $5 million (which will be reduced by the amount of expenses of the lawsuit claimed by Secure against the insurance) and there can be no assurance that Secure's insurer will not determine that one or more of the claims specified in the CCS Action are not covered by Secure's insurance policy and deny coverage. In the event that the CCS Action was to be determined in a manner adverse to the Corporation, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Merger and Acquisition Activity
The Corporation may undertake future acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on having the acquired assets perform as expected, successfully consolidating functions, retaining key employees and customer relationships, and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters, and ultimately the Corporation may fail to realize the anticipated benefits of such acquisitions.

Merger and acquisition activity in the oil and natural gas exploration and production sector may impact demand for the Corporation's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Corporation.

Terrorist activities
Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States, Canada, or other countries may adversely affect the United States, Canada, and global economies and could prevent the Corporation from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Corporation's services and causing a reduction in its revenues. Oil and natural gas-related facilities could be direct targets of terrorist attacks, and the Corporation's operations could be adversely affected if infrastructure integral to its customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Market conditions
Fixed costs, including costs associated with leases, labour costs and depreciation, account for a significant portion of the Corporation's expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather, or other factors could significantly affect business, financial condition, results of operations and cash flows.

Conflict of interest
Certain of the directors and officers of the Corporation are also directors and officers of oil and natural gas exploration and/or production entities and oil and natural gas service companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies.

Availability of qualified employees

The Corporation's ability to provide reliable service is dependent upon attracting and retaining skilled workers. The Corporation attempts to overcome this by offering an attractive compensation package and training to enhance skills and career prospects. Shortages of experienced and skilled workers could have a material adverse effect on the Corporation by increasing labour costs, constraining growth or the level of activity as a result of the inability to expand human resources of the Corporation or through the loss of existing employees to competitive businesses. Additionally, a shortage of skilled oilfield workers may constrain overall activity and growth in the oil and natural gas industry, which could have a material adverse effect on the financial results and cash flows and overall financial condition of the Corporation.

Economic Dependence

The top ten customers of the Corporation accounted for approximately 42% of its revenue for fiscal 2010 with no single customer accounting for more than approximately 10%. The Corporation does not generally enter into long-term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Corporation. The loss of one or more major customers, or any significant decrease in services provided to a customer, prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Corporation.

Interest rate risk

The Corporation's banking facilities have interest rates which float with the lender's prime rate, and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the prime rate should increase.

Key personnel

The Corporation's success depends to a significant extent on a number of its officers and key employees. Management believes that, because all members of the management team are also shareholders in the Corporation, risk of the loss of the services of these key employees is reduced. The Corporation does not carry "key man" insurance that would compensate it for the loss of officers or key employees. The loss of the services of one or more of these officers or employees could have an adverse effect on the Corporation.

Landfill closure costs

Operating and maintaining a landfill is capital intensive and generally requires letters of credit to secure performance and financial obligations. In addition, the Corporation has material financial obligations to pay closure and post-closure costs in respect of its landfills. The Corporation has estimated these costs and made provisions for them, but these costs could exceed the Corporation's current provisions as a result of, among other things, any federal, provincial or local government regulatory action including, but not limited to, unanticipated closure and post-closure obligations. The requirement to pay increased closure and post-closure costs could substantially increase the Corporation's letters of credit which could increase the Corporation's future operating costs and cause its net income to decline.

Legal and financial compliance

The Corporation is required to comply with the rules and regulations applicable to public companies in Canada and to file reports with the Canadian securities administrators. Accordingly, the Corporation incurs significant legal, accounting and other expenses that the Corporation did not incur as a private company. The Corporation's management and other personnel must devote a substantial amount of time and resources to comply with these requirements. These rules and regulations will increase the Corporation's legal and financial compliance costs, compared to similar costs incurred as a private company.

OUTSTANDING SHARE CAPITAL

As at March 3, 2011, there were 63,854,681Common Shares issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2010, the Corporation had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2010, the Corporation incurred approximately $0.6 million of expenses with companies that have common directors, officers, employees and shareholders. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of the expenses relate to service work on the Corporation's disposal wells and promotional items.

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at December 31, 2010, the aggregate amount outstanding under the loans is $0.5 million**.**

PROPOSED TRANSACTIONS

As of the date of this MD&A, there is no proposed asset or business acquisitions or dispositions expected to have a material effect on the financial condition, results of operations or cash flows of Secure.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2010 the Corporation's financial instrument assets include cash and cash equivalents, accounts receivables, other receivables, notes and derivative financial instruments. The Corporation's financial instrument liabilities include accounts payable, lease obligations, derivative financial instruments and long term debt. The fair values of these financial instruments approximate their carrying amount due to the short-term maturity of these instruments. The use of financial instruments exposes the Corporation to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the "***Business Risk"*** section of this MD&A. Further information on how the fair value of financial instruments is determined is included "***Critical accounting policies and estimates"*** section of this MD&A.

There are no off-balance sheet arrangements. Of the Corporation's financial instruments, only accounts receivable represent credit risk. The Corporation provides credit to its customers in the normal course of operations. The Corporation's credit risk policy includes performing credit evaluations on its customers. Substantially all of the Corporation's accounts receivable are due from companies in the oil and natural gas industry and are subject to normal industry credit risks. Management views the credit risk related to accounts receivable as low. Funds drawn under the credit facility bear interest at a floating interest rate. Therefore, to the extent that the Corporation borrows under this facility, the Corporation is at risk to rising interest rates. The Corporation is also exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as cash is held at a major Canadian financial institution.

CRITICAL ACCOUNTING POLICES AND ESTIMATES

In the preparation of the Corporation's consolidated financial statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Actual results could differ from these estimates. The Corporation considers the following to be its critical accounting policies and estimates:

Depreciation and depletion

Secure has significant estimates related to the depreciation policies for property, plant and equipment. Factors that are included in the estimates include, but are not limited to, the economic life of the asset and the salvage value of the asset at the end of its economic life. The Corporation makes an estimate based on the best information on these factors that it has at the time these estimates are performed. The Corporation also has significant estimates related to the depletion policy for landfill cells. Factors included in the estimation include the capacity of the cell when constructed, and the units of total capacity utilized in a period. Actual results could differ materially if any of these factors for estimating depreciation or depletion are different in the future than the current estimates.

Asset retirement obligation and accretion

Secure is required to provide for the cost of restoring its facility sites to an acceptable condition, as determined by regulatory authorities. The Corporation estimates the cost to remediate, reclaim and abandon the Corporation's facilities based upon current regulations, costs, technology, and industry standards. Accretion expense is the increase in the asset retirement obligation over time.

Stock-Based Compensation

The Corporation provides stock-based compensation to certain employees in the form of stock options. The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated volatility of the Corporation's shares and anticipated dividends.

Income Taxes

The Corporation follows the liability method of accounting for income taxes, which evaluates the differences between the financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Corporation's future taxable income have been considered in assessing the utilization of available tax losses.

Financial instruments - Derivatives

The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil or natural gas liquids ("crude oil"). The contracts are classified as held for trading and are settled with physical delivery of crude oil on a monthly basis. The contracts are recorded at fair value at the balance sheet date under level 2 valuations. Level 2 valuations are defined as fair market valuations based on observable inputs other than quoted active market prices. The observable inputs under level 2 are based on inputs including quoted forward prices for commodities, time value, volatility factors, and broker quotations, which can be substantially observed or supported in the marketplace. Changes in fair value are recorded within the statement of operations in the period of change.

FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("**AcSB**") published a new strategic plan that outlined the convergence of GAAP with International Financial Reporting Standards ("**IFRS**") over an expected five year transitional period. Over the past few years, the AcSB has adopted new GAAP standards that converge with that of IFRS in order to reduce the amount of differences upon transition. On February 13, 2008, the AcSB confirmed 2011 as the official changeover date from current GAAP to IFRS. The Corporation will transition to IFRS on January 1, 2011 (the "**Transition Date**"), which will require, for comparative purposes, the restatement of amounts reported on the Corporation's opening IFRS balance sheet as at January 1, 2010 and amounts reported by the Corporation for the quarters and year ended in 2010.

Conversion Project

In the prior year, the Corporation commenced its IFRS Conversion Project (the "**Conversion Project**"). The Conversion Project consists of three phases:

1) impact assessment,
2) analysis and development; and
3) implementation.

1) Impact Assessment

The Corporation has completed the impact assessment which involved establishing a conversion timeline, project planning, assessment of IT systems and controls, and identification of differences between current GAAP and IFRS. In identifying the GAAP differences, management focused on areas having the most significant financial statement impact based on the IFRS standards existing at the time of review.

The following list illustrates the areas of accounting difference of highest potential impact to the Corporation on transition to IFRS. The quantitative impact on future financial position and results of operations is not fully determinable at this time.

Property, Plant and Equipment (PP&E)

The basic principles of accounting for property, plant and equipment under Canadian GAAP handbook section 3061 and International Accounting Standards (IAS) 16 are similar; however, differences in application do exist. IAS 16 requires the parts or components approach and depreciation is based on the expected useful life of the parts or components. This method of componentizing property, plant and equipment may result in an increased number of component parts that are recorded and depreciated. In addition, IAS 16 requires the capitalization of major inspections that were previously expensed under Canadian GAAP. As a result, this will impact the cost of the asset and the calculation of depreciation expense. Depreciation will also be impacted as the Corporation is changing its declining balance depreciation policy to the straight line method. The straight line method better reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Corporation. The Corporation has elected to use the cost model instead of the revaluation model to measure its property, plant and equipment.

Under IAS 17, accounting for property, plant and equipment capital leases takes a substance over form approach to classifying leases as either capital or operating, stating that the classification depends on the substance of the transaction rather than the form of the contract (risks and rewards transferred, etc.). Operating leases are recognized in the same manner as Canadian GAAP. As a result, this classification will result in operating leases becoming capital leases recorded under property, plant and equipment.

The Corporation has identified the following financial impacts to property, plant and equipment upon the Corporation's transition to IFRS:

- The Corporation's net book value of its property, plant, and equipment is expected to increase as a result of changing from the declining balance method of depreciation to the straight line method, with the corresponding adjustment to deficit;
- The Corporation has identified certain leases that will be capitalized under IFRS which were treated as operating leases under Canadian GAAP. The result will be an increase to the Corporation's property, plant, and equipment net book value, with the corresponding offset as an adjustment to deficit. The depreciation on the capital leases at the Transition Date will result in an adjustment to deficit.

Impairment of Assets

Under IAS 36, Impairment of Assets, an asset is impaired when the recoverable amount is less than the carrying amount. The recoverable amount is the higher of fair value less costs to sell or value in use (Present Value of discounted cash flows) derived from the asset or cash generating unit ("**CGU**"). The use of discounted cash flows under IAS 36 to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset's carrying value to determine if impairment exists. Impairment therefore can be more likely with discounted cash flows when calculating value in use; however IAS 36 does allow reversal of impairment losses with the exception of goodwill and indefinite life intangibles. This differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses. The Corporation's assets will be subject to the new application for testing and measuring asset impairments which may result in some impairments being recognized or reversed under IAS 36 that would not have been required or permitted under Canadian GAAP. The Corporation's goodwill balance is expected to decrease significantly, with the corresponding adjustment to deficit.

Share-Based Payments

Under Canadian GAAP, section 3870, share options granted vest in installments (tranches) over the vesting period, where the total grant can be valued at grant date with the corresponding stock-based compensation expense recognized in a straight line method over the vesting period of the options. This differs under IFRS 2, Share-Based Payments, where share options granted vest in installments (tranches) over the vesting period, and each tranche is treated as a separate share option grant, and all tranches are valued at the grant date. Corresponding stock based compensation expense will be calculated at the start of each vesting period with fair value inputs that exist at that time. IFRS 2 also requires the use of the fair value method for valuing options and companies are required to estimate forfeitures at the start of the vesting period. This may change the amount the Corporation recognizes as stock-based compensation as well as the timing of recognition. The Black-Scholes model is currently being used for option valuation, which is also permitted under IFRS. No change in option valuation method is required. As a result of the Corporation not taking the IFRS 1 election for share-based payments and therefore being required to revalue all outstanding options under IFRS 2, the Corporation's contributed surplus balance is expected to increase with the corresponding adjustment to deficit.

Asset retirement obligation (ARO)

Unlike IFRS, Canadian GAAP includes accounting standards which specifically cover ARO's and which provide comprehensive guidance on accounting for ARO's. Within this guidance, Canadian GAAP requires the use of an entity's credit-adjusted risk free rate which is revised only when there is an upward revision in expected cash flows whereas IFRS requires that, at each reporting period, the discount rate used in calculating the present value of an ARO be updated to the current market-based rate. As a result of applying the IAS 37 to the Corporation's asset retirement obligation at the transition date, the Corporation's asset retirement obligation liabilities and assets are expected to increase, with the corresponding adjustment to deficit as a result of the additional accretion and depreciation expense.

IFRS 1, First-Time Adoption of International Financial Reporting Standards

The first-time adoption of International Financial Reporting Standards states that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 provides the framework and specifies that, the adjustments that arise on retrospective conversion to IFRS from another GAAP should be recognized directly in retained earnings. There are certain optional exemptions and mandatory exceptions to retrospective application, both of which are clarified under IFRS 1. Below is a list of the IFRS exemptions applied and not applied:

Business combinations - exemption applied: the Corporation will elect not to re-value business combinations performed prior to January 1, 2010.

Fair value or revaluation as deemed cost – exemption applied: The Corporation will elect to use the cost option and restate the property, plant and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since inception.

Share-based payment transactions – exemption not applied: The Corporation has not elected to use the option under IFRS 1 to revalue only those options that have vested before January 1, 2010. All options will be revalued under IFRS 2, Share-Based Payments.

Decommissioning liabilities included in the costs of property, plant and equipment - exemption not applied: IFRS 1 provides an optional exemption whereby an entity may measure asset retirement obligations ("ARO") at the transition date using the guidance in IAS 37. The Corporation must then determine the amount that would have been included in property, plant and equipment at the date the ARO first arose by discounting the ARO back to that date using a best estimate of the historical risk-adjusted rate(s) that would have applied for that ARO over the period from when it first arose to the transition date. Furthermore, the Corporation must calculate the accumulated depreciation on the amount included in property, plant and equipment, at the transition date, using the current estimate of the useful life of the property, plant and equipment item and the depreciation policy implemented under IFRS. The Corporation revalued all ARO since inception.

2) Analysis and development

The analysis and development phase is a significant stage in the transition to IFRS. It involves the following:

- a detailed review and evaluation of the financial statement impact;
- review of possible options under specific IFRS polices;
- review of business processes and IT processes;
- initial staff training.

During the year, management has completed additional training, reviewed the options available and considered the financial statement impact. Management has completed the above review and determined that the adoption of IFRS will have minimal impact on business processes and information system requirements.

3) Implementation

Management has completed all final memorandums on the Corporation's position relating to each significant financial statement impact. In addition, management has documented the options to be selected upon transition. The Corporation has obtained approval from the Corporation's audit committee on the choices made by management.

Subsequent to approval, management compiled the changes under IFRS and management prepared an opening balance sheet as at January 1, 2010. In December 2010, management engaged its external auditors to begin auditing the opening January 1, 2010 balance sheet and adjustment's therein. The audit is expected to be completed in March of 2011.

Finally, at the end of December 2010, management has drafted a full set of IFRS financial statements with full note disclosure. The note disclosure is based upon accounting policy choices in the outlined memorandums. There will be a significant increase in disclosure resulting from the adoption of IFRS. In early 2011, the Corporation will implement the necessary changes that will be required to comply with the new disclosure requirements.

DISCLOSURE CONTROLS AND PROCEDURES

Management has evaluated disclosure controls and procedures to provide a reasonable level of assurance that material information relating to the Corporation is made known to the Chief Executive Officer and the Chief Financial Officer by others within the Corporation, particularly during the period in which the annual and interim filings of the Corporation are being prepared, in an accurate and timely manner in order for the Corporation to comply with its disclosure and financial reporting obligations. Consistent with the concept of reasonable assurance, the Corporation recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Corporation's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, have assessed and evaluated the design and effectiveness of the Company's internal control over financial reporting as defined in National Instrument 52-109 as of December 31, 2010. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles, and are effective as of December 31, 2010.

While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over financial reporting for the three months and year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

On December 21, 2007, CCS Inc. ("**CCS**") filed a statement of claim commencing Action No. 0701-13328 (the "**CCS 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 CCS (collectively, the "**Secure Defendants**") and others in which CCS alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to CCS, and conspired with one another. CCS seeks damages in the amount of $110 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief.

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered CCS to provide further particulars of its claim. On September 17, 2008, CCS obtained an *Anton Pillar* Order and seized various documents from the Corporation's offices. The Secure Defendants applied to the Court and were granted an order varying the *Anton Pillar* Order and the seized documents were returned to the Corporation's solicitors, with the exception of several documents which do not impact the business of Secure and which in respect thereof the order states that it shall in no way be interpreted as a finding of the Court or an acknowledgement or admission by the Secure Defendants that the documents constitute the property of CCS.

The Secure Defendants 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 $37,860,000 against CCS, alleging that CCS 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.

Examinations for discovery began in the second quarter of 2010 and will continue through 2013. The Corporation intends to continue to defend against the CCS Claim and to prosecute the Counterclaim.

ADDITIONAL INFORMATION

Additional information, including Secure's AIF, is available on SEDAR at www.sedar.com and on the Corporation's website at www.secure-energy.ca.

To the Directors of Secure Energy Services Inc:

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Corporation. The Audit Committee is responsible for reviewing the consolidated financial statements and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management and Meyers Norris Penny LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

March 3, 2011

"SIGNED"

Rene Amirault
President & Chief Executive Officer

"SIGNED"

Nick Wieler
Chief Financial Officer

To the Shareholders of Secure Energy Services Inc.:

We have audited the accompanying consolidated financial statements of Secure Energy Services Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income (loss), deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 the audit evidence we have obtained in our audits 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 financial position of the Company as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter – Commitments & Contingencies
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 20 of the financial statements concerning litigation involving the Company. This matter, explained in note 20 of the financial statements, indicates the existence of a material contingency. No adjustment has been made to record this contingency.

Meyers Norris Penny LLP

Calgary, Alberta
March 3, 2011

Chartered Accountants

SECURE ENERGY SERVICES INC.
Consolidated Balance Sheets

($000's)	**December 31, 2010**	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	**22,518**	235
Accounts receivable and accruals (note 5)	**25,394**	5,694
Prepaid expenses and deposits	**600**	320
Inventories (note 6)	**3,184**	682
Other assets	**-**	38
	51,696	6,969
Notes receivable (note 7)	**482**	459
Future income tax asset (note 16)	**404**	1,645
Assets under construction (note 8)	**30,818**	7,345
Property, plant and equipment (note 9)	**104,439**	78,383
Intangible assets (note 10)	**3,231**	272
Goodwill	**1,906**	1,906
Total Assets	**192,976**	96,979
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	**29,801**	3,326
Current portion of capital lease obligations	**807**	347
	30,608	3,673
Long term debt (note 12)	**-**	4,788
Capital lease obligations (note 20)	**1,035**	217
Asset retirement obligation (note 13)	**7,559**	3,145
	39,202	11,823
Guarantees (note 12)		
Commitments & Contingencies (note 20)		
Shareholders' Equity		
Share capital (note 14)	**152,983**	89,992
Contributed surplus (note 14)	**1,847**	694
Deficit	**(1,056)**	(5,530)
	153,774	85,156
Total Liabilities and Shareholders' Equity	**192,976**	96,979

Approved by the Board of Directors:

"SIGNED"
Rene Amirault

"SIGNED"
Kevin Nugent

See accompanying notes to consolidated financial statements

SECURE ENERGY SERVICES INC.
Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit

	For the year ended December 31,	
($000's except per share data)	**2010**	2009
Revenue	**72,759**	22,377
Expenses		
Operating expenses	**40,617**	10,083
General and administrative	**5,833**	4,427
Stock-based compensation (note 14)	**1,170**	459
Business development (note 8)	**2,297**	64
Interest and financing (note 12)	**491**	105
Depletion, depreciation and accretion	**15,567**	10,657
	65,975	25,795
Other Revenue		
Interest	**234**	67
Income (loss) for the year before taxes	**7,018**	(3,351)
Future income tax expense (recovery) (note 16)	**2,544**	(593)
Net income (loss) and comprehensive income (loss)	**4,474**	(2,758)
Deficit, beginning of year	**(5,530)**	(2,772)
Deficit, end of year	**(1,056)**	(5,530)
Earnings (loss) per share (note 15)		
Basic and diluted	**0.07**	(0.07)

See accompanying notes to consolidated financial statements

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows

($000's)	For the year ended December 31, 2010	2009
Cash provided by (used in)		
Operating activities		
Net Income (loss) for the year	**4,474**	(2,758)
Items not affecting cash:		
Depletion, depreciation and accretion	**15,567**	10,657
Future income tax expense (recovery) (note 16)	**2,544**	(593)
Stock-based compensation (note 14)	**1,170**	459
Amortization of financing fees (note 12)	**112**	192
Write down of assets under construction (note 8)	**1,288**	-
Loss on disposal of property, plant and equipment	**59**	1
	25,214	7,958
Net change in non-cash working capital	**(6,220)**	668
	18,994	8,626
Financing activities		
Issue of capital, net of issuance costs (note 14)	**61,519**	4,482
Issue of common shares from exercise of options (note 14)	**153**	-
Increase (decrease) in long term debt (note 12)	**(4,900)**	4,788
Deferred fees	**-**	(38)
Net change in non-cash financing activities working capital	**(23)**	(22)
	56,749	9,210
Investing activities		
Purchase of property, plant and equipment	**(51,993)**	(22,686)
Acquisition (note 3)	**(11,750)**	-
Proceeds from the sale of property, plant and equipment	**33**	46
Net change in non-cash investing activities working capital	**10,250**	(9,853)
	(53,460)	(32,493)
Increase (decrease) in cash and cash equivalents	**22,283**	(14,657)
Cash and cash equivalents, beginning of year	**235**	14,892
Cash and cash equivalents, end of year	**22,518**	235
Taxes paid	**-**	-
Interest paid	**59**	137

See accompanying notes to consolidated financial statements

1. DESCRIPTION OF THE BUSINESS

Secure Energy Services Inc. (the "Corporation") is incorporated under the Business Corporations Act (Alberta) and is primarily engaged in clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal and the purchase and resale of crude oil. The Corporation provides a range of these services in each of its operating facilities throughout Alberta and British Columbia.

In March 2010, the Corporation filed a long form prospectus (the "Prospectus") which constituted the Corporation's initial public offering ("IPO") of common shares. In connection with the filing of the Prospectus and the IPO, the Corporation offered 19,166,667 common shares at a price of $3.00 per common share. On March 23, 2010, the Corporation received approval to list its common shares on the Toronto Stock Exchange ("TSX") and commenced trading under the symbol "SES" on March 30, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(b) Summary of Significant Accounting Polices

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Corporation's proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint venture.

Presentation

Prior period results have been reclassified where necessary to conform to current year presentation.

Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the year. Management reviews these estimates on an ongoing basis, including those related to depreciation and depletion, asset retirement obligations, fair values of net buy or net sell crude oil derivative contracts, recoverability of assets, goodwill valuation, stock based compensation, and income taxes. Actual results could differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be material.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and investments in highly liquid money market instruments, which are convertible to known amounts of cash in less than three months.

Accounts receivable

Accounts receivable are recorded based on the Corporation's revenue recognition policy. The allowance for doubtful accounts provides for specific doubtful receivables included in the Corporation's trade accounts receivables. See note 17 for a discussion on how the Corporation manages risks associated with accounts receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, other than inventories classified as held for trading purposes, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value represents the estimated selling price less estimated selling costs. The reversal of previous net realizable value write-downs to inventories is permitted when there is a subsequent increase to the value of inventories. The volume of oil held in inventory at the Corporation's facilities and the value of the oil inventory will fluctuate based on the normal capacity of the facility and the market price of oil in any given month.

Inventories classified as held for trading are carried at fair value and relate to oil volumes carried on the pipeline that trade into the subsequent period. Fair value is measured by the one month forward price less any costs to sell. Any changes in fair value are included in the statement of operations during the period of change.

Property, plant and equipment

The Corporation records property, plant and equipment at cost. Such costs include land acquisition, geological and geophysical, drilling of wells, contracted services, interest expense during the course of construction, production equipment and facilities. These capitalized costs are depreciated and/or depleted based on the following rates:

Buildings	- 4 to 10% declining balance
Landfill cells	- units of total capacity utilized in the period
Mobile equipment	- 30% declining balance
Plant infrastructure and equipment	- 10% to 45% declining balance
Disposal wells	- Straight-line over estimated life of well
Furniture and fixtures	- 20% declining balance
Leasehold improvements	- Straight-line over lease term
Computer equipment	- 30% declining balance

Long lived assets

Management assesses the carrying value of long lived assets for impairment when events or circumstances indicate that the carrying value of those assets may not be recoverable. Such events or circumstances include items such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment is present, management tests for impairment by comparing the carrying value of the asset to its net recoverable amount. Impairment is recognized if the carrying value of the asset exceeds the sum of the undiscounted cash flows expected to result from that asset. If the carrying amount is greater than the net recoverable amount, the asset is written down to its estimated fair value.

Intangible assets

Intangible assets resulting from an acquisition are recorded at fair value. Fair value is estimated by management based on the expected discounted future cash flows 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 annually. Any impairment is identified by comparing the fair value of the indefinite life intangible assets to its carrying value. Any excess of the carrying value of the intangible asset over the implied fair value is
the impairment amount and will be charged to earnings in the period of the impairment. Amortization of intangibles is calculated on straight-line basis over the estimated life of the intangible asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations & Goodwill

Acquisitions are accounted for using the purchase method in accordance with Canadian Institute of Chartered Accountants (''CICA'') Handbook section 1582, which was applicable for the Corporation on January 1, 2010. Under this new method, the purchase consideration of the combination is allocated to the identifiable assets, liabilities and contingent liabilities on the basis of fair value as of the date of acquisition. The majority of acquisition-related costs are expensed in the period they occur. The adoption of this new guidance applicable in 2010 did not result in a significant impact to the statement of operations.

Goodwill, at the time of acquisition, represents the excess of purchase price of a business over the fair value of net assets acquired. Goodwill is assessed by the Corporation for impairment at least at each year end. If the fair value of the business is less than the book value, a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the business' assets and liabilities from the fair value of the business to determine the implied fair value of goodwill and comparing that amount to the book value of goodwill. Any excess of the book value of goodwill over the implied fair value is the impairment amount and will be charged to earnings in the period of the impairment.

Asset retirement obligations

Estimated future costs relating to asset retirement obligations associated with well sites and facilities are recognized as a liability, at fair value. The asset retirement cost, equal to the fair value of the retirement obligation, is capitalized at inception as part of the cost of the related asset. These capitalized costs are amortized consistent with depletion and depreciation of the underlying asset. The liability is adjusted at each reporting period to reflect the passage of time, with the accretion charged to the statement of operations. Actual costs incurred upon settlement of the obligations are charged against the liability.

Future income taxes

The Corporation follows the liability method of accounting for income taxes. Temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Financial Instruments - recognition, measurement, disclosure and presentation

On initial recognition, financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. All financial instruments are classified into one of the following categories: held for trading, held to maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Held for trading financial assets are measured at their fair value and changes in fair value are recognized in the statement of operations. Changes in fair value that are recognized in the statement of operations include interest income and unrealized gains or losses. Held to maturity and loans and receivables are measured at amortized cost which is generally the initially recognized amount. Available for sale assets are reported at fair market value with unrealized gains or losses excluded from the statement of operations and reported as other comprehensive income or loss, unless any impairment in their value is other than temporary, in which case the loss is charged against earnings. Other financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability upon initial recognition. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation has designated its financial instruments as follows:

- **Held for trading** - amounts classified as held for trading are cash and cash equivalents which are recorded at fair value under level 1. Included in accounts receivable and accounts payable are crude oil derivative contracts related to trading activities which are also classified as held for trading. The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil or natural gas liquids ("crude oil"). The contracts are settled with physical delivery of crude oil on a monthly basis. The contracts are recorded at fair value at the balance sheet date under level 2. The observable inputs under level 2 are based on inputs including quoted forward prices for commodities, time value, volatility factors, and broker quotations, which can be substantially observed or supported in the marketplace. Changes in fair value are recorded within the statement of operations in the period of change. See note 17 for further discussion.

- **Loans and receivables** - amounts classified as loans and receivables are trade accounts receivable and accruals and notes receivable. After their initial fair value measurement, they are measured at amortized cost using the effective interest method, less any allowance for doubtful accounts. For the Corporation, the measurement amount generally corresponds to cost.

- **Other financial liabilities** - amounts classified as other financial liabilities are accounts payable and accruals and long term debt. Initial measurement is at fair value with any transaction costs added to the fair value amount. Subsequently, they are measured at amortized cost using the effective interest method. For the Corporation, the measurement amount generally corresponds to cost.

Financial instruments disclosure and presentation requires discussions on the significance of financial instruments for the Corporation's financial position and performance and the nature and extent of risks arising from financial instruments to which the Corporation is exposed during the year and at the balance sheet date. See note 17 for how the Corporation manages those risks.

Revenue recognition
Revenue is recognized in the period services are provided or performed and when collectability is reasonably assured. Processing and disposal revenues are recorded at the time of delivery. Revenue from the sale of crude oil and natural gas liquids is recorded when title passes to the customer and collection is reasonably assured.

Stock-based compensation
The Corporation has a stock-based compensation plan. The Corporation follows the fair-value method to record compensation expense with respect to stock options and warrants granted. The fair value of each option or warrant granted is estimated on the date of grant and a provision for the costs is provided for with a corresponding credit to contributed surplus over the vesting period of the option agreement. Compensation expense associated with options issued to employees, consultants, officers and directors of the Corporation are expensed while compensation expense related to broker warrants issued are recorded as share issue costs and deducted from share capital. The consideration received by the Corporation on the exercise of share options and warrants is recorded as an increase to share capital together with corresponding amounts previously recognized in contributed surplus. Forfeitures are accounted for as they occur which could result in recoveries of the compensation expense.

Financing fees
Transaction costs incurred to obtain short-term borrowings are deferred and amortized on a straight-line basis over the term of the credit agreement. Amortization is a non-cash charge to financing expenses. Transaction costs related to long-term debt are offset against the outstanding principle balance of the debt. The transaction costs are recognized as interest expense over the expected life of the debt using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued*)*

Earnings (loss) per share

The Corporation uses the treasury method for outstanding options and warrants which assumes that the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings (loss) per share are used to purchase the Corporation's common shares at the average market price during the year. The calculation of basic earnings per share has been calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that would occur if stock options and warrants were exercised. Using the treasury method, the calculation of diluted earnings per share has been calculated by dividing net 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 arising from the exercise of potentially dilutive stock options outstanding during the year.

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net earnings (loss) plus or minus changes in equity from transactions and other events from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Amounts recognized in other comprehensive income must eventually be recognized in the statement of operations and these reclassifications are to be disclosed separately. Accumulated other comprehensive income ("AOCI") is included on the consolidated balance sheet as a separate component of shareholders' equity, however during the year, the Corporation did not have any adjustments recognized through comprehensive income and therefore has not disclosed AOCI separately.

Capital Disclosures

Capital Disclosures, section 1535, requires management to disclose information about the Corporation's objectives, policies and processes for the management of its capital (note 18).

Joint interests

A portion of the Corporation's operating activities are conducted jointly with others. The joint venture is accounted for using the proportionate consolidation method. These financial statements reflect only the Corporation's proportionate interest in assets, liabilities, revenues, expenses, and cash flows.

(c) International Financial Reporting Standards ("IFRS")

On February 13, 2008, the AcSB confirmed 2011 as the official changeover date from current Canadian GAAP to IFRS. The Corporation will transition to IFRS on January 1, 2011 which will require, for comparative purposes, the restatement of amounts reported on the Corporation's opening IFRS balance sheet as at January 1, 2010 and amounts reported by the Corporation for the year ended December 31, 2010.

The following list illustrates the areas of accounting difference of highest potential impact to the Corporation on transition to IFRS. The quantitative impact on future financial position and results of operations is not fully determinable or estimable at this time.

(a) Property, Plant and Equipment

The basic principles of accounting for property, plant and equipment under Canadian GAAP handbook section 3061 and International Accounting Standards (IAS 16) are similar; however, differences in application do exist. IAS 16 requires the parts or components approach and depreciation is based on the expected useful life of the parts or components. This method of componentizing property, plant and equipment may result in an increased number of component parts that are recorded and depreciated. In addition, the Corporation is changing its method of depreciation from declining balance to the straight-line method. As a result of the change in depreciation methods, the Corporations property, plant and equipment balance will increase upon the transition to IFRS.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Corporation has elected to use the cost model. The capitalization of borrowing costs to the value of an asset in accordance with IAS 23, Borrowing Costs, will not have an impact as the Corporation currently capitalizes borrowing costs under Canadian GAAP.

Under IAS 17, accounting for property, plant and equipment capital leases takes a substance over form approach to classifying leases as either capital or operating, stating that the classification depends on the substance of the transaction rather than the form of the contract (risks and rewards transferred, etc.). Operating leases are recognized in the same manner as Canadian GAAP. As a result, this classification will result in the majority of the Corporation's operating leases becoming capital leases recorded under property, plant and equipment.

(b) Impairment of Assets

Under IAS 36, Impairment of Assets, an asset is impaired when the recoverable amount is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell or value in use (Present Value of discounted cash flows) derived from the asset or cash generating unit ("CGU"). The use of discounted cash flows under IAS 36 to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset's carrying value to determine if impairment exists. Impairment therefore can be more likely with discounted cash flows when calculating value in use; however IAS 36 does allow reversal of impairment losses. This differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses. The Corporation's assets will be subject to the new application for testing and measuring asset impairments which may result in some impairments being recognized or reversed under IAS 36 that would not have been required or permitted under Canadian GAAP.

(c) Share Based Payments

Under Canadian GAAP, section 3870, share options granted vest in installments (tranches) over the vesting period, where the total grant can be valued at grant date with the corresponding stock based compensation expense recognized on a straight line method over the vesting period of the options. This differs under IFRS 2, Share Based Payments, where share options granted vest in installments (tranches) over the vesting period, and each tranche is treated as a separate share option grant, and subsequently valued at the start of each tranche's vesting period. Corresponding stock based compensation expense will be calculated at the start of each vesting period with fair value inputs that exist at that time. IFRS 2 also requires the use of the fair value method for valuing options and companies are required to estimate forfeitures at the start of the vesting period. This will change the amount the Corporation recognizes as stock based compensation as well as the timing of recognition. The Black-Scholes model is currently being used for option valuation, which is also permitted under IFRS. No change in option valuation method is required.

(d) IFRS 1, First-Time Adoption of International Financial Reporting Standards

The first-time adoption of International Financial Reporting Standards states that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 provides the framework and specifies that, the adjustments that arise on retrospective conversion to IFRS from another GAAP should be recognized directly in retained earnings. There are certain optional exemptions and mandatory exceptions to retrospective application, both of which are clarified under IFRS 1. Below is a list of the IFRS exemptions applied and not applied:

Business combinations - exemption applied: the Corporation will elect not to re-value business combinations performed prior to January 1, 2010.

Fair value or revaluation as deemed cost – exemption applied: The Corporation will elect to use the cost option and restate the property, plant and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since inception.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions – exemption not applied: The Corporation has not elected to use the option under IFRS 1 to revalue only those options that have vested before January 1, 2010. All options will be revalued under IFRS 2, Share-Based Payments.

Decommissioning liabilities included in the costs of property, plant and equipment - exemption not applied: IFRS 1 provides an optional exemption whereby an entity may measure asset retirement obligations (“ARO”) at the transition date using the guidance in IAS 37. The Corporation must then determine the amount that would have been included in property, plant and equipment at the date the ARO first arose by discounting the ARO back to that date using a best estimate of the historical risk-adjusted rate(s) that would have applied for that ARO over the period from when it first arose to the transition date. Furthermore, the Corporation must calculate the accumulated depreciation on the amount included in property, plant and equipment, at the transition date, using the current estimate of the useful life of the property, plant and equipment item and the depreciation policy implemented under IFRS. The Corporation revalued all ARO since inception.

3. BUSINESS ACQUISITIONS

On May 1, 2010, the Corporation acquired the operating assets of Pembina Area Landfill Ltd. (the “Pembina landfill”) for cash consideration of $11.8 million, excluding transaction costs of $0.2 million. The Pembina landfill is located near Drayton Valley, Alberta.

Consideration:	**($000's)**
Cash	11,750
Total consideration	**11,750**
Assets acquired:	
Property, plant and equipment	10,830
Intangibles	3,245
Total assets	**14,075**
Liabilities acquired:	
Asset retirement obilgations	(2,325)
Total liabilities	**(2,325)**
Net assets acquired	**11,750**

4. JOINT VENTURES

The Corporation has a 50% joint venture interest with Pembina Pipeline Corporation ("Pembina") for the operation of a portion of a full service terminal facility in La Glace, Alberta. The joint venture shares revenues and expenses associated with clean oil terminalling, custom treating of crude oil, crude oil marketing, and produced water disposal.

The following amounts relating to the joint venture are included in the consolidated financial statements:

	Dec 31, 2010	Dec 31, 2009
Balance Sheet ('000's)	**$**	**$**
Cash	1,276	147
Accounts receivable	744	364
Other receivables	176	81
Prepaid expenses	61	43
Inventory	314	222
Assets under construction	321	34
Property plant & equipment	6,003	6,678
Accounts payable	(596)	(299)
Current portion of capital lease	(32)	(35)
Long term capital lease	-	(29)
Asset retirement obligation	(204)	(190)
Statement of Operations		
Full service terminal	5,589	2,709
Operating expenses	(2,381)	(1,577)
Depreciation	(860)	(1,033)
Cash Flows		
Operating activities	2,886	1,035
Financing activities	(1,300)	(311)
Investing activities	(457)	(562)
Increase in Cash	**1,129**	**162**
Cash - beginning of year	147	(15)
Cash - ending of year	1,276	147

5. ACCOUNTS RECEIVABLE AND ACCRUALS

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Trade accounts receivable and accruals	14,974	5,736
Crude oil derivative contracts (note 17)	10,493	-
	25,467	5,736
Allowance for doubtful receivables	(73)	(42)
Total	**25,394**	**5,694**

Included in accounts receivable and accruals are crude oil derivative contracts related to trading activities. The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil which commenced in December of 2010 as part of the Corporation becoming a single shipper of crude oil on the Pembina pipeline. The contracts are settled with physical delivery of crude oil on a monthly basis. Upon settlement, the contracts are included within trade accounts receivable and are shown on a net receivable basis where the Corporation has a legally enforceable right and intention to offset.

6. INVENTORIES

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Spare parts and supplies	205	87
Crude oil - facility	463	595
Crude oil - pipeline linefill	2,516	-
Total	**3,184**	**682**

Spare parts and supplies are carried as inventory and expensed in the statement of operations when used. Crude oil facility inventory held fluctuates based on the operating capacity of the facility and the facility's ability to ship oil through its pipeline connected facilities at the end of any given period. Crude oil pipeline linefill inventory relates to inventory the Corporation is required to hold by the pipeline as a result of the Corporation becoming a single shipper of crude oil. Subsequent to December 31, 2010, the linefill inventory was liquidated, as the Corporation was no longer required by the pipeline to hold linefill inventory.

7. NOTES RECEIVABLE

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers or employees of the Corporation. The principle amount is $0.4 million and the notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged their shares of the Corporation. Total interest accrued to date is $0.08 million (2009: $0.05 million) for a total amount outstanding as at December 31, 2010 of $0.5 million (2009: $0.5 million). The notes are repayable on demand and are due on March 23, 2012.

8. ASSETS UNDER CONSTRUCTION

The Corporation will commence depreciation on the projects under construction when the project is complete and available for use. Equipment under refurbishment will be allocated to an ongoing construction project and will be depreciated when it is available for use. In November 2010, the Corporation expensed $1.3 million as a one time charge associated with the Corporation's Heritage landfill ("Heritage") project. The Heritage project was removed from projects under construction as the Corporation was unable to obtain the necessary regulatory approvals to move the project forward. The expense is included in business development expense for the year ended December 31, 2010.

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Projects under construction	29,655	6,070
Equipment (under refurbishment)	1,163	1,275
Total	**30,818**	**7,345**

9. PROPERTY, PLANT AND EQUIPMENT

December 31, 2010
(000's)

		Cost		Accumulated Depreciation and Depletion		Net Book Value
Land	$	676	$	-		676
Buildings	$	8,444	$	(1,138)		7,306
Plant Infrastructure, Equipment & Landfill cells	$	90,818	$	(23,046)		67,772
Mobile Equipment	$	3,054	$	(763)		2,291
Disposal Wells	$	28,212	$	(3,170)		25,042
Furniture & Fixtures	$	762	$	(171)		591
Computer Equipment	$	1,380	$	(619)		761
	$	133,346	$	(28,907)	$	104,439

December 31, 2009
(000's)

		Cost		Accumulated Depreciation and Depletion		Net Book Value
Land	$	21	$	-		21
Buildings	$	6,083	$	(529)		5,554
Plant Infrastructure, Equipment & Landfill cells	$	59,083	$	(11,175)		47,908
Mobile Equipment	$	1,066	$	(265)		801
Disposal Wells	$	24,648	$	(1,552)		23,096
Furniture & Fixtures	$	419	$	(100)		319
Computer Equipment	$	1,057	$	(373)		684
	$	92,377	$	(13,994)	$	78,383

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

During 2010, the Corporation acquired the assets of Pembina landfill (note 3) and completed construction on its full service terminal at Dawson Creek, British Colombia. The Dawson Creek full service terminal commenced operations in July 2010. In addition, the Corporation also completed expansions to the landfill cell capacities at its existing South Grand Prairie and Willesden Green landfill locations. In 2010, the Corporation capitalized interest of nil (2009: $0.03 million) and general and administrative expenses of $0.5 million (2009: $0.1 million) as part of the costs of construction.

Included in property plant and equipment is computer and mobile equipment under capital lease arrangements with a net book value of $0.04 million and $2.3 million, respectively (2009: nil, $0.8 million). The capital lease obligations over the next five years are disclosed in note 20.

10. INTANGIBLE ASSETS

Intangible assets of $3.2 million were recorded as part of the purchase of the Pembina landfill (note 3), and are amortized on a straight-line basis over the estimated useful life of 10 years. Non-competition agreements and customer relationships are amortized on a straight-line basis over their estimated useful lives of 5 years.

December 31, 2010

($000's)	Cost	Accumulated Amortization	Net Book Value
Non-competition agreements	93	(39)	54
Customer relationships	254	(106)	148
Licence	3,245	(216)	3,029
Total	**3,592**	**(361)**	**3,231**

December 31, 2009

($000's)	Cost	Accumulated Amortization	Net Book Value
Non-competition agreements	93	(20)	73
Customer relationships	254	(55)	199
Total	**347**	**(75)**	**272**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Trade accounts payable and accrued liabilities	19,308	3,326
Crude oil derivative contracts (note 17)	10,493	-
Total	**29,801**	**3,326**

Included in accounts payable and accrued liabilities are crude oil derivative contracts related to trading activities. The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil which commenced in December of 2010 as part of the Corporation becoming a single shipper of crude oil on the Pembina pipeline. The contracts are settled with physical delivery of crude oil on a monthly basis. Upon settlement, the contracts are included within trade accounts payable and are shown on a net payable basis where the Corporation has a legally enforceable right and intention to offset.

12. LONG TERM DEBT

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Amount drawn on the secured credit facility	-	4,900
Financing fees	-	(112)
Total	**-**	**4,788**

The secured credit facility (the "credit facility") consists of a $35.0 million committed revolving term facility, renewable on May 31, 2011, bearing interest at 1.5% to 2.5 % above the Bank Prime rate, depending on certain minimum financial ratios to be maintained by the Corporation (note 18). The credit facility is a multi-use facility to provide capital project financing, working capital requirements and letters of guarantee in support of financial security requirements. In December 2009, as part of the issuance of the various credit facilities, the Corporation incurred transaction costs in the amount of $0.1 million, of which the entire amount was deferred and amortized using the effective interest rate method until the outstanding balance on the credit facility was repaid in March 2010. At December 31, 2010, no amounts were drawn on the credit facility.

As security for the credit facility, the Corporation granted lenders a security interest over all of its present and after acquired property. A $200.0 million 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.

The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011. If the credit facility is not renewed prior to May 31, 2011, then a non-revolving term period shall commence immediately thereafter and shall end one year later on May 31, 2012, at which point the Corporation is required to repay in full all amounts owing under the credit facility.

12. LONG TERM DEBT *(continued)*

The available credit facility is reduced by any outstanding letters of guarantee. The following table outlines the available amount under the credit facility:

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Committed secured credit facility	35,000	35,000
Letters of guarantee issued	(8,494)	(8,380)
Available amount	**26,506**	**26,620**

As at December 31, 2010, the Corporation has approximately $8.5 million in letters of guarantee issued by the Corporation's banker. The current fee for the issued guarantees is 1.5%. All guarantees reduce the Corporation's available secured credit facility. The guarantees are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (note 13).

13. ASSET RETIREMENT OBLIGATIONS

The future asset retirement obligations were estimated by 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 total asset retirement obligation to be $7.6 million at December 31, 2010 (December 31, 2009: $3.1 million) based on a total future liability of $14.1 million (December 31, 2009: $7.3 million). These costs are expected to be incurred over the next two to twenty-five years. The Corporation's credit adjusted risk free interest rate of 5% and an inflation rate of 3% were used to calculate the net present value of the asset retirement obligations.

The following table provides a reconciliation of the Corporation's asset retirement obligations:

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Asset retirement obligations, beginning of period	**3,145**	2,370
Obligations added through development activities	**1,852**	991
Obligations added through acquisition	**2,325**	-
Revisions to estimates	**(80)**	(406)
Accretion expense	**317**	190
Asset retirement obligations, end of period	**7,559**	3,145

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares of no par value

Unlimited number of preferred shares of no par value

b) Issued and outstanding

On March 23, 2010, the Corporation completed an IPO of its common shares. A total of 19,166,667 common shares were issued through a prospectus at a price of $3.00 per common share, resulting in gross proceeds of $57.5 million. On April 16, 2010, the Agents exercised the over-allotment option to purchase an additional 2,875,000 common shares at a price of $3.00 per common share for gross proceeds of approximately $8.6 million. In connection with these offerings, the Corporation incurred approximately $4.6 million in transaction costs which included $3.7 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2010.

	Number of Shares	Amount ($000's)
Balance, December 31, 2008	39,962,075	85,493
Private placement	1,658,217	4,510
Employee share ownership plan	11,699	32
Share issue costs	-	(60)
Future tax effect of share issue costs	-	17
Balance, December 31, 2009	41,631,991	89,992
Initial public offering	19,166,667	57,500
Agent's exercise of over-allotment	2,875,000	8,625
Employee share ownership plan	15,990	44
Options exercised	64,700	153
Transfer from contributed surplus	-	17
Share issue costs	-	(4,649)
Future tax effect of share issue costs	-	1,301
Balance, December 31, 2010	63,754,348	152,983

c) Stock Option Plan

In conjunction with the Corporation's IPO and in order to comply with the rules and policies of the Toronto Stock Exchange ("TSX") and other applicable laws, the Corporation adopted a new stock option plan (the "Plan") effective as of March 23, 2010 (the "effective date"). All options under the previous plan prior to March 23, 2010 were transferred to the new Plan on the effective date. Under the new Plan, the Corporation may grant options to its employees, officers, directors and consultants up to 10% of the issued and outstanding common shares of the Corporation calculated on a non-diluted basis at the time of grant. 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. A summary of the status of the Corporation's stock option plan is as follows:

14. SHARE CAPITAL *(continued)*

	December 31, 2010		December 31, 2009	
	Outstanding Options	Weighted Average Exercise Price $	Outstanding Options	Weighted Average Exercise Price $
Balance - beginning of year	3,447,900	1.98	2,288,500	1.67
Granted	2,317,800	3.28	1,159,400	2.59
Exercised	(64,700)	2.37	-	-
Forfeitures	(73,550)	2.98	-	-
Balance - end of year	5,627,450	**2.50**	3,447,900	**1.98**
Exercisable - end of year	2,325,466	**1.71**	1,266,333	**1.53**

	Options outstanding			Options exercisable	
Exercise price $	Outstanding Options	Weighted Average Exercise Price $	Weighted average remaining term (years)	Exercisable Options	Weighted Average Exercise Price $
1.00 - 1.50	1,591,000	1.28	1.6	1,542,166	1.27
2.00 - 2.60	1,480,300	2.54	2.9	700,466	2.56
2.72 - 3.40	2,011,625	2.95	4.1	82,834	2.74
3.50 - 4.00	328,700	3.74	4.5	-	-
4.00 - 5.00	98,550	4.57	4.9	-	-
5.00 - 5.50	117,275	5.32	4.9	-	-
	5,627,450	**$2.50**	**3.2**	**2,325,466**	**$1.71**

On March 23, 2010 the Corporation, as part of the IPO, granted 1,771,025 options to employees, officers and directors. Subsequent to March 23, 2010, the Corporation granted 546,775 additional options. The fair value of options granted prior to January 1, 2010 was estimated at the date of grant using the minimum value method in the Black-Scholes Option Pricing Model. Subsequent to December 31, 2009, the Corporation has included the following assumptions in the Black-Scholes Option Pricing Model:

	2010	2009
Volatility factor of expected market price (%)	51.53	Nil
Weighted average risk-free interest rate (%)	2.25	2.13
Weighted average expected life in years	5.0	5.0
Weighted average expected annual dividends per share	Nil	Nil
Weighted average fair value per option ($)	1.53	0.21

14. SHARE CAPITAL *(continued)*

d) Performance warrants

The Corporation has a performance warrant plan, under which the Corporation may grant performance warrants to its employees, officers, directors and consultants to a maximum of the amount of 1,075,994 performance warrants available and outstanding at the time of the grant. The number of warrants issued is approved by the Board of Directors at the time of grant. There are currently no remaining performance warrants to be granted. Performance warrants issued under the plan have a term of five years to expiry from the date of the grant and vest 1/3, 1/3, 1/3 based on predetermined threshold amounts of $3.00, $3.50 and $4.25, respectively. The threshold amounts are determined using the weighted average trading price of the common shares of the Corporation for a period of 45 consecutive days. As at December 31, 2010, all warrants have vested.

A summary of the status of the Corporation's performance warrants is shown below:

	December 31, 2010		December 31, 2009	
	Outstanding Warrants	Average Exercise Price $	Outstanding Warrants	Average Exercise Price $
Balance - beginning of year	1,075,994	1.50	1,075,994	1.50
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	7,500	-	-	-
Balance - end of year	1,068,494	**1.50**	1,075,994	**1.50**
Exercisable - end of year	1,068,494	**1.50**	358,664	**1.50**

	Warrants outstanding			Warrants exercisable	
Exercise price $	Outstanding Warrants #	Weighted Average Exercise Price $	Weighted average remaining contractual life in years	Exercisable Warrants	Weighted Average Exercise Price $
1.50	1,068,494	1.50	1.46	1,068,494	1.50

During the year ended December 31, 2010 compensation cost of $1.2 million has been recognized for stock options and warrants granted (December 31, 2009: $0.5 million). These costs are recorded as stock based compensation expense with the offsetting amount being credited to contributed surplus. The amount transferred to share capital due to the exercise of stock options was de minimis for the year ended December 31, 2010 (December 31, 2009: de minimis).

14. SHARE CAPITAL *(continued)*

e) Contributed surplus

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Balance - beginning of period	694	235
Stock-based compensation	1,170	459
Transfer to share capital	(17)	-
Balance - end of period	1,847	694

f) Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to become owners of the Corporation's shares. Employees may contribute up to 5% of their base salaries in the ESOP. For the year ended December 31, 2010, employees contributed $0.2 million (2009: $0.1 million) into the plan. The Corporation will match contributions up to 5% based on the employee's years of service with the Corporation. The Corporation's matching expense was $0.1 million (2009: $0.01 million). The program was implemented in 2009.

15. PER SHARE INFORMATION

Basic earnings per share calculations for the year ended December 31, 2010 and 2009 were based on the weighted average number of common shares outstanding of 58,560,338 (2009: 40,857,737). Basic earnings (loss) per share for the year ended December 31, 2010 was $0.07 (2009: ($0.07)). The diluted weighted average number of common shares outstanding during 2010 was 59,163,845 (2009: 41,788,605). Diluted earnings (loss) per share for the year ended December 31, 2010 was $0.07 (2009: ($0.07)). As a result of the net loss recorded in 2009, all dilutive options are considered to be anti-dilutive and have been excluded from the calculation of the diluted earnings (loss) per share.

16. INCOME TAX

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Income (loss) before income taxes	7,018	(3,351)
Combined federal and provincial income tax rate	28.00%	29.00%
Tax effect	1,965	(972)
Stock-based compensation	328	133
Tax effect of rate changes	195	216
Other	56	30
Future income tax expense (recovery)	**2,544**	**(593)**

16. INCOME TAX *(continued)*

The components of the net future income tax asset as at December 31, 2010 were as follows:

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Future income tax assets:		
Share issue costs	1,230	460
Asset retirement obligations	146	68
Other	445	1
Non-capital losses carried forward	4,256	4,914
	6,077	**5,442**
Future income tax liabilities:		
Intangibles	(37)	(73)
Property, plant and equipment	(5,636)	(3,724)
Net future income tax asset	**404**	**1,645**

The Corporation's non-capital losses of $17.0 million (December 31, 2009: $17.9 million) expire between 2027 and 2030.

17. FINANCIAL INSTRUMENTS

a) Carrying values and fair values

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheets, are as follows:

(000's)	December 31, 2010		December 31, 2009	
	Carrying amount $	Fair value amount $	Carrying amount $	Fair value amount $
Financial Assets:				
Held for trading:				
Cash and cash equivalents	22,518	22,518	235	235
Crude oil derivative contracts	10,493	10,493	-	-
Loans and receivables:				
Accounts receivable	14,901	14,901	5,694	5,694
Notes receivable	482	482	459	459
Financial Liablilties:				
Held for trading:				
Crude oil derivative contracts	10,493	10,493	-	-
Other financial liabilities:				
Accounts payable	19,308	19,308	3,326	3,326
Long term debt	-	-	4,788	4,900

17. FINANCIAL INSTRUMENTS *(continued)*

b) Derivatives

The Corporation uses net buy and net sell crude oil derivative contracts (the "contracts") for marketing and trading of crude oil. Typically, these contracts are entered into in the forecast month which is the month prior to the production or delivery month. 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. There is no initial cash outlay in the month prior to the production month, as both the commodity price the producer will receive and the actual crude oil volume to be delivered are determined in the production month. The contract obligation is settled upon delivery. Therefore, as a result of no initial cash outlay in the forecast month, and given both the commodity price and physical delivery are settled at a future date (the production month) these contracts are defined as derivative instruments within financial instruments. The contracts are carried at fair value on the Corporation's consolidated balance sheet in the forecast month and are included within accounts receivable or accounts payable upon settlement. Changes in fair value are included in the statement of operations during the period of change. The contracts settled in the production month are included in accounts receivable and account payable, and are recorded on a net basis where the Corporation has a legally enforceable right and intention to offset.

c) Risks

Commodity price risk – non-trading

The value of the Corporation's crude oil inventory 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 Western 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. The Corporation is therefore exposed to commodity price fluctuations. The Corporation has elected not to actively manage commodity price risk associated with crude oil inventory at this time as the exposure to these fluctuations is not considered significant.

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; and disagreements over terms of deals and/or contracts. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period (forecast and production month), and the Corporation does not currently participate in the long term storage of the commodities. In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

17. FINANCIAL INSTRUMENTS (continued)

The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil derivative contracts offset against physical delivery of all net sell crude oil derivative contracts. The open position is subject to commodity price risk. As a single shipper, the pipeline mandates that any open positions of crude oil remaining at the end of any production month greater than approximately 3,200 barrels of crude oil would be subject to penalties. As a result, the Corporation's strategy is to reduce all opening positions below this threshold for any given month. The Corporation does have open positions throughout the forecast and production month, however those positions are closed within a relatively short period (before the end of the production month) therefore the overall exposure to the Corporation is significantly reduced. If the Corporation holds at or below 3,200 barrels of crude oil in open positions to a subsequent period, the exposure to the Corporation on a 10% increase or decrease in the price of crude oil per barrel would be an increase or decrease in revenue of approximately $0.03 million.

Credit risk

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.

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

(000's)	Dec 31, 2010 $	Dec 31, 2009 $
Under 30 days	11,096	1,959
31-60 days	910	583
61-90 days	309	476
Over 90 days	231	213
Total	**12,546**	**3,231**
Provision for doubtful accounts	**73**	**44**

The balance of $11.1 million under 30 days includes crude oil contracts settled as part of the trading activities that commenced in December of 2010. Of the $11.1 million, 21% of the receivable balance under 30 days is due from one counterparty. The entire amount due from the one counterparty relates to crude oil payments, which as part of industry practice, are settled within 30 days following the production month. As a result, the Corporation's credit exposure to any crude oil contracts settled is therefore limited to transactions occurring over a 60 day period. The Corporation is also exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as cash is held at a major Canadian financial institution.

17. 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 was exposed to interest rate risk during 2010 as it had borrowed funds at variable interest rates, however the balance of the credit facility was re-paid prior to March 31, 2010, therefore the Corporation is currently not exposed to interest rate risk on its credit facility. The Corporation is also exposed to interest rate risk on its cash and cash equivalents balance of $22.5 million. A 1% increase or decrease in the interest rate received by the Corporation would potentially increase or decrease revenue by $0.2 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 a December 31, 2010, the Corporation has $22.5 million in cash and cash equivalents and an undrawn credit facility of $26.5 million. The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000's)	Less than 1 year $	1 year to 3 years $	4 years to 5 years $	5 years and thereafter $
Accounts payable and accrued liabilities	29,801	-	-	-
Capital and operating lease obligations	1,874	2,801	631	1,282
Long term debt	-	-	-	-
Total	**31,675**	**2,801**	**631**	**1,282**

Foreign currency risk

A significant portion of the Corporation's activities related to the purchase and sale of crude oil are transacted in or referenced to US dollars. Foreign currency risk 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 does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time.

18. CAPITAL MANAGEMENT

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 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 debt facilities and shareholders' equity as the components of capital to be managed.

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 on a monthly basis, the Corporation's monthly results, capital costs to budget and approved authorizations for expenditure. The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized budgets, and earnings before interest, taxes, and depreciation ("EBITDA") on all of its operations. The Corporation is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

Management will manage its debt to maintain compliance with the various financial covenants contained within its secured credit facility (note 12). Those covenants are as follows:

- the working capital ratio may not be less than 1.25:1;
- the fixed charge coverage ratio may not be less than 1.25:1;
- the ratio of tangible assets to funded debt may not be less than 2.00:1;
- the ratio of funded debt to EBITDA (12 month trailing) may not exceed 3.50:1

19. RELATED PARTY TRANSACTIONS

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at December 31, 2010, the aggregate amount outstanding under the loans is $0.5 million (note 7).

In addition, during the year ended December 31, 2010 the Corporation incurred approximately $0.6 million of expenses with companies that have common directors, officers, employees and/or shareholders (2009: $0.2 million). $0.1 million of related party transactions are included in accounts payable at December 31, 2010 (2009: nil). These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of the expenses relate to service work on the Corporation's disposal wells and for promotional items.

20. COMMITMENTS & CONTINGENCIES

The Corporation has both capital and operating lease commitments. The future minimum lease payments are as follows:

Year	Capital ($000's)	Operating ($000's)
2011	**807**	**1,067**
2012	**664**	**959**
2013	**369**	**809**
2014	**2**	**629**
Thereafter	**-**	**1,282**
Total	**1,842**	**4,746**

In December 2007, the Corporation was named as a co-defendant in a lawsuit on behalf of CCS Inc., seeking to recover damages in the aggregate of $110 million allegedly sustained by them pertaining to actions by former employees who are now employees of the Corporation. During 2008, the Defendants filed their Statements of Defence and counter claim. 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.

Corporate Information

DIRECTORS
Rene Amirault
Murray Cobbe [(1) (2)]
David Johnson [(2) (3)]
Kevin Nugent [(1) (3)]
Brad Munro [(1) (2) (3)]

OFFICERS
Rene Amirault
President and Chief Executive Officer

Nick Wieler
Chief Financial Officer

Allen Gransch
Vice President, Finance

Gary Perras
Vice President, Operations

Daniel Steinke
Vice President, Business Development

Karen Myrheim
Vice President, Sales and Marketing

STOCK EXCHANGE
Toronto Stock Exchange
Symbol: SES

AUDITORS
Meyers Norris Penny LLP
Calgary, Alberta

LEGAL COUNSEL
Bennett Jones LLP
Calgary, Alberta

BANKERS
Alberta Treasury Branches
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR
Olympia Trust Company
Calgary, Alberta

[1] Audit Committee
[2] Compensation Committee
[3] Corporate Governance Committee