



Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

SECURE ENERGY SERVICES INC.
Condensed Consolidated Statements of Financial Position

<i>(\$000's) (unaudited)</i>	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash		9,347	12,019
Accounts receivable and accrued receivables		229,417	167,476
Prepaid expenses and deposits		5,867	6,014
Inventories		46,427	50,800
		291,058	236,309
Deposit on asset acquisition	11	14,568	-
Assets under construction		120,841	109,586
Property, plant and equipment	4	549,609	512,184
Intangible assets		87,366	79,722
Goodwill		108,449	101,924
Total Assets		1,171,891	1,039,725
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		151,102	120,145
Asset retirement obligations	6	2,807	2,807
Current income tax liability		4,773	5,277
Finance lease liabilities		7,114	6,249
		165,796	134,478
Long term borrowings	5	219,486	159,931
Asset retirement obligations	6	38,731	35,984
Finance lease liabilities		9,062	9,368
Deferred income tax liability		37,040	35,630
Total Liabilities		470,115	375,391
Shareholders' Equity			
Issued capital	7	575,859	562,306
Share-based payment reserve	8	16,124	14,659
Foreign currency translation reserve		8,251	4,424
Retained earnings		101,542	82,945
Total Shareholders' Equity		701,776	664,334
Total Liabilities and Shareholders' Equity		1,171,891	1,039,725

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

SECURE ENERGY SERVICES INC.
Condensed Consolidated Statements of Comprehensive Income

(\$000's except per share and share data) (unaudited)	Notes	For the three months ended	
		March 31,	
		2014	2013
Revenue		526,212	322,978
Operating expenses		470,688	282,127
General and administrative		19,203	14,139
Business development		2,577	1,793
Interest, accretion and finance costs		1,916	1,202
Total expenses		494,384	299,261
Earnings for the period before income taxes		31,828	23,717
Current income tax expense		8,130	5,272
Deferred income tax expense		709	687
		8,839	5,959
Net earnings for the period		22,989	17,758
Other comprehensive income			
Foreign currency translation adjustment, net of tax		3,827	1,460
Total comprehensive income for the period		26,816	19,218
Earnings per share			
Basic, earnings for the period per common share		0.20	0.17
Diluted, earnings for the period per common share		0.19	0.17
Weighted average shares outstanding - basic	7	117,235,063	104,734,964
Weighted average shares outstanding - diluted	7	120,436,149	107,363,836

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

SECURE ENERGY SERVICES INC.

Condensed Consolidated Statements of Changes in Shareholders' Equity

<i>(\$000's)</i>	Notes	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total Shareholders' Equity
Balance at January 1, 2014		562,306	14,659	4,424	82,945	664,334
Net earnings for the period		-	-	-	22,989	22,989
Dividends declared	7	-	-	-	(4,392)	(4,392)
Shares issued under dividend reinvestment plan	7	628	-	-	-	628
Foreign currency translation adjustment, net of tax		-	-	3,827	-	3,827
Issue of share capital for business combination	7	8,723	-	-	-	8,723
Exercise of options	7	4,248	(1,061)	-	-	3,187
Share issue costs, net of tax	7	(46)	-	-	-	(46)
Share-based payments		-	2,526	-	-	2,526
Balance at March 31, 2014		575,859	16,124	8,251	101,542	701,776
Balance at January 1, 2013		415,288	9,400	(1,091)	54,802	478,399
Net earnings for the period		-	-	-	17,758	17,758
Foreign currency translation adjustment		-	-	1,460	-	1,460
Exercise of options		1,283	(318)	-	-	965
Share-based payments		-	1,377	-	-	1,377
Balance at March 31, 2013		416,571	10,459	369	72,560	499,959

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

SECURE ENERGY SERVICES INC.
Condensed Consolidated Statements of Cash Flows

(\$000's) (unaudited)	Notes	For the three months ended March 31,	
		2014	2013
Cash flows from operating activities			
Net earnings for the period		22,989	17,758
Adjustments for non-cash items:			
Depreciation, depletion and amortization		20,863	13,107
Accretion	6	278	139
Interest expense		1,583	995
Current tax expense		8,130	5,272
Deferred income tax expense		709	687
Amortization of financing fees		55	68
Unrealized foreign exchange (gain) loss		(334)	1,306
Other income		(514)	-
Share-based payments		2,598	1,679
Funds from operations		56,357	41,011
Change in accounts receivable and accrued receivables, and prepaid expenses and deposits		(75,531)	(33,504)
Change in inventories		4,509	5,192
Change in accounts payable, accrued liabilities related to operating activities		30,915	(19,652)
Cash generated from (used in) operations		16,250	(6,953)
Interest paid		(1,835)	(1,219)
Income taxes paid		(8,634)	(5,283)
Net cash flows from (used in) operating activities		5,781	(13,455)
Cash flows from investing activities			
Purchase of property, plant and equipment		(50,316)	(42,268)
Business combinations	3	(16,421)	-
Change in non-cash working capital		(713)	7,199
Net cash flows used in investing activities		(67,450)	(35,069)
Cash flows from financing activities			
Shares issued, net of share issue costs		3,786	965
Draw on credit facility		59,500	45,500
Financing fees		-	(25)
Dividends paid	7	(4,392)	-
Net cash flows from financing activities		58,894	46,440
Effect of foreign exchange on cash		103	(30)
Decrease in cash		(2,672)	(2,114)
Cash, beginning of period		12,019	7,506
Cash, end of period		9,347	5,392

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

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

1. NATURE OF BUSINESS

Secure Energy Services Inc. ("Secure") is incorporated under the Business Corporations Act of Alberta. Secure operates through a number of wholly-owned subsidiaries (together referred to as the "Corporation") which are managed through three operating segments which provide innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry. The fluids and solids solutions are provided through an integrated service and product offering that includes midstream services, environmental services, systems and products for drilling fluids and other specialized services and products. The Corporation also owns and operates midstream infrastructure and provides services and products to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and the Rocky Mountain Region in the United States.

The processing, recovery and disposal services division ("PRD") owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. Specifically these services are clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. The drilling services division ("DS") provides equipment and chemicals for building, maintaining, processing and recycling of drilling and completion fluids. The OnSite division ("OS") include environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation of former wellsites, facilities, commercial, and industrial properties, and laboratory services; integrated water solutions which include water management, recycling, pumping and storage solutions; "CleanSite" waste container services; pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning.

The following entities have been consolidated within Secure's condensed consolidated financial statements for the period ended March 31, 2014:

Subsidiary	Country	Functional Currency	Segment	% Interest	
				Mar 31, 2014	Dec 31, 2013
Secure Energy Services Inc. (parent company)	Canada	Canadian Dollar	PRD/OS		
Marquis Alliance Energy Group Inc.	Canada	Canadian Dollar	DS/OS	100%	100%
SES USA Holdings Inc.	USA	US Dollar	PRD/DS/OS	100%	100%
Secure Energy Services USA LLC	USA	US Dollar	PRD/OS	100%	100%
Marquis Alliance Energy Group USA LLC	USA	US Dollar	DS	100%	100%
Secure OnSite Services USA LLC	USA	US Dollar	OS	100%	100%
Alliance Energy Services International Ltd.	Canada	Canadian Dollar	DS	100%	100%
Secure Minerals Inc.	Canada	Canadian Dollar	DS	100%	0%
Frontline Integrated Services Ltd.	Canada	Canadian Dollar	OS	100%	100%
Target Rentals Ltd.	Canada	Canadian Dollar	DS	100%	100%

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. This limits the movement of the heavy equipment required for drilling and well servicing activities, and the level of activity of the Corporation's customers may, consequently, be 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.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements and notes thereto in the Corporation's 2013 Annual Report available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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

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

These condensed consolidated financial statements were approved by the Board of Directors on May 8, 2014. The address of the Corporation's registered office is: Suite 3600, 205 - 5th Ave S.W. Calgary, Alberta, T2P 2V7.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of these condensed consolidated financial statements are the same as those set out in the annual audited consolidated financial statements for the year ended December 31, 2013. Unless otherwise stated, these policies have been consistently applied to all periods presented.

3. BUSINESS COMBINATIONS

During the first quarter, the Corporation completed the acquisitions of the assets of two private oilfield services companies (collectively, the "Acquisitions") for total cash consideration of \$16.4 million, assumption of \$0.8 million of debt and the issuance of 738,070 common shares of the Corporation at a closing price of \$17.00 and \$16.22, for total consideration of \$29.2 million. The consideration was adjusted to fair value for accounting purposes to \$25.9 million which was determined using a discounted cash flow analysis considering such factors as the escrow period of the shares issued and liquidity of the Corporation's shares in the marketplace.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2014 and 2013

3. BUSINESS COMBINATION (continued)

One of the business' acquired specializes in analysis, containment, and management of naturally occurring radioactive materials within the US Bakken market. The other business provides industry leading electronic water management and pumping solutions to the oil and gas industry throughout the WCSB; they also provide well site compliance services and equipment rentals. These strategic Acquisitions are a continuation of the Corporation's strategy to add complementary services along the energy services value chain. They will support and expand the existing water solutions and environmental management services of the Corporation's OS division and allow the OS division to expand into the US market. The following summarizes the major classes of consideration transferred at the acquisition dates:

	Amount (\$000's)
Cash paid	16,421
Shares issued	8,723
Assumption of capital leases	791
	25,935

The Acquisitions have been accounted for using the acquisition method from the date of acquisition, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, the Acquisitions' operating results have been included in the Corporation's revenues, expenses and capital spending.

The following summarized the allocation of the aggregate consideration for the Acquisitions:

	Amount (\$000's)
Property and equipment	9,350
Intangible assets	10,949
Goodwill	6,275
Deferred tax liability	(639)
	25,935

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments.

The goodwill arises as a result of the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining the Acquisitions with the rest of the Corporation. \$4.2 million of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to March 31, 2014, the Acquisitions contributed an estimated \$4.5 million of revenue and \$1.4 million of earnings before tax for the Corporation. If the business combinations had been completed on January 1, 2014, the estimated revenue and earnings before income tax for the three month period ending March 31, 2014 would have been \$7.0 million and \$2.4 million, respectively.

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

3. BUSINESS COMBINATION (continued)

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

4. PROPERTY, PLANT AND EQUIPMENT

Included in operating expenses on the condensed consolidated statements of comprehensive income for the three months ended March 31, 2014 is \$17.2 million of depreciation and depletion expense (\$10.6 million for the three months ended March 31, 2013), for the Corporation's property, plant and equipment. \$2.2 million of directly attributable capitalized salaries and overhead were added to assets under construction for the three months ended March 31, 2014 (\$1.1 million for the three months ended March 31, 2013).

The Corporation's policy is to capitalize borrowing costs on projects with a substantial time to completion. Typically, borrowing costs are only capitalized on the construction of the Corporation's full-service terminals. The amount of borrowing costs capitalized to assets under construction for the three months ended March 31, 2014 was \$0.3 million (\$0.5 million for the three months ended March 31, 2013) based on a capitalized borrowing rate of 3.25% (3.25% for the three months ended March 31, 2013).

During the three months ended March 31, 2014, \$38.4 million was transferred from assets under construction to property, plant and equipment for completed projects (\$35.7 million for the three months ended March 31, 2013).

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of \$17.3 million at March 31, 2014 (\$16.2 million as at December 31, 2013). There are no significant changes to the finance lease commitments over the next five years as described in the annual audited consolidated financial statements for the year ended December 31, 2013.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2014 and 2013

4. PROPERTY, PLANT AND EQUIPMENT (continued)

(\$000's)	Land	Buildings	Plant, Infrastructure, Equipment, and Landfill Cells	Rental Equipment	Mobile Equipment	Disposal Wells	Furniture and Fixtures	Computer Equipment and Software	Total
Cost:									
December 31, 2013	4,193	44,582	413,506	76,599	7,508	76,975	4,093	12,418	639,874
Additions from business combinations (Note 3)	-	-	8,381	-	902	-	6	61	9,350
Additions	3	2,775	25,586	5,146	225	3,919	1,333	986	39,973
Change in asset retirement cost (Note 6)	-	-	1,904	-	-	330	-	-	2,234
Disposals	-	-	(803)	(124)	-	-	-	-	(927)
Foreign exchange effect	32	315	1,949	506	5	862	24	17	3,710
March 31, 2014	4,228	47,672	450,523	82,127	8,640	82,086	5,456	13,482	694,214
Accumulated depreciation and depletion:									
December 31, 2013	-	(6,081)	(92,180)	(8,010)	(3,643)	(13,083)	(1,149)	(3,544)	(127,690)
Depreciation and depletion	-	(758)	(12,162)	(1,750)	(342)	(1,377)	(147)	(620)	(17,156)
Disposals	-	-	512	4	-	-	-	-	516
Foreign exchange effect	-	(13)	(141)	(76)	(1)	(37)	(3)	(4)	(275)
March 31, 2014	-	(6,852)	(103,971)	(9,832)	(3,986)	(14,497)	(1,299)	(4,168)	(144,605)
Net book value:									
March 31, 2014	4,228	40,820	346,552	72,295	4,654	67,589	4,157	9,314	549,609
December 31, 2013	4,193	38,501	321,326	68,589	3,865	63,892	2,944	8,874	512,184

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****5. LONG TERM BORROWINGS**

(\$000's)	Mar 31, 2014	Dec 31, 2013
Amount drawn on credit facility	220,000	160,500
Unamortized transaction costs	(514)	(569)
Total long term borrowings	219,486	159,931

On October 29, 2013, the Corporation entered into an amended and extended \$400.0 million revolving credit facility (the "credit facility"). The credit facility includes an accordion feature which if exercised, would increase the credit facility by \$50.0 million. The credit facility consists of a \$390.0 million extendible revolving term credit facility and a \$10.0 million revolving operating facility. The interest rates, standby fees, maturity date and option to extend remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2013.

As security for the credit facility, the Corporation has granted the lenders a security interest over all of its present and after acquired property. A \$1.0 billion debenture provides a floating charge over all present and after acquired property note subject to the fixed charge.

The Corporation is subject to certain covenants under the credit facility which remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2013. The Corporation was in compliance with all of its debt covenants as at March 31, 2014.

The available credit facility is reduced by any outstanding letters of credit. As at March 31, 2014 the Corporation has \$17.2 million (\$19.2 million as at December 31, 2013) in letters of credit issued by the Corporation's lenders. The letters of credit are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (Note 6) and crude oil marketing contracts.

(\$000's)	Mar 31, 2014	Dec 31, 2013
Credit facility	400,000	400,000
Amount drawn on credit facility	(220,000)	(160,500)
Letters of credit	(17,225)	(19,221)
Available amount	162,775	220,279

6. ASSET RETIREMENT OBLIGATIONS

(\$000's)	
December 31, 2013	38,791
Arising during the period through development activities	831
Revisions during the period	84
Accretion	278
Change in discount rate	1,319
Foreign exchange effect	235
March 31, 2014	41,538

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****6. ASSET RETIREMENT OBLIGATIONS (continued)**

The Corporation's asset retirement obligations were estimated by a third party or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at March 31, 2014 to be \$41.5 million (\$38.8 million as at December 31, 2013) based on a total future liability of \$62.0 million as at March 31, 2014 (\$60.9 million as at December 31, 2013). The Corporation used its risk-free interest rates of 1.07% to 3.24% (0.94% to 4.23% as at December 31, 2013) and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations at March 31, 2014 (3.00% as at December 31, 2013).

The Corporation expects to incur the majority of the costs over the next twenty-five years. The amount expected to be incurred within the next twelve months is related to the capping of a number of the Corporation's landfill cells.

(\$000's)	Mar 31, 2014	Dec 31, 2013
Current	2,807	2,807
Non-current	38,731	35,984
	41,538	38,791

The Corporation has issued \$7.4 million (\$7.2 million as at December 31, 2013) of performance bonds and has letters of credit issued by the Corporation's banker in relation to the Corporation's asset retirement obligations.

7. SHAREHOLDERS' EQUITY**Authorized**

Unlimited number of common voting shares of no par value

Unlimited number of preferred shares of no par value

	Number of Shares	Amount (\$000's)
Balance, December 31, 2013	116,574,147	562,306
Options exercised	671,003	3,187
Transfer from reserves in equity		1,061
Shares issued as consideration for business combination (Notes 3 and 7a)	738,070	8,723
Shares issued through dividend reinvestment plan ("DRIP") (Note 7b)	37,418	628
Share issue costs		(46)
Balance, March 31, 2014	118,020,638	575,859

As at March 31, 2014 there were 10,864,812 (10,145,914 as at December 31, 2013) common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations.

- a) Pursuant to the Acquisitions described in Note 3, the Corporation issued 738,070 common shares. The Acquisition agreements provide that all of the common shares issued by the Corporation will be held in escrow and will be released on a straight line basis annually over four or five years. Accordingly, as at March 31, 2014, 738,070 common shares were held in escrow.

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****7. SHAREHOLDERS' EQUITY (continued)**

- b) The Corporation declared dividends to holders of common shares for the three months ended March 31, 2014, as follows:

	Dividend record date	Dividend payment date	Per common share (\$)	Amount (\$000's)
January	Jan 1, 2014	Jan 15, 2014	0.0125	1,457
February	Feb 1, 2014	Feb 17, 2014	0.0125	1,467
March	Mar 1, 2014	Mar 17, 2014	0.0125	1,468
Total dividends declared during the period			0.0375	4,392

Of the dividends declared, \$0.6 million for the three months ended March 31, 2014 was reinvested in additional common shares through the DRIP (\$nil for the three months ended March 31, 2013). The Corporation has 520,219 common shares reserved for issue under the DRIP as at March 31, 2014.

Subsequent to March 31, 2014, the Corporation declared dividends to holders of common shares in the amount of \$0.0167 per common share payable on April 15, 2014 and May 15, 2014, for shareholders of record on April 1, 2014 and May 1, 2014, respectively.

The basic and diluted number of common shares used to calculate earnings per share amounts are as follows:

	For the three months ended	
	Mar 31, 2014	Mar 31, 2013
Weighted average number of shares for basic earnings per share	117,235,063	104,734,964
Effect of dilution:		
Options and RSUs	3,201,086	2,628,872
Weighted average number of shares for diluted earnings per share	120,436,149	107,363,836

The above table excludes 96,127 options, RSUs and PSUs for the three months ended March 31, 2014 (1,425,936 options for the three months ended March 31, 2013) that are considered to be anti-dilutive.

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

8. SHARE-BASED PAYMENT PLANS

The Corporation has share-based payment plans (the "Plans") under which the Corporation may grant share options, Restricted Share Units ("RSU") and Performance Share Units ("PSU") to its employees and employee directors. In addition, the Corporation has a Deferred Share Unit ("DSU") Plan for non-employee directors of the Corporation. The terms of the Plans and aggregate number of common shares issuable remain unchanged from those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2013.

A summary of the status of the Corporation's share options is as follows:

	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	7,519,300	9.03	7,230,522	6.04
Granted	524,695	18.35	2,597,962	13.52
Exercised	(671,003)	4.77	(1,947,249)	4.03
Forfeited	(51,301)	11.01	(361,935)	8.50
Balance - end of period	7,321,691	10.07	7,519,300	9.03
Exercisable - end of period	2,699,915	6.51	2,970,444	5.63

The following table summarizes information about share options outstanding as at March 31, 2014:

Exercise price (\$)	Options outstanding			Options exercisable	
	Outstanding options	Weighted average exercise price (\$)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price (\$)
2.50 - 4.50	1,064,633	3.04	0.96	1,064,633	3.04
4.51 - 6.50	94,980	5.03	1.67	94,980	5.03
6.51 - 8.50	1,683,355	7.89	2.94	623,020	7.96
8.51 - 10.50	1,474,496	9.19	2.78	699,072	9.11
10.51 - 12.50	704,615	11.55	3.95	218,210	11.55
12.51 - 14.50	1,398,509	13.81	4.15	-	-
14.51 - 16.50	138,908	15.39	4.64	-	-
16.51 - 18.50	762,195	17.86	4.88	-	-
	7,321,691	10.07	3.17	2,699,915	6.51

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****8. SHARE-BASED PAYMENT PLANS (continued)**

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

	Mar 31, 2014	Dec 31, 2013
Volatility factor of expected market price (%)	38.00	39.64
Weighted average risk-free interest rate (%)	1.39	1.33
Weighted average expected life in years	4.02	4.08
Weighted average expected annual dividends per share (%)	1.07	0.77
Weighted average fair value per option (\$)	5.27	4.14
Weighted average forfeiture rate (%)	5.34	5.28

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

RSU plan

The Corporation has an RSU plan which allows the Corporation to issue RSUs that are redeemable for the issuance of common shares. The Corporation has granted RSUs to employees.

The following table summarizes the RSUs outstanding:

	Mar 31, 2014	Dec 31, 2013
Balance - beginning of period	171,932	-
Granted	44,758	195,743
Forfeited	(6,328)	(23,811)
Balance - end of period	210,362	171,932

The fair value of the RSUs issued is determined on the grant date based on the market price of the common shares on the grant date, and includes the following assumptions:

	Mar 31, 2014	Dec 31, 2013
Weighted average expected life in years	2.00	2.00
Weighted average expected annual dividends per share (%)	0.94	1.08
Weighted average fair value per option (\$)	17.50	13.97
Weighted average forfeiture rate (%)	18.91	5.94

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

8. SHARE-BASED PAYMENT PLANS (continued)

PSU plan

The Corporation has a PSU plan which allows the Corporation to issue PSUs to senior officers that are redeemable for the issuance of common shares. The Board of Directors shall designate, at the time of grant, the date or dates which all or a portion of the PSUs shall vest and any performance conditions to such vesting. PSUs will be settled in equity or cash at the discretion of the corporation, in the amount equal to the fair value of the PSU on that date. The Corporation intends to equity settle these units and as such, the fair value of the PSUs is determined on the grant date based on the market price of the common shares on the grant date and taking into account any performance conditions. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the PSUs outstanding plus the graded vested portion of any dividends paid on common shares since the grant date. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The following table summarizes the PSUs outstanding:

	Mar 31, 2014	Dec 31, 2013
Balance - beginning of period	-	-
Granted	19,886	-
Redeemed for common shares	-	-
Forfeited	-	-
Balance - end of period	19,886	-

The fair value of the PSUs issued is determined on the grant date based on the market price of the common shares on the grant date, and includes the following assumptions:

	Mar 31, 2014	Dec 31, 2013
Weighted average expected life in years	3.00	-
Weighted average expected annual dividends per share (%)	1.07	-
Weighted average fair value per option (\$)	17.79	-
Weighted average forfeiture rate (%)	0.00	-

Share-based payment reserve

For the three months ended March 31, 2014, share-based payment expense of \$2.5 million (\$1.4 million for the three months ended March 31, 2013) has been recognized for stock options, RSUs, and PSUs granted, and is included in general and administrative expenses on the condensed consolidated statements of comprehensive income. These costs are recorded as share-based payment expense with the offsetting amount being credited to share based payment reserve as shown in the following table:

	Mar 31, 2014	Dec 31, 2013
(\$000's)		
Balance - beginning of period	14,659	9,400
Share-based payments	2,526	7,758
Transfer to issued capital	(1,061)	(2,499)
Balance - end of period	16,124	14,659

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****8. SHARE-BASED PAYMENT PLANS (continued)****DSU Plan**

The Corporation has a DSU plan for non-employee members of the Board of Directors.

A summary of the status of the Corporation's DSU plan is as follows:

	Mar 31, 2014	Dec 31, 2013
Balance - beginning of period	52,220	28,864
Granted	-	23,356
Settled in cash	-	-
Forfeited	-	-
Balance - end of period	52,220	52,220
Exercisable - end of period	52,220	52,220

Share-based payment expense for DSUs is included in general and administrative expenses in the condensed consolidated statements of comprehensive income and credited to accounts payable and accrued liabilities on the condensed consolidated statement of financial position. As at March 31, 2014, \$1.0 million (\$0.9 million as at December 31, 2013) was included in accounts payable and accrued liabilities for outstanding DSUs and share based payment expense was \$0.1 million, for the three months ended March 31, 2014 (\$0.3 million for the three months ended March 31, 2013). Subsequent to March 31, 2014, the Corporation issued 26,100 DSUs to the non-employee directors.

9. COMMITMENTS AND CONTINGENCIES**Capital commitments**

As at March 31, 2014, the Corporation has committed \$14.7 million (\$12.7 million as at December 31, 2013) relating to various capital purchases for use in the Corporation's current and future capital projects. All amounts are current and due within one year.

Commodity contract purchase commitments

In the normal course of operations, the Corporation is committed to volumes of commodities for use in the Corporation's crude oil marketing activities.

In addition, the Corporation is committed over the next 12 months to purchasing oil and non-oil commodities for use in the normal course of operations of the DS and PRD division.

SECURE ENERGY SERVICES INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

For the three months ended March 31, 2014 and 2013

9. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

Litigation

On March 21, 2007, Tervita Corporation (formerly known as CCS Inc.) ("Tervita") filed a statement of claim commencing Action No. 0701-13328 (the "Tervita Action") in the Judicial District of Calgary of the Court of Queen's Bench of Alberta (the "Court") against the Corporation, certain of the Corporation's employees who were previously employed by Tervita (collectively, the "Secure Defendants") and others in which Tervita alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to Tervita, and conspired with one another. Tervita seeks damages in the amount of \$110.0 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief. The matters raised in the lawsuit are considered by the Corporation to be unfounded and unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. The Corporation believes it has valid defences to this claim and accordingly has not recorded any related liability.

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, more recently amended on October 17, 2013, the Corporation claims damages in the amount of \$97.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the *Competition Act (Canada)* and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. In addition, the amended counterclaim now includes damages related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia. The Corporation contends that Tervita purchased the landfill with the intention of maintaining its geographic monopoly and conspiring to cause injury to the Corporation. A decision to that effect by the Competition Tribunal of Canada is now under review by the Supreme Court of Canada.

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

10. OPERATING SEGMENTS

On April 1, 2013, the Corporation reorganized its reporting structure into three reportable operating segments and a Corporate segment. The reportable segments were reorganized to reflect the Corporation's creation of a new OnSite division, to reflect the Corporation's value chain and anticipated growth opportunities. For management purposes, the Corporation is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment. The Corporation has restated its previously reported segment information for the comparative periods presented.

SECURE ENERGY SERVICES INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the three months ended March 31, 2014 and 2013
10. OPERATING SEGMENTS (continued)

The Corporation has three reportable operating segments as follows:

- PRD division owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. Specifically these services are clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service.
- DS division provides equipment and chemicals for building, maintaining, processing and recycling of drilling and completion fluids.
- OS division includes environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation of former wellsites, facilities, commercial, and industrial properties, and laboratory services; integrated water solutions which include water management, recycling, pumping and storage solutions; "CleanSite" waste container services; pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning.
- The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

(\$000's)	PRD division	DS division	OS division	Corporate	Total
	Three months ended March 31, 2014				
Revenue	383,882	118,683	23,647	-	526,212
Operating expenses	(358,054)	(93,377)	(19,014)	(243)	(470,688)
General and administrative	(6,767)	(7,854)	(1,763)	(2,819)	(19,203)
Business development	-	-	-	(2,577)	(2,577)
Depreciation, depletion and amortization	(13,739)	(4,996)	(1,885)	(243)	(20,863)
Interest, accretion and finance costs	(278)	-	-	(1,638)	(1,916)
Earnings (loss) before income taxes	18,783	17,452	2,870	(7,277)	31,828
	As at March 31, 2014				
Current assets	115,546	152,146	23,366	-	291,058
Total assets	681,001	407,368	75,991	7,531	1,171,891
Goodwill	13,308	85,224	9,917	-	108,449
Intangible assets	7,991	62,516	16,859	-	87,366
Property, plant and equipment and assets under construction	544,158	95,732	23,029	7,531	670,450
Current liabilities	105,925	50,424	9,447	-	165,796
Total liabilities	163,302	73,266	14,061	219,486	470,115

(\$000's)	PRD division	DS division	OS division	Corporate	Total
	Three months ended March 31, 2013				
Revenue	220,210	93,254	9,514	-	322,978
Operating expenses	(199,654)	(74,543)	(7,716)	(214)	(282,127)
General and administrative	(4,959)	(6,150)	(1,105)	(1,925)	(14,139)
Business development	-	-	-	(1,793)	(1,793)
Depreciation, depletion and amortization	(9,017)	(3,671)	(205)	(214)	(13,107)
Interest, accretion and finance costs	(139)	-	-	(1,063)	(1,202)
Earnings (loss) before income taxes	15,458	12,561	693	(4,995)	23,717
	As at December 31, 2013				
Current assets	74,556	140,841	20,912	-	236,309
Total assets	606,907	380,807	45,379	6,632	1,039,725
Goodwill	12,805	85,205	3,914	-	101,924
Intangible assets	8,420	64,516	6,786	-	79,722
Property, plant and equipment and assets under construction	511,209	90,244	13,685	6,632	621,770
Current liabilities	84,813	41,335	8,330	-	134,478
Total liabilities	139,125	63,630	12,705	159,931	375,391

SECURE ENERGY SERVICES INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****For the three months ended March 31, 2014 and 2013****10. OPERATING SEGMENTS (continued)****Geographical Financial Information**

(\$000's)	Canada		USA		Total	
	2014	2013	2014	2013	2014	2013
Three months ended March 31						
Revenue	510,453	310,575	15,759	12,403	526,212	322,978
As at March 31, 2014 and Dec 31, 2013						
Total non-current assets	749,929	686,536	130,904	116,880	880,833	803,416

11. SUBSEQUENT EVENTS

On April 1, 2014, the Corporation closed the acquisition of a mineral products plant located in Alberta and also closed the acquisition of an environmental contracting business for total consideration of \$15.7 million comprised of cash and shares. The mineral products plant mainly processes barite which is a product used in drilling fluids. The mineral products plant allows the Corporation to vertically integrate the operations in the DS division to improve supply logistics and quality. The environmental contracting business provides services relating to spill cleanup, pond construction, and contaminated soil excavation, stockpiling, treatment, transportation and disposal.

Corporate Information

DIRECTORS

Rene Amirault - Chairman

Brad Munro ⁽¹⁾ ⁽²⁾ ⁽³⁾

David Johnson ⁽²⁾ ⁽³⁾ ⁽⁴⁾

George Wadsworth ⁽⁴⁾

Kevin Nugent ⁽¹⁾ ⁽³⁾

Murray Cobbe ⁽¹⁾ ⁽²⁾

Shaun Paterson ⁽¹⁾ ⁽⁴⁾

OFFICERS

Rene Amirault

President & Chief Executive Officer

Allen Gransch

Executive Vice President & Chief Financial Officer

Brian McGurk

Executive Vice President, Human Resources & Strategy

Corey Higham

Executive Vice President, Midstream

Dan Steinke

Executive Vice President, Operations, PRD

David Mattinson

Executive Vice President, OnSite Services

George Wadsworth

Executive Vice President, Drilling Services & USA Operations

STOCK EXCHANGE

Toronto Stock Exchange

Symbol: SES

AUDITORS

MNP LLP

Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

BANKERS

Alberta Treasury Branches

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company

Calgary, Alberta

¹ Audit Committee

² Compensation Committee

³ Corporate Governance Committee

⁴ Health, Safety & Environment Committee