SECURE energy services

MANAGEMENT DISCUSSION AND ANALSYIS

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

Three and Twelve Months ended December 31, 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 March 5, 2012. 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 twelve months ended December 31, 2011 and 2010 and should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes prepared under IFRS for the year ended December 31, 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 audited consolidated 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 March 5, 2011. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

SECURE'S BUSINESS

Secure is a TSX publicly traded energy services company that focuses on providing specialized services to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and in the United States.

The Corporation operates two divisions:

Processing, Recovery and Disposal Division ("PRD"): Operating under the trade name Secure Energy Services Inc, the PRD division provides 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.

Drilling Services Division ("DS"): Operating under the trade names Marquis Alliance and XL Fluids, the DS division provides drilling fluid systems, solids control, and environmental services. The drilling fluids service line includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas.

For a complete description of services provided in both of the above divisions, 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, 2011;

2011 FINANCIAL AND OPERATIONAL HIGHLIGHTS

Secure had significant growth in 2011, increasing revenue (excluding oil purchase/resale) by 339% over 2010 and increasing earnings before interest, taxes, depreciation and amortization ("EBITDA") by 152% compared to the prior year. The Corporation's ability to execute on a strategy of organic growth combined with strategic acquisitions resulted in the creation of the DS division and the Corporation significantly expanding services available at its full service terminals ("FST"). The vertical integration into drilling services is a complementary fit with Secure's PRD division, creating opportunities for the Corporation to leverage its existing facility infrastructure and provide a broad integrated drilling fluid service. With the continued weakness in natural gas prices, drilling has been directed toward oil or liquids rich natural gas producing areas. The wells currently drilled in these resource plays commonly utilize horizontal drilling and multi-stage fracturing techniques which were positive drivers of the Corporation's financial and operating results in 2011. The corresponding increase in meters drilled and operating days required to drill a well has resulted in more demand for drilling, processing, and disposal services in both the PRD division and the DS division.

SECURE energy services

($000's except share and per share data) * (unaudited)	Three Months Ended December 31, 2011	2010	2009 [2]	Year Ended December 31, 2011	2010	2009 [2]
Revenue (excludes oil purchase and resale)	**104,288**	18,445	7,520	**239,094**	54,458	22,377
Oil purchase and resale	**126,973**	14,486	-	**312,105**	18,535	-
Total revenue	**231,261**	32,931	7,520	**551,199**	72,993	22,377
EBITDA [1]	**24,785**	8,037	2,759	**61,964**	24,601	8,027
Per share ($), basic	**0.28**	0.13	0.07	**0.79**	0.42	0.20
Per share ($), diluted	**0.26**	0.12	0.06	**0.75**	0.41	0.19
Profit for the period	**10,290**	2,291	(970)	**22,383**	5,368	(2,758)
Per share ($), basic	**0.12**	0.04	(0.02)	**0.28**	0.09	(0.07)
Per share ($), diluted	**0.11**	0.03	(0.02)	**0.27**	0.09	(0.07)
Funds from operations [1]	**22,149**	9,299	2,704	**56,002**	25,524	7,958
Per share ($), basic	**0.25**	0.15	0.06	**0.71**	0.44	0.19
Per share ($), diluted	**0.24**	0.14	0.06	**0.68**	0.42	0.19
Cash dividends per common share	**nil**	nil	nil	**nil**	nil	nil
Capital expenditures [1]	**29,330**	19,866	3,487	**202,053**	63,710	22,686
Total assets	**603,083**	198,464	96,979	**603,083**	198,464	96,979
Long term borrowings	**119,070**	-	4,788	**119,070**	-	4,788
Common shares - end of period	**90,156,688**	63,754,348	41,631,991	**90,156,688**	63,754,348	41,631,991
Weighted average common shares						
basic	**89,481,219**	63,730,396	41,624,234	**78,540,224**	58,560,338	40,857,737
diluted	**93,718,121**	66,732,263	42,600,342	**82,944,975**	60,464,341	41,788,605

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

[1] Refer to "Non GAAP measures and operational definitions" on page 3 for further information

[2] Prepared under Canadian Generally Accepted Accounting Principles (Previous GAAP)

Corporate highlights:

- EBITDA per share (basic) more than doubled to $0.28 for the three months ended December 31, 2011 and grew 88% to $0.79 for the year ended December 31, 2011 over the comparative period of 2010;
- Reported record revenue (excluding oil purchase and resale) of $104.3 million and $239.1 million for the three and twelve months ended December 31, 2011 compared to $18.4 million and $54.5 million in the comparable periods of 2010. The record revenue for the 2011 year was a result of the new drilling services division added on June 1, 2011, the Dawson FST operating for the entire year, the addition of the Brazeau stand alone water disposal ("SWD") facility, Obed and South Grande Prairie FST expansion, the addition of the Drayton Valley FST in the fourth quarter and overall increased demand for the Corporation's service offerings in both divisions. For the year ended December 31, 2011, the DS division (from June 1, 2011) had a total of 24,870 operating days in Canada and revenue per operating day of $4,995, both of which were positively impacted by increased industry activity;
- Reported higher oil purchase and resale revenue in the twelve months of 2011 compared to same period of 2010 as a result of the Corporation becoming a single shipper at the Fox Creek FST in December 2010, at the La Glace FST in October 2011, and increasing throughput at these facilities. Secure also became a single shipper at the Drayton Valley FST in January 2012 and as a result the Corporation expects oil purchase and resale service revenue to increase in the first quarter of 2012;
- Reported record EBITDA of $24.8 million and $62.0 million for the three and twelve months ended December 31, 2011 compared to $8.0 million and $24.6 million in the same period of 2010. EBITDA has grown significantly as a result of the new DS division, the new facilities and the added expansion services in the PRD division and an overall increase in energy sector activity in both the fourth quarter and the year;

- Completed three significant strategic acquisitions;
  - On June 1, 2011 the Corporation closed the $131.4 million acquisition of Marquis Alliance which formed the new DS division;
  - On July 1, 2011 the acquisition of the operating assets (excluding working capital) of XL Fluids was closed for $39.4 million which was integrated into the DS division;
  - On October 1, 2011, Secure purchased the Silverdale processing facility from Emerge Oil & Gas Inc ("Emerge") for an aggregate cash purchase price of $18.0 million which was integrated into the PRD division;
- Completed $96.5 million of capital spending relating to organic growth which included $38.6 million related to projects that started in 2010, $31.7 million for expansion/new services at existing facilities, equipment totalling $26.2 million for long lead items for new 2012 facilities and for rental equipment used in the DS division;
- Closed a $150.0 million credit facility with a syndicate of lenders, with an option to expand to $200.0 million through the exercise of an additional $50.0 million accordion feature. 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; and
- Announced in December 2011 a capital budget for the 2012 year of $116.0 million. $98.0 million was allocated to the PRD division for the construction of two FST's, a landfill in Fox Creek, a landfill in Saddle Hills and the permanent Wild River SWD facility. The construction on the Wild River SWD is well underway and it is expected to be completed during the second quarter of 2012. The DS divisions' 2012 capital budget totals $18.0 million consisting of $14.0 million for growth capital allocated evenly between Canadian and U.S. operations and is largely comprised of onsite solid's control equipment.

Subsequent to December 31, 2011, the Corporation:

- Closed the exercise of the accordion feature and extended the credit facility to $200.0 million with its lenders. Secure's current available debt capacity and cash flow from operations provides sufficient funding to execute on the Corporation's 2012 capital strategy; and
- During January 2012, the Corporation announced it was acquiring the operating assets (excluding working capital) of New West Drilling Fluids Inc. ("NWDF") for an aggregate cash purchase price of $3.4 million. NWDF is a Canadian based drilling fluids company specializing in providing drilling fluid systems and products for the heavy oil and oil sands segment. NWDF is most well known for its patented SAGD system, "BITUDRIL", the first bitumen encapsulating polymer based system on the market. Adding NWDF's assets, including BITUDRIL, to Marquis Alliance's existing patented and proprietary SAGD product line will increase Marquis Alliance's ability to provide the most cost effective drilling fluid solutions in the SAGD market.

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 non-GAAP measures, and certain 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, general and administrative, 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 DS division provides drilling fluids services by the number of days in the period.

Canadian Market Share

Canadian market share is calculated by comparing active rigs where the DS division operates to total active rigs in Western Canada. The Canadian Association of Oilwell Drilling Contractors ("CAODC") publishes total active rigs in Western Canada on a semi-weekly basis.

Funds from operations

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

	Three Months Ended December 31,			Year Ended December 31,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Cash from (used in) operating activities	**(12,828)**	5,325	(341)	**7,761**	18,994	(59)
Add (deduct):						
Non-cash working capital	**34,977**	3,974	780	**48,241**	6,530	639
Funds from operations	**22,149**	9,299	138	**56,002**	25,524	119

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 December 31,			Year Ended December 31,		
	2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
($000's) (unaudited)						
Profit	**10,290**	2,291	349	**22,383**	5,368	317
Add:						
Depreciation, depletion and amortization	**8,915**	4,073	119	**25,230**	13,846	82
Share-based payments	**1,007**	504	100	**3,029**	1,640	85
Current tax expense	**1,776**	-	100	**4,491**	-	100
Deferred income tax expense	**1,730**	970	78	**5,042**	3,055	65
Interest, accretion and finance costs	**1,067**	199	436	**1,789**	692	159
EBITDA	**24,785**	8,037	208	**61,964**	24,601	152

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 YEAR ENDED DECEMBER 31, 2011

Operating activities for the Corporation changed on June 1, 2011 with the addition of a new DS 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 DS division.

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's except per share data) (*)			
(unaudited)			
Revenue	**551,199**	72,993	655
Operating expenses	**489,878**	54,094	806
General and administrative	**25,452**	7,473	241
Business development	**2,014**	2,297	(12)
Interest, accretion and finance costs	**1,939**	706	175
Profit before income taxes	**31,916**	8,423	279
Income taxes			
Current income tax expense	**4,491**	-	100
Deferred income tax expense	**5,042**	3,055	65
	9,533	3,055	212
Profit	**22,383**	5,368	317
Other comprehensive income			
Foreign currency translation adjustment	**231**	-	100
Total comprehensive income	**22,614**	5,368	321
Earnings per share			
Basic	**0.28**	0.09	211
Diluted	**0.27**	0.09	200

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

PRD DIVISION OPERATIONS - YEAR ENDED DECEMBER 31, 2011

For further clarity, the Corporation's PRD division's, 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. Secure's FST's that are connected to oil pipelines provide 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 to a 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 gathering or transmission pipelines. Disposal services include produced and waste water disposal services through a network of class 1B disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

- Oil purchase/resale service: The purpose of providing this service is to enhance the service offering associated with Secure's business of produced water disposal, crude oil emulsion treating, terminalling and marketing. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure FST's, Secure will meter the crude oil volumes and purchase the crude oil directly from its customers. The Corporation will then process, transport to a pipeline connected FST if necessary and handle the shipment of crude oil down the pipeline.

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Revenue			
Processing, recovery and disposal services	**91,388**	54,458	68
Oil purchase and resale service	**312,105**	18,535	1,584
Total PRD division revenue	**403,493**	72,993	453
Operating Expenses			
Processing, recovery and disposal services	**42,624**	21,713	96
Oil purchase and resale service	**312,105**	18,535	1,584
	354,729	40,248	781
Depreciation, depletion, and amortization	**19,453**	13,846	40
Total PRD division operating expenses	**374,182**	54,094	592
General and administrative	**13,136**	7,473	76
Business development	**1,590**	2,297	(31)
	14,585	9,129	60
Operating Margin (1)	**48,764**	32,745	49
Operating Margin (1) (excluding oil purchase/resale) as a % of revenue	**53%**	60%	(12)

(1) Refer to "Non GAAP measures and operational definitions" on page 3 for further information

Revenue (PRD division)

Revenue from processing, recovery and disposal services for the year ended December 31, 2011 increased by 68% to $91.4 million from $54.5 million for the year ended December 31, 2010. Processing volumes increased 103% from 2010 to 2011 primarily as a result of the Corporation's Obed and South GP waste expansions, the new Drayton Valley FST and a full year of operating at the Dawson FST. In addition to the new facilities, significant volumes were processed as a result of increased demand for the Corporation's services and increased oil and gas activity in 2011. Furthermore, the impact of the pipeline break at Rainbow Pipeline System also caused some oil volumes to be diverted to the PRD FST's to allow oil and gas producers the ability to continue operating. Revenue from recovery for the twelve months ended December 31, 2011 increased by 81% over the comparable period in 2010. Crude oil handling, marketing and terminalling revenue was higher as a result of the increase in processing volumes, the greater amount of oil recovered during processing, and marketing oil volumes to maximize differentials on various oil streams. The Corporation will purchase oil to take advantage of pricing differentials primarily based on product density and sulphur content. Finally, during the year ended December 31, 2011, Secure's disposal volumes increased by 24% compared to the same period of 2010. As described above, the new facilities added during the year, higher demand and more oil and gas activity are the primary reasons for the increase.

Oil purchase/resale service revenue for the year ended December 31, 2011 increased to $312.1 million from $18.5 million in the same period of 2010. Secure started offering this service at its Fox Creek FST in 2010 to allow customers to gain efficiencies in transportation and handling of their crude oil to the pipeline. In the fourth quarter of 2011, the revenue and expenses associated with this service increased as a result of Secure becoming a single shipper at its La Glace FST. All oil volume entering into FST's that are pipeline connected are purchased by Secure and sold back to customers in Edmonton. As a single shipper, Secure's accounts receivable and accounts payable have increased significantly, as commodity contracts are executed over the forecast period and

commodity contracts are fulfilled on physical delivery. The majority of commodity contracts offset in subsequent payment months. See the "**Business Risks**" section in this MD&A for further discussion. 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 processing, recovery and disposal services (53%). The Corporation expects the amount of revenue and expense associated with this service to increase in January 2012 as a result of Drayton Valley FST becoming a single shipper.

Operating Expenses (PRD division)

For the year ended December 31, 2011 operating expenses from processing, recovery and disposal services increased significantly to $42.6 million from $21.7 million for the year ended December 31, 2010. Volumes processed and disposed at the PRD facilities have increased in 2011 over the 2010 year, which correlates with the significant increase in revenue. Accordingly, variable operating costs have increased with the higher revenue. Operating expenses are also significantly higher with the addition of Obed and South GP waste expansions, the new Drayton Valley FST, the full year of the Dawson FST, the acquired Silverdale facility, Brazeau SWD and the temporary facility at Wild River. Operating margin as a percentage of revenue from processing, recovery and disposal services for the year ended December 31, 2011 was 53%, down from 60% for the year ended December 31, 2010. Operating margin may fluctuate year over year as a result of changes in volumes affected by seasonality, as new facilities come online and activity levels change, as the Corporation's sales mix or type of services received varies, changes in input costs incurred to maximize differentials on the value of crude oil shipments and as commodity prices rise and fall. Specifically, the decrease in operating margin in 2011 is attributed to the extremely wet weather conditions experienced during the spring and summer months. The heavy rains caused an increase in leachate disposal costs of $1.1 million, road maintenance/site costs of $0.5 million and repairs and maintenance costs of $1.2 million. As a result of the expansions and new facilities described above, the Corporation incurred higher training costs associated with the start up phase. Over the past three years the PRD division has averaged a 56% operating margin through years of high organic growth.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the year ended December 31, 2011 increased to $19.5 million from $13.8 million for the year ended December 31, 2010. The additions of the Dawson FST in the fourth quarter of 2010, Obed and South GP FST waste expansions, the Brazeau SWD, the Drayton Valley FST and the Silverdale FST have all contributed to the increase for the year ended December 31, 2011.

General and Administrative (PRD division)

General and administrative expenses ("G&A") increased for the year ended December 31, 2011 to $13.1 million from $7.5 million in the same period of 2010. The PRD division G&A includes all public company costs, salaries and share based payments relating to corporate employees. Management intends to segregate out corporate costs in the first quarter of 2012 for greater transparency. The most significant accounts within G&A include: salaries and benefits, professional fees, office lease, insurance, utilities and communications in the Corporation's head office. The most significant impact to G&A year over year is a result of hiring employees to support the growth in operations and compensation for management and employees in accordance with the Corporation's annual incentive compensation arrangements. Included in benefits are non-cash share-based payments for the twelve months ended December 31, 2011 of $2.2 million compared to $1.6 million in the same period of 2010. The increase in stock-based compensation relates mainly to the stock options granted to new employees hired, employees acquired as part of the completed acquisitions and options granted annually to all employees.

Business Development Expenses (PRD division)

For the year ended December 31, 2011 business development expenses have decreased to $1.6 million from $2.3 million for the year ended December 31, 2010. Business development expenses in 2010 were higher as a result of expensing a one-time cost of $1.3 million associated with Secure's Heritage landfill project. In 2011, $0.8 million of the $1.6 million are a result of transaction costs incurred in connection with the Marquis Alliance, XL Fluids and Silverdale acquisitions. 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.

DS DIVISION OPERATIONS - YEAR ENDED DECEMBER 31, 2011

On June 1, 2011, the acquisition of Marquis Alliance created the DS division, which was expanded on July 1st with the acquisition of XL Fluids. The seven months since that time have been a period of high activity for the DS division. Accordingly, the results of the DS division only includes activity from June 1, 2011, the period in which Marquis Alliance became a wholly owned subsidiary of the Corporation. The DS division has three service lines: drilling fluids, environmental services, and solids control. Geographically, the primary focus of the DS division has been the WCSB. In addition, there are two wholly owned subsidiaries that also provide services to various basins in the United States as well as internationally in India. The DS division's WCSB operations are spearheaded from the Calgary, Alberta office and the U.S. operations are conducted from the Denver, Colorado office.

The drilling fluids service line is the core service of the DS division. Drilling fluids products are designed to optimize the efficiency for customer drilling operations. These efficiencies are achieved by engineering solutions that improve drilling performance and penetration, while reducing fluid related non-productive time. Experienced technical personnel design adaptable drilling programs to meet the needs of increasingly complex horizontal and directional drilling. These programs can save customers significant amounts of money by proactively anticipating the drilling challenges they may encounter. The environmental service line provides remediation, reclamation, special project management, professional services, and drilling waste management to customers in the WCSB. Services include pre-drilling assessments, remediation of former wellsites, facilities, commercial and industrial properties – from initial assessment through to reclamation certification. The solids control service line provides equipment that ensures the quality of drilling fluids through the drilling cycle by continually processing and recycling the drilling fluids as they return to surface. This equipment ensures the continual removal of the cuttings and solids from the drilling fluid. In turn, higher penetration rates are maintained, and less fluid is wasted; therefore overall drilling costs are reduced. The current fleet of high speed centrifuges, drying shakers, bead recovery units, tanks, and ancillary equipment is offered as a standalone package or part of an integrated drilling fluids and environmental package.

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited) [*]			
Revenue			
Drilling services	**147,706**	-	100
Operating expenses			
Drilling services	**109,919**	-	100
Depreciation and amortization	**5,777**	-	100
Total DS division operating expenses	**115,696**	-	100
General and administrative	**12,316**	-	100
Business development	**424**	-	100
	19,270	-	100
Operating Margin [(1)]	**37,787**	-	100
Operating Margin % [(1)]	**26%**	-	100

*** Includes drilling services division from its acquisition on June 1, 2011.**
(1) Refer to "Non GAAP measures and operational definitions" on page 3 for further information

Revenue (DS division)

Revenue from the DS division for the year ended December 31, 2011 was $147.7 million compared to nil in the comparative period of 2010. Total revenue in Canada and the United States is comprised of $129.1 million or 87% from the drilling fluids service line and $18.6 million or 13% from the environmental and solids control service lines. Canadian operations accounted for 94% or $138.4 million of the total revenue of $147.7 million for the year ended December 31, 2011. U.S. and International operations accounted for 6% or $9.3 million of revenue during the same period; comparatives for 2010 were nil. The environmental and solids control lines of the business experienced high activity levels throughout 2011. Rental equipment remains at full utilization while newly delivered equipment has been fully booked to the end of the winter drilling season. The drilling fluids service line's estimated Canadian market share for the year ended December 31, 2011 was 26% based on the CAODC's average monthly rig count for Western Canada of 438 rigs (June to December 2011). This compares to 340 rigs for the same period in 2010 (refer to "Non GAAP measures and Operational Definitions"). For the year ending December 31, 2011, the DS division (from June 1, 2011) in Canada had a total of 24,870 operating days and total revenue per operating day of $4,995. The move to horizontal drilling has continued to increase the number of operating days and meters drilled. Revenue from all service lines was in-line with management expectations for 2011.

Operating Expenses (DS division)

Operating margin represents the profit earned on revenue after deducting operating expenses which includes the direct cost of products, logistics, personnel and equipment associated with the DS division. Operating margins in the DS 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. The DS division manages its seasonal activity swings and demand for products and services through the use of consultants and providing employees compensation incentives during peak periods. The DS division incurred operating expenses for the year ended December 31, 2011 of $109.9 million (or 74% of revenue) compared to nil in the prior period. Operating costs are impacted as a result of a changing product mix as more oil and gas producers move from water based drilling fluids to oil based drilling fluids. Increased horizontal drilling combined with increasing technical drilling programs is driving demand for oil based drilling fluids. Oil base stock is an expensive, low margin and high volume commodity. Therefore, in periods of rising oil prices or increased activity in oil based drilling fluids, revenue and product costs will increase accordingly, resulting in decreasing margins on a percentage basis. Operating margins of $37.8 million or 26% for the year ended December 31, 2011 were achieved compared to nil in the same period of 2010. The margins are in line with management expectations, however the move to oil based drilling fluids has impacted product costs in the short term after considering base oil supply issues and transportation costs. Offsetting this trend, the DS division has seen improved efficiency from field related personnel, the result of higher utilization per employee and a corresponding decrease in higher cost field consultants as a percentage of revenue.

Depreciation and Amortization (DS division)

Depreciation and amortization for the DS division for the year ended December 31, 2011 was $5.8 million compared to nil in the comparative period of 2010. Depreciation and amortization relates to property and equipment and intangible assets and is in-line with management expectations.

General and Administrative (DS division)

The DS division G&A for the year ended December 31, 2011 was $12.3 million compared to nil in the same period of 2010. The DS division does not include any public company costs or corporate overhead costs. The most significant accounts within G&A include: salaries and benefits for office staff, professional fees, office lease, insurance, utilities and communications. G&A was 8.3% of revenue for the year ending December 31, 2011 and is in-line with management expectations.

Business Development Expenses (DS division)

Business development expenses for the DS division for the year ended December 31, 2011 were $0.4 million compared to nil in the same period of 2010. The DS 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. Subsequent to year end, the DS division acquired the operating assets (excluding working capital) of NWDF. NWDF is a Canadian based drilling fluids company specializing in providing drilling fluid systems and products for the oil sands segment. This acquisition complemented existing operations by expanding market reach and penetration in the heavy oil and SAGD drilling areas of Northern Alberta and Saskatchewan.

INTEREST, ACCRETION AND FINANCING COSTS (CONSOLIDATED)

Interest, accretion and financing costs for the year ended December 31, 2011 were $1.9 million compared to $0.7 million in the comparable period of 2010. The higher financing costs are a result of increase drawings on the Corporation's revolving credit facility. In addition to interest expense, standby fees associated with the undrawn portion of the Corporation's revolving facility, charges relating to the letters of credit and accretion associated with the Corporation's asset retirement obligations have also increased in the year.

FOREIGN CURRENCY TRANSLATION ADJUSTMENT (CONSOLIDATED)

Included in Other Comprehensive Income ("OCI") for the year ended December 31, 2011 is $0.2 million of foreign currency translation adjustments relating to the conversion of the financial results as at December 31, 2011 for the US operating subsidiary. The amount is a function of converting the DS division United States business operations functional US dollar currency to the Corporation's reporting currency in Canadian dollars.

INCOME TAXES (CONSOLIDATED)

Current Taxes

Current income tax expense for the year ended December 31, 2011 increased to $4.5 million from a current income tax expense of nil for the year ended December 31, 2010. The entire amount of current tax relates to the DS division (Canadian operations). Current taxes will be generated in the DS 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 year ended December 31, 2011 increased to $5.0 million from $3.1 million for the year ended December 31, 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 (CONSOLIDATED)

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 (CONSOLIDATED)

The table below breaks out revenue and non-current assets for the three months and the year ended December 31, 2011 and the three months and year ended December 31, 2010. All of the PRD division's revenue is generated in Canada, therefore the revenue internationally relates to the DS division.

	Canada		International		Total	
($000's)	**2011**	2010	**2011**	2010	**2011**	2010
Three months ended December 31						
Revenue	**225,820**	32,931	**5,441**	-	**231,261**	32,931
Year ended December 31						
Revenue	**541,881**	72,993	**9,318**	-	**551,199**	72,993
As at December 31						
Total non-current assets	**397,800**	146,768	**11,701**	-	**409,501**	146,768

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER 2011

	Three Months Ended December 31,		
	2011	**2010**	**% Change**
($000's except per share data) (*)			
(unaudited)			
Revenue	**231,261**	32,931	602
Operating expenses	**206,022**	25,140	719
General and administrative	**10,117**	2,448	313
Business development	**202**	1,855	(89)
Interest, accretion and finance costs	**1,124**	227	395
Profit before income taxes	**13,796**	3,261	323
Income taxes			
Current income tax expense	**1,776**	-	100
Deferred income tax expense	**1,730**	970	78
	3,506	970	261
Profit	**10,290**	2,291	349
Other comprehensive income			
Foreign currency translation adjustment	**229**	-	100
Total comprehensive income	**10,519**	2,291	359
Earnings per share			
Basic	**0.12**	0.04	200
Diluted	**0.11**	0.03	267

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

PRD DIVISION OPERATIONS – FOURTH QUARTER 2011

Revenue (PRD division)

During the fourth quarter 2011, processing, recovery and disposal revenue increased significantly to $29.6 million from $18.4 million in the comparable period of 2010. Processing volumes in the fourth quarter of 2011 increased by 139% over the fourth quarter of 2010. The significant increase in processing is the result of the new Drayton Valley FST becoming operational at the start of the fourth quarter, Obed and South GP waste expansion completed in the first half of 2011, increased demand for the Corporation's services and an overall increase in oil and gas activity. Revenue from recovery includes crude oil handling, marketing and terminalling. For the three months ended December 31, 2011, revenue from recovery increased by 105% over the comparable period in 2010. Revenue increased as a result of higher processing volumes, an increased amount of oil recovered during processing, and marketing oil volumes to maximize differentials on various oil streams. Finally, during the fourth quarter of 2011, Secure's disposal volumes increased by 20% compared to the same period of 2010. As described above, the new facilities added during the year, higher demand and more oil and gas activity are the primary reasons for the increase.

	Three Months Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Revenue			
Processing, recovery and disposal services	**29,612**	18,445	61
Oil purchase and resale service	**126,973**	14,486	777
Total PRD division revenue	**156,585**	32,931	375
Operating Expenses			
Processing, recovery and disposal services	**13,045**	6,581	98
Oil purchase and resale service	**126,973**	14,486	777
	140,018	21,067	565
Depreciation, depletion, and amortization	**6,274**	4,073	54
Total PRD division operating expenses	**146,292**	25,140	482
General and administrative	**4,326**	2,448	77
Business development	**-**	1,855	(100)
	5,967	3,488	71
Operating Margin (1)	**16,567**	11,864	40
Operating Margin (1) (excluding oil purchase/resale) as a % of revenue	**56%**	64%	(13)

(1) **Refer to "Non GAAP measures and operational definitions" on page 3 for further information**

As described in the results of the year ended December 31, 2011 section of this MD&A, oil purchase/resale service increased dramatically during the year as a result of Secure becoming a single shipper for two of its pipeline connected FST's. The increase in this service helps drives demand for Secure's other services. Oil purchase/resale service revenue for the three months ended December 31, 2011 increased to $127.0 million from $14.5 million in the same period of 2010. In the fourth quarter of 2011, the revenue and expenses associated with this service increased as a result of Secure becoming a single shipper at its La Glace FST. 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 processing, recovery and disposal services (56%). The Corporation expects the amount of revenue and expense associated with oil purchase/resale to increase in January 2012 as a result of Drayton Valley FST becoming a single shipper.

Operating Expenses (PRD division)

Operating expenses from processing, recovery and disposal services for the three months ended December 31, 2011 increased to $13.0 million from $6.6 million for the three months ended December 31, 2010. The increase in operating expenses corresponds to the 61% increase in revenue (excluding oil purchase/resale) for the fourth quarter 2011 compared to the fourth quarter of 2010 as variable operating costs have risen accordingly. Operating expenses are also higher as a result of the addition of the Drayton Valley FST in the fourth quarter and the other expansion services and facilities added during the year. Operating margin as a percentage of revenue from processing, recovery and disposal services for the fourth quarter 2011 was 56%, down from 64% in the fourth quarter of 2010. The Corporation had higher costs associated with the start up of the Drayton Valley FST in the fourth quarter. Included in the start up costs was $1.0 million of trucking expense to a third party crude oil terminal experienced as a result of a delay in facility's crude oil pipeline connection. Ultimately, the Corporation recovered these costs directly from the customer. The overall impact of $1.0 million incremental revenue and expense resulted in a reduction in operating margin of 2% for the quarter. In addition, repairs and maintenance costs were $0.5 million higher than the same period of 2010 as a result of more facilities and expansion services added during 2011. The change in operating margin may fluctuate year over year as a result of changes in volumes affected by seasonality, as new facilities come online and activity levels change, as the Corporation's sales mix or type of services received varies, changes in input costs incurred to maximize differentials on the value of crude oil shipments and as commodity prices rise and fall.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the three months ended December 31, 2011 increased to $6.3 million from $4.1 million in the same period in 2010. Depreciation, depletion and amortization expense has increased significantly with the additions of the Drayton Valley FST facility, Obed FST waste expansion and the South Grande Prairie FST waste expansion, the Brazeau SWD and the Wild River temporary facility.

General and Administrative (PRD division)

General and administrative expenses ("G&A") increased in the fourth quarter of 2011 to $4.3 million from $2.4 million in the fourth quarter of 2010. The PRD division G&A includes all public company costs, salaries and share based payments relating to corporate employees. The most significant impact to G&A in the fourth quarter of 2011 is a result of hiring employees to support the growth in operations. Included in benefits are non-cash share-based payments for the three months ended December 31, 2011 of $0.6 million compared to $0.5 million in the same period of 2010. The increase in stock-based compensation relates mainly to the stock options granted to new employees hired and options granted annually to all employees. G&A is currently 14.6% of revenue (excluding oil purchase/resale) in the division. Management intends to segregate out corporate costs in the first quarter of 2012 for greater transparency.

Business Development Expenses (PRD division)

Business development expenses for the three months ended December 31, 2011 were nil compared to $1.9 million for the three months ended December 31, 2010. Business development expenses were significantly lower in the fourth quarter of 2011 as all current projects that management is working on relate to 2012 capital projects. Furthermore, all transaction costs incurred in connection with the Silverdale Battery acquisition were expensed in the third quarter of 2011. In the prior year, the higher business development costs relate to the Corporation expensing a one-time cost of $1.3 million associated with Secure's Heritage landfill project.

DS DIVISION OPERATIONS – FOURTH QUARTER 2011

Revenue (DS division)

Revenue from the DS division for the fourth quarter of 2011 was $74.7 million compared to nil for the comparative period of 2010 and compared to $63.5 million for the third quarter of 2011. This represents an 18% increase from the third to the fourth quarter of 2011. The quarter over quarter increase in 2011 is the result of increased activity across all service lines.

	Three Months Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited) (*)			
Revenue			
Drilling services	**74,676**	-	100
Operating expenses			
Drilling services	**57,088**	-	100
Depreciation and amortization	**2,642**	-	100
Total DS division operating expenses	**59,730**	-	100
General and administrative	**5,791**	-	100
Business development	**202**	-	100
	8,953	-	100
Operating Margin (1)	**17,588**	-	100
Operating Margin % (1)	**24%**	-	100

*** Includes drilling services division from its acquisition on June 1, 2011.**
(1) Refer to "Non GAAP measures and operational definitions" on page 3 for further information

In Canada and the United States, the drilling fluids service line contributed $64.4 million or 86% of total revenue and the remaining service lines of environmental and solids control contributed $10.3 million or 14% for the three months ended December 31, 2011. Demand for the environmental and solids control service lines remains strong, with high utilization and newly delivered equipment fully booked to the end of the winter drilling season. The drilling and completions fluids component also continues to perform very well. The drilling fluids service line estimated Canadian market share over the fourth quarter of 2011 was 25% based on the CAODC's average monthly rig count for Western Canada of 489 rigs for the same period. This compares to 453 rigs through the three months ended September 30, 2011 (refer to "Non GAAP measures and Operational Definitions"). Average monthly rig count in the fourth quarter increased by 8% from the third quarter. The Corporation had a total of 11,220 operating days in the fourth quarter in Canada for the drilling fluids service line compared to 12,512 operating days in the third quarter. The number of operating days are lower in the fourth quarter due to the holiday season. Fourth quarter revenue per operating day in Canada was $5,563 compared to $4,334 in the third quarter – an increase of 28%.

Operating Expenses (DS division)

Operating margin represents the profit earned on revenue after deducting operating expenses, which includes the direct cost of products, logistics, personnel and equipment associated in the DS division. Operating margins (excluding depreciation) in the DS division can vary due to changes in product mix, well type, geographic area and nature of activity (i.e. drilling fluids, environmental, solids control, etc.). On a quarterly basis, operating expenses for the three months ended December 31, 2011 were $57.1 million, compared to $46.2 million for the three months ended September 30, 2011. For the three months ending December 31, 2011 operating margins were $17.6 million or 24% compared to $17.3 million or 27% for the three months ending September 30, 2011. A major factor that contributed to margin decline as a percentage of revenue in the fourth quarter versus the third quarter, included the increased use of base oils to make drilling fluids. However, despite the decline on a percentage basis, operating margin on an absolute dollar basis increased. Customers have been steadily increasing their demand for oil based drilling fluids as they ramp up their horizontal and deep technical drilling programs. Oil based stock is an expensive, high volume and low margin commodity, therefore revenue has increased while margins have declined. The demand for oil based drilling fluids continues to build.

Depreciation and Amortization (DS division)

Depreciation and amortization for the three months ended December 31, 2011 was $2.6 million compared to $2.3 million for the three months ended September 30, 2011. Depreciation and amortization increased by 16% in the fourth quarter as a result of a larger fixed asset base. Depreciation and amortization relates to property and equipment and intangible assets.

General and Administrative (DS division)

For the three months ended December 31, 2011 G&A was $5.8 million compared to $5.4 million for the three months ended September 30, 2011; an increase of 8% attributable to higher activity levels. G&A as a percentage of revenue was 7.8% in the fourth quarter, compared to 8.4% in the third quarter. The DS division does not include any public company costs or corporate overhead costs. 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 for the three months ended December 31, 2011.

Business Development Expenses (DS division)

Business development expenses for the three months ended December 31, 2011 was $0.2 million compared to nil in the comparative period of 2010. The DS 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 (CONSOLIDATED)

Interest, accretion and financing costs for the three months ended December 31, 2011 were $1.1 million compared to $0.2 million in the comparable period of 2010. During the fourth quarter of 2011, the Corporation funded its capital program and increases in working capital through increases in the revolving credit facility. The additional draws during the quarter and the overall balance outstanding resulted in increased interest expense for the three months ended December 31, 2011. The increase also includes standby fees associated with the undrawn portion of the revolving facility, charges relating to the letters of credit and accretion associated with the Corporation's asset retirement obligations.

FOREIGN CURRENCY TRANSLATION ADJUSTMENT (CONSOLIDATED)

Included in Other Comprehensive Income ("OCI") is $0.2 million for the three months ended December 31, 2011 of foreign currency translation adjustments relating to the conversion of the financial results as at December 31, 2011 for the US operating subsidiary. The amount is a function of converting the DS division United States business operations functional US dollar currency to the Corporations reporting currency in Canadian dollars.

INCOME TAXES (CONSOLIDATED)

Current Taxes

Current income tax expense for the three months ended December 31, 2011 increased to $1.8 million from a current income tax expense of nil for the three months ended December 31, 2010. The entire amount of current tax for the fourth quarter of 2011 relates to the DS division (Canadian operations). Current taxes will be generated in the DS 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 three months ended December 31, 2011 increased to $1.7 million from $1.0 million for the three month period ended December 31, 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.

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			
(unaudited)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	**104,288**	86,594	26,482	21,730	18,445	13,929	9,876	12,208
Oil purchase and resale	**126,973**	71,602	67,262	46,268	14,486	2,679	1,370	-
Total Revenue	**231,261**	158,196	93,744	67,998	32,931	16,608	11,246	12,208
Profit for the period	**10,290**	7,853	10	4,230	2,291	1,523	18	1,537
Earnings (loss) per share - basic	**0.12**	0.09	0.00	0.07	0.04	0.02	0.00	0.04
Earnings (loss) per share - diluted	**0.11**	0.08	0.00	0.06	0.03	0.02	0.00	0.03
Weighted average shares - basic	**89,481,219**	89,242,506	71,207,964	63,829,714	63,730,396	63,701,941	63,187,252	43,341,202
Weighted average shares - diluted	**93,718,121**	93,949,868	75,851,337	67,855,436	66,732,263	65,859,648	64,716,438	44,242,584
EBITDA (1)	**24,785**	20,653	5,824	10,702	8,037	6,433	3,648	6,483

(1) Refer to "Non GAAP measures and operational definitions " on page 3 for further information

Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth and recent acquisitions during 2010 and the year ended December 31, 2011, variations in quarterly results extend beyond seasonal factors. The most significant impact in the second and third quarter of 2011 relate to the Corporation acquiring Marquis Alliance and XL Fluids, which have formed the Corporation's new DS division. In the fourth quarter of 2011, the Corporation also acquired the Silverdale facility which had an impact in the fourth quarter along with the opening of the Drayton Valley FST. In addition, 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. The significant increase in the fourth quarter 2011 is a result of the Corporation becoming a single shipper at the La Glace FST. See the "**Business Risks**" section in this MD&A for further discussion on this service. Finally, 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, 2011 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.

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 the Corporation's 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)

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Funds from operations	**56,002**	25,524	119

For the year ended December 31, 2011 funds from operation increased to $56.0 million from $25.5 million in the comparative period of 2010. The significant increase relates to the new DS division, the addition of the Pembina Landfill (May 2010) and Dawson FST for a full year, Obed FST waste expansion, the South Grand Prairie FST waste expansion, the new Drayton Valley FST, and the acquired Silverdale FST. In addition to the acquisitions, expansions and new facilities added during the year, the Corporation also had continued growth in demand for services, including higher volumes processed and disposed of year over year. The increase in the price of oil from 2010 to 2011, crude oil marketing profits and increased energy sector activity during the year has also contributed to the increase.

b) Issue of common shares

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Issue of common shares, net of issue costs	**83,015**	61,672	35

The increase in issue of common shares (net of issue costs) relates to the acquisition of Marquis Alliance and XL Fluids during June and July of 2011, respectively. For the year ended December 31, 2011, issue of common shares (net of issue costs) increased to $83.0 million from $61.7 million over the same period of 2010. Secure closed 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 $4.8 million which resulted in net proceeds of $81.5 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. The remaining increase in the issue of common shares for the year ended December 31, 2011 relates to common shares issued by the

Corporation to employees and officers upon exercise of options and warrants. For the year ended December 31, 2010, the majority of the amount relates to the Corporation completing its IPO, pursuant to which it issued 19.2 million Common Shares for net proceeds of $53.6 million to fund the development of the business and for capital expenditures. In April 2010, the Corporation issued an 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

	Year Ended December 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Capital expenditures [1]			
Expansion and growth capital expenditures	**96,546**	51,250	88
Acquisitions	**104,445**	11,750	789
Sustaining capital expenditures	**1,062**	710	50
Total capital expenditures	**202,053**	63,710	217

[1] Refer to "Non GAAP measures and operational definitions" on page 3 for further information

For the year ended December 31, 2011 the Corporation's expansion and growth capital expenditures increased to $96.5 million from $51.3 million compared to the same period in 2010. Of the $96.5 million of capital expenditures, $38.6 million relates to completing a number of expansion projects at Dawson FST, Obed FST, South Grande Prairie FST, Fox Creek FST, Kotcho FST, and Pembina Landfill. These ongoing expansion projects include adding waste processing services, additional risers, meters, second disposal wells, additional tankage and cell capacity. The Corporation also incurred costs of $31.7 million for new 2011 facilities for the Brazeau SWD, the Wild River SWD (temporary facility) and the Drayton Valley FST. Therefore a total of $70.3 million of costs were incurred on expansions and the new facilities completed throughout the year ended December 31, 2011 which is summarized as follows:

- Obed FST facility (waste expansion) – commissioned in February 2011;
- Brazeau SWD facility – commissioned in February 2011;
- South Grande Prairie FST facility (waste expansion) – commissioned in July 2011;
- Wild River SWD temporary facility – commissioned in July 2011;
- Drayton Valley FST facility – commissioned in September 2011;
- Fox Creek FST facility – (expansion services–additional risers and tanks) completed in the third quarter 2011;
- Dawson FST facility – (expansion services – expanded waste receiving pad and upgraded processing equipment) completed in the third quarter 2011;
- Kotcho FST facility – (expansion and upgrades to waste receiving bins, processing equipment and tank farm) ongoing construction as at December 31, 2011;and
- Pembina Landfill – (cell expansion in the fourth quarter);

The Corporation also invested $16.1 million in rental equipment and for an office building and land in Grande Prairie. Furthermore, the Corporation invested $10.1 million in long lead items for other upcoming projects for the $116.0 million 2012 capital program. Secure currently has applications underway for two FST's and two Landfills forecasted to be completed in 2012. The Corporation is also in the process of moving forward on a drilling fluid blending facility at the PRD division's FSTs to better serve the Corporation's customers. The Corporation intends to fund its 2012 capital program primarily with available cash, cash flow from operations and the revolving credit facility.

Acquisitions increased significantly for the year ended December 31, 2011 to $104.4 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 $131.4 million. The Corporation paid $64.6 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.

In July 2011, the Corporation also completed the acquisition of all of the operating assets (excluding working capital) of XL Fluids for total cash and share consideration of $39.4 million. The Corporation paid $22.5 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. In September 2011, the Corporation announced it was acquiring Emerge Oil & Gas Inc. (“Emerge”) Silverdale (02-06-049-27 W3M) processing facility for an aggregate cash purchase price of $18.0 million. The Silverdale processing facility provides oil terminalling, emulsion processing and produced water disposal services in Saskatchewan. The acquisition closed on October 1, 2011. 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 year ended December 31, 2011, sustaining capital was $1.1 million compared to $0.7 million in the comparable period of 2010. Sustaining capital is typically minimal in the first two years of operation of a facility because each facility is constructed with new equipment or refurbished equipment. Sustaining capital relates to pump and riser replacements or upgrades. As a facility matures, the amount of sustaining capital required will increase.

b) *Revolving Credit Facility*

	Year Ended December 31,		
	2011	2010	% Change
($000's) (unaudited)			
Use of revolving credit facility	118,920	-	100
Repayment of margin credit facility	(21,364)	-	100
Repayment of mortgage credit facility	(1,654)	-	100
Repayment of secured credit facility	-	(4,900)	(100)
Total draws (repayments)	95,902	(4,900)	(2,057)

On August 4, 2011 the Corporation completed a $150.0 million committed three year revolving credit facility (the “revolving credit facility”). The revolving credit facility consists of a $140.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility provided to the Corporation and all its subsidiaries. The revolving credit 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 credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. The revolving credit 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 0.50% to 0.75%. Funded debt includes all outstanding debt, including capital leases, and any outstanding letters of credit. The revolving credit facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes. The revolving credit facility is due July 29, 2014 (the “maturity date”), and includes an option for the Corporation to extend the maturity date (on an annual basis) to a maximum of three years from the extension request date, subject to approval by the Corporation’s lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the revolving credit facility was not extended. The revolving credit facility also includes an accordion feature, which grants the Corporation the right to increase the maximum amount on the revolving credit facility to $200.0 million.

For the year ended December 31, 2011 the Corporation has drawn $120.0 million on its revolving credit facility compared to nil in the same period in 2010. In conjunction with obtaining the revolving credit facility, the Corporation incurred transaction costs in the amount of $0.9 million, of which the unamortized amount has been offset against the outstanding principle balance of the debt.

Amortization of the transaction costs are recognized in interest, accretion and finance costs on the consolidated statements of comprehensive income. Prior to August 4, 2011, the PRD division maintained a $55.0 million secured credit facility (the "secured credit facility") and the DS division maintained a $21.0 million margin credit facility (the "margin credit facility") and a $1.7 million non-revolving mortgage loan ("mortgage"). Subsequent to August 4, 2011 all of these previous facilities were paid down and closed. Accordingly, the amount drawn on the revolving credit facility of $120.0 million relates to the repayment of the previous facilities of $16.5 million, Silverdale facility purchase of $18.0 million, $59.3 million for additional capital expenditures during the period and the remainder for working capital requirements in both divisions. Working capital, specifically inventory, is stock piled in the DS division in order to meet the needs of customers as the active winter drilling season ramps up. During slower periods such as spring break up, the inventory level held is reduced significantly as activity levels dictate the amount held at any given time.

As at December 31, 2011, the Corporation was in compliance with all of its debt covenants. 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.

	Year Ended December 31, 2011
($000's) (unaudited)	
Revolving credit facility	**150,000**
Amount Drawn on revolving credit facility	**(120,000)**
Letters of Credit	**(6,316)**
Available amount	**23,684**

At December 31, 2011, the Corporation had issued approximately $6.3 million in letters of credit 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 credit issued will fluctuate based on the growth of the Corporation and future refunds under the OWL program, which are undeterminable at this time. During the year, the Corporation had $3.2 million of letters of credit released under the OWL program.

As at December 31, 2011, the Corporation had $23.7 million available under its revolving credit facility. Subsequent to December 31, 2011, Secure expanded its existing revolving credit facility to $200.0 million through the exercise of the $50.0 million accordion feature. All members of the existing syndicate consisting of six financial institutions and Canadian chartered banks participated in the expansion of the revolving credit facility. There were no changes to the terms of underlying revolving credit facility.

c) Contractual Obligations

The Corporation has a total of $48.3 million in commitments, excluding the above commitment relating to the revolving credit facility. The $48.3 million 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. Overall, the Corporation has sufficient funds from operations and availability though the revolving credit facility to meet upcoming commitments.

	Total	Payments due by period 1 year or less	1-3 years	4-5 years	5 years and thereafter
($000's) (unaudited)					
Finance leases	**4,922**	2,693	1,989	236	4
Operating leases	**9,503**	2,007	3,534	2,504	1,458
Capital purchases	**8,039**	8,039	-	-	-
Inventory purchases	**25,812**	10,928	14,884	-	-
Total Commitments	**48,276**	23,667	20,407	2,740	1,462

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 December 31, 2011 to be $15.0 million (December 31, 2010 - $9.6 million; January 1, 2010 - $4.2 million) based on a total future liability of $21.4 million as at December 31, 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 0.95% to 2.49% and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations.

PROPOSED TRANSACTIONS

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

OUTLOOK

Activity levels in the oil and gas sector remained strong throughout the fourth quarter of 2011. The strength in oil and natural gas liquids ("NGL's") prices continue to drive drilling activity. However, further weakening of natural gas prices have caused the Petroleum Services Association of Canada ('PSAC') to lower its drilling forecast in 2012. Overall, PSAC is still forecasting growth in the number of wells drilled in 2012 over 2011. The Corporation's view is that despite the falling price of natural gas, the strong price of oil and NGL's will keep activity levels strong in 2012. In addition, Secure views operating days and meters drilled over the number of wells drilled as a better indicator of future macro trends impacting the Corporation's results. The Canadian Association of Oilwell Drilling Contractors ("CAODC") forecasts that in 2012 the number of operating days will continue to increase over 2011 levels. The increase continues to be a result of more complex drilling, a move to horizontal wells and greater lengths/depths being pursued by operators. The Corporation expects the increase in the number of operating days will drive demand for services at the Corporation's waste processing and disposal facilities and in the DS division's business.

There are a number of opportunities in 2012 to expand the Corporation through additional service lines, organic growth, and/or through strategic acquisitions in key market areas. Secure recently announced the Corporation's capital program for 2012 of $116.0 million. The PRD divisions' 2012 capital budget of $98.0 million includes the construction of two FST's, a landfill in Fox Creek, a landfill in Saddle Hills and the permanent Wild River SWD. The construction on the Wild River SWD is well underway and it is expected to be completed during the second quarter of 2012. The DS divisions' 2012 capital budget totals $18.0 million comprising $14.0 million for growth capital allocated evenly between Canadian and U.S. operations and is largely comprised of on-site solid's control equipment. Secure's available debt capacity and cash flow from operations provides sufficient funding that allows the Corporation to maintain a strong balance sheet throughout the execution of its capital strategy.

In 2012, we will focus on complementary services, recycling services, organic growth and acquisitions that complement the existing business. The Corporation's business development team will continue to evaluate and execute opportunities for new facilities including drilling fluid blending and storage facilities at the PRD division's FST's to better serve the Corporation's customers.

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 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 WCSB, Quebec, the United States and India. 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 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, Quebec, the United States and India. 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.

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 West 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 crude oil marketing contracts. The physical trading activities related to the contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the prices of commodities; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; and counterparty performance as a result of disagreements over terms of deals and/or contracts. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period, and the Corporation does not currently participate in the long term storage of the commodities. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations. As part of the Corporation's processing, and facility operations, Secure will use net buy and net sell crude oil contracts for marketing and trading of crude oil. 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 contracts offset against physical delivery of all net sell crude oil contracts. The open position is subject to commodity price risk. The Corporation may choose to do this based on energy commodity pricing relationships, time periods or qualities.

Foreign currency risk

A significant portion of the Corporation's activities relate 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.

Volatility of market price of Common Shares

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*" herein. In addition, the market price for securities in the stock markets, including the TSX, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

Competitive conditions

The Corporation competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market for the PRD division is dominated by two large market participants, CCS Midstream Services with approximately 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 in both divisions. 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’s business strategy is based in part upon the continued expansion of the Corporation’s network of facilities. In order to continue to implement its business strategy, the Corporation will be required to further its capital investment. The Corporation may finance these capital expenditures through vendor financings, ongoing cash flow from operations, borrowings under its revolving credit facility and by raising capital through the sale of additional debt or equity securities. The Corporation’s ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants in the Corporation’s current and future debt agreements, by the Corporation’s future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Corporation’s control.

Access to capital

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 revolving credit facility contains covenants that restrict the Corporation’s ability to take various actions. In addition, the credit agreement governing the revolving credit facility 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 and, as a result, road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted and the level of activity of our customers is consequently reduced. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to Secure’s facilities. Accordingly, while the Corporation’s facilities are open and accessible year-round, spring break-up reduces the Corporation’s activity levels. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up.

Development of new technology and equipment

The technology used in the 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 DS division for drilling fluids systems and drilling fluid in some instances are protected by intellectual property rights, however new technological advances could occur within the drilling fluids system and drilling fluids industry at anytime.

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

Credit risk affects both our non-trading and trading activities. The Corporation provides credit to its customers in the normal course of operations and assumes credit risk with counterparties through its trading activities. In addition, the Corporation is at risk for potential losses if counterparties in its trading activities 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 operates 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, Quebec 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. See "*Legal Proceedings and Regulatory Actions*". While management of Secure does not believe that this action will have a material 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 claimed in 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.

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.

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.

In addition, the Corporation may discover that it has acquired substantial undisclosed liabilities in connection with an acquisition. The existence of undisclosed liabilities or the Corporation's inability to retain existing customers or employees of the acquired entity could have a material adverse impact on the Corporation's business, financial condition, results of operations and cash flows.

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.

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.

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 include the commodity and equity markets that have recently been volatile as investors react to the sovereign-debt crisis in Europe. Investors fear global economies are heading into another recession and central banks and the government will be required to increase debt loads in an effort to avoid it. 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.

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 32% of revenue for fiscal 2012, of which 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.
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Interest rates
The Corporation’s banking facilities have interest rates which float with the lender’s prime rate, and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the prime rate should increase.

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 revolving 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 that the Corporation did not incur as a private company. The Corporation's management and other personnel must devote a substantial amount of time and resources to comply with these requirements. These rules and regulations will increase the Corporation's legal and financial compliance costs, compared to similar costs incurred as a private company.

Disclosure controls & procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation, is made known to the Chief Executive Officer and 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 and in order to safeguard the Corporation's assets. Consistent with the concept of reasonable assurance, the Corporation recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Corporation's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Internal controls over financial reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. 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.

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

Raising additional capital

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, and shareholders will have no pre-emptive rights in connection with any further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any preference shares and the price and the terms of issue of further issuances of Common Shares.

OUTSTANDING SHARE CAPITAL

As at March 5, 2012, there were 90,616,587 Common Shares issued and outstanding. In addition as at March 5, 2012, there were 6,648,019 share options outstanding, 2,961,864 of which were exercisable, and 267,498 warrants outstanding, 267,498 of which were exercisable.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2011, the Corporation had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

For the year ended December 31, 2011, the Corporation incurred approximately $1.1 million of expenses with related parties. Related parties include companies that have common directors, officers, employees and shareholders. The nature of the expenses relate to operating and general and administrative expenses for use in the Corporation's PRD and DS divisions. Amounts are unsecured,

interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2011, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2010 - Nil; January 1, 2010 - Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at December 31, 2011, all outstanding amounts under the loans have been repaid.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2011, the Corporation's financial instrument assets include cash and short term deposits, accounts receivables and accrued receivables, and other receivables. The Corporation's financial instrument liabilities include accounts payable and accrued liabilities, 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 consolidated financial statements for the year ended December 31, 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.

Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and the expenditure is reflected in the consolidated interim statement of comprehensive income in the period in which the expenditure is incurred. Intangible assets resulting from a business combination are recorded at fair value. Fair value is estimated by management based on the expected discounted future cash flows associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life and intangible assets with an indefinite life are not subject to amortization and are tested for impairment annually. Any impairment is identified by comparing the fair value of the indefinite life intangible asset to its carrying value. Any excess of the carrying value of the intangible asset over the implied fair value is the impairment amount and will be charged to profit in the period of the impairment.

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, accounts receivable and accrued receivables, other receivables and notes receivable. The subsequent measurement of financial assets depends on their classification.

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

In 2010, the IASB issued 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 supercedes IAS 27 Consolidation and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. This standard provides a single model to be applied in control analysis for all investees, including special purpose entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Corporation is currently assessing the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

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, if any, that the adoption of this standard will have in its consolidated financial statements.

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, if any, that the adoption of this standard will have in its consolidated financial statements.

In May 2011, the IASB published IFRS 13 Fair Value Measurement, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces fair value measurement guidance contained in individual IFRSs, providing a single source of fair value measurement guidance. The standard provides a framework for measuring fair value and establishes new disclosure requirements to enable readers to assess the methods and inputs used to develop fair value measurements and for recurring valuations that are subject to measurement uncertainty and the effect of those measurements on the financial statements. The Corporation is currently assessing the impact, if any, that the adoption of this standard will have in its consolidated financial statements.

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

In 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 consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, have assessed and evaluated the design and effectiveness of the Company's internal control over financial reporting as defined in National Instrument 52-109 as of December 31, 2011. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS, and are effective as of December 31, 2011, except as noted below.

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 December 31, 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 DS division of the Corporation is solely comprised of Marquis Alliance.

While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the

objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over financial reporting for the three months and year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered 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 $37.9 million 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.

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