SECURE energy services

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Three and Six Months ended June 30, 2011 and 2010

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("**Secure**" or the "**Corporation**") has been prepared by management and reviewed and approved by the Board of Directors of Secure on August 10, 2011. The discussion and analysis is a review of the financial results of the Corporation based upon accounting principles that are generally accepted in Canada (the issuer's "**GAAP**"), which includes, International Financial Reporting Standards ("**IFRS**"). The Corporation transitioned to IFRS on January 1, 2011 (the "**Transition Date**"), which required, for comparative purposes, the restatement of amounts reported on the Corporation's opening IFRS statement of financial position as at January 1, 2010 and amounts reported by the Corporation for each quarter and year ended in 2010. The MD&A's focus is primarily a comparison of the financial performance for the three and six months ended June 30, 2011 and 2010 and should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and accompanying notes prepared under IFRS for the period ended June 30, 2011, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2010. The Corporation's management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Corporation. The MD&A has been prepared as of August 10, 2011. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "Business Risks and under the heading "Risk Factors" in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2010 and the Corporation's short form prospectus filed May 6, 2011. Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

SECURE'S BUSINESS

Secure is an energy services corporation that primarily focuses on providing specialized services to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB"). The services provided by the Corporation assist these companies with the treatment and sale of crude oil and the handling of by-products associated with oil and natural gas development and production. On June 1, 2011 the Corporation completed the acquisition of Marquis Alliance Energy Group Inc. and its wholly owned subsidiaries ("Marquis Alliance") which provide energy services relating to drilling fluid systems, solids control, equipment rental, drilling waste management and environmental sciences primarily in Canada and the United States. With this acquisition, the Corporation now operates two divisions which form the basis for the two operating segments reported in the second quarter of 2011. The two reportable segments are as follows:

- **PROCESSING, RECOVERY AND DISPOSAL DIVISION ("PRD"):** The processing, recovery and disposal services division focuses on 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. For a complete description of services provided in this division, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2010;

- **DRILLING SERVICES DIVISION:** The drilling services division focuses on drilling fluid systems, solids control, equipment rental service, drilling waste management and environmental services. A description of these services are as follows:

  - The drilling fluids service line comprises 88% of business for the division, which includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The drilling services division focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands. It provides drilling fluids services in the WCSB, the United States and India. The drilling fluid systems are designed to be adaptable to a wide range of complex and varied drilling and completion scenarios, to help clients eliminate inefficiencies in the drilling and completion process and to assist them in meeting operational objectives while maintaining environmental compliance. The drilling service division markets its proprietary and patented products, technical expertise and fluid engineering services to all entities that drill oil, gas or energy related wells.

  - The solids control and equipment rentals service line focuses on drilling operations in both Western Canada and the United States. High speed centrifuges, drying shakers, bead recovery units, tanks and ancillary equipment are offered as a stand-alone package or part of an integrated package with the drilling fluids and environmental service lines. The centrifuge and hydraulic stand package is a state of the art system designed for high end drilling fluids to reduce fluid and moving costs between wells while providing a safe working platform.

  - The environmental service line provides services primarily to oil and gas producers active in the WCSB. Most of the activity of the environmental service line is in the heavy oil region of Alberta, including the oil sands, Central Alberta, the Grande Prairie region and the Horn River of British Columbia. The environmental service line involves determining the appropriate processes for disposing of drilling waste such as drill cuttings and fluids and/or the recycling of the fluids produced by drilling operations. In addition, environmental service line provides a reclamation service to assess and determine the most appropriate and cost effective method for reclaiming the land back to its original pre-drilling state.

SELECTED FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,			Six months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
($000's except share and per share data) *						
(unaudited)						
Revenue (excludes oil purchase and resale)	**26,482**	9,876	168	**48,212**	22,084	118
Oil purchase and resale	**67,262**	1,370	4,810	**113,530**	1,370	8,187
Total revenue	**93,744**	11,246	734	**161,742**	23,454	590
EBITDA (1)	**5,824**	3,648	60	**16,560**	10,131	63
Per share ($), basic	**0.08**	0.06	33	**0.25**	0.19	32
Per share ($), diluted	**0.08**	0.06	33	**0.23**	0.19	21
Profit for the period	**10**	18	(44)	**4,240**	1,554	173
Per share ($), basic	**0.00**	0.00	-	**0.07**	0.03	133
Per share ($), diluted	**0.00**	0.00	-	**0.06**	0.03	100
Funds from operations (1)	**5,664**	3,551	60	**16,321**	9,927	64
Per share ($), basic	**0.08**	0.06	33	**0.24**	0.19	26
Per share ($), diluted	**0.07**	0.05	40	**0.23**	0.18	28
Cash dividends per common share	**nil**	nil	nil	**nil**	nil	nil
Capital Expenditures (1)	**84,823**	22,622	275	**101,458**	27,763	265
Total assets	**399,772**	170,224	135	**399,772**	170,224	135
Long term borrowings and bank indebtedness	**16,539**	-	100	**16,539**	-	100
Total long term liabilities	**29,910**	8,593	248	**29,910**	8,593	248
Common Shares - end of period	**86,942,806**	63,695,648	36	**86,942,806**	63,695,648	36
Weighted average common shares						
basic	**71,207,964**	63,187,252	13	**67,539,221**	53,319,051	27
diluted	**75,851,337**	64,716,438	17	**71,875,475**	54,536,068	32

*** Includes drilling services division from its acquisition on June 1, 2011.**

(1) Refer to "Non GAAP measures" on page 6 for futher information

SECOND QUARTER 2011 HIGHLIGHTS

The combination of an extended spring breakup and an extraordinary amount of rain in the WCSB impeded production operations and disrupted drilling plans for most oil and gas producers in the second quarter of 2011. Despite record rainfall in areas where the Corporation operates, revenue remained strong throughout the second quarter. The Corporation continued to recognize substantial growth in its PRD division as a result of increased demand and expansion of the Corporation’s service offerings. The strength of crude oil and NGL’s prices continue to revitalize key markets, including the resurgence of mature fields. The increased demand is also driven by advances in horizontal drilling and completion techniques. These advances include the use of multistage fracturing in both mature fields and new fields which continues to increase demand for all of the Corporation's services. In the second quarter of 2011, the Corporation’s Fox Creek and La Glace FST’s attained record highs of volumes processed and terminalled due to increased demand. Volumes were also positively impacted by the pipeline break at Rainbow Pipeline System which caused oil volumes to be diverted to the Corporation’s facilities to allow oil and gas producers the ability to continue operating.

During the second quarter, the Corporation also completed a strategic acquisition of Marquis Alliance which added a drilling services division to the Corporation’s existing business. The vertical integration into drilling services is a complementary fit and is consistent with Secure’s overall business plan to leverage off its existing infrastructure and expand its recycling services offering. Accordingly, the second quarter of 2011 includes revenue and expenses generated from the drilling services division for the month

of June. The month of June is typically when oil and gas producers begin to ramp up drilling and production heading out of spring break up, however levels remained lower than expected given significant rainfall in Northwest Alberta, Northeast British Columbia, and South East Saskatchewan where the drilling services division is most active.

The key highlights and subsequent event for the period ended June 30, 2011 may be summarized as follows:

- Strong revenue (excluding oil purchase and resale) of $26.5 million and $48.2 million for the three and six months ended June 30, 2011 compared to $9.9 million and $22.1 million in the comparable periods of 2010. Revenue has increased significantly over the prior period as a result of the new drilling services division added on June 1, 2011, the new Dawson FST facility added in the fourth quarter of 2010, the new Brazeau stand alone water disposal ("SWD") facility and Obed FST expansion services added in the first quarter, and overall increased demand for the Corporation's service offerings. Oil purchase and resale revenue has also increased substantially in the six months of 2011 compared to same period of 2010 as a result of increased crude oil and NGL prices and throughput at the Corporation's facilities;
- Growing EBITDA of $5.8 million and $16.6 million for the three and six months ended June 30, 2011 compared to $3.6 million and $10.1 million in the same period of 2010. The increase relates to the new drilling services division, the added facilities and expansion services, and increased demand. EBITDA was negatively impacted as the Corporation's operating expenses were higher than anticipated as a result of the heavy rains in the second quarter which increased costs for leachate disposal at the PRD division's landfills and increased costs for road maintenance and site work. Operating costs were also impacted by start up costs for the new Wild River SWD and expansion services at South Grande Prairie FST;
- Incurring capital expenditures of $20.8 million in the second quarter of 2011 related to the completion of expansion services at the South Grand Prairie FST facility, the ongoing construction of numerous expansion projects and the ongoing construction on the new Drayton Valley FST;
- On June 1, 2011, the Corporation closed the Marquis Alliance acquisition, adding a drilling service division to the Corporation's existing business. The vertical integration into drilling services is a complementary fit and is consistent with Secure's overall business plan to leverage off its existing infrastructure;
- During the second quarter, the Corporation closed a bought deal financing (the "Offering") issuing 12,969,900 shares for total proceeds of $86.3 million. The proceeds of the Offering were used by Secure to fund the cash portion of the purchase price of the acquisition of Marquis Alliance and for working capital and general corporate purposes, including the funding of capital expenditures;
- On June 6, 2011 the Corporation announced the intended strategic acquisition of the operating assets (excluding working capital) of XL Fluids Systems Inc. ("XL Fluids") for an aggregate purchase price of $39.5 million. XL Fluids is an energy services company that specializes in the supply and development of drilling fluids and drilling fluid systems. Founded eight years ago, the company operates in Saskatchewan, Alberta, British Columbia and Manitoba. XL Fluids had a market share in 2010 of approximately 25% of drilling fluids in Saskatchewan combined with significant exposure to horizontal drilling activity associated with the Cardium, Viking, Elkton and Bluesky formations in Alberta. The acquisition of XL Fluids significantly expands the geographic presence of the drilling services division acquired through the Marquis Alliance acquisition. The acquisition closed on July 1, 2011; and
- Subsequent Event: On August 4, 2011, the Corporation completed the financing of a $150 million credit facility with a syndicate of lenders. The syndicated facility consists of an $140 million extendible revolving term credit facility and a $10 million revolving operating facility that replaces the Corporation's current $55 million non-syndicated revolving term facility. The syndicated facility can be expanded to $200 million through the exercise of an additional $50 million accordion feature, available upon request by the Corporation and subject to review and approval by the lenders. The committed three year revolving facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

OUTLOOK

Secure expects activity levels to remain robust as strong oil and NGL's prices continue to drive oil and liquids-rich gas plays in new and revitalized markets. This higher level of activity will be beneficial to both the Corporation's PRD division and the drilling services division for the remainder of 2011. The drilling services division has a suite of proprietary and patented drilling fluid systems and products that will support this increased demand. In addition to responding to higher demand, the drilling services division will also be focusing on drilling fluids blending and recycling opportunities with the PRD division as the Corporation moves toward a full cycle 'cradle to grave' drilling fluid solutions offering.

In July, the Corporation closed the acquisition of the drilling fluid service company XL Fluids. XL Fluids is well positioned in central Alberta, south Saskatchewan and southeast Manitoba to participate in the development of oil plays in formations such as the Bakken, Viking, Spearfish and Cardium. In particular, the Bakken formation, which extends from southeast Saskatchewan into South Dakota and west into Montana, has the potential of being one of the largest light oil pools discovered in Western Canada and one of the top onshore fields found in the United States. Moreover, as drilling has become more complex, the applied down hole technologies are becoming increasingly important in driving success for oil and gas producers. Currently, the drilling services division has an extensive technical services team with multiple laboratory facilities which continue to focus on the development of new technologies in response to down hole and environmental issues. Marquis Alliance and XL Fluids will pool resources and leverage off these resources to meet the growing demands of oil and gas producers. In addition, Marquis Alliance and XL Fluids will be able to pool sales resources to expand its current environmental and solids control services. With this fully integrated approach, the division can offer high performance, exceptional service quality, greater availability, advanced technical support, well specific experience, competitive pricing, and environmental and safety compliance. The success of this new division is predicated on reliability and performance of a fluid system and its ability to enhance and improve production, and to lower overall drilling time and costs for oil and gas producers. The Corporation is excited to be offering this new division heading into the third and fourth quarter of a very active drilling season.

In the second half of 2011, the PRD division will have increased services and capacity with the expansion services at the Obed FST, South Grande Prairie FST and the expected completion of the Drayton Valley FST. South Grande Prairie FST was commissioned at the beginning of July and will be operational for the third quarter 2011. Drayton Valley FST is expected to be completed toward the end of August and it is anticipated that it will be commissioned in September 2011.

The Corporation's board originally approved a capital budget of $55 million for 2011 projects. Subsequent to the second quarter of 2011, the board has approved an additional $35 million to the capital budget. The revised $95 million capital budget includes $34 million related to projects that started in 2010, $36 million expansion/new services at existing facilities, $15 million for long lead items for new 2012 facilities, and $10 million for rental equipment used in the new drilling services division.

The $31 million allocated to expansion projects include a new Class 1 landfill cell, an additional five new disposal wells, and increased storage and truck offload risers to support customer demand in Dawson, B.C., and LaGlace and South Grande Prairie, Alberta. As well, the Dawson facility is currently undergoing construction of phase three (emulsion treatment, terminal and crude oil pipeline connection.) It is expected to be completed in the later part of the fourth quarter.

To support customer demand in the Hinton, Alberta market area, Secure opened a new SWD facility at Wild River in July. This is a temporary facility until final engineering work is completed on a permanent facility with construction expected in the fourth quarter of 2011. Applications are currently underway for two FST's and two Landfills forecast to be completed in 2012.

In the third quarter, both divisions will focus on FST expansion opportunities for efficiencies in drilling waste handling, environmental recycling process improvements and cost saving initiatives for customers. This includes drilling fluids blending at the Secure's FST's to better serve the Corporation's customers. Furthermore, the Corporation will begin investing in infrastructure to support the opportunities identified with the addition of the drilling services division. These initiates will ultimately determine the amount of acquisition synergies the Corporation will benefit from in future periods. The Corporation does not anticipate benefiting from any acquisition synergies in 2011 given that establishing the infrastructure and changing the operational processes will require time to construct and implement.

Secure is also excited by the closing of the Corporation's $150 million credit facility with a syndicate of lenders. This new and expanded facility allows the Corporation greater flexibility in deploying its capital strategy. Secure will continue to work on a variety of organic projects and acquisitions for 2011 and 2012 to ensure we stay ahead of customer demand. Overall, the

Corporation is very optimistic about the remainder of 2011 and it will continue to focus on strengthening market position in both divisions and across all service lines.

NON-GAAP MEASURES AND OPERATIONAL DEFINITIONS

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

Operating margin

Operating margin is calculated as revenue less operating expenses which includes direct product costs for drilling services but excludes depreciation, depletion and amortization and oil purchase/resale services. Management analyzes operating margin as a key indicator of cost control and operating efficiency.

Operating days

Operating days are calculated by multiplying the average number of active rigs where the drilling services division provides drilling fluids services by the number of days in the period.

Funds from operations

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Cash from operating activities	**22,621**	4,383	(416)	**28,143**	10,028	181
Add (deduct):						
Non-cash working capital	**(16,957)**	(832)	(1,939)	**(11,822)**	(101)	(11,605)
Funds from operations	**5,664**	3,551	60	**16,321**	9,927	64

EBITDA

EBITDA is not a recognized measure under IFRS. Management believes that in addition to profit, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as profit excluding depreciation, depletion, amortization and accretion, share-based payments expense, interest, and taxes.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Profit	**10**	18	(44)	**4,240**	1,554	173
Add:						
Depreciation, depletion and amortization	**4,739**	2,728	74	**8,990**	6,168	46
Share-based payments	**485**	470	3	**988**	657	50
Current tax expense	**261**	-	100	**261**	-	100
Deferred income tax expense	**80**	263	(70)	**1,682**	1,392	21
Interest, accretion and finance costs	**249**	169	47	**399**	360	11
EBITDA	**5,824**	3,648	60	**16,560**	10,131	63

Capital Expenditures

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

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
($000's except per share data) (*)						
(unaudited)						
Revenue	**93,744**	11,246	734	**161,742**	23,454	590
Operating Expenses	**88,572**	8,705	917	**147,700**	16,664	786
General and Administrative	**3,805**	1,839	107	**6,506**	3,118	109
Business Development	**767**	252	204	**954**	366	161
Interest, accretion and finance costs	**249**	169	47	**399**	360	11
Profit before income taxes	**351**	281	25	**6,183**	2,946	110
Income taxes						
Current income tax expense	**261**	-	100	**261**	-	100
Deferred income tax expense	**80**	263	(70)	**1,682**	1,392	21
Profit	**10**	18	(44)	**4,240**	1,554	173
Other comprehensive income						
Foreign currency translation adjustment	**2**	-	100	**2**	-	100
Total comprehensive income	**12**	18	**(33)**	**4,242**	1,554	**173**
Earnings per share						
Basic	**0.00**	0.00		**0.07**	0.03	
Diluted	**0.00**	0.00		**0.06**	0.03	

*** Includes drilling services division from its acquisition on June 1, 2011.**

Operating activities for the Corporation have changed in the second quarter of 2011 with the addition of a new drilling services division. In order to discuss the factors that have caused period to period variations in operating activities, the Corporation has divided the business into two reportable segments; the PRD division and the drilling services division.

PRD DIVISION OPERATIONS

In order to understand the Corporation's PRD division, revenue has been split into two separate service lines: processing, recovery and disposal services; and oil purchase/resale services:

- Processing, recovery and disposal services: Processing services are primarily performed at FST's and include waste processing and crude oil emulsion treating. Two of Secure's FST's are connected to oil pipelines through which Secure provides customers with an access point to process and/or treat their crude oil for shipment to market. The crude oil or oilfield waste is delivered by customers to Secure by tanker truck or by a vacuum truck. Oilfield waste is delivered on the receiving pad and processed through a shaker and centrifuge system. Crude oil that does not meet pipeline specifications is processed through a crude oil emulsion treater. Recovery services include revenue from the sale of oil recovered through waste processing, crude oil handling, terminalling and marketing. Clean crude oil and treated crude oil are stored on site until the volumes are ready to be shipped through the gathering or transmission pipelines. Disposal services include produced and waste water disposal services through a network of class IB disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

- Oil purchase/resale service: By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure's non-pipeline connected facilities, Secure will meter the crude oil volumes and purchase the crude oil directly from its customers. The Corporation will then process, transport and handle the shipment of crude oil to its pipeline connected FSTs. The crude oil will then have direct access to be shipped down the pipeline. Although this service has no operating margin, the purpose of providing the service is to increase the overall volumes received at the Corporation's facilities, thereby increasing revenues derived from Secure's core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. The revenue earned in relation to processing, transportation, and marketing the crude oil are all included in the core processing, recovery, and disposal services revenue stream. The Corporation's oil purchase/resale service also includes oil purchased at the Fox Creek FST and resold in Edmonton as part of Secure becoming a single shipper in December 2010.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Revenue						
Processing, recovery and disposal services	**16,976**	9,876	72	**38,706**	22,084	75
Oil purchase and resale service	**67,262**	1,370	4,810	**113,530**	1,370	8,187
Total PRD division revenue	**84,238**	11,246	649	**152,236**	23,454	549
Operating Expenses						
Processing, recovery and disposal services	**9,978**	4,607	117	**18,587**	9,126	104
Oil purchase and resale service	**67,262**	1,370	4,810	**113,530**	1,370	8,187
	77,240	5,977	1,192	**132,117**	10,496	1,159
Depreciation, depletion, and amortization	**3,889**	2,728	43	**8,140**	6,168	32
Total PRD division operating expenses	**81,129**	8,705	832	**140,257**	16,664	742
General and administrative	**2,643**	1,839	44	**5,344**	3,118	71
Business development	**711**	252	182	**898**	366	145
	(245)	450	(154)	**5,737**	3,306	74
Operating Margin (excluding oil purchase/resale)	**6,998**	5,269	33	**20,119**	12,958	55
Operating Margin as a % of revenue	**41%**	53%	(23)	**52%**	59%	(12)

Revenue (PRD division)

Revenue from processing, recovery and disposal services increased significantly for the three and six months ended June 30, 2011 to $17.0 million and $38.7 million from $9.9 million and $22.1 million in the comparative periods in 2010. Revenue from processing services increased 58% and 56% for the three and six months ended June 30, 2011 compared to the same periods of 2010. The high volumes processed are a result of increased demand and the positive impact of the pipeline break at Rainbow Pipeline System which caused oil volumes to be diverted to allow oil and gas producers the ability to continue operating. Both the Fox Creek and La Glace FST's attained record high volumes processed during the second quarter of 2011 due to the increased demand. The Corporation's processing volumes are also higher with the opening of the Obed FST waste expansion in February 2011.

Revenue from recovery for the three and six months ended June 30, 2011 increased by 83% and 110% from the three and six months ended June 30, 2010. The increase relates to higher terminalling volumes, the higher price of crude oil in 2011 compared to 2010, the higher amount of oil recovered during waste processing, and the higher volume of waste processed. Furthermore, throughput of crude oil volumes have increased as a result of Secure becoming a single shipper in December 2010, allowing for greater crude oil handling, marketing and terminalling.

Disposal revenue volumes increased by 39% during the second quarter of 2011, compared to the second quarter of 2010. The increase in disposal volume are a direct result of the addition of the Pembina Landfill in the second quarter of 2010, the Dawson

FST in the fourth quarter of 2010 and the Obed FST waste expansion in the first quarter of 2011. In addition, higher demand also contributed to the increase.

Oil purchase/resale service revenue for the three and six months ended June 30, 2011 increased to $67.3 million and $113.5 million from $1.4 million in the comparative periods of 2010. Secure started offering this new service to customers in the second quarter of 2010 so customers could gain efficiencies in transportation and handling of their crude oil to the pipeline. Secure also offers this service because it increases the overall volumes received, thereby increasing revenues derived from Secure's core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. In the fourth quarter of 2010, the revenue and expenses associated with this service increased dramatically as a result of Secure becoming a single shipper on the Pembina Pipeline at its Fox Creek FST. Oil purchase/resale services increased significantly in the first and second quarter of 2011 as all volume entering the Fox Creek FST is purchased by Secure and sold back to customers in Edmonton. This also has a direct impact on Secure's accounts receivable and accounts payable, as commodity contracts are executed over the forecast period and commodity contracts are fulfilled on physical delivery. The majority of commodity contracts offset in subsequent payment months. See the "**Business Risks**" section in this MD&A for further discussion. The revenue and corresponding expense of this service will fluctuate depending upon the volume of crude oil received in any given period and the price of crude oil for that period. As shown above, oil purchase/resale revenue is deducted to calculate the operating margin of core processing, recovery and disposal services (41%).

Operating Expenses (PRD division)

Secure's operating expenses for the processing, recovery and disposal services division increased significantly for the three and six months ended June 30, 2011 to $10.0 million and $18.6 million from $4.7 million and $9.1 million in the comparative periods in 2010, respectively. The addition of the Dawson FST, Pembina Landfill, Obed FST waste expansion and the new Brazeau SWD have all increased operating expenses from 2010. Moreover, the significant increase in revenue also directly correlates with an increase to variable operating costs. Operating margin as a percentage of revenue from core processing, recovery and disposal services was 41% and 52%, for the three and six months ended June 30, 2011 down from 53% and 59% in the same periods of 2010. The reduction in operating margin is typical in the second quarter as a result of spring break up; however, the reduced margin was also attributable to spring weather conditions. Operating costs impacted the margin as expenses were higher due to heavy rains that caused an increase in road maintenance costs, site costs, and leachate disposal costs. Also, in the second quarter the Corporation incurred additional expenses relating to start up costs for the new Wild River SWD and waste expansion services at South Grande Prairie FST, and some minor facility turnarounds at Dawson, LaGlace and Emerson.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the three and six months ended June 30, 2011 increased to $3.9 million and $8.1 million from $2.7 million and $6.2 million for the three and six months ended June 30, 2010, respectively. The additions of the Dawson FST facility, Pembina landfill, Obed FST waste expansion and the new Brazeau SWD have all contributed to the increase for the three months and six months ended June 30, 2011.

General and Administrative (PRD division)

The PRD division's general and administrative expenses increased for the three and six months ended June 30, 2011 to $2.6 million and $5.3 million from $1.8 million and $3.1 million in the same comparative periods in 2010, respectively. General and administrative expenses ("G&A") are higher in the PRD division as G&A includes all public company costs, salaries and share based payments relating to corporate employees. The increase in G&A is a result of hiring employees to support the growth in operations and the additional costs of operating as a public company following the Corporation's Initial Public Offering ("IPO") in March of 2010. Furthermore, additional compensation has also been accrued for management and employees in accordance with the Corporation's annual incentive compensation arrangements. The most significant accounts within G&A include: salaries and benefits for office staff, professional fees, office lease, insurance, utilities and communications in the Corporation's head office. Included in benefits are non-cash share-based payments for the three months ended June 30, 2011 of $0.4 million. The share based payments for the second quarter of 2011 relates to the Corporation's annual grant of stock options, stock options granted to new employees hired in the prior and current year and options granted during the Corporation's IPO in March 2010.

Business Development Expenses (PRD division)

Business development expenses for the three and six months ended June 30, 2011 were $0.7 million and $0.9 million compared to $0.3 million and $0.4 million for the three and six months ended 2010. Business development expenses of $0.4 million are a result

of transaction costs incurred in connection with the Marquis Alliance acquisition and the XL Fluids acquisition. Under IFRS, transaction costs relating to an acquisition are not capitalized as part of the purchase price equation. The remaining business development expense relates to a variety of costs incurred on future prospects.

DRILLING SERVICES DIVISION OPERATIONS

On June 1, 2011, the Corporation acquired Marquis Alliance to form the drilling services division. Accordingly, the results of the drilling service division only include activity for the month of June 2011, the period in which Marquis Alliance became a wholly owned subsidiary of the Corporation.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
($000's) (unaudited) (*)						
Revenue						
Drilling Services division	9,506	-	100	9,506	-	100
Operating expenses						
Driling services	6,593	-		6,593	-	
Depreciation and amortization	850	-	100	850	-	100
Total Drilling Services division operating expenses	7,443	-	100	7,443	-	100
General and administrative	1,162	-	100	1,162	-	100
Business development	56	-	100	56	-	100
	845	-	100	845	-	100
Operating Margin	2,913	-	100	2,913	-	100
Operating Margin %	31%	-	100	31%	-	100

*** Includes drilling services division from its acquisition on June 1, 2011.**

Revenue (drilling services division)

Revenue from the drilling services division in the month of June was $9.5 million, which is the total revenue generated for the three and six months ended June 30, 2011 compared to nil in the comparative periods of 2010. The drilling service division includes revenue from drilling and completion fluids, solids control and equipment rental, drilling waste management and environmental sciences. The drilling service division is operated through the Corporation's wholly owned subsidiary, Marquis Alliance. Marquis Alliance primarily operates in Canada; however, it does have two wholly owned subsidiaries that conduct operations in the United States and India. Both subsidiaries of Marquis Alliance are currently exploring opportunities in their respective markets and therefore only represent 7% of the $9.5 million in revenue for the month of June.

The Canadian operations of Marquis Alliance accounted for 93% or $8.8 million of the total revenue in June. The drilling and completions fluids service line contributed $7.6 million and the remaining service lines of solids control, equipment rental, drilling waste management and environmental contributed $1.2 million for the month of June. The Corporation also estimated a total of 1,170 operating days in Canada for the month of June. Therefore, the estimated revenue per operating day was $6,496. Revenue from all services lines are as expected for the month of June.

Operating Expenses (drilling services division)

Operating margin represents the profit earned on revenue after deducting operating expenses which includes the direct cost of products used in drilling and completion fluids services. Operating margins in the drilling services division can vary due to changes in product mix, well type, geographic area and nature of activity (i.e. drilling fluids, solids control, environmental, etc.). Generally, labour costs have less of an impact on the operating margin than other cost elements such as product costs. Use of consultants and the variable component of compensation for employees provide the drilling service division with a means to better manage seasonal activity swings as well as overall fluctuations in the demand for products and services. The drilling service division achieved an operating margin for the three and six months ended June 30, 2011 of $2.9 million or 31% of revenue, compared to nil in the prior period. The movement of drilling activities toward complex horizontal drilling contributed to an

increase in revenue of higher margin proprietary products. Operating margins are also strong from improved efficiency from field related personnel, the result of higher utilization per employee and the corresponding decrease in consultant field staff and related costs as a percentage of revenue. The operating margin is usually lower in the second quarter because of spring break up, however the above operating margin only includes activity for the month of June when spring break up is winding down and is therefore not indicative of typical second quarter results.

Depreciation and Amortization (drilling services division)

Depreciation and amortization of $0.9 million for the month of June relates to property and equipment and intangible assets.

General and Administrative (drilling services division)

The drilling services division G&A does not include any public company costs or corporate overhead costs. G&A expenses for the month of June 2011 were $1.2 million. The most significant accounts within G&A include: salaries and benefits for office staff, professional fees, office lease, insurance, utilities and communications. G&A is in line with management expectations.

Business Development Expenses (drilling services division)

Business development expenses for the month of June 2011 were $0.1 million. The drilling services division has two laboratory facilities which focus on the development of new technologies in response to down-hole and environmental issues identified. The business development expenses relate to salaries for employees who focus on the development of these new technologies.

INTEREST, ACCRETION AND FINANCING COSTS

Interest, accretion and financing costs for the three and six months ended June 30, 2011 were $0.3 million and $0.4 million compared to $0.2 million and $0.4 million for the three and six months ended 2010. The costs for the three and the six months are in line with expectations and relate to interest expense, standby fees associated with the undrawn portion of the Corporation's credit facilities, charges relating to the letters of guarantee and accretion associated with the Corporation's asset retirement obligations.

FOREIGN CURRENCY TRANSLATION ADJUSTMENT

The foreign currency translation adjustment of relates to conversion of the US operating subsidiary financial results as at June 30, 2011. The amount is minimal and is a function of converting the drilling services division United States business operations functional US dollar currency to the Corporations reporting currency in Canadian dollars.

INCOME TAXES

Current Taxes

Current income tax expense for the three and six months ended June 30, 2011 increased to $0.3 million and $0.3 million from a current income tax expense of nil and nil for the three and six months ended June 30, 2010, respectively. The entire amount of current tax relates to the drilling services division (Canadian operations) for the month of June. Current taxes will be generated in the drilling services division in future quarters as there are no carry forward losses in the subsidiary and the available tax pools are not significant enough to offset taxes payable.

Deferred Taxes

The Corporation follows the liability method of accounting for income taxes. The deferred tax expense for the six months ended June 30, 2011 increased to $1.7 million from $1.4 million for the six month period ended June 30, 2010. The increase in deferred tax expense is a result of increased activity and demand at the Corporation's facilities, which in turn resulted in an increase in profit before taxes.

SIGNIFICANT PROJECTS

Secure's 2011 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2011 capital expenditure program, see "***Liquidity and Capital Resources***" in this MD&A.

GEOGRAPHICAL FINANCIAL INFORMATION

The table below breaks out revenue and non-current assets for the three and six months ended June 30, 2011 and June 30, 2010. All of the PRD division's revenue is generated in Canada, therefore the revenue generated in the US and India relate to the drilling services division.

	Canada		International		Total	
($000's)	2011	2010	2011	2010	**2011**	**2010**
Three months ended June 30						
Revenue	93,087	11,246	657	-	**93,744**	11,246
Six months ended June 30						
Revenue	161,085	23,454	657	-	**161,742**	23,454
As at June 30, 2011 and December 31, 2010						
Total non-current assets	318,120	146,768	6,522	-	**324,642**	146,768

SUMMARY OF QUARTERLY RESULTS

Seasonality

Seasonality impacts the Corporation's operations. In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities may be restricted, and the level of activity of the Corporation's customers may be consequently reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

The table below summarizes unaudited quarterly information for each of the eight most recently completed fiscal quarters.

($000s except share and per share data)	**2011**		**2010**				**2009**	
(unaudited)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4***	**Q3***
Revenue (excluding oil purchase and resale)	**26,482**	21,730	18,445	13,929	9,876	12,208	7,520	4,954
Oil purchase and resale	**67,262**	46,268	14,486	2,679	1,370	-	-	-
Total Revenue	**93,744**	67,998	32,931	16,608	11,246	12,208	7,520	4,954
Earnings (loss) per share - basic	**0.00**	0.07	0.04	0.02	0.00	0.04	(0.02)	(0.03)
Earnings (loss) per share - diluted	**0.00**	0.06	0.03	0.02	0.00	0.03	(0.02)	(0.03)
Weighted average shares - basic	**71,207,964**	63,829,714	63,730,396	63,701,941	63,187,252	43,341,202	41,624,234	41,620,292
Weighted average shares - diluted	**75,851,337**	67,855,436	66,732,263	65,859,648	64,716,438	44,242,584	42,600,342	42,568,727
EBITDA [1]	**5,824**	10,702	8,037	6,433	3,648	6,477	2,761	1,444

(*) Prepared under Canadian Generally Accepted Accounting Principles (previous GAAP)

[1] Refer to "Non GAAP measures" on page 6 for futher information

Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth during 2010 and the period ended June 30, 2011, variations in quarterly results extend beyond seasonal factors. Each quarter was impacted by the date at which any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's business assets and operations, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's AIF for the year ended December 31, 2010 which

includes a description of the date on which each of Secure's facilities commenced operations. In addition to when the facility commenced operating activities or was acquired, the quarters were also impacted by the length of time required for several oil and natural gas producers to conduct their own individual audits of the facilities to ensure Secure meets all required internal specifications for disposal of oilfield wastes. This process is conducted at all landfills, FSTs and SWDs before the producer will begin sending waste. Depending on the producer, this process can take several months. The Corporation's oil purchase/resale service revenue has also increased significantly quarter over quarter. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. The significant increase in the first quarter of 2011 and the fourth quarter 2010 are a result of Secure becoming a single shipper at the Fox Creek FST on December 1, 2010. See the "**Business Risks**" section in this MD&A for further discussion on this service. Finally, the second quarter of 2011 was also impacted with the addition of Marquis Alliance, the Corporation's new drilling services division. Results for the quarter include the operating results from June 1, 2011, which was the date of acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions. The Corporation has historically funded its operations and capital program primarily with equity financing, cash flow from operations and its credit facility. The Corporation's objective in capital program management is to ensure adequate sources of capital are available to carry out its capital plan, while maintaining operational growth and increased cash flow so as to sustain future development of the business.

Sources of Cash

a) Funds from operations (see non-GAAP measures)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Funds from operations	**5,664**	3,551	60	**16,321**	9,927	64

Funds from operations increased significantly for the three and six months ended June 30, 2011 to $5.7 million and $16.3 million from $3.6 million and $9.9 million in the comparative periods in 2010. The significant increase relates to the addition of the new drilling services division in June of 2011, and the Dawson Creek FST and Pembina landfill added during 2010. The significant increase also includes the various facility service expansions in the first and second quarter of 2011. Furthermore, growth in operations of all facilities, the increase in oil and natural gas activity, the increase in the price of oil, and volume of crude oil received has also contributed to the increase.

b) Issue of common shares

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Issue of common shares, net of issue costs	**81,731**	7,900	935	**81,996**	61,534	33

For the six month period ended June 30, 2011, the significant increase to $82.0 million from $61.5 million over the same period of 2010 relates to the closing of a public offering (the "Offering"), on a bought deal basis, on May 19, 2011. The Offering was conducted with a syndicate of underwriters pursuant to which the underwriters purchased for resale to the public 12,969,900 (including the over-allotment option) subscription receipts of Secure ("Subscription Receipts") at a price of $6.65 per Subscription Receipt for gross proceeds of $86.3 million. Transaction costs and commissions to the underwriters were approximately $4.6 million which resulted in net proceeds of $81.7 million. The gross proceeds of the Offering were held in escrow in accordance with the terms of the underwriting agreement. Upon closing of the Marquis Alliance acquisition, the gross proceeds were released to Secure and each Subscription Receipt was exchanged for one common share of Secure for no additional consideration. In March 2010, the Corporation's completed its IPO, pursuant to which it issued 19.2 million Common Shares for net proceeds of $53.6

million in March of 2010 to fund the development of the business and for capital expenditures. In April 2010, the Corporation issued additional 2.9 million common shares for net proceeds of $7.9 million in connection with the underwriters over allotment option on the IPO.

Uses of Cash

a) Capital Expenditures

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Capital Expenditures (1)						
Expansion and Growth Capital Expenditures	**20,642**	10,745	92	**37,224**	15,760	136
Acquisitions	**63,985**	11,750	445	**63,985**	11,750	445
Sustaining Capital Expenditures	**196**	127	54	**249**	253	(2)
Total Capital Expenditures	**84,823**	22,622	275	**101,458**	27,763	265

(1) Refer to "Non GAAP measures" on page 6 for futher information

Expansion and growth capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business acquisition. The Corporation's expansion and growth capital expenditures for the three months ended June 30, 2011 increased to $20.6 million from $10.7 million compared to the same period in 2010. During the second quarter, the Corporation incurred expansion and growth capital expenditures of $12.0 million relating to South Grande Prairie FST waste expansion and Drayton Valley FST and $0.5 million relating to the new Wild River SWD. The Corporation spent another $4.4 million on additional risers, meters and second disposal wells (etc.), $2.6 million related to purchasing assets for other upcoming projects for the 2011 capital program, and $1.1 million for centrifuges and control panels for the drilling services division.

The Corporation's expansion and growth capital expenditures for the six months ended June 30, 2011 increased to $37.2 million from $15.8 million compared to the same period in 2010. In the first six months, $26 million of costs was incurred for the ongoing construction of Wild River SWD, South Grand Prairie FST and the Drayton Valley FST, and the completed Brazeau SWD and Obed FST waste expansion, $6.7 million on additional risers, meters, and second disposal wells and similar projects, $3.3 million related to purchasing assets for other upcoming projects for the 2011 capital program and $1.1 million for centrifuges and control panels for the drilling services division. The South Grande Prairie FST was operational at the start of the third quarter and the Drayton Valley FST is expected to be commissioned in September 2011. The Wild River SWD facility is a temporary facility which became operational in July. It is anticipated a permanent facility will be constructed toward the end of Q3.The Corporation intends to fund its capital program primarily with existing cash, cash flow from operations and its expanded credit facility.

Acquisitions increased significantly for the six months ended June 30, 2011 to $64.0 million from $11.8 million in the comparative period of 2010. On June 1, 2011, Secure, through a series of transactions, acquired all of the issued and outstanding shares of Marquis Alliance for a total cash and share consideration of $132 million. The Corporation paid $65.5 million in cash which was funded by the bought deal financing as described in issue of common shares above. The acquisition was also funded through the issuance of 10,015,291 Secure common shares 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 of $66.8 million. The fair value for accounting purposes was adjusted after considering such factors as the escrow period (shares released over a five year period) and liquidity of Secure shares in the market place. The Marquis Alliance purchase agreement provides that the 10,015,291 common shares of the Corporation issued will be held in escrow pursuant to which 8,401,673 of such shares will be released on a straight line basis over five years, 608,030 released on a straight line basis over four years, and the remaining 1,005,588 shares released on a straight line basis over two years. The prior year acquisition related to the Corporation acquiring the Pembina Landfill.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgment by management. During the three and six month period ended June 30, 2011, sustaining capital was $0.2 million and $0.2 million compared to $0.1 million and $0.3 million in the comparable periods of 2010. Sustaining capital in the first two years of operation of a facility is expected to be minimal because each facility is constructed with new equipment or refurbished equipment. As a facility matures, the amount of sustaining capital required will increase.

b) Credit Facility

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Use (repayment) of secured credit facility	**-**	-	-	**-**	(4,900)	(100)
Use (repayment) of margin credit facility	**(6,479)**	-	100	**(6,479)**	-	100

Repayment of the margin credit facility for the three and six months ended June 30, 2011 was $6.5 million from nil in the comparative periods in 2010. The decrease relates to payments in the month of June to the margin credit facility held by Marquis Alliance (see further discussion below).

		June 30, 2011	June 30, 2010	% Change
($000's) (unaudited)				
a)	Margin credit facility	**21,000**	-	100
b)	Committed secured credit facility	**55,000**	35,000	57
	Total available	**76,000**	35,000	117
c)	Letters of guarantee issued	**(9,411)**	(8,494)	11
	Amount drawn	**(14,885)**	-	100
	Available amount	**51,704**	26,506	95

a) The drilling service division maintained a margin credit facility (the "margin credit facility") available in the form of an overdraft. Interest was payable monthly in arrears at the bank's floating prime lending rate plus 1.25% per annum. The margin credit facility was a revolving facility, due on demand with no repayment terms. The margin credit facility had certain financial covenants including a current assets to current liabilities ratio of no less than 1.25 to 1.00. The overdraft was secured by a general security agreement over accounts receivable and an assignment of fire and liability insurance in the drilling services division. At June 30, 2011, the drilling service division was in compliance with all financial covenant requirements related to this indebtedness. The maximum amount available under the margin credit facility at June 30, 2011 was $21 million. On August 4, 2011, this margin credit facility was repaid and replaced by a new revolving facility (see below). The drilling services division had this margin credit facility in place to manage its working capital requirements. The drilling services business requires a higher level of working capital than the PRD division to manage the day to day operations. Specifically, inventory will fluctuate significantly in response to activity in the drilling services division for drilling fluid's products in any given quarter. The Corporation anticipates the new revolving facility will allow the same flexibility to the drilling services division as it manages its working capital requirements through periods of high and low levels of activity.

b) The PRD division maintained a secured credit facility consisting of a $55.0 million committed revolving term facility (the "credit facility"). During the second quarter, the Corporation received a commitment to extend the revolving period by one year and increased the amount of the credit facility from $35 million to $55 million. The revolving period is renewable on May 31, 2012. During the three and six months ended June 30 2011, no amounts were drawn on the facility. The credit facility was a multi-use facility and was intended to provide capital project financing, fund working capital requirements and, in addition, for the issuance of letters of guarantee in support of financial security requirements. The credit facility had a $10,000,000 sublimit for the issue of letters of guarantee which bear interest at 1.50% while issued. The aggregate dollar amounts of the outstanding letters of guarantee are not categorized in the consolidated interim financial statements as long term borrowings; however, the issued letters of guarantee reduce the amount available under the credit facility. The credit facility provided that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. The credit facility bore interest ranging from 1.5% to 2.5% above the prime rate depending on the applicable funded debt to EBITDA ratio, with any unused amounts subject to standby fees. Funded debt included all outstanding debt, including capital leases, and any outstanding letters of guarantees. At the option of the Corporation, the credit facility may have been utilized by way of guaranteed notes with interest calculated at the lenders base rate for such notes plus 3.0% to 4.0% based on the funded debt to EBITDA ratio. EBITDA as defined in the credit facility has the same meaning as ascribed in the Non GAAP measurement section of this MD&A. Under the terms and conditions of the credit facility, the Corporation was subject to certain covenants with respect to maintaining minimum

financial ratios. As at June 30, 2011, the Corporation was in compliance with all of its covenants. As security for the credit facility, the Corporation granted lenders a security interest over all of its present and after acquired property. A $200.0 million debenture provides a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subject to the fixed charge. On August 4, 2011, this credit facility was repaid and replaced by a new revolving facility (see below).

c) At June 30, 2011, the PRD division had issued approximately $9.4 million in letters of guarantee to various environmental regulatory authorities in Alberta and British Columbia. The Energy Resource and Conservation Board ("ERCB") is implementing the Oilfield Waste Liability ("OWL") program. The OWL program is expected to replace the current fully funded liability management program for oilfield waste facilities with a facility specific asset to liability risk based assessment that is backed by the existing upstream oil and natural gas industry liability management program. The amount of letters of guarantee issued will fluctuate based on the growth of the Corporation and future refunds under the OWL program, which are undeterminable at this time. As at June 30, 2011, the Corporation has $45.6 million available under its credit facility

In addition to the above, the Corporation has a secured demand, non-revolving mortgage loan ("mortgage") for $1.7 million with an amortization period of 20 years, bearing interest at 1.5% above the Bank Prime rate. The mortgage is for the financing of an industrial warehouse in the Nisku, Alberta area to be used in the Corporation's drilling services division. As at June 30, 2011, the current portion of the mortgage loan of $0.06 million. On August 4, 2011, this credit facility was closed and replaced by a new revolving facility (see below).

Subsequent to the second quarter, the Corporation completed a $150 million committed three year revolving facility (the "Revolving Facility"). The Revolving Facility consists of a $140 million extendible revolving term credit facility and a $10 million revolving operating facility provided to the Corporation and all its subsidiaries. The Revolving Facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

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 Revolving Facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. The Revolving Facility bears interest ranging from 1.0% to 2.0% above the 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 EBITDA ratio, with any unused amounts subject to standby fees ranging from 0.5% to 0.875%. Funded debt includes all outstanding debt, including capital leases, and any outstanding letters of guarantees.

The following is a list of key financial covenants determined as of the end of each of the Corporation's fiscal quarters, including, without limitation:

- Senior Debt to EBITDA (see Non-GAAP measures) Ratio: 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;
- Senior Debt to Capitalization Ratio: the ratio of Senior Debt to Senior Debt plus Equity shall not be greater than 40%; and
- Fixed Charge Coverage Ratio: the Fixed Charge Coverage Ratio shall not be less 1.00:1.

As security for the Revolving 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.

d) Contractual Obligations

The Corporation has a total of $40.0 million in commitments. This includes commitments for finance and operating lease agreements primarily for heavy equipment, vehicles, land leases and office space, and capital commitments relating to purchases for use in the Corporation's current and future capital projects. This also includes inventory purchases relating to a specialized product used in drilling fluids systems. The mortgage payable commitment and the margin credit facility commitment will be transferred into the new Revolving Facility in the third quarter. Overall, the Corporation has sufficient funds from operations and availability though the Revolving Facility to meet upcoming commitments.

	Payments due by period				
	Total	1 year or less	1-3 years	4-5 years	5 years and thereafter
($000's) (unaudited)					
Finance leases	4,333	2,328	1,894	111	-
Operating leases	9,869	1,906	3,365	2,943	1,655
Capital purchases	7,114	7,114	-	-	-
Inventory purchases	2,100	2,100	-	-	-
Mortgage payable	1,711	57	121	132	1,401
Margin credit facility	14,885	14,885	-	-	-
Total Commitments	40,012	28,390	5,380	3,186	3,056

The Corporation's asset retirement obligations were estimated by management based on the Corporation's estimated costs to remediate, reclaim, and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at June 30, 2011 to be $10.7 million (December 2010 - $9.6 million; January 1, 2010 - $4.2 million) based on a total future liability of $15.9 million as at June 30, 2011 (December 31, 2010 - $14.3 million; January 1, 2010 - $7.3 million). These costs are expected to be incurred over the next one to 24 years. The Corporation used its risk-free interest rates of 1.59% to 3.55% and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations.

COMPLETED TRANSACTIONS

- On July 1, 2011, the Corporation completed the acquisition of all of the operating assets (excluding working capital) of XL Fluids for total cash and share consideration of $35.5 million. The Corporation paid $18.5 million in cash and issued 2,297,885 Secure common shares 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 released over a five year period) and liquidity of Secure shares in the market place. The Corporation also purchased $4.0 million of inventory from XL Fluids on July 1, 2011.
- On August 4, 2011, the Corporation completed the financing of a $150.0 million credit facility with a syndicate of lenders. The syndicated facility consists of an $140.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility that replaces the Corporation's current $55.0 million non-syndicated revolving term facility and the current $21.0 million margin credit facility.

BUSINESS RISKS

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

Oil and Natural Gas prices

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

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

Oil and Natural Gas market

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

Commodity price risk – non-trading

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

Commodity price risk – trading

The Corporation is exposed to commodity price risk on its net buy and net sell crude oil derivative contracts (the "contracts"). The physical trading activities related to the contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the prices of commodities; foreign exchange risk; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; and disagreements over terms of deals and/or contracts. Secure's contracts relate to the oil purchase and resale service which is focused on providing customers another solution for effectively marketing their commodity requirements. The Corporation trades crude oil by physically buying and selling volumes from oil producers or through their designated shipper of oil ("shipper"). The Corporation will typically enter into net buy or net sell derivative contracts with the shipper prior to the production month. The volume purchased or sold relates to physical volumes only. Through this process, the Corporation may hold open positions. The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil derivative contracts offset against physical delivery of all net sell crude oil derivative contracts. The Corporation may choose to do this based on energy commodity pricing relationships, time periods or qualities.

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

Foreign currency risk

A significant portion of the Corporation's activities relates to the purchase and sale of crude oil or drilling fluids products which are transacted in or referenced to US dollars. The risk is mitigated as the majority of the activities occur in the same period; therefore foreign currency risk exposure is limited to crude oil or drilling fluids products held in inventory. The Corporation does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time.

Competitive conditions

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

Corporation. The Corporation's customers may elect not to purchase its services if they view the Corporation's financial viability as unacceptable, which would cause the Corporation to lose customers.

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

The credit agreement governing the credit facility contains covenants that restrict the Corporation's ability to take various actions. In addition, the credit agreement requires the Corporation to comply with specified financial ratios. The Corporation's ability to comply with these covenants will likely be affected by events beyond its control, and the Corporation cannot assure that it will satisfy those requirements.

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

Seasonal nature of the industry
In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads, which results in severe restrictions in the level of oilfield services that may be provided. In addition, municipalities and transportation departments enforce road bans during such times that restrict the movement of heavy equipment in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted, and the level of activity of Secure's customers is consequently reduced. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to Secure's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. The duration of this period may have a direct impact on the level of the activities of the Corporation. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up.

Development of new technology and equipment
The technology used in the PRD division for waste treatment, recovery and disposal business is not protected by intellectual property rights. As such, there are no significant technological barriers to entry within the industry. The technology used in the drilling service division for drilling fluids systems and drilling fluid is protected by intellectual property rights. As a result, there are technological barriers to entry within the drilling fluids system and drilling fluids industry.

Risk of third party claims for infringement
A third party may claim that the Corporation has infringed such third party's intellectual property rights or may challenge the right of the Corporation in their intellectual property. In such event, the Corporation will undertake a review to determine what, if any, actions the Corporation should take with respect to such claim. Any claim, whether or not with merit, could be time consuming to evaluate, result in costly litigation, cause delays in the operations of the Corporation or require the Corporation to enter into licensing agreements that may require the payment of a license fee or royalties to the owner of the intellectual property. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Corporation.

Equipment risks
The Corporation's ability to meet customer demands in respect of performance and cost will depend upon continuous improvements in the Corporation's operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. The Corporation's failure to do so could have a material adverse effect on it. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Credit risk
The Corporation provides credit to its customers in the normal course of operations. This includes credit risk on trading activities as the Corporation is at risk for potential losses if the counterparties do not fulfill their contractual obligations. A substantial portion of the Corporation's accounts receivable are with customers or counterparties involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices, economic conditions, environmental regulations, government policy, royalty rates and geopolitical factors. Collection of these receivables could be influenced by economic factors affecting this industry. The carrying value of trade accounts receivable reflects management's assessment of the associated risks. In order to mitigate collection risk, the Corporation assesses the credit worthiness of customers or counterparties by assessing the financial strength of the customers or counterparties through a formal credit process and by routinely monitoring credit risk exposures. In addition, the Corporation uses standard agreements that allow for the netting of exposures associated with a single counterparty. Where the Corporation has a legally enforceable right to offset, the amounts are recorded on a net basis.

Environmental protection & health and safety
The oil and natural gas industry is regulated by a number of federal and provincial legislation in Canada, federal and state laws and regulations in the United States and other applicable laws in the jurisdictions in which the Corporation operates. These regulations set forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment, and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. The legislation addresses various permits required for drilling, access road construction, camp construction, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas. Legislation regulating the oil and natural gas industry may be changed to impose higher standards and potentially more costly obligations on the oil and gas customers of the Corporation. The Corporation's oil and gas customers will also be required to comply with any regulatory schemes for greenhouse gas emissions adopted by any applicable jurisdiction. The direct or indirect cost of these regulations may have a material adverse effect on the oil and gas customers of the Corporation and consequently on the Corporation's business, financial condition, results of operations and cash flows. Given the evolving nature of the debate related to climate change and control of greenhouse gases and resulting requirements, management is unable to predict the impact of greenhouse gas emissions legislation and regulation on the Corporation and it is possible that it could have a material adverse affect on the Corporation's business, financial condition, results of operations and cash flows.

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

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

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

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

Governmental regulation
In addition to environmental regulations, the Corporation's operations are subject to a variety of other federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, and the manufacture, management, transportation, storage, and disposal of certain materials used in the Corporation's operations. The Corporation believes that it is in compliance with such laws, regulations and guidelines. The Corporation has invested financial

and managerial resources to comply with applicable laws, regulations and guidelines and will continue to do so in the future. Although regulatory expenditures have not, historically, been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or effect of such laws, regulations or guidelines on the Corporation's future operations. In addition, the Corporation's securities are being sold in Canada and are listed on the TSX, and the Corporation is accordingly subject to regulation by Canadian securities regulators and Canadian federal and provincial laws and regulations. The Corporation believes that it is in compliance with such laws and regulations.

Regulation and taxation of energy industry

Material changes to the regulation and taxation of the energy industry in the jurisdictions in which the Corporation operate may reasonably be expected to have an impact on the energy services industry. Generally, a significant increase in the regulation or taxation of the energy industry or material uncertainty regarding such issues may be expected to result in a decrease in industry drilling and production activity in the applicable jurisdiction.

Provincial royalty rate changes

The provincial governments of Alberta, British Columbia, Manitoba, and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. As an example, during 2009 and 2010, changes were announced to the royalty regimes and/or drilling incentive programs in Alberta and British Columbia. These changes, as well as the potential for future changes in these and other jurisdictions, add uncertainty to the outlook of the oilfield services sector.

Operating risks and insurance

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

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

Potential replacement or reduced use of products and services

Certain of the Corporation's equipment or systems may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. The Corporation will need to keep current with the changing market for drilling fluids and solids control equipment and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse affect on its business, financial condition, results of operations and cash flows.

Performance of obligations

The Corporation's success depends in large part on whether it fulfills its obligations with clients and maintains client satisfaction. If the Corporation fails to satisfactorily perform its obligations, or makes professional errors in the services that it provides, its clients could terminate contracts, including master service agreements, exposing the Corporation to loss of its professional reputation and risk of loss or reduced profits or, in some cases, the loss of a project.

Legal proceedings

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

In the event that the plaintiff is successful in asserting its claim against the Corporation, the Corporation has insurance and potential damages received from the Corporation's countersuit which may mitigate the impact upon the financial condition of the Corporation; however, the Corporation's insurance is limited to $5 million (which will be reduced by the amount of expenses of the lawsuit claimed by Secure against the insurance) and there can be no assurance that Secure's insurer will not determine that

one or more of the claims specified in the CCS Action are not covered by Secure's insurance policy and deny coverage. In the event that the CCS Action was to be determined in a manner adverse to the Corporation, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Merger and acquisition activity

The Corporation may undertake future acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on having the acquired assets perform as expected, successfully consolidating functions, retaining key employees and customer relationships, and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters, and ultimately the Corporation may fail to realize the anticipated benefits of such acquisitions. Merger and acquisition activity in the oil and natural gas exploration and production sector may impact demand for the Corporation's services as customers focus on reorganizing their business prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Corporation.

Terrorist activities

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

Market conditions

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

Sources, Pricing and Availability of Products and Third Party Services

The Corporation sources their products from a variety of suppliers, many of whom are located in Canada and the United States. Should any suppliers of the Corporation be unable to provide the necessary products or services or otherwise fail to deliver products or services in the quantities required or at acceptable prices, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on the business, financial condition, results of operations and cash flows of the Corporation. In addition, the ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to equipment, parts and components. Failure of suppliers to deliver such equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the ability of the Corporation to maintain and expand its client list. No assurance can be given that the Corporation will be successful in maintaining the required supply of equipment, parts and components. It is also possible that the final costs of the equipment contemplated by the capital expenditure program of the Corporation may be greater than anticipated by management, and may be greater than the amount of funds available to the Corporation, in which circumstance the Corporation may curtail or extend the timeframes for completing its capital expenditure plans.

The ability of the Corporation to provide services to its customers is also dependent upon the availability at reasonable prices of raw materials which the Corporation purchases from various suppliers, many of whom are located in Canada or the United States. Alternate suppliers do exist for all raw materials. In periods of high industry activity, periodic industry shortages of certain materials have been experienced and costs are sometimes affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide the Corporation with necessary services and supplies. Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the clients of the Corporation could have a material adverse effect on the Corporation's results of operation and cash flows.

Global Financial Conditions

Global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have received capital bail-outs or other relief from governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages in the United States and elsewhere and the liquidity crisis affecting the

asset-backed commercial paper market. As a result of these global conditions, the Corporation is subject to increased counterparty risk and liquidity risk. The Corporation is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the cash of the Corporation or provide available funding on the Revolving Facility; and (ii) the insurance providers of the Corporation. As a result, the cash of the Corporation may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Corporation would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

The Corporation is also exposed to liquidity risk in the event its cash positions decline or become inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or demand for oil and gas falls. Any of these factors may impact the ability of the Corporation to obtain further equity based funding, loans and other credit facilities in the future and, if obtained, on terms favourable to the Corporation. If these increased levels of volatility and market turmoil were to continue, the Corporation's results of operations and planned growth could be adversely impacted.

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

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

Proprietary Technology
The Corporation relies on various intellectual property rights to maintain proprietary control over its patents and trademarks.

The success and ability of the Corporation to compete depends in part on the proprietary technology of the Corporation, and the ability of the Corporation to prevent others from copying such proprietary technologies. The Corporation currently relies on industry confidentiality practices, in some cases by a letter agreement, brand recognition by oil and natural gas exploration and production entities and in some cases patents (or patents pending) to protect its proprietary technology.

There can be no assurance that the Corporation’s patent applications will be valid, or that patents will issue from the patent applications that the Corporation has filed or will file. Accordingly, there can be no assurance that the patent application will be valid or will afford the Corporation with protection against competitors with similar technology.

The products developed by the Corporation may also incorporate technology that will not be protected by any patent and are capable of being duplicated or improved upon by competitors. Accordingly, the Corporation may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary information of the Corporation and trade secrets. In addition, effective patent protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Policing unauthorized use of the Corporation's enhancements could prove to be difficult, and there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its enhancements. In addition, litigation may be necessary in the future to enforce the intellectual property rights of the Corporation to protect their patents, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Corporation's business, results of operations or financial condition.

Despite the efforts of the Corporation, the intellectual property rights of the Corporation may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Corporation may take to protect its intellectual property rights and other rights to such proprietary technologies that are central to the Corporation's operations will prevent misappropriation or infringement.

Economic dependence
The top ten customers of the Corporation accounted for approximately 27% of revenue for the first half of 2011 with no single customer accounting for more than approximately 10%. The Corporation does not generally enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Corporation. The loss of one or more major customers, any significant decrease in services provided to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Corporation.

Leverage and restrictive covenants
The degree to which the Corporation is financially leveraged could have important consequences to the shareholders of the Corporation, including: (i) a portion of the Corporation's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness; and (ii) certain of the Corporation's borrowings have variable rates of interest, which float with the lender's prime rate, and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the prime rate should increase. The Corporation's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Corporation's lender has been provided with security over all of the assets of the Corporation. A failure to comply with the obligations in the agreements in respect of the Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

Key personnel
The Corporation's success depends to a significant extent on a number of its officers and key employees. The Corporation does not carry "key man" insurance that would compensate it for the loss of officers or key employees. The loss of the services of one or more of these officers or employees could have an adverse effect on the Corporation.

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

Legal and financial compliance
The Corporation is required to comply with the rules and regulations applicable to public companies in Canada and to file reports with the Canadian securities administrators. Accordingly, the Corporation incurs significant legal, accounting and other expenses. The Corporation's management and other personnel must devote a substantial amount of time and resources to comply with these requirements. These rules and regulations will increase the Corporation's legal and financial compliance costs, compared to similar costs incurred as a private company.

OUTSTANDING SHARE CAPITAL

As at August 10, 2011, there were 89,273,791 Common Shares issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

At June 30, 2011, the Corporation had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

For the period ended June 30, 2011, the Corporation incurred approximately $0.4 million of expenses with companies that have common directors, officers, employees and shareholders. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of the expenses relate to service work on the Corporation's disposal wells and promotional items.

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at June 30, 2011, the aggregate amount outstanding under the loans is $0.5 million**.**

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at June 30, 2011 the Corporation's financial instrument assets include cash and short term deposits, accounts receivables and accrued receivables, other receivables, notes receivable and derivative financial instruments. The Corporation's financial instrument liabilities include accounts payable and accrued liabilities, derivative financial instruments and long term borrowings. The fair values of these financial instruments approximate their carrying amount due to the short term maturity of these instruments. The use of financial instruments exposes the Corporation to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the "***Business Risk"*** section of this MD&A. Further information on how the fair value of financial instruments is determined is included in the "***Critical accounting policies and estimates"*** section of this MD&A.

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

CRITICAL ACCOUNTING POLICES AND ESTIMATES

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("**AcSB**") published a new strategic plan that outlined the convergence with IFRS over a five year period. The changeover date to IFRS was completed on January 1, 2011.

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

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

Business combinations - exemption applied: The Corporation elected not to re-value business combinations performed prior to January 1, 2010.

Fair value or revaluation as deemed cost – exemption not applied: The Corporation elected to restate the property, plant and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since inception.

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

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

current estimate of the useful life of the property, plant and equipment item and the depreciation policy implemented under IFRS. The Corporation revalued all ARO's from inception.

In the preparation of the Corporation's condensed consolidated interim financial statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the condensed consolidated interim financial statements are prepared. Actual results could differ from these estimates. Please refer to the Corporation's condensed consolidated interim financial statements for the period ended June 30, 2011 for a description of the accounting policies of the Corporation. The Corporation considers the following to be its critical accounting policies and estimates:

Depreciation, depletion and amortization

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

Asset retirement obligations and accretion

Secure is required to provide for the cost of restoring its facility sites to an acceptable condition, as determined by regulatory authorities. The Corporation estimates the cost to remediate, reclaim and abandon the Corporation's facilities based upon current regulations, costs, technology, and industry standards. Asset retirement obligation costs associated with well sites and facilities are recognized as a liability at fair value and are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted using a risk free rate. Accretion is expensed as incurred and recognized in the condensed consolidated interim statement of comprehensive income as interest, accretion and finance costs. The estimated future costs of the asset retirement obligations are reviewed at each reporting period and adjusted as appropriate

Share-based payments

The Corporation provides share-based awards to certain employees in the form of stock options and warrants. The Corporation follows the fair-value method to record share-based payment expense with respect to stock options and warrants granted. The fair value of each option or warrant 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 and warrants 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 and warrants granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields.

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 culmination of purchase accounting, 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.

Current and deferred 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 Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in Canada where the Corporation operates and generates taxable income. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Estimates of the Corporation's future taxable income have been considered in assessing the utilization of available tax losses in both the current and future periods. 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 profit 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 profits 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 realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Financial instruments – initial recognition and subsequent measurement

Financial assets

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, 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. All financial assets are recognized initially at fair value. Investments not recognized at fair value through profit or loss are recognized at fair value plus directly attributable transaction costs. The Corporation's financial assets include cash and short term deposits, crude oil derivative contracts, accounts receivable and accrued receivables, other receivables and notes receivable. The subsequent measurement of financial assets depends on their classification.

Financial instruments - derivatives

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

The contracts are financial assets classified as fair value through profit or loss. The contracts are traded and are settled with physical delivery of crude oil on a monthly basis. Financial assets recorded at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statement of comprehensive income.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss, 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 crude oil derivative contracts, accounts payable and accrued liabilities, and long term borrowings. The subsequent measurement of financial liabilities depends on their classification.

Fair value of financial instruments

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's crude oil derivative contracts are valued by one or more of these valuation techniques.

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 and short term deposits are recorded at fair value under level 1. Included in accounts receivable and accounts payable are crude oil derivative contracts related. The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil or natural gas liquids. The contracts are settled with physical delivery of crude oil on a monthly basis and are recorded at fair value at the consolidated statement of financial position date under level 2.

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.

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 statement 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 that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

FUTURE ACCOUNTING PRONOUNCEMENTS

At the date of authorization of the consolidated interim 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 policy 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 a collection of amendments as part of its annual project "Improvements to IFRSs." The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments, which have not yet been endorsed, are to be applied for annual periods beginning on or after January 1, 2012. They are not expected to have a material impact on the presentation of the Corporation's financial position or results of operations.

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, 2013. 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 will supersede the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements effective for annual periods beginning on or after January 1, 2013, with early application permitted. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. 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 Corporation is currently assessing the impact of this standard.

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 Corporation is currently assessing the impact of this standard.

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, the effect of those measurements on the financial statements. The Corporation is currently assessing the impact of this standard.

In May 2011, the IASB published IFRS 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 June 2011, the IASB issued IAS 1 Presentation of Items of OCI: Amendments to IAS 1 Presentation of Financial Statements. The amendments stipulate the presentation of net earnings and OCI and also require the Corporation to group items within OCI based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective for the Corporation beginning on January 1, 2012 with retrospective application and early adoption permitted. The adoption of the amendments to this standard is not expected to have a material impact on the Corporation's financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over

financial reporting during the three and six months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

In accordance with the provisions of section 3.3 of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), in relation to the acquisition of Marquis Alliance effective June 1, 2011, the Corporation has limited its assessment of the design of disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Marquis Alliance. Management is in the process of aligning the systems, processes and controls of Marquis Alliance with the Corporation's standards and has not concluded on the design of disclosure controls and procedures or internal control over financial reporting for this subsidiary as at June 30. 2011. Also in accordance with the provision of section 3.3 of NI 52-109, summary financial information for Marquis Alliance is included in note 24 of the accompanying financial statements as the drilling services division of the Corporation is solely comprised of Marquis Alliance.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

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

The Secure Defendants filed an Amended Statement of Defence (the "**Defence**"), and the Corporation filed an Amended Counterclaim (the "**Counterclaim**"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37,860,000 against CCS, alleging that CCS has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation.

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

In December 2010, a statement of claim was filed against Marquis Alliance by a former employee seeking to recover damages of $0.5 million for wrongful dismissal. In January 2011, Marquis Alliance filed its Statement of Defence. As part of the acquisition of Marquis Alliance, the Corporation indirectly acquired this legal claim. As at June 30, the Corporation is unable to determine the potential outcome of the claim nor an amount related to the claim, and as such has not recorded any related liability.

ADDITIONAL INFORMATION

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