SECURE ENERGY SERVICES INC.

Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

(Expressed in Canadian Dollars)

To the Shareholders 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 International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates within the acceptable limits of materiality. 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 MNP 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. The Audit Committee also considers the independence of the external auditors and reviews their fees.

MNP 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 4, 2013

"SIGNED"

Rene Amirault
President & Chief Executive Officer

"SIGNED"

Allen Gransch
Executive Vice President & 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 "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2012 and 2011, and notes comprising 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 Secure Energy Services Inc. and its subsidiaries as at December 31, 2012 and 2011 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Commitments & Contingencies
We draw your attention to the disclosure made in note 23 of the financial statements concerning litigation involving the Corporation. This matter, as explained in note 23 of the financial statements, indicates the existence of a material contingency. No adjustment has been made to record this contingency. Our opinion is not qualified in respect of this matter.

MNP LLP

March 4, 2013
Calgary, Alberta

Chartered Accountants

1500, 640 – 5th Ave. S.W., Calgary, Alberta T2P 3G4 (403) 263-3385 Fax: (403) 269-8450

MNP

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position
As at December 31,
(Expressed in Canadian Dollars)

($000's)	Notes	2012	2011
Assets			
Current assets			
Cash		**7,506**	11,368
Accounts receivable and accrued receivables	**7**	**125,006**	145,481
Prepaid expenses and deposits		**3,997**	2,257
Inventories	**8**	**42,618**	34,476
		179,127	193,582
Assets under construction	**9**	**103,179**	37,796
Property, plant and equipment	**10**	**313,426**	221,524
Intangible assets	**11**	**79,663**	72,361
Goodwill	**12**	**92,516**	77,820
Total Assets		**767,911**	603,083
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**13**	**106,233**	93,316
Asset retirement obligations	**15**	**-**	420
Current income tax liability	**19**	**263**	1,083
Finance lease liabilities	**23**	**4,114**	2,693
		110,610	97,512
Long term borrowings	**14**	**122,810**	119,070
Asset retirement obligations	**15**	**24,274**	14,585
Finance lease liabilities	**23**	**4,158**	2,229
Deferred income tax liability	**19**	**27,660**	20,650
Total Liabilities		**289,512**	254,046
Shareholders' Equity			
Issued capital	**16**	**415,288**	321,498
Share-based payment reserve	**17**	**9,400**	5,558
Foreign currency translation reserve		**(1,091)**	231
Retained earnings		**54,802**	21,750
Total Shareholders' Equity		**478,399**	349,037
Total Liabilities and Shareholders' Equity		**767,911**	603,083

Approved by the Board of Directors:

"SIGNED"
Rene Amirault

"SIGNED"
Kevin Nugent

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Comprehensive Income
For the years ended December 31,
(Expressed in Canadian Dollars)

($000's except per share and share data)	Notes	2012	2011
Revenue	**24**	**1,029,440**	551,199
Operating expenses	**10**	**929,048**	489,878
General and administrative	**17**	**46,406**	25,452
Business development		**2,028**	2,014
Interest, accretion and finance costs		**5,765**	1,939
Total expenses		**983,247**	519,283
Earnings for the year before income taxes		**46,193**	31,916
Current income tax expense	**19**	**7,286**	4,491
Deferred income tax expense	**19**	**5,855**	5,042
		13,141	9,533
Net earnings for the year		**33,052**	22,383
Other comprehensive income			
Foreign currency translation adjustment		**(1,322)**	231
Total comprehensive income for the year		**31,730**	22,614
Earnings per share			
Basic, earnings for the year per common share	**18**	**0.34**	0.28
Diluted, earnings for the year per common share	**18**	**0.33**	0.27

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31,
(Expressed in Canadian Dollars)

($000's)	Notes	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total Shareholders' Equity
Balance at December 31, 2010		**152,983**	**2,999**	-	**(634)**	**155,348**
Net earnings for the year		-	-	-	22,383	**22,383**
Foreign currency translation adjustment		-	-	231	-	**231**
Shares issued as consideration for business combinations	**6**	83,763	-	-	-	**83,763**
Issue of share capital, net of tax	**16**	86,250	-	-	-	**86,250**
Exercise of options and warrants	**16**	2,299	(470)	-	-	**1,829**
Share issue costs, net of tax	**16**	(3,797)	-	-	-	**(3,797)**
Share-based payments	**17**	-	3,029	-	-	**3,029**
Balance at December 31, 2011		**321,498**	**5,558**	**231**	**21,750**	**349,037**
Balance at December 31, 2011		**321,498**	**5,558**	**231**	**21,750**	**349,037**
Net earnings for the year		-	-	-	33,052	**33,052**
Foreign currency translation adjustment		-	-	(1,322)	-	**(1,322)**
Shares issued as consideration for business combination	**6**	5,753	-	-	-	**5,753**
Issue of share capital, net of tax	**16**	86,275	-	-	-	**86,275**
Exercise of options and warrants	**16**	5,434	(1,255)	-	-	**4,179**
Share issue costs, net of tax	**16**	(3,672)	-	-	-	**(3,672)**
Share-based payments	**17**	-	5,097	-	-	**5,097**
Balance at December 31, 2012		**415,288**	**9,400**	**(1,091)**	**54,802**	**478,399**

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows
For the years ended December 31,
(Expressed in Canadian Dollars)

($000's)	Notes	2012	2011
Cash flows from operating activities			
Net earnings for the year		**33,052**	22,383
Adjustments for non-cash items:			
Depreciation, depletion and amortization		**42,283**	25,230
Accretion	**15**	**364**	327
Deferred income tax expense		**5,855**	5,042
Amortization of financing fees	**14**	**1,172**	150
Unrealized foreign exchange gain		**(313)**	(159)
Share-based payments	**17**	**5,383**	3,029
Funds from operations		**87,796**	56,002
Change in accounts receivable and accrued receivables and prepaid expenses and deposits		**17,445**	(79,713)
Change in inventories		**(7,472)**	(11,333)
Change in accounts payable and accrued liabilities and current income tax liability related to operating activities		**1,497**	42,805
Net cash flows from operating activities		**99,266**	7,761
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(170,799)**	(97,608)
Business combinations, net of cash acquired	**6**	**(30,788)**	(104,445)
Change in non-cash working capital		**10,315**	3,744
Net cash flows used in investing activities		**(191,272)**	(198,309)
Cash flows from financing activities			
Shares issued, net of share issue costs	**16**	**85,562**	83,015
Draws on revolving credit facility		**3,500**	95,902
Financing fees		**(932)**	-
Proceeds from repayments of notes receivable		**-**	505
Change in non-cash working capital		**-**	(22)
Net cash flows from financing activities		**88,130**	179,400
Effect of exchange rate changes on cash		**14**	(2)
Decrease in cash		**(3,862)**	(11,150)
Cash, beginning of year		**11,368**	22,518
Cash, end of year		**7,506**	11,368
Taxes paid		**8,281**	3,000
Interest paid		**3,243**	1,201

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

1. CORPORATE INFORMATION

Secure Energy Services Inc. ("Secure") is incorporated under the Business Corporations Act of Alberta. Secure operates through a number of wholly-owned subsidiaries (together referred to as the "Corporation") which are managed through two reportable segments. The processing, recovery and disposal services division ("PRD") is primarily engaged in providing services relating to 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. The drilling services division ("DS") is primarily engaged in providing services relating to drilling fluid systems, solids control and environmental services. The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "SES".

The following entities have been consolidated within Secure's consolidated financial statements for the year ended December 31, 2012:

			% Interest	
Subsidiary	**Country**	**Segment**	**Dec 31, 2012**	**Dec 31, 2011**
Secure Energy Services Inc. (parent company)	Canada	PRD		
Marquis Alliance Energy Group Inc.	Canada	DS	100%	100%
Marquis Alliance Energy Group USA Inc.	USA	PRD & DS	100%	100%
Alliance Energy Services International Ltd.	Canada	DS	100%	100%
1658774 Alberta Inc.	Canada	DS	100%	0%

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2013. The address of the Corporation's registered office is Suite 4500, 855 - 2nd Street S.W. Calgary, Alberta, T2P 4K7.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2012.

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

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to the determination of cash generating units, depreciation, depletion and amortization, asset retirement obligations, fair values of financial instruments, recoverability of assets, income taxes, and share-based payments. Actual results may differ from these estimates. See Note 4 for a description of significant estimates and judgments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of Secure and its subsidiaries and the proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint venture as at December 31, 2012 and 2011. All inter-company balances and transactions have been eliminated on consolidation.

In the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows, certain items are combined for the sake of clarity. These are explained in the notes. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Corporation. Cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, current tax assets and liabilities and inventories are always presented as current items; deferred tax assets and liabilities, assets under construction, property, plant and equipment, intangible assets and goodwill are presented as non-current items. Asset retirement obligations, prepaid expenses and deposits, borrowings, and finance lease obligations may be shown as both current and non-current, in connection with their respective maturities.

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

a) Revenue recognition

Revenue is recognized in the period services are provided or performed and when collectability is reasonably assured, economic benefits will flow to the Corporation and revenue can be reliably measured. 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. Revenue from drilling services is recognized when services are provided and when rental equipment is delivered and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluids inventory. Revenue from rentals is recognized over the term of the rental agreement at pre-determined rates. The following specific recognition criteria must also be met before revenue is recognized:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b) Share-based payments

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

In order to record share-based payment expense, the Corporation estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash-settled transactions
The Corporation has implemented a deferred share unit ("DSU") plan for its non-employee directors. The DSU's vest immediately and the fair value of the liability and the corresponding expense is charged to earnings in the consolidated statements of comprehensive income at the grant date. Subsequently, at each reporting date between the grant date and settlement date, the fair value of the liability is revalued with any changes in the fair value recognized in earnings for the period in the consolidated statements of comprehensive income. When the awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. The liability is included in accounts payable and accrued liabilities in the statement of financial position and the expense is included in the general and administrative expenses in the statements of comprehensive income.

c) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss ("FVTPL"), available for sale, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition. The Corporation currently does not classify any financial instruments as available for sale.

All financial assets are recognized initially at fair value. Investments not recognized at FVTPL are recognized at fair value plus directly attributable transaction costs.

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

The Corporation's financial assets include cash, and accounts receivable and accrued receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")
FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39, and cash. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The Corporation does not designate any derivative financial instruments as hedging instruments. FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statements of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. Any losses arising from impairment are recognized in the consolidated statements of comprehensive income in interest, accretion and finance costs. The Corporation has classified accounts receivable and accrued receivables, as loans and receivables.

Derecognition
A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The rights to receive cash flows from the asset have expired; or,
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii) Impairment of financial assets
The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with financial defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of *IAS 39, Financial Instruments: Recognition and Measurement* are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value. Other financial liabilities are recognized at fair value plus directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accrued liabilities and long term borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category could include derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives could also be classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the effective interest rate method ("EIR"). Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs on the consolidated statements of comprehensive income.

The Corporation has designated accounts payable and accrued liabilities, and long term borrowings as other financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

iv) Offsetting of financial instruments

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

v) Shareholders' equity

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

vi) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. The Corporation does not hold any such instruments as at December 31, 2012 and 2011.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

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.

Cash is recorded at fair value under Level 1. The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

vii) Transaction costs

Transaction costs for financial instruments other than held for trading are capitalized in the period they are incurred. Transaction costs for loan facilities that have durations longer than one year are capitalized and amortized using the EIR method over the period that corresponds with the term of the loan facilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property, plant and equipment

Land is measured at cost. Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such costs include geological and geophysical, drilling of wells, labour and materials, site investigation, equipment and facilities, contracted services and borrowing costs for long-term construction projects if the recognition criteria are met. Overhead costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by management are capitalized. These costs include compensation costs paid to internal personnel dedicated to capital projects. When significant parts of plant and equipment are required to be replaced, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred. The present value of the expected cost for the asset retirement obligation of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 15 for further information about the recognition and measurement of the asset retirement obligation.

Depreciation, except for units of capacity, is based on a straight line basis and is calculated over the estimated useful life of the asset as follows:

Buildings	10 to 45 years
Landfill cells	Units of total capacity utilized in the period
Mobile equipment	5 years
Plant infrastructure and equipment	2 to 15 years
Rental equipment	2 to 15 years
Disposal wells	15 years
Furniture and fixtures	7.5 years
Leasehold improvements	10 years
Computer equipment and software	3 to 10 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

e) Leases

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

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

Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Borrowing costs

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

g) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets and liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in earnings or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured and its final settlement shall be accounted for within equity.

h) Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and the expenditure is reflected in the consolidated statements of comprehensive income in the period in which the expenditure is incurred. Intangible assets resulting from a business combination 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 asset 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. The reversal of a previous impairment is permitted when there is an indication that the impairment loss may no longer exist and a new implied fair value is calculated. The reversal is limited so that the carrying amount of intangible asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the intangible asset in prior periods.

Amortization is based on a straight line basis and is calculated over the estimated useful life of the intangible asset as follows:

Non-competition agreements	3 to 5 years
Customer relationships	5 to 15 years
Licenses	10 years
Patents	11 to 12.5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Goodwill

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities.

Goodwill is allocated as of the date of the business combination to the Corporation's cash generating units. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal.

Any goodwill balances in subsidiaries whose functional currency is not the Canadian dollar are translated at period end exchange rates.

j) Inventories

Inventories are comprised of crude oil, natural gas liquids, drilling fluids and spare parts and are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The volume of oil held in inventory and the value of the oil in inventory will fluctuate based on the normal capacity of the facility and the market price of crude oil and natural gas liquids in any given month. Drilling fluids inventories are measured at the lower of cost and net realizable value, cost being determined on a weighted-average basis. The cost of drilling fluids inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The amount of drilling fluids inventory held will fluctuate depending on activity levels during a given period. The reversal of previous net realizable value write-downs to inventories is permitted when there is a subsequent increase to the value of inventories.

k) Impairment of non-financial assets

The Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The non-financial assets of the Corporation are comprised of assets under construction, property, plant and equipment, goodwill and intangible assets as at December 31, 2012 and 2011. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGU's compared to the individual CGU or group of CGUs' respective carrying amount(s). The recoverable amount is the higher of fair value less costs to sell and the value in use. Value in use is generally determined using the discounted cash flow method. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the individual CGU or group of CGU's.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in the consolidated statements of comprehensive income. Any previously recognized impairment losses on goodwill are not reversed.

l) Provisions

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

m) Earnings per share

The Corporation uses the treasury method for outstanding options which assumes that the use of proceeds that could be obtained upon exercise of options in computing diluted per share are used to purchase the Corporation's common shares at the average market price during the period. 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 period. Diluted earnings per share reflects the potential dilution that would occur if in-the-money stock options were exercised. 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, utilizing the treasury method, arising from the exercise of in-the-money share options.

n) Jointly controlled operations

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. A portion of the Corporation's operating activities are conducted jointly with others and therefore are consolidated into the operations of the Corporation. The consolidated financial statements reflect only the Corporation's proportionate interest in assets, liabilities, revenues, expenses and cash flows.

o) Asset retirement obligations

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Foreign currency translation and transactions

For foreign entities whose functional currency is the Canadian dollar, the Corporation translates monetary assets and liabilities at period-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in earnings in the period of occurrence.

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

Transactions of Canadian entities in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from the changes in exchange rates are recognized in earnings in the period of occurrence. Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign currency translation reserve in the cumulative amount of foreign currency translation differences.

q) Taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

Goods and Services tax ("GST") and Sales Tax

Revenues, expenses, liabilities and assets are recognized net of the amount of GST and sales tax. The net amount of GST and sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Segment reporting

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Corporation's consolidated financial statements requires management to make, at the end of the reporting period, judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to required estimates are recognized in the year in which the estimate is revised.

The key estimates and judgements concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Readers are cautioned that the following list is not exhaustive and other items may also be affected by estimates and judgements.

Significant judgements

Determining cash generating units ("CGU's)

For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash flows which make up the CGU. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of tangible and intangible assets, each CGU's carrying value is compared to the greater of its fair value less costs to sell and value in use. Management has determined that the appropriate CGU's for the Corporation is each service line in the DS division, and each facility that comprises the PRD division. The Corporation aggregates each service line in the DS division to test for impairment at the group CGU level.

Significant estimates and assumptions

Depreciation, depletion and amortization

Amounts recorded for depreciation and amortization are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs. Amounts recorded for depletion on the landfill cells are based on estimates of the total capacity utilized in the period.

Recoverability of assets

The Corporation assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Goodwill that is not subject to amortization is tested annually for impairment. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Corporation used the calculation of fair value less costs to sell to determine the fair value of its CGU's. In determining the fair value less costs to sell, the amount is most sensitive to the selection and use of recent transactions, comparable data in the market and applied weighted average to that data, to determine an implied fair value of the CGU being tested.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Asset retirement obligations and accretion

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

Share - based payments

The Corporation provides share-based awards to certain employees in the form of stock options. The Corporation follows the fair-value method to record share-based payment expense with respect to stock options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the costs is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Share-based payment expense associated with options issued to employees, consultants, officers and directors of the Corporation are expensed. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in reserves in shareholders' equity. Forfeitures are estimated for each tranche, and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based payment expense, the Corporation estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields.

Deferred Income taxes

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

Provision for doubtful accounts

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

Purchase price allocations

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

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

In 2010, the IASB issued IFRS 9 *Financial Instruments*, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. Application of IFRS 9 is mandatory for financial periods beginning on or after January 1, 2015. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which supersedes IAS 27 *Consolidation and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities.* This standard provides a single model to be applied in control analysis for all investees, including special purpose entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which will supersede existing IAS 31 *Joint Ventures* effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 11 provides for the accounting of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminates the option to account for jointly controlled entities using the proportionate consolidation method. The new standard will not have a material impact on the presentation of the Corporation's financial position and results of operations.

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRSs, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty and the effect of those measurements on the financial statements. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

In May 2011, the IASB published IAS 28 *Investments in Associates and Joint Ventures,* which are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held for sale or when the Corporation ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Corporation will no longer be required to remeasure the investment at that date. When a portion of an interest in a joint venture or associate is classified as held for sale, the portion not classified as held for sale shall be accounted for using the equity method of accounting until the sale is completed at which time the interest is reassessed for prospective accounting treatment. The amendments to the standard are not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In December 2011, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures* and IAS 32, *Financial Instruments: Presentation* to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for the Corporation on January 1, 2013 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for the Corporation on January 1, 2014 with required retrospective application and early adoption permitted. The adoption of these amended standards is not expected to have a material impact on the Corporation's consolidated financial statements.

6. BUSINESS COMBINATIONS

a) On June 1, 2011, Secure, through a series of transactions, acquired all of the issued and outstanding shares of Marquis Alliance Energy Group Inc. ("Marquis Alliance") for a total cash and share consideration of $130.9 million. The acquisition of Marquis Alliance allows Secure to provide an integrated drilling fluid service and expanded products and services to its customers. The Corporation paid $64.1 million in cash which was funded by the bought deal financing as described in Note 16. The acquisition was also funded through the issuance of 10,015,291 common shares of the Corporation at a closing price per share of $8.62 for consideration of $86.3 million, which was adjusted to fair value consideration for accounting purposes to $66.8 million. The fair value for accounting purposes was determined using a discounted cash flow analysis and was adjusted after considering such factors as the escrow period (shares to be released over a five year period) and liquidity of the Corporation's shares in the market place. Accordingly, the $66.8 million used in the purchase price allocation below is the difference between the $86.3 million at closing and the fair value adjustment of $19.5 million.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of June 1, 2011, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

($000's)	
Common shares issued (10,015,291 shares)	66,789
Cash	64,083
Total consideration	**130,872**
Assets acquired ($000's)	
Cash and short term deposits	1,516
Accounts receivable and accrued receivables	39,973
Inventories	14,878
Prepaid expenses and deposits	683
Assets under construction	451
Property, plant and equipment	17,649
Intangible assets	50,906
Goodwill	63,706
Total assets	**189,762**
Liabilities acquired ($000's)	
Accounts payable and accrued liabilities	(18,049)
Bank indebtedness	(21,359)
Finance lease liabilities	(1,275)
Long term borrowings	(1,659)
Deferred income tax liability	(16,548)
Total liabilities	**(58,890)**
Net assets acquired	**130,872**

The fair value of the accounts receivable and accrued receivables acquired was $40.0 million. The gross amount of accounts receivable and accrued receivables is $40.1 million. A $0.1 million allowance for uncollectable receivables has been included in the fair value of accounts receivable and accrued receivables.

6. BUSINESS COMBINATIONS (continued)

Pursuant to the Marquis Alliance acquisition agreement (the "Agreement"), $7.0 million of the cash consideration was held under trust conditions to account for any potential material environmental liabilities, accounts receivable allowances and inventory obsolescence. $3.0 million was held under trust conditions to account for any potential working capital adjustments. This amount was released from trust as at December 31, 2011 in conjunction with the settlement of the working capital deficiency. On closing, Marquis Alliance was required to have an adjusted working capital surplus of $19.8 million, net of outstanding bank debt. Under the provisions of the Agreement, the working capital requirement was adjusted down by $0.6 million to $19.2 million, for deposits paid by Marquis Alliance on real property prior to the closing of the Agreement. Actual working capital received on closing was $18.3 million. The $0.9 million difference between the $19.2 million working capital requirement in the Agreement and the $18.3 million in actual working capital was settled in cash as at December 31, 2011, and was deducted from the $3.0 million held in trust prior to being released. The $0.9 million cash settlement resulted in a reduction of total consideration paid by $0.9 million and a corresponding reduction to accounts receivable and accrued receivables. The remaining amounts held in trust were released on March 29, 2012 which resulted in a reduction of total consideration paid by $0.6 million and a corresponding reduction to accounts receivable and accrued receivables and inventories. The $0.6 million adjustment was a result of final agreements on the amounts of accounts receivable allowance and inventory obsolescence recorded at the acquisition date.

An adjustment of $2.3 million was recorded as an increase to the deferred income tax liability upon finalizing the Marquis Alliance tax filings related to operations prior to the acquisition. The change results in an increase to goodwill.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining Marquis Alliance with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

b) On July 1, 2011, the Corporation purchased substantially all of the operating assets, including inventory but excluding all other working capital, of XL Fluid Systems Inc. ("XL Fluids") for total cash and share consideration of $39.4 million. The acquisition of XL Fluids allows the Corporation to expand the geographical presence of its DS division into Saskatchewan, and continue to expand the Corporation's products and services to its customers. The Corporation paid $22.5 million in cash and issued 2,297,885 common shares of the Corporation at a closing price per share of $9.58 for consideration of $22.0 million, which was adjusted to fair value consideration for accounting purposes of $17.0 million. The fair value for accounting purposes was adjusted after considering such factors as the escrow period (shares to be released over a five year period) and liquidity of the Corporation's shares in the market place. Accordingly, the $17.0 million used in the purchase price allocation below is the difference between the $22.0 million at closing and the fair value adjustment of $5.0 million.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of July 1, 2011, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

6. BUSINESS COMBINATIONS (continued)

($000's)	
Common shares issued (2,297,885 shares)	16,974
Cash	22,460
Total consideration	**39,434**

Assets acquired ($000's)	
Inventories	3,985
Property, plant and equipment	342
Intangible assets	20,659
Goodwill	16,383
Total assets	**41,369**

Liabilities acquired ($000's)	
Finance lease liabilities	(216)
Deferred income tax liability	(1,719)
Total liabilities	**(1,935)**

Net assets acquired	**39,434**

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining XL Fluids with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes.

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

On July 1, 2011 Marquis Alliance and XL Fluids were combined to form the DS division. From the date each of them was acquired, Marquis Alliance and XL Fluids have together contributed $147.7 million of revenue and $12.8 million to the earnings before tax of the Corporation for the year ended December 31, 2011. If the business combinations had been completed on January 1, 2011, the revenue and earnings before income tax for the Corporation for the year ended December 31, 2011 would have been $659.1 million and $42.7 million, respectively based on the unaudited operating results of Marquis Alliance and XL Fluids. Management has presented combined revenue and earnings for Marquis Alliance and XL Fluids as it was determined that it was not practical to present the amounts separately, as Marquis Alliance and XL Fluids have been integrated as of July 1, 2011.

6. BUSINESS COMBINATIONS (continued)

c) On October 1, 2011, the Corporation closed an asset purchase agreement with Emerge Oil & Gas Inc. ("Emerge") to acquire Emerge's Silverdale (02-06-049-27 W3M) processing facility ("Silverdale") for an aggregate cash purchase price of $18.0 million. The Silverdale processing facility currently provides oil terminalling, emulsion processing and produced water disposal services. The acquisition of Silverdale allows the Corporation to expand the geographical presence of its PRD division and continue to expand the Corporation's products and services to its customers.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of October 1, 2011, whereby the assets acquired and the liabilities assumed are recorded at their fair values.

($000's)	
Cash	18,000
Total consideration	**18,000**

Assets acquired ($000's)	
Inventories	760
Property, plant and equipment	16,417
Intangible assets	1,839
Total assets	**19,016**

Liabilities acquired ($000's)	
Asset retirement obligation	(901)
Deferred income tax liability	(115)
Total liabilities	**(1,016)**

Net assets acquired	**18,000**

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been included in business development costs on the consolidated statements of comprehensive income.

Silverdale was acquired and integrated with the Corporation's existing operations and therefore specific income information in respect of Silverdale is not included in these consolidated financial statements.

6. BUSINESS COMBINATIONS (continued)

d) On January 25, 2012, the Corporation closed an asset purchase agreement with New West Drilling Fluids Inc. ("New West"), a wholly owned subsidiary of New West Energy Services Inc. to acquire the operating assets of New West (excluding working capital) for aggregate cash consideration of $3.4 million. New West specializes in providing drilling fluid systems and products for the oil sands industry, and is most well-known for a patented Steam Assisted Gravity Drainage system ("SAGD") called "BITUDRIL", the first bitumen encapsulating polymer based system on the market. The acquisition of New West allows the Corporation, through its subsidiary Marquis Alliance, to expand its existing patented and proprietary SAGD product line and to increase Marquis Alliance's ability to provide cost effective drilling fluid solutions in the SAGD market.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of January 25, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values.

($000's)	
Cash	3,405
Total consideration	**3,405**
Assets acquired ($000's)	
Inventories	105
Property, plant and equipment	21
Intangible assets	3,347
Total assets acquired	**3,473**
Liabilities acquired ($000's)	
Deferred income tax liability	(68)
Total liabilities	**(68)**
Net assets acquired	**3,405**

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

e) On July 2, 2012, the Corporation closed an asset purchase agreement with DRD Saltwater Disposal LLC ("DRD") to acquire the operating assets of DRD for total cash and share consideration of $26.3 million. The operating assets acquired include two recently constructed fully operational standalone water disposal facilities serving the Bakken oil play. The acquisition of DRD allows the Corporation to expand its geographical presence of its PRD division into the United States, and to continue to expand on the Corporation's growth strategy in underserviced markets. The Corporation paid $20.5 million in cash and issued 1,168,519 common shares of the Corporation at a closing price per share of $7.90 for consideration of $9.2 million, which was adjusted to fair value consideration for accounting purposes of $5.8 million. The fair value for accounting purposes was determined using a discounted cash flow analysis and was adjusted after considering such factors as the escrow period and liquidity of the Corporation's shares in the market place. Accordingly, the $5.8 million used in the purchase price allocation is the difference between the $9.2 million at closing and the fair value adjustment of $3.4 million.

6. BUSINESS COMBINATIONS (continued)

The acquisition has been accounted for using the acquisition method of accounting with an effective date of July 2, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

($000's)	
Common shares issued (1,168,519 shares)	5,753
Cash	20,499
Total consideration	**26,252**
Assets acquired ($000's)	
Property, plant and equipment	9,235
Intangible assets	7,313
Goodwill	11,837
Total assets acquired	**28,385**
Liabilities acquired ($000's)	
Asset retirement obligation	(2,133)
Total liabilities	**(2,133)**
Net assets acquired	**26,252**

The amounts recorded on the DRD acquisition above are based upon preliminary information available to management as of the date of this report and the preparation of these consolidated financial statements. The above amounts are subject to change upon final adjustments.

The acquisition agreement states there is a hold back of the shares to be issued as part of the consideration (the “consideration shares”) subject to the performance testing of the two disposal wells acquired. Up to US$4.5 million in the value of consideration shares will be held back until performance testing is completed that shows the disposal wells meet the agreed upon minimum daily average injection capacity.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining DRD with the rest of the Corporation. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

f) On August 15, 2012, the Corporation closed an asset purchase agreement with Imperial Drilling Fluids Engineering Inc. (“IDF”) to acquire the operating assets of IDF (excluding working capital) for aggregate cash consideration of $6.9 million. IDF specializes in drilling fluids in Colorado, predominately in the Niobrara and Cordell Shale plays. The acquisition of IDF allows the Corporation, through its subsidiary Marquis Alliance, to expand its geographical presence and take advantage of a growing market opportunity in the region.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of August 15, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values.

6. BUSINESS COMBINATIONS (continued)

($000's)	
Cash	6,882
Total consideration	**6,882**

Assets acquired ($000's)	
Inventories	564
Property, plant and equipment	393
Intangible assets	5,482
Goodwill	443
Total net assets acquired	**6,882**

The amounts recorded on the IDF acquisition above are based upon preliminary information available to management as of the date of this report and the preparation of these consolidated financial statements. The above amounts are subject to change upon final adjustments.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining IDF with the rest of the Corporation. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

Pursuant to the IDF acquisition agreement (the "IDF agreement"), the Corporation is obligated to pay additional consideration consisting of a series of three annual earn out payments ("contingent payments") beginning in September 2013 to certain selling shareholders based on the achievement of a certain gross margin percentage. The potential annual earn out payments range from US$0.9 million to US$2.7 million for total earn out payments over the three year period ranging from US$2.7 million to US$8.0 million. Since the obligation to pay the contingent payments is conditional upon the continued employment of the former shareholders, the payments are considered compensation expense and, accordingly, are included in operating expenses on the consolidated statements of comprehensive income in accordance with the applicable IFRS.

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

New West, DRD and IDF were acquired and integrated with the Corporation's existing operations and therefore specific income information in respect of these acquisitions are not included in these consolidated financial statements.

7. ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES

($000's)	Dec 31, 2012	Dec 31, 2011
Trade accounts receivable and accruals	**122,877**	144,491
Related party receivables (Note 22)	**2,444**	1,364
Allowance for doubtful accounts	**(315)**	(374)
	125,006	**145,481**

As at December 31, 2012, $0.3 million (2011 - $0.4 million) of trade receivables were considered impaired (Note 20).

8. INVENTORIES

Inventories are shown at the lower of cost and net realizable value. Crude oil, natural gas liquids and drilling fluids inventories recognized as operating expenses on the consolidated statements of comprehensive income for the year ended December 31, 2012 was $145.2 million (2011 – $83.3 million).

($000's)	Dec 31, 2012	Dec 31, 2011
Crude oil and natural gas liquids	**3,192**	2,505
Drilling fluids	**39,077**	31,665
Spare parts and supplies	**349**	306
Total inventories	**42,618**	**34,476**

Inventories are included in the general security agreements held by the banks as security for the Corporation's credit facility (Note 14).

9. ASSETS UNDER CONSTRUCTION

($000's)	Projects under construction	Equipment (under refurbishment)	Total
At December 31, 2012	**101,339**	**1,840**	**103,179**
At December 31, 2011	32,682	5,114	**37,796**

The amounts included in the categories above consist of assets associated with a variety of ongoing projects. $2.6 million of capitalized salaries were added to assets under construction for the year ended December 31, 2012 (2011 - $0.8 million).

The amount of borrowing costs capitalized to assets under construction during the year ended December 31, 2012 was $0.4 million (2011 - nil) based on a capitalized borrowing rate of 3.37% (2011 – nil).

10. PROPERTY, PLANT AND EQUIPMENT

Included in operating expenses on the consolidated statements of comprehensive income for the year ended December 31, 2012 is $31.2 million of depreciation and depletion expense (2011 - $19.4 million).

An amount of $0.3 million was recognized in depreciation and depletion expense for the year ended December 31, 2012 related to the loss on retirement of assets (2011 – nil).

The amount of borrowing costs capitalized during the year ended December 31, 2012 was $0.2 million (2011 - $0.1 million) based on a capitalized borrowing rate of 3.45% (2011 – 3.27%). During the year ended December 31, 2012, $104.7 million was transferred from assets under construction to property, plant and equipment for completed projects (2011 - $87.9 million).

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of $14.5 million (2011 - $6.7 million). The finance lease commitments over the next five years are disclosed in Note 23.

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

($000's)	Land	Buildings	Plant, Infrastructure, Equipment, and Landfill Cells	Rental Equipment	Mobile Equipment	Disposal Wells	Furniture and Fixtures	Computer Equipment and Software	Total
Cost:									
At December 31, 2010	676	8,444	93,252	-	3,054	29,445	762	1,565	**137,198**
Additions from business combinations (Note 6a)	2,113	3,244	4,064	6,919	158	-	748	403	**17,649**
Additions from business combinations (Note 6b)	-	-	301	-	-	-	11	30	**342**
Additions from business combinations (Note 6c)	-	1,442	13,097	-	15	1,863	-	-	**16,417**
Additions	332	8,496	67,349	8,137	292	9,123	153	975	**94,857**
Change in asset retirement cost	-	-	477	-	-	837	-	-	**1,314**
Disposals	-	-	(391)	-	-	-	-	(32)	**(423)**
Foreign exchange effect	(7)	(4)	(9)	17	-	-	(1)	-	**(4)**
December 31, 2011	3,114	21,622	178,140	15,073	3,519	41,268	1,673	2,941	**267,350**
Additions from business combination (Note 6d)	-	-	20	-	-	-	-	1	**21**
Additions from business combination (Note 6e)	-	479	4,632	-	-	4,100	12	12	**9,235**
Additions from business combination (Note 6f)	-	-	385	-	-	-	-	8	**393**
Additions	708	7,867	74,579	15,138	3,040	10,375	1,055	2,974	**115,736**
Transfers between divisions	-	-	19	-	112	-	-	-	**131**
Change in asset retirement cost	-	-	115	-	-	154	-	-	**269**
Disposals	-	-	(1,698)	-	(237)	-	-	-	**(1,935)**
Foreign exchange effect	(5)	(2)	48	(141)	(1)	35	(2)	(1)	**(69)**
December 31, 2012	**3,817**	**29,966**	**256,240**	**30,070**	**6,433**	**55,932**	**2,738**	**5,935**	**391,131**
Accumulated depreciation and depletion:									
At December 31, 2010	-	(838)	(19,338)	-	(603)	(3,381)	(132)	(669)	**(24,961)**
Depreciation and depletion	-	(1,037)	(15,225)	(1,129)	(663)	(2,244)	(144)	(515)	**(20,957)**
Disposals	-	-	91	-	-	-	-	-	**91**
Foreign exchange effect	-	-	-	1	-	-	-	-	**1**
December 31, 2011	-	(1,875)	(34,472)	(1,128)	(1,266)	(5,625)	(276)	(1,184)	**(45,826)**
Depreciation and depletion	-	(1,720)	(22,700)	(2,777)	(1,095)	(2,996)	(274)	(779)	**(32,341)**
Transfers between divisions	-	-	1	-	(87)	-	-	-	**(86)**
Disposals	-	-	444	-	100	-	-	-	**544**
Foreign exchange effect	-	-	(4)	8	-	-	-	-	**4**
December 31, 2012	**-**	**(3,595)**	**(56,731)**	**(3,897)**	**(2,348)**	**(8,621)**	**(550)**	**(1,963)**	**(77,705)**
Net book value:									
December 31, 2012	**3,817**	**26,371**	**199,509**	**26,173**	**4,085**	**47,311**	**2,188**	**3,972**	**313,426**
December 31, 2011	3,114	19,747	143,668	13,945	2,253	35,643	1,397	1,757	**221,524**

11. INTANGIBLE ASSETS

Amortization expense relating to intangible assets is included in operating expenses on the consolidated statements of comprehensive income.

($000's)	Non-competition agreements	Customer relationships	Licenses	Patents	Total
Cost:					
At December 31, 2010	93	254	3,245	-	3,592
Additions through business combination (Note 6a)	9,840	36,271	-	4,795	50,906
Additions through business combination (Note 6b)	4,851	15,808	-	-	20,659
Additions through business combination (Note 6c)	-	1,839	-	-	1,839
At December 31, 2011	14,784	54,172	3,245	4,795	**76,996**
Additions through business combination (Note 6d)	-	999	-	2,348	3,347
Additions through business combination (Note 6e)	4,247	3,066	-	-	7,313
Additions through business combination (Note 6f)	1,318	4,164	-	-	5,482
Foreign exchange effect	64	84	-	-	148
At December 31, 2012	**20,413**	**62,485**	**3,245**	**7,143**	**93,286**
Accumulated amortization:					
At December 31, 2010	(39)	(106)	(216)	-	(361)
Amortization	(1,651)	(2,074)	(325)	(224)	(4,274)
At December 31, 2011	(1,690)	(2,180)	(541)	(224)	**(4,635)**
Amortization	(3,772)	(4,316)	(324)	(578)	(8,990)
Foreign exchange effect	2	-	-	-	2
At December 31, 2012	**(5,460)**	**(6,496)**	**(865)**	**(802)**	**(13,623)**
Net book value:					
At December 31, 2012	**14,953**	**55,989**	**2,380**	**6,341**	**79,663**
At December 31, 2011	13,094	51,992	2,704	4,571	**72,361**

12. GOODWILL

($000's)	Dec 31, 2012	Dec 31, 2011
Balance - beginning of year	**77,820**	-
Additions through business comination (Note 6e)	**11,837**	**-**
Additions through business comination (Note 6f)	**443**	**-**
Additions through business combination (Note 6a)	**2,269**	61,437
Additions through business combination (Note 6b)	**-**	16,383
Foreign exchange effect	**147**	-
Balance - end of year	**92,516**	**77,820**

The Corporation tests goodwill annually for impairment or more frequently if there are indications that the asset may be impaired. At December 31, 2012, an impairment test was performed at the group CGU level or individual CGU level as applicable, and no impairment was recognized (note 4). The recoverable amounts of the group of CGU's were estimated as their fair value less costs to sell, determined by applying a market-observed multiple to the CGU's trailing EBIDTA to estimate an implied fair value of the group CGU's.

13. ACCOUNTS PAYABLE AND ACCRUED LIABLITIES

($000's)	Dec 31, 2012	Dec 31, 2011
Accounts payable and accrued liabilities	**105,637**	93,212
Related party payables (Note 22)	**596**	104
	106,233	**93,316**

14. LONG TERM BORROWINGS

($000's)	Dec 31, 2012	Dec 31, 2011
Amount drawn on revolving credit facility	**123,500**	120,000
Unamortized transaction costs	**(690)**	(930)
Total long term borrowings	**122,810**	**119,070**

In the first quarter of 2012, Secure expanded its existing revolving credit facility ("revolving credit facility") of $150.0 million to $200.0 million through the exercise of the $50.0 million accordion feature. There were no changes to the terms of the underlying revolving credit facility. Under the revolving credit facility, the Corporation could borrow by way of Canadian dollar advances through Canadian Prime Rate Loans or Bankers Acceptances or United States dollar advances through US Base Rate Loans or Libor or letters of credit denominated in Canadian or U.S. dollars, and bears interest ranging from 1.0% to 2.0% above the Canadian prime rate or Bankers Acceptances ranging from 2.0% to 3.0% above the Bankers Acceptance depending on the Corporation's prevailing funded debt to earnings before income tax, depreciation, and amortization ("EBITDA") ratio, with any unused amounts subject to standby fees ranging from 0.50% to 0.75%. Funded debt included all outstanding debt, including capital leases, and any outstanding letters of credit. As security for the revolving credit facility, the Corporation granted lenders a security interest over all of its present and after acquired property. A $1.0 billion debenture provides a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subject to the fixed charge. The revolving credit facility was to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

14. LONG TERM BORROWINGS (continued)

On November 5, 2012, the Corporation and its lenders amended the revolving credit facility to add an additional lender and to increase the facility from $200 million to $300.0 million (the "new credit facility"). The new facility includes an accordion feature which, if exercised, would increase the credit facility by an additional $50.0 million. The new credit facility consists of a $290.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility. The Corporation can borrow by way of Canadian dollar advances through Canadian Prime Rate Loans or Bankers Acceptances or United States dollar advances through US Base Rate Loans or Libor or letters of credit denominated in Canadian or U.S. dollars. The new credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. There are no advances in U.S dollars as at December 31, 2012.

The new credit facility bears interest ranging from 0.75% to 1.75% above the Canadian prime rate or Bankers Acceptances ranging from 1.75% to 2.75% above the Bankers Acceptance rate depending on the Corporation's prevailing funded debt to EBITDA ratio, with any unused amounts subject to standby fees ranging from 0.40% to 0.62%. Funded debt includes all outstanding debt, including finance leases, and any outstanding letters of credit. The facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

The new credit facility is due on July 31, 2015 (the "new maturity date"), and includes an option for the Corporation to extend the new maturity date (once per annum) to a maximum of three years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the new credit facility was not extended.

In conjunction with obtaining the new credit facility, the Corporation incurred transaction costs in the amount of $0.7 million, of which the unamortized amount has been offset against the outstanding principle balance of the debt. Amortization of the transaction costs recognized in interest, accretion and finance costs on the consolidated statements of comprehensive income for the year ended December 31, 2012 was $1.2 million (2011 - $0.2 million) of which $0.8 million in transaction costs related to the previous revolving credit facility that were expensed and included in interest, accretion and finance costs on the consolidated statements of comprehensive income.

The following covenants apply to the new credit facility:

- The Funded Debt to EBITDA Ratio shall not exceed 3:00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- The ratio of Senior Debt to Senior Debt plus Equity shall not exceed 40%; and,
- The Fixed Charge Coverage Ratio shall not be less than 1:00:1.

At December 31, 2012, and 2011, Secure was in compliance with all covenants.

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

The available new credit facility is reduced by any outstanding letters of credit. As at December 31, 2012, the Corporation has $19.6 million in letters of credit issued by the Corporation's lead lender (2011 - $6.3 million). The guarantees are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (Note 15).

14. LONG TERM BORROWINGS (continued)

($000's)	Dec 31, 2012	Dec 31, 2011
Revolving credit facility	**300,000**	150,000
Amount drawn on revolving credit facility	**(123,500)**	(120,000)
Letters of credit issued	**(19,552)**	(6,316)
Available amount	**156,948**	**23,684**

15. ASSET RETIREMENT OBLIGATIONS

($000's)	
At December 31, 2010	9,570
Arising during the year through development activities	2,893
Arising during the year through acquisitions (Note 6c)	901
Accretion	327
Change in discount rate	1,314
At December 31, 2011	15,005
Arising during the year through development activities	6,503
Arising during the year through acquisitions (Note 6e)	2,133
Accretion	364
Change in discount rate	269
At December 31, 2012	**24,274**

($000's)	Dec 31, 2012	Dec 31, 2011
Current	**-**	420
Non-current	**24,274**	14,585
	24,274	**15,005**

The Corporation's asset retirement obligations were estimated by a third party or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2012 to be $24.3 million (2011 - $15.0 million) based on a total future liability of $32.3 million as at December 31, 2012 (2011 - $21.4 million). These costs are expected to be incurred over the next twenty-five years. The Corporation used its risk-free interest rates of 1.14% to 2.36% (2011 – 0.95% to 2.49%) and an inflation rate of 3.00% (2011 - 3.00%) to calculate the net present value of its asset retirement obligations at December 31, 2012.

The Corporation has letters of credit issued by the Corporation's banker in relation to the Corporation's asset retirement obligations (Note 14).

16. SHAREHOLDERS' EQUITY

Authorized
Unlimited number of common voting shares of no par value
Unlimited number of preferred shares of no par value

	Number of Shares	Amount ($000's)
Balance, December 31, 2010	63,754,348	152,983
Options exercised	679,267	1,169
Warrants exercised	439,997	660
Transfer from reserves in equity	-	470
Bought-deal equity financing (Note 16a)	12,969,900	86,250
Shares issued as consideration for business combination (Notes 6a and 16b)	10,015,291	66,789
Shares issued as consideration for business combination (Notes 6b and 16c)	2,297,885	16,974
Share issue costs	-	(5,063)
Deferred tax effect of share issue costs	-	1,266
Balance, December 31, 2011	90,156,688	321,498
Options exercised	1,683,536	3,236
Warrants exercised	628,497	943
Transfer from reserves in equity	-	1,255
Bought-deal equity financing (Note 16e)	10,987,262	86,250
Shares issued as consideration for business combination (Notes 6e and 16d)	1,168,519	5,753
Other	2,500	25
Share issue costs	-	(4,892)
Deferred tax effect of share issue costs	-	1,220
Balance, December 31, 2012	**104,627,002**	**415,288**

As at December 31, 2012, there were 10,674,197 (2011 – 12,249,269) common shares of the Corporation held in escrow (see Note 16b, 16c, and 16d below).

a) On May 19, 2011, the Corporation completed an offering on a bought deal basis (the "Offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 12,969,900 subscription receipts of the Corporation at a price of $6.65 per subscription receipt for gross proceeds of approximately $86.3 million. In connection with the offering, the Corporation incurred approximately $4.8 million in transaction costs which included $4.3 million in underwriter fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2011.

b) On June 1, 2011, the Corporation purchased all of the issued and outstanding shares of Marquis Alliance for total consideration of $131.4 million. The purchase price consisted of $64.6 million in cash consideration and $66.8 million consideration by way of issuance of 10,015,291 common shares (see Note 6a). The Marquis Alliance Agreement provides that the 10,015,291 common shares issued by the Corporation will be held in escrow pursuant to which 8,401,673 of such shares will be released on a straight line basis annually over five years, 608,030 released on a straight line basis annually over four years, and the remaining 1,005,588 shares released on a straight line basis annually over two years. Accordingly, as at December 31, 2012, 7,680,152 (December 31, 2011 - 10,015,291) common shares were held in escrow. In connection with the share issuance, the Corporation incurred approximately $0.2 million in transaction costs. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2011.

16. SHAREHOLDERS' EQUITY (continued)

c) On July 1, 2011, the Corporation purchased substantially all of the operating assets of XL Fluids for total consideration of $39.4 million. The purchase price consisted of $22.5 million in cash consideration and $17.0 million consideration by way of issuance of 2,297,885 common shares (see Note 6b). The XL Fluids Agreement provides that 2,233,978 of the common shares issued by the Corporation will be held in escrow and will be released on a straight line basis annually over five years. As at December 31, 2012, 1,825,526 (December 31, 2011 - 2,233,978) common shares were held in escrow. In connection with the share issuance, the Corporation incurred approximately $0.1 million in transaction costs. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2011.

d) On July 2, 2012, The Corporation closed an asset purchase agreement to acquire the operating assets of DRD for total cash and share consideration of $26.3 million. The purchase price consisted of $20.5 million in cash consideration and $5.8 million consideration by way of issuance of 1,168,519 common shares of the Corporation (Note 6e). The DRD agreement provides that 1,168,519 of the common shares issued by the Corporation will be held in escrow with twenty five percent being released on each anniversary of the closing date.

e) On July 24, 2012, the Corporation entered into an agreement on a bought deal basis (the "2012 offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 10,987,262 common shares (including overallotment) of the Corporation at a price of $7.85 per common share for gross proceeds of $86.3 million. In connection with the 2012 offering, the Corporation incurred approximately $4.8 million in transaction costs which included $4.3 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2012.

(Expressed in Canadian Dollars)

17. SHARE-BASED PAYMENT PLANS

The Corporation has a share-based payment plan (the "Plan") under which the Corporation may grant share options to its employees, directors, and consultants for 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 to Canadian employees, directors and consultants 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. The exercise price of options granted under the Plan to US employees, directors and consultants is calculated as the five-day weighted average trading price of the common shares for the five trading days immediately after 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 share-based payment plan is as follows:

	Dec 31, 2012		Dec 31, 2011	
	Outstanding options	Weighted average exercise price ($)	Outstanding options	Weighted average exercise price ($)
Balance - beginning of year	6,788,685	4.25	5,627,450	2.50
Granted	2,560,142	8.35	2,095,975	8.49
Exercised	(1,683,536)	1.92	(679,267)	1.72
Forfeited	(434,769)	7.64	(255,473)	7.09
Balance - end of year	**7,230,522**	**6.04**	**6,788,685**	**4.25**
Exercisable - end of year	**2,991,579**	**3.90**	**3,045,255**	**2.26**

The following table summarizes information about share options outstanding as at December 31, 2012:

	Options outstanding			Options exercisable	
Exercise price ($)	Outstanding options	Weighted average exercise price ($)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price ($)
1.00 - 2.00	25,500	1.50	0.09	25,500	1.50
2.01 - 3.00	2,730,759	2.79	1.68	2,179,313	2.74
3.01 - 4.00	217,150	3.72	2.43	130,583	3.71
4.01 - 5.00	66,000	4.57	2.87	43,000	4.57
5.01 - 6.00	116,900	5.32	2.93	76,458	5.32
6.01 - 7.00	112,415	6.11	3.19	37,472	6.11
7.01 - 8.00	1,634,634	7.75	4.17	118,475	7.77
8.01 - 9.00	1,891,696	8.79	3.83	369,103	8.93
9.01 - 10.00	221,269	9.75	4.65	11,675	9.35
10.01 - 11.00	214,199	10.09	4.93	-	-
	7,230,522	**6.04**	**3.06**	**2,991,579**	**3.90**

(Expressed in Canadian Dollars)

17. SHARE-BASED PAYMENT PLANS (continued)

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

	Dec 31, 2012	Dec 31, 2011
Volatility factor of expected market price (%)	**42.57**	45.89
Weighted average risk-free interest rate (%)	**1.44**	1.82
Weighted average expected life in years	**4.1**	4.1
Weighted average expected annual dividends per share	**Nil**	Nil
Weighted average fair value per option ($)	**2.95**	3.23
Weighted average forfeiture rate (%)	**3.57**	1.29

The Corporation's stock has less than three years of trading history, therefore the Corporation has used a weighted average volatility consisting of its own historical volatility and the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model. The Corporation determines a forfeiture rate by using actual historical forfeiture rates.

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 one-time maximum amount of 1,075,994. 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 per share, 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, 2012, all warrants have vested and have been exercised.

	Dec 31, 2012		Dec 31, 2011	
	Outstanding warrants	Weighted average exercise price ($)	Outstanding warrants	Weighted average exercise price ($)
Balance - beginning of year	628,497	1.50	1,068,494	1.50
Granted	-	-	-	-
Exercised	(628,497)	1.50	(439,997)	1.50
Forfeited	-	-	-	-
Balance - end of year	**-**	**-**	**628,497**	**1.50**
Exercisable - end of year	**-**	**-**	**628,497**	**1.50**

17. SHARE-BASED PAYMENT PLANS (continued)

Share-based payment reserve

For the year ended December 31, 2012, share-based payment expense of $5.1 million (2011 - $3.0 million) has been recognized for stock options and warrants granted, and is included in general and administrative expenses on the consolidated statements of comprehensive income. These costs are recorded as share-based payment expense with the offsetting amount being credited to share-based payment reserve as shown in the following table:

($000's)	Dec 31, 2012	Dec 31, 2011
Balance - beginning of year	**5,558**	2,999
Share-based payments	**5,097**	3,029
Transfer to issued capital	**(1,255)**	(470)
Balance - end of year	**9,400**	**5,558**

Deferred Share Unit Plan

In April 2012, the Board of Directors of the Corporation approved a DSU plan. Under the terms of the plan, DSU's awarded will vest immediately and will be settled in cash in the amount equal to the previous five day's weighted average price of the Corporation's common shares on the date the members of the Board of Directors specify upon the non-employee director tendering their resignation from, or ceasing to be a member of, the Board of Directors. The specified date must be after the date in which the notice of redemption is filed with the Corporation and within the period from the non-employee director's termination date and December 31 of the first calendar year commencing after the non-employee's termination date. As of December 31, 2012, there were 28,864 DSU's issued and outstanding (2011 – nil).

	Dec 31, 2012	Dec 31, 2011
Balance - beginning of year	-	-
Granted	28,864	-
Settled in cash	-	-
Forfeited	-	-
Balance - end of year	**28,864**	**-**
Exercisable - end of year	**28,864**	**-**

Share-based payment expense for DSU's is included in general and administrative expenses on the consolidated statements of comprehensive income and credited to accounts payable and accrued liabilities on the consolidated statements of financial position. As at December 31, 2012, $0.3 million (2011 – nil) was included in accounts payable and accrued liabilities for outstanding DSU's.

Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to purchase common shares of the Corporation. Employees may contribute up to 20% of their base salaries in the ESOP. For year ended December 31, 2012, employees contributed $1.7 million into the plan (2011 - $0.6 million). The Corporation will match contributions, subject to certain limitations, based on the employee's years of service with the Corporation. On July 1, 2011, the Corporation increased its matching portion to a maximum of 7.5% of an employee's base salary from 5%. Shares purchased for both the employee contributions and Corporation's matching contributions are purchased on the open market. The Corporation's matching expense for the year ended December 31, 2012 was $0.9 million (2011 - $0.2 million).

18. EARNINGS PER COMMON SHARE

Basic earnings per common share amounts are calculated by dividing net earnings for the year attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net earnings for the year attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the year plus the weighted average number of shares, if any, that would be issued on conversion of all the potential dilutive instruments utilizing the treasury method.

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

	For the year ended	
($000's)	Dec 31, 2012	Dec 31, 2011
Net earnings attributable to common shareholders for basic and diluted earnings per share	**33,052**	22,383

	For the year ended	
	Dec 31, 2012	Dec 31, 2011
Weighted average number of shares for basic earnings per share	**96,388,929**	78,540,224
Effect of dilution:		
Options and warrants	**2,973,769**	4,404,751
Weighted average number of shares for diluted earnings per share	**99,362,698**	**82,944,975**

For the year ended December 31, 2012, the above table excludes 214,199 options (2011 – 1,794,028) that are considered anti-dilutive.

19. INCOME TAXES

($000's)	Dec 31, 2012	Dec 31, 2011
Current income tax expense	**7,286**	4,491
Deferred income tax expense	**5,855**	5,042
	13,141	**9,533**

19. INCOME TAXES (continued)

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 25.25% (2011 – 26.50%) to earnings before income taxes for the following reasons:

($000's)	Dec 31, 2012	Dec 31, 2011
Earnings before income taxes	**46,193**	31,916
Combined federal and provincial income tax rate	**25.25%**	26.50%
Tax effect	**11,664**	8,458
Share-based payment	**1,357**	807
Non-deductible expenses	**431**	275
Changes to deferred income tax rates	**-**	363
Other	**(311)**	(370)
	13,141	**9,533**

The components of the net deferred income tax liability as at December 31, 2012 are as follows:

($000's)	Dec 31, 2012	Dec 31, 2011
Deferred income tax assets:		
Intangible assets	**239**	-
Share issue costs	**2,203**	1,839
Asset retirement obligations	**1,591**	1,430
Non-capital losses carried forward	**4,018**	3,989
Other	**1,795**	1,240
	9,846	8,498
Deferred income tax liabilities:		
Intangible assets	**(12,232)**	(13,786)
Goodwill	**(143)**	-
Property, plant and equipment	**(25,131)**	(15,362)
	(37,506)	(29,148)
Net deferred income tax liabilities	**(27,660)**	(20,650)
Deferred income tax assets by jurisdiction:		
Canada	**5,539**	6,659
U.S.	**4,307**	1,839
	9,846	8,498
Deferred income tax liablities by jurisdiction:		
Canada	**(31,159)**	(27,664)
U.S.	**(6,347)**	(1,484)
	(37,506)	(29,148)

The Corporation's non-capital losses of $11.5 million relate to the U.S. operations and expire between 2029 and 2032 (2011 - $13.9 million Canadian and U.S. operations).

20. 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 statements of financial position, are as follows:

($000's)	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Financial Assets:				
Financial assets at fair value through profit or loss:				
Cash	**7,506**	**7,506**	11,368	11,368
Loans and receivables:				
Accounts receivable and accrued receivables	**125,006**	**125,006**	145,481	145,481
Financial Liablilties:				
Other liabilities:				
Accounts payable and accrued liabilities	**106,233**	**106,233**	93,316	93,316
Long term borrowings	**122,810**	**123,500**	119,070	120,000

b. Risks

Commodity price risk – non-trading

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

20. FINANCIAL INSTRUMENTS (continued)

Commodity price risk – trading

The Corporation is exposed to commodity price risk on its contracts. The physical trading activities related to the contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the prices of commodities; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; 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, and the Corporation does not currently participate in the long term storage of the commodities. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations. As part of the Corporation's processing, and facility operations, Secure will use net buy and net sell crude oil contracts for marketing and trading of crude oil. In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil contracts offset against physical delivery of all net sell crude oil contracts. The open position is subject to commodity price risk. As a 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 per facility would be subject to penalties. As at December 31, 2012, the Corporation is a single shipper at four of its full service terminals. As a result, the Corporation's strategy is to reduce all open positions below this threshold for any given month. The Corporation does hold open positions 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 12,800 barrels of crude oil in open positions into 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 $0.1 million.

Credit risk

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

20. FINANCIAL INSTRUMENTS (continued)

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, 2012	Dec 31, 2011
Under 30 days	**68,787**	81,365
31-60 days	**10,936**	11,716
61-90 days	**2,649**	1,999
Over 90 days	**2,130**	1,450
Total	**84,502**	**96,530**
Provision for doubtful accounts	**315**	**374**

The balance of $68.8 million under 30 days includes crude oil contracts settled as part of the trading activities for December 2012. Of the $68.8 million, 37% of the receivable balance under 30 days is due from seven counterparties. The entire amount due from the seven counterparties relate to crude oil payments, which as part of industry practice, are settled within 30 days of the production month. These specific counterparties are approved by the Corporation's risk management committee in accordance with the Corporation's credit policy relating to crude oil payments. The Corporation's credit exposure to any crude oil contracts settled is limited to transactions occurring over a 60 day period.

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

($000's)	Dec 31, 2012	Dec 31, 2011
Balance, beginning of year	**374**	73
Additional allowance	**386**	383
Amounts used	**(442)**	(81)
Foreign exchange effect	**(3)**	(1)
Balance, end of year	**315**	**374**

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Corporation considers all amounts greater than 90 days to be past due. As at December 31, 2012, $2.1 million of accounts receivable are past due (2011 - $1.5 million) and a provision of $0.3 million (2011 - $0.4 million) has been established as a provision for doubtful accounts. All amounts past due are considered to be collectable.

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

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

20. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk as it has borrowed funds at variable interest rates on its revolving credit facility. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. If interest rates had been 1% higher/lower, and all other variables were held constant, the Corporation's consolidated comprehensive income before income taxes would be approximately $1.3 million lower/higher for the year ended December 31, 2012 (2011 - $1.2 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 at December 31, 2012, the Corporation has $7.5 million in cash and $156.9 million of available room on its new revolving credit facility (Note 14). The timing of cash outflows relating to financial liabilities, including estimated interest payments, 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	106,233	-	-	-
Financing and operating lease obligations	7,371	10,219	1,785	962
Long term borrowings	4,063	127,563	-	-
Total	**117,667**	**137,782**	**1,785**	**962**

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

20. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its purchase and sale of crude oil, working capital balances denominated in foreign currencies and on the translation of its foreign operations. Foreign currency risk on the purchase and sale of crude oil is mitigated as the majority of the activities occur in the same period, therefore foreign currency risk exposure is limited to crude oil held in inventory. The Corporation also has foreign currency risk arising from the translation of amounts receivable from and payable to its foreign subsidiary. The amounts are considered to form part of the net investment and are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends and forecasted economic conditions. The Corporation does not maintain an active hedge program to mitigate the risks associated with its foreign operations as the exposure is limited and insignificant at this time given the revenue generated from foreign operations is approximately 4% of total revenue. A 1% increase or decrease in foreign exchange rates would result in a nominal change in the Corporation's consolidated earnings before income taxes for the year ended December 31, 2012.

21. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

($000's)	Dec 31, 2012	Dec 31, 2011
Current assets	**179,127**	193,582
Current liabilities	**(110,610)**	(97,512)
Long term borrowings	**123,500**	120,000
Shareholders' equity	**478,399**	349,037
	670,416	**565,107**

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. The Corporation's overall capital management strategy remains unchanged from 2011. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures.

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

Management will manage its debt to maintain compliance with the various financial covenants contained within its long term borrowings (Note 14).

22. RELATED PARTY DISCLOSURES

These consolidated financial statements include the Corporation's 50% share of its jointly controlled operations with Pembina Pipeline Corporation.

Significant transactions

The following table provides the total amount of transactions that have been entered into with related parties:

($000's)		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related parties	**December 31, 2012**	**11,448**	**1,520**	**2,444**	**596**
	December 31, 2011	5,235	1,101	1,364	104

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are in the normal course of business and are at terms agreed to by the related parties. Related parties include companies that have common directors, officers, employees and shareholders. The nature of the expenses relate to operating and general and administrative expenses for use in the Corporation's activities. Amounts are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2012, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2011 - Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

Entity with significant influence over the Corporation

The shares of the Corporation are widely held. No entity has significant influence over the Corporation.

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its executive officers and the board of directors. In addition to the salaries and short-term benefits paid to the executive officers and directors fees paid to the directors, the Corporation also provides compensation under the Corporation's ESOP (Note 17) to its executive officers. In addition, the Corporation provides compensation to both its executive officers and directors under its share-based payment plans (Note 17).

The compensation related to key management personnel is as follows:

($000's)	Dec 31, 2012	Dec 31, 2011
Salaries and short-term employee benefits	**2,961**	2,380
Share-based payments	**681**	478
	3,642	**2,858**

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Operating lease commitments

The Corporation has entered into operating land lease agreements at the Corporation's facilities. In addition, the Corporation has entered into operating leases for office and warehouse spaces. The leases require future minimum lease payments as follows:

($000's)	Dec 31, 2012	Dec 31, 2011
Within one year	**2,693**	2,007
After one year but not more than five years	**6,926**	6,038
More than five years	**888**	1,458
	10,507	**9,503**

Finance lease commitments

The Corporation has entered into finance lease agreements for computer equipment, vehicles, and mobile equipment. The leases require future minimum lease payments as follows:

($000's)	Dec 31, 2012	Dec 31, 2011
Within one year	**4,114**	2,693
After one year but not more than five years	**4,158**	2,225
More than five years	**-**	4
	8,272	**4,922**

The average lease term is three years (2011 – three years). The Corporations obligations under finance leases are secured by the related assets. Interest rates underlying finance lease obligations are fixed at respective contract dates ranging from 0.0% to 16.7% (2011 – 0.0% to 16.7%) per annum.

Earn out commitment

Pursuant to the IDF acquisition, the Corporation is obligated to pay additional consideration consisting of a series of three annual earn out payments beginning in September 2013 to certain selling shareholders based on the achievement of a certain Gross Margin Percentage. The potential annual earn out payments range from US$0.9 million to US$2.7 million for total earn out payments over the three year period ranging from US$2.7 million to US$8.0 million (Note 6f). The estimated future payments are as follows:

($000's)	Dec 31, 2012	Dec 31, 2011
Within one year	**2,210**	-
After one year but not more than five years	**4,371**	-
More than five years	**-**	-
	6,581	**-**

Capital commitments

As at December 31, 2012, the Corporation had committed $25.6 million (2011 – $8.0 million) relating to various capital purchases for use in the Corporation's current and future capital projects. All amounts are current and due within one year.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

Litigation

On December 21, 2007, Tervita Corporation (formerly known as CCS Inc.) (“Tervita”) filed a statement of claim commencing Action No. 0701-13328 (the “Tervita Action”) in the Judicial District of Calgary of the Court of Queen’s Bench of Alberta (the “Court”) against the Corporation, certain of the Corporation’s employees who were previously employed by Tervita (collectively, the “Secure Defendants”) and others in which Tervita alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to Tervita, and conspired with one another. Tervita seeks damages in the amount of $110.0 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief.

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the “Defence”), and the Corporation filed an Amended Counterclaim (the “Counterclaim”), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. The Corporation is currently seeking permission to amend the amount of the Counterclaim to $97.8 million. 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.

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

Guarantees

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers. The Corporation may also provide indemnifications in the normal course of business that are often standard contractual terms to counterparties in certain transactions.

Letters of Credit

As at December 31, 2012, the Corporation has approximately $19.6 million in letters of credit issued by the Corporation’s banker (2011 - $6.3 million). All letters of credit are not cash secured and have been deducted from the Corporation’s available long term borrowings (Note 14). The guarantees relate to security for the Corporation’s facilities and are held with provincial regulatory bodies (Note 15) and under crude oil marketing contracts.

24. OPERATING SEGMENTS

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

The Corporation has two reportable operating segments as follows:

- PRD division provides services relating to 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;

- DS division provides services relating to drilling fluid systems, solids control, equipment rental service, drilling waste management and environmental sciences;

- The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees. Comparative period amounts have been reclassified to conform with current period presentation.

24. OPERATING SEGMENTS (continued)

($000's)	PRD division	DS division	Corporate	Total
	Year Ended Dec 31, 2012			
Revenue	767,141	262,299	-	1,029,440
Operating expenses	(716,850)	(211,682)	(516)	(929,048)
General and administrative	(14,281)	(26,867)	(5,258)	(46,406)
Business development	-	-	(2,028)	(2,028)
Depreciation, depletion and amortization	(29,356)	(12,412)	(515)	(42,283)
Interest, accretion and finance costs	(364)	-	(5,401)	(5,765)
Earnings before income taxes	35,646	23,750	(13,203)	46,193
	As at Dec 31, 2012			
Current assets	61,222	117,905	-	179,127
Total assets	450,937	313,240	3,734	767,911
Goodwill	11,984	80,532	-	92,516
Intangible assets	10,484	69,179	-	79,663
Property, plant and equipment and assets under construction	367,247	45,624	3,734	416,605
Current liabilities	75,699	34,911	-	110,610
Total liabilities	114,222	52,479	122,811	289,512

($000's)	PRD division	DS division	Corporate	Total
	Year ended Dec 31, 2011			
Revenue	403,493	147,706	-	551,199
Operating expenses	(373,882)	(115,696)	(300)	(489,878)
General and administrative	(10,041)	(12,036)	(3,375)	(25,452)
Business development	-	-	(2,014)	(2,014)
Depreciation, depletion and amortization	(19,153)	(5,777)	(300)	(25,230)
Interest, accretion and finance costs	(327)	-	(1,612)	(1,939)
Earnings before income taxes	19,243	19,974	(7,301)	31,916
	As at December 31, 2011			
Current assets	54,920	138,662	-	193,582
Total assets	288,503	313,118	1,462	603,083
Goodwill	-	77,820	-	77,820
Intangible assets	4,611	67,750	-	72,361
Property, plant and equipment and assets under construction	228,973	28,885	1,462	259,320
Current liabilities	50,908	46,604	-	97,512
Total liabilities	71,986	62,990	119,070	254,046

Geographical Financial Information

	Canada		International		Total	
($000's)	**2012**	2011	**2012**	2011	**2012**	**2011**
Year ended Dec 31						
Revenue	**986,801**	541,881	**42,639**	9,318	**1,029,440**	551,199
As at Dec 31						
Total non-current assets	**517,892**	397,800	**70,892**	11,701	**588,784**	409,501

25. SUBSEQUENT EVENT

On March 4, 2013, the Corporation's Board of Directors approved the implementation of a dividend of $0.0125 per share per month, or $0.15 per share on an annual basis, commencing May 1, 2013.

Corporate Information

DIRECTORS
Rene Amirault - Chairman
Brad Munro (1) (2) (3)
David Johnson (2) (3)
George Wadsworth
Kevin Nugent (1) (3)
Murray Cobbe (1) (2)

OFFICERS
Rene Amirault
President and Chief Executive Officer

Allen Gransch
Executive Vice President & Chief Financial Officer

George Wadsworth
Executive Vice President, Drilling Services Division & USA Operations

Nick Wieler
Executive Vice President, Crude Oil Marketing & Information Systems

Daniel Steinke
Executive Vice President, PRD Division

Brian McGurk
Executive Vice President, Human Resources & Strategy

STOCK EXCHANGE
Toronto Stock Exchange
Symbol: SES

AUDITORS
MNP LLP
Calgary, Alberta

LEGAL COUNSEL
Bennett Jones LLP
Calgary, Alberta

BANKERS
Alberta Treasury Branches

TRANSFER AGENT AND REGISTRAR
Olympia Trust Company
Calgary, Alberta

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