

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Three and Nine Months ended September 30, 2014 and 2013

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 November 6, 2014. 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 MD&A's focus is primarily a comparison of the financial performance for the three and nine months ended September 30, 2014 and 2013 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes thereto prepared under IFRS for the years ended December 31, 2013 and 2012 and the Corporation's condensed consolidated financial statements and notes thereto for the period ended September 30, 2014. The MD&A has been prepared as of November 6, 2014. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

### CORPORATE OVERVIEW

Secure is a TSX publicly traded energy services company that provides safe and environmentally responsible fluids and solids solutions to the oil and gas industry. The Corporation owns and operates midstream infrastructure and provides environmental services and innovative 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 Corporation operates three divisions:

### PROCESSING, RECOVERY AND DISPOSAL DIVISION ("PRD")

The 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 and rail transloading, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. Secure currently operates a network of facilities throughout western Canada and in North Dakota, providing these services at its full service terminals ("FST"), landfills, stand-alone water disposal facilities ("SWD") and rail transloading facilities.

### DRILLING SERVICES DIVISION ("DS")

The DS division provides equipment and chemicals for building, maintaining, processing and recycling of drilling and completion fluids. The drilling fluids service line comprises the majority of the revenue for the division which includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The DS division focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands.

### ONSITE SERVICES DIVISION ("OS")

The operations of the OS division include environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, laboratory services, and "CleanSite" waste container services; integrated fluid solutions ("IFS") which include water management, recycling, pumping and storage solutions; and projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning and reclamation and remediation of former wellsites, facilities, commercial and industrial properties.

For a complete description of services provided in the PRD, DS and OS divisions, please refer to the headings "Secure Energy Services Inc.", "Description of Business" in the Corporation's annual information form ("AIF") for the year ended December 31, 2013.

## **CORPORATE STRATEGY**

Secure's goal is to achieve profitable growth while exceeding the expectations of the oil & gas industry by providing innovative, efficient and environmentally responsible fluids and solids solutions. To achieve this goal, the corporate strategy is to:

- Design, construct and expand facilities in key under-serviced and capacity constrained markets;
- Complete strategic acquisitions that exploit the full value chain in the energy services market, providing full cycle 'cradle to grave' solutions;
- Reduce waste, recycle and reuse fluids at Secure facilities;
- Provide cost effective solutions and integrate services across all divisions;
- Deliver exceptional customer service;
- Conduct operations in a safe and environmentally responsible manner; and
- Enhance environmental stewardship for the Corporation's customers.

## OPERATIONAL AND FINANCIAL HIGHLIGHTS

Oil and gas activity in Western Canada for the quarter remained robust despite the drop in the price of crude oil in the later part of the third quarter. During the third quarter, horizontal wells drilled increased 8% combined with a 6% increase in meters drilled per well supporting the continued trend for drilling deep, complex and more technically challenging wells. In addition, producer capital spending plans have tracked 13% above levels in the prior year comparative period. Overall, these increases and higher customer demand translated into all three divisions generating a significant increase to revenue (excluding oil purchase and resale) and EBITDA for the quarter of 36% and 40% over the prior year comparative period.

During the quarter, the Corporation completed a strategic acquisition for \$104.6 million for three operational rail sites to supplement the Rycroft rail site which provides Secure an immediate rail terminal network to expand and complement its existing pipeline connected facilities. In addition to the strategic acquisition, the Corporation also announced an increase to its capital program by \$50.0 million to \$275.0 million, for additional PRD facilities. Following these announcements, the Corporation strengthened its financial position by increasing the Corporation's revolving credit facility from \$400.0 million to \$700.0 million. As a result of the strong performance for the nine months ended September 30, 2014, a strong balance sheet, and stable cashflows, the board of directors have approved an increase to the dividend of \$0.04 per share to \$0.24 per share on an annualized basis, effective January 1, 2015.

The operating and financial highlights for the three and nine month periods ending September 30, 2014 can be summarized as follows:

(\$000's except share and per share data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% change	2014	2013	% change
Revenue (excludes oil purchase and resale)	208,743	153,868	36	570,065	386,520	47
Oil purchase and resale	390,671	289,892	35	1,123,500	718,071	56
Total revenue	599,414	443,760	35	1,693,565	1,104,591	53
EBITDA <sup>(1)</sup>	58,229	41,542	40	155,313	95,504	63
Per share (\$), basic	0.49	0.38	29	1.31	0.89	47
Per share (\$), diluted	0.47	0.37	27	1.27	0.87	46
Net earnings	14,756	12,036	23	44,309	27,418	62
Per share (\$), basic	0.12	0.11	9	0.37	0.26	42
Per share (\$), diluted	0.12	0.11	9	0.36	0.25	44
Funds from operations <sup>(1)</sup>	58,746	33,069	78	156,058	85,672	82
Per share (\$), basic	0.49	0.30	63	1.32	0.80	65
Per share (\$), diluted	0.47	0.30	57	1.28	0.78	64
Cash dividends per common share	0.05	0.04	25	0.14	0.06	133
Capital Expenditures <sup>(1)</sup>	149,878	75,656	98	298,953	160,601	86
Total assets	1,428,857	962,836	48	1,428,857	962,836	48
Long term borrowings	333,935	210,489	59	333,935	210,489	59
Total long term liabilities	435,402	420,082	4	435,402	420,082	4
Common Shares - end of period	121,199,763	108,909,620	11	121,177,329	108,909,620	11
Weighted average common shares						
basic	120,048,665	108,648,873	10	118,601,288	106,750,533	11
diluted	123,736,572	111,500,617	11	121,988,685	109,537,459	11

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

- REVENUE FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 INCREASED 36% AND 47%
  - PRD division revenue (excluding oil purchase/resale) for the three and nine months ended September 30, 2014 increased \$22.3 million and \$72.1 million respectively, from the 2013 comparative periods. Processing and disposal volumes increased significantly over the prior year comparative periods as higher activity resulted in increased demand for services and the addition of seven new facilities that were completed and commissioned after the third quarter of 2013 that all contributed to the increase. Recovery revenues

increased due to a 62% and 50% increase in throughput at the Corporation's facilities, the ability of the Corporation to capitalize on crude oil marketing opportunities both at its pipeline connected FSTs and rail transloading facilities, and as a result of higher recovery of oil through waste processing;

- DS division revenue for the three and nine months ended September 30, 2014 increased \$15.9 million and \$67.9 million respectively, from the 2013 comparative periods. Drilling fluids revenue increased 13% and 23% as a result of achieving a market share of 33% and 32% for the three and nine months ended September 30, 2014 combined with an increase in meters drilled per well by the Corporation's customers. As the meters drilled per well increases, wells become more technically challenging requiring the use of specialty drilling fluids increasing the amount and type of products used, and driving the increased revenue per operating day of 5% and 18% to \$7,137 and \$7,435 for the three and nine months ended September 30, 2014, from the 2013 comparative periods;
- OS division revenue for the three and nine months ended September 30, 2014 increased \$16.7 million and \$43.6 million from the 2013 comparative periods. The acquisition of a private oilfield service company in the third quarter in the IFS service line provided additional customers and expanded geographic presence in Central Alberta, the acquisition completed in the second quarter to add a new customer base to the projects service line, and the two acquisitions completed in the first quarter of 2014, accounted for the increase in addition to strong industry activity experienced both on a quarter and year to date basis; and
- Oil purchase and resale revenue in the PRD division for the three and nine months ended September 30, 2014 increased 35% and 56% respectively, from the 2013 comparative periods. Increased pipeline capacity added at the Judy Creek FST in the third quarter of 2013, increased oil throughput at the Corporation's pipeline connected FSTs, and increasing crude oil volumes shipped via rail all contributed to the increase.
- EBITDA INCREASES 40% AND 63% FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014
  - For the three and nine months ended September 30, 2014, the increase in EBITDA is attributable to overall strong demand for the Corporation's services and products in all three operating divisions; the addition of new facilities in the PRD division, increased volumes at existing facilities and the ability to capitalize on crude oil marketing opportunities through pipeline and rail infrastructure; the increase in revenue per operating day in the DS division as wells drilled continue to be more technically complex; and continued solid performance of the OS division as favourable weather conditions facilitated the completion of projects in addition to the newly acquired assets from four acquisitions executed for the nine months ended September 30, 2014.
- FUNDS FROM OPERATIONS INCREASES 78% AND 82% FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014
  - The 78% and 82% increase for the three and nine month periods ended September 30, 2014 is directly attributable to the solid results achieved in all three of the Corporation's divisions driven by increased demand, completion of seven strategic acquisitions and robust industry conditions experienced through the first nine months of 2014.
- 2014 ORGANIC CAPITAL BUDGET UPDATE
  - In the third quarter of 2014, the Corporation announced the increased 2014 capital expenditure budget of \$275.0 million which includes \$20.0 million of carry over capital from 2013 projects related to the Kindersley, Edson, and Keene FSTs. Secure has a focused strategy of constructing and expanding facilities in key under-served capacity constrained markets and to capitalize on market opportunities. Secure increased the 2014 capital budget to take advantage of the market opportunities that exist today. Total capital expenditures for the nine months ended September 30, 2014 totaled \$204.8 million for both growth and expansion capital. Major expenditures for the nine months ended September 30, 2014 included:

- 2013 carry over capital of the Kindersley FST that was completed and operational during the first quarter, and the Edson and Keene FSTs that were completed and operational during the second quarter;
- Growth capital consisting of three SWD conversions to FSTs and four new PRD facilities with construction commencing or to be completed in 2014:
  - Three SWD conversions to FSTs: Conversion of the Stanley, Brazeau and 13 Mile SWDs to FSTs. Stanley was completed and commissioned in the third quarter of 2014, Brazeau is anticipated to be commissioned and operational late in the fourth quarter, and 13 Mile in the first quarter of 2015;
  - Two Full Service Rail (“FSR”) facilities: Rycroft and Kindersley FSRs are the Corporation’s first organic oil rail facilities. The Rycroft FSR will offer treating, storage, disposal and transloading services. It is expected that Rycroft will be commissioned and operational in the first quarter of 2015 and Kindersley in the second quarter of 2015;
  - One FST and one Landfill: Tulliby Lake FST and Landfill is the Corporation’s first heavy oil and production sand treating, and landfill facility. It is expected the Landfill will be commissioned and operational near the end of the fourth quarter of 2014 and the FST in the first quarter of 2015;
- Construction and completion of an oil based mud blending plant in Fox Creek with operations commencing in July 2014; and
- Various rental equipment, equipment for onsite projects, and long leads for upcoming 2015 projects.
- Expansion capital expenditures included the following:
  - Landfill cells at South Grande Prairie, Saddle Hills, and 13 Mile. The additional cell capacity will be available for the fourth quarter of 2014;
  - Waste expansion at the South Grande Prairie FST that was completed in the third quarter;
  - Additional disposal wells at both the Obed and Drayton Valley FSTs are currently under construction and will be commissioned in the fourth quarter of 2014;
  - Additional treater is being constructed at the Kindersley FST and will be commissioned in the fourth quarter;
  - Purchase of an office in Grande Prairie to accommodate growth of the Corporation and consolidate all three divisions into one space; and
  - Completion of the DS division’s new state of the art laboratory facility that opened in July 2014.
- STRATEGIC ACQUISITIONS
  - On August 15, 2014, Secure closed the acquisition of the assets of Predator Midstream Ltd. (“Predator”) for total consideration of \$104.6 million comprised of cash and common shares, and the assets of a private oilfield services company. Predator is a private midstream company that owns and operates three rail transloading terminals in Alberta. Predator transloads crude oil from truck to rail, where rail cars are aggregated and subsequently sold to refineries. The acquisition will add three operational rail sites and, combined with Secure’s current construction of the Rycroft FSR, will provide an immediate rail terminal network from which to build on. The other acquisition specializes in providing water pumping and frac pond setup services, and provides miscellaneous equipment for rent. The acquisition will expand the service area and assets of the OS division.

- **SOLID BALANCE SHEET**

- During the third quarter, Secure entered into an amended and restated \$700.0 million syndicated credit facility (the "Credit Facility") that consists of a \$675.0 million extendible revolving term credit facility and a \$25.0 million revolving operating facility. The Syndicated Facility can be expanded to \$800.0 million through the exercise of an additional \$100.0 million accordion feature, available upon request by the Corporation subject to review and approval by the lenders.
- Secure's debt to trailing twelve month EBITDA ratio was 1.83 as of September 30, 2014 compared to 1.38 as of December 31, 2013.
- As at September 30, 2014, the Corporation had \$335.1 million available under its credit facility.
- Secure's board of directors approved a 20% dividend increase effective January 1, 2015.

## **OUTLOOK**

The fourth quarter began with a retreat in commodity prices and narrowing of the heavy oil differentials between world and North American pricing. Given the recent volatility in a very short span, producers have had little time to adjust to the current economic outlook. It is expected producer reactions will be cautious for the remainder of the year, refining 2015 capital budgets which potentially includes adjusting capital moderately for 2015 to allow greater flexibility to manage during a period of lower commodity pricing.

During the fourth quarter, the Corporation expects to open its new Tulliby Lake Landfill. In addition, the Corporation plans on commissioning its new Rycroft FSR facility and Tulliby Lake FST by early 2015. These new facilities are located in key underserved markets and will be well supported by customer demand in the area. The Corporation has currently spent \$204.8 million of its recently increased capital program of \$275.0 million. It is expected the majority of the capital will be spent by the end of the year with a portion of the capital program carrying over into 2015 for the Rycroft and Kindersley FSR's, and the Tulliby Lake FST. The current year capital program is funded by Secure's cashflow from operations and the recent increase to the Credit Facility to \$700.0 million. Following this increase, the Corporation has adequate sources of capital available to carry out its capital plan, while maintaining operational growth, and payment of dividends so as to sustain future development of the business. Maintaining a strong balance sheet and managing growth in a prudent manner has always been a priority for the Corporation allowing flexibility to execute on its strategy.

Secure's acquisition of Predator in the third quarter provides the Corporation's customers increased market access bypassing pipeline constraints and tapping into the North American rail network. As Secure executes on the Corporation's largest organic capital program in history, including the addition of two FSRs at Rycroft and Kindersley, these facilities will complement the acquisition providing additional access points to the rail network. The introduction of rail as a service offering will allow Secure to optimize crude oil market access between pipelines and rail, and further increase the value chain of services provided to continue to meet and exceed customer expectations.

Secure is dedicated to investing in research and development projects to provide innovative solutions to its customers in order to reduce waste in the drilling and completions process. The water recycling technology piloted at the South Grande Prairie FST is now in the early stages of being able to produce recycled fluids. Development of the solids processing technology for the recovery of hydrocarbons used in the drilling process has continued through the third quarter and results to date have been positive. Secure will continue developing these key innovative technologies through the remainder of the year.

## 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 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 the DS division services to total active rigs in Western Canada. The CAODC publishes total active rigs in Western Canada on a semi-weekly basis.

### EBITDA

EBITDA is calculated as net earnings excluding depreciation, depletion, amortization and accretion, share-based payments expense, interest, and taxes. EBITDA is not a recognized measure under IFRS. Management believes that in addition to net earnings, 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.

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Net Earnings</b>	<b>14,756</b>	12,036	23	<b>44,309</b>	27,418	62
<b>Add (deduct):</b>						
Depreciation, depletion and amortization	26,713	18,711	43	71,209	46,832	52
Share-based payments	4,298	2,186	97	10,887	5,891	85
Current tax expense (recovery)	5,067	4,496	13	13,905	8,076	72
Deferred income tax (recovery) expense	1,701	1,369	24	5,683	3,552	60
Interest, accretion and finance costs	2,954	2,140	38	7,092	4,706	51
Other expense (income)	2,740	604	354	2,228	(1,071)	(308)
<b>EBITDA</b>	<b>58,229</b>	41,542	40	<b>155,313</b>	95,404	63

### Capital Expenditures

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

## ADDITIONAL GAAP MEASURES

### *Funds from operations*

Funds from operations refer 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.

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Net cash flow s (used in) from operating activities	(1,043)	28,569	(104)	134,390	80,836	66
<b>Add:</b>						
Interest paid	2,562	1,732	48	6,276	4,384	43
Income taxes paid	1,376	1,669	(18)	13,059	8,572	52
Non-cash working capital changes	55,851	1,099	4,982	2,333	(8,120)	129
<b>Funds from operations</b>	<b>58,746</b>	<b>33,069</b>	<b>78</b>	<b>156,058</b>	<b>85,672</b>	<b>82</b>



## RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

In order to discuss the factors that have caused period to period variations in operating activities, the Corporation has divided the business into three reportable operating segments; the PRD division, the DS division and the OS division.

(\$000's except per share data)	2014	2013	% Change	2014	2013	% Change
Revenue	599,414	443,760	35	1,693,565	1,104,591	53
Operating expenses	545,903	403,285	35	1,546,844	1,010,000	53
General and administrative	22,825	16,941	35	61,908	45,082	37
Business development	3,468	2,889	20	11,084	6,828	62
Interest, accretion and finance costs	2,954	2,140	38	7,092	4,706	51
Total expenses	575,150	425,255	35	1,626,928	1,066,616	53
Other (expense) income	(2,740)	(604)	354	(2,740)	1,071	(356)
<b>Earnings for the period before income taxes</b>	<b>21,524</b>	<b>17,901</b>	<b>20</b>	<b>63,897</b>	<b>39,046</b>	<b>64</b>
Income taxes						
Current income tax expense	5,067	4,496	13	13,905	8,076	72
Deferred income tax expense	1,701	1,369	24	5,683	3,552	60
	6,768	5,865	15	19,588	11,628	68
<b>Net earnings for the period</b>	<b>14,756</b>	<b>12,036</b>	<b>23</b>	<b>44,309</b>	<b>27,418</b>	<b>62</b>
Other comprehensive income						
Foreign currency translation adjustment, net of tax	6,185	1,449	327	5,201	2,540	105
<b>Total comprehensive income</b>	<b>20,942</b>	<b>13,485</b>	<b>55</b>	<b>49,510</b>	<b>29,958</b>	<b>65</b>
Earnings per share						
Basic	0.12	0.11	9	0.37	0.26	42
Diluted	0.12	0.11	9	0.36	0.25	44

## PRD DIVISION OPERATIONS – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

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 FSTs and include waste processing and crude oil emulsion treating. Secure's FSTs 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. The FST will process oilfield waste to separate out solids, water and crude oil. 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 temporarily 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 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 or via rail. At Secure FSTs, 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. With pipelines running at full capacity, Secure now offers producers an alternative solution to get their product to market through Secure's four rail terminals situated across Alberta which carry crude by rail to virtually all North American markets.

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue</b>						
Processing, recovery and disposal services (a)	69,713	47,439	47	199,860	127,757	56
Oil purchase and resale service	390,671	289,892	35	1,123,500	718,071	56
<b>Total PRD division revenue</b>	<b>460,384</b>	<b>337,331</b>	<b>36</b>	<b>1,323,360</b>	<b>845,828</b>	<b>56</b>
<b>Operating Expenses</b>						
Processing, recovery and disposal services (b)	25,968	17,214	51	76,191	47,527	60
Oil purchase and resale service	390,671	289,892	35	1,123,500	718,071	56
Depreciation, depletion, and amortization	18,062	12,003	50	47,045	30,858	52
<b>Total operating expenses</b>	<b>434,701</b>	<b>319,109</b>	<b>36</b>	<b>1,246,736</b>	<b>796,456</b>	<b>57</b>
<b>General and administrative</b>	<b>8,970</b>	<b>6,560</b>	<b>37</b>	<b>23,498</b>	<b>17,265</b>	<b>36</b>
<b>Total PRD division expenses</b>	<b>443,671</b>	<b>325,669</b>	<b>36</b>	<b>1,270,234</b>	<b>813,721</b>	<b>56</b>
<b>Operating Margin <sup>(1)</sup> (a-b)</b>	<b>43,745</b>	<b>30,225</b>	<b>45</b>	<b>123,669</b>	<b>80,230</b>	<b>54</b>
<b>Operating Margin <sup>(1)</sup> as a % of revenue (a)</b>	<b>63%</b>	<b>64%</b>		<b>62%</b>	<b>63%</b>	

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

### Revenue (PRD division)

Revenue from processing, recovery and disposal for the three and nine months ended September 30, 2014 increased 47% and 56% to \$69.7 million and \$199.9 million from \$47.4 million and \$127.8 million in the comparative periods of 2013.

Processing: For the three and nine months ended September 30, 2014, processing volumes increased 35% and 103% respectively, from the comparative periods in 2013. The increase in volumes and revenue is a result of an increase in overall demand for the PRD division's services and the addition of new facilities and expansions at current facilities subsequent to

the third quarter of 2013 which include: completion of the Kindersley FST in December 2013, Edson and Keene FSTs in April 2014, and Stanley FST in July 2014.

Recovery: Revenue from recovery for the three and nine months ended September 30, 2014 increased by 44% and 53% respectively, from the comparative periods in 2013. The increase in recovery revenue for the three and nine months ended September 30, 2014 is a result of the Corporation's ability to capitalize on crude oil marketing opportunities at its pipeline connected FSTs and rail transloading facilities, and increased throughput at Secure facilities.

Disposal: Secure's disposal volumes for the three and nine months ended September 30, 2014 increased by 86% and 100% respectively, from the comparative periods of 2013. The increase in volumes is related to increased demand and the addition of new facilities subsequent to the third quarter of 2013 which include: completion of the 13 Mile Landfill in North Dakota in October 2013; Saddle Hills Landfill in November 2013; and the Keene SWD in North Dakota in November 2013.

Oil purchase/resale service: Revenue from oil purchase and resale services for the three and nine months ended September 30, 2014 increased 35% and 56% to \$390.7 million and \$1,123.5 million from \$289.9 million and \$718.1 million in the comparative periods of 2013. The increase in the period is due to increased pipeline capacity added at the Judy Creek FST in the third quarter of 2013, increased oil throughput at the Corporation's pipeline connected FSTs, and increased crude oil volumes shipped via rail. The revenue from this service line will fluctuate monthly based on the factors described above.

#### ***Operating Expenses (PRD division)***

Operating expenses from PRD services for the three and nine months ended September 30, 2014 increased 51% and 60% to \$26.0 million and \$76.2 million from \$17.2 million and \$47.5 million in the comparative periods of 2013.

The increase in operating expenses relate to the new facilities, expansions added organically, and the increase in processing, recovery and disposal volumes at the Corporation's existing facilities. This includes the upfront commissioning costs associated with the Kindersley, Edson, Keene and Stanley FST's. New facilities accounted for 29% of the increase in operating expenses over both comparative periods in 2013; trucking costs increased \$0.9 million and \$3.5 million over the 2013 comparative periods as a result of the following: moving crude oil from FSTs that are not pipeline connected to pipeline connected facilities, move crude oil to rail terminals, higher disposal volumes that result in increased solids transferred from the Corporation's FSTs to Landfills, and a disposal well at one of the Corporation's FSTs was temporarily shut down in the second and third quarters resulting in trucking costs incurred to move volumes received to a nearby facility.

In addition, for the nine months ended September 30, 2014, non-recurring maintenance costs were incurred for liner repairs at one of the Corporation's Landfills which accounts for approximately \$2.8 million in additional operating expenses for the nine months ended September 30, 2014. Repair of the liner began in the fourth quarter of 2013 and were substantially complete in the third quarter with only minimal costs incurred in the third quarter.

Operating margin as a percentage of revenue for the three and nine months ended September 30, 2014 was 63% and 62% compared to 64% and 63% in the comparative periods of 2013. The 1% decrease for the three months ended September 30, 2014 is a direct result of the increased trucking costs as described above. The 1% decrease for the nine months ended is a result of the increased trucking charges and liner repairs at the Corporation's Landfill as described above.

#### ***Depreciation, Depletion and Amortization (PRD division)***

Depreciation, depletion and amortization expense for the three and nine months ended September 30, 2014 increased 50% and 52% to \$18.1 million and \$47.0 million from \$12.0 million and \$30.9 million in the comparative periods of 2013. The increase is due to the addition of new facilities, expansions at existing facilities and the increase in disposal volumes at landfills. Landfill cell costs are depleted on a unit basis, therefore as disposal volumes increase there is a corresponding increase to the amount of depletion expensed.

#### ***General and Administrative (PRD division)***

General and administrative ("G&A") expenses for the three and nine months ended increased 37% and 36% to \$9.0 million and \$23.5 million from \$6.6 million and \$17.3 million in the comparative periods of 2013. Major drivers for the three and nine months ended September 30, 2014 over the prior year comparative periods are an increase relating to additional employees to support the opening of new facilities and organic growth at existing facilities both in Canada and the US, additional office space, and an increase in costs related to Secure's rebranding initiative in the second quarter.

### **DS DIVISION OPERATIONS – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

The DS division's main geographic area of operations is the WCSB. The DS division also has operations in the Rocky Mountain Region in the United States, primarily in North Dakota and Colorado. WCSB operations are coordinated from the Calgary, Alberta office, while U.S. operations are coordinated through the Denver, Colorado office.

#### **Drilling services:**

The DS division has two main service lines: drilling fluids and equipment rentals. The drilling fluids service line is the core service of the DS division and operates in the WCSB as well as the U.S. (primarily in Colorado and North Dakota). Drilling fluid products are designed to optimize the efficiency of customer drilling operations through engineered solutions that improve drilling performance and penetration, while reducing non-productive time. Increasingly complex horizontal and directional drilling programs require experienced drilling fluid technical personal who design adaptable drilling programs to meet the needs of drilling fluid customers. These programs can save customers significant amounts of money by proactively anticipating the drilling challenges the customers may encounter.

The equipment rentals service line works with the drilling fluids service line in the WCSB and in the U.S. to ensure that the quality of drilling fluids used through the drilling cycle is maintained by continually processing and recycling the drilling fluids as they return to the surface. Rental equipment ensures the continual removal of drilling cuttings and solids from the drilling fluid as well as providing a safe and more efficient way of storing oil based products in the "Target Tanks", the Corporation's proprietary horizontal storage tanks. The current equipment rental fleet of high speed centrifuges, drying shakers, bead recover units, "Target Tanks", and ancillary equipment are offered as a standalone package or as part of an integrated drilling fluids and rentals package.

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue</b>						
Drilling services (a)	103,481	87,622	18	289,737	221,873	31
<b>Operating expenses</b>						
Drilling services (b)	77,465	63,729	22	217,290	167,894	29
Depreciation and amortization	5,623	5,184	8	16,005	12,658	26
<b>Total DS division operating expenses</b>	<b>83,088</b>	<b>68,913</b>	<b>21</b>	<b>233,295</b>	<b>180,552</b>	<b>29</b>
<b>General and administrative</b>	<b>9,097</b>	<b>6,609</b>	<b>38</b>	<b>23,923</b>	<b>17,571</b>	<b>36</b>
<b>Total DS division expenses</b>	<b>92,185</b>	<b>75,522</b>	<b>22</b>	<b>257,218</b>	<b>198,123</b>	<b>30</b>
<b>Operating Margin <sup>(1)</sup> (a-b)</b>	<b>26,016</b>	<b>23,893</b>	<b>9</b>	<b>72,447</b>	<b>53,979</b>	<b>34</b>
<b>Operating Margin % <sup>(1)</sup></b>	<b>25%</b>	<b>27%</b>		<b>25%</b>	<b>24%</b>	

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

#### **Revenue (DS division)**

Revenue from the DS division for the three and nine months ended September 30, 2014 increased 18% and 31% to \$103.5 million and \$289.7 million from \$87.6 million and \$221.9 million in the comparative periods of 2013.

The increase in revenue for the three months ended September 30, 2014 is the result of a shorter than normal spring break-up resulting in higher drilling activity to start the third quarter as customers were able to return earlier than usual with favourable weather and pricing through a significant portion of the third quarter with the average rig count increasing 8% in conjunction with a 6% increase in meters drilled per well from the comparative period. This led to a combined 13% increase in the drilling fluids service line and a 34% increase for the equipment rentals service line from the comparative period in 2013.

The increase in revenue for the nine months ended September 30, 2014 is the result of a combined 23% increase in the drilling fluids service line revenue and 78% increase in revenue for the equipment rentals service line from the comparative period in 2013. The shorter than normal spring break-up resulted in higher drilling activity from a prolonged winter drilling season allowing customers to stay in the field longer and return earlier than usual, and an increase in pad drilling which occurs throughout spring break-up which was a key factor influencing the year to date results. The average rig count for the nine months ended September 30, 2014 increased 9% in conjunction with a 7% increase in meters drilled per well.

The drilling fluids service line revenue will fluctuate each quarter based on market share, meters drilled per well, and the type of wells drilled which in turn drives revenue per operating day. The DS division market share in Canada for the three and nine months ended September 30, 2014 was 33% and 32%, a decrease of 1% for the three and nine month comparative periods. Meters drilled per well by the DS division's customers increased by 2% and 6% respectively, over the comparative periods of 2013. As meters drilled per well increases, wells become more technically challenging requiring more costly drilling fluids, resulting in higher product usages, increased probability of lost circulation events and a higher usage of specialty chemicals. Additionally, the number of wells drilled that used oil based mud increased by 24% and 25% respectively, over comparative periods of 2013 as a result of an increase in horizontal and directional drilling in which these muds are utilized. Oil based muds contribute higher revenue that drives increases in revenue per operating day. As a result of the factors discussed above, the revenue per operating day increased to \$7,137 and \$7,435 for the three and nine months ended September 30, 2014 from \$6,807 and \$6,278 in the comparative periods of 2013.

The equipment rentals service line revenue is driven by the size of the available rental fleet, utilization, and rental rates in any given quarter. The increase in the equipment rentals service line revenue for the three and nine months ended September 30, 2014 over the comparative periods of 2013, is a direct result of organic growth in the centrifuge and tank fleet.

#### ***Operating Expenses (DS division)***

Operating expenses for the DS Division for the three and nine months ended September 30, 2014 increased 22% and 29% to \$77.5 million and \$217.3 million from \$63.7 million and \$167.9 million in the comparative periods of 2013. DS division operating margins vary each quarter due to changes in product mix, well type, geographic area, nature of activity, and contribution from the equipment rentals service line. As wells become longer in reach, more specialized products are used which tend to have higher product margin. Inherent in the equipment rentals business, operating margins achieved are higher given the initial capital investment for the equipment. Overall, the increase in operating expenses over the comparative periods is a direct result of an increase in revenues.

Operating margins for the three months ended September 30, 2014 decreased to 25% from 27% in the 2013 comparative period. The decrease in margin is a direct result of a higher proportion of sales volume relating to the purchase and sale of low margin oil based stock used in oil based drilling. In periods of rising oil stock prices or increased activity in oil based drilling fluids, revenue and product costs increase accordingly resulting in decreased margins on a percentage basis. On an absolute basis, operating margins remain in line with management expectations.

Operating margins for the nine months ended September 30, 2014 increased to 25% from 24% in the 2013 comparative period. As described above, higher activity levels and increased revenue associated with the prolonged winter drilling season as well as equipment rentals both contributed to higher operating margins on a year to date basis. Equipment rentals make up a significant portion of the growth in revenues from the 2013 comparative period due to organic growth of the rental fleet which has inherently higher margins. This, combined with the increased drilling fluids revenue, has driven the 1% increase in operating margin over the comparative period of 2013.

#### ***Depreciation and Amortization (DS division)***

Depreciation and amortization expense for the three and nine months ended September 30, 2014 increased 8% and 26% to \$5.6 million and \$16.0 million from \$5.2 million and \$12.7 million in the comparative periods of 2013. Depreciation and amortization expense increased compared to the prior year comparative periods as a result of a larger fixed asset base driven by capital additions to the rental fleet combined with the acquisition of the barite processing plant in the second quarter of 2014.

### General and Administrative (DS division)

G&A expense for the three and nine months ended September 30, 2014 increased 38% and 36% to \$9.1 million and \$23.9 million from \$6.6 million and \$17.6 million in the comparative periods of 2013. Major drivers for the three and nine months ended September 30, 2014 over the prior year comparative periods are an increase in staffing costs to support the two strategic acquisitions executed in Canada since the third quarter of 2013 and to support the organic growth in both drilling fluids and rentals in Canada and US, and increased costs related to Secure's rebranding initiative in the second quarter. G&A as a percentage of revenue for both the three and nine months ended September 30, 2014 was 8% and is consistent with the prior year comparative periods.

### OS DIVISION OPERATIONS – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

The OS division has three main service lines: environmental services, integrated fluids solutions, and projects. Environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, laboratory services, and "CleanSite" waste container services; integrated fluid solutions which include water management, recycling, pumping and storage solutions; and projects which provide pipeline integrity (inspection, excavation, repair, replacement and rehabilitation), demolition and decommissioning, and remediation and reclamation of former wellsites, facilities, commercial and industrial properties.

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Revenue</b>						
Onsite services (a)	35,549	18,807	89	80,468	36,890	118
<b>Operating expenses</b>						
Onsite services (b)	24,966	13,739	82	58,534	29,675	97
Depreciation and amortization	2,896	1,241	133	7,422	2,595	186
<b>Total OS division operating expenses</b>	<b>27,862</b>	<b>14,980</b>	<b>86</b>	<b>65,956</b>	<b>32,270</b>	<b>104</b>
<b>General and administrative</b>	<b>2,185</b>	<b>1,647</b>	<b>33</b>	<b>5,680</b>	<b>4,300</b>	<b>32</b>
<b>Total OS division expenses</b>	<b>30,047</b>	<b>16,627</b>	<b>81</b>	<b>71,636</b>	<b>36,570</b>	<b>96</b>
<b>Operating Margin <sup>(1)</sup> (a-b)</b>	<b>10,583</b>	<b>5,068</b>	<b>109</b>	<b>21,934</b>	<b>7,215</b>	<b>204</b>
<b>Operating Margin % <sup>(1)</sup></b>	<b>30%</b>	<b>27%</b>		<b>27%</b>	<b>20%</b>	

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

### Revenue (OS division)

Revenue for the three and nine months ended September 30, 2014 increased 89% and 118% to \$35.5 million and \$80.5 million from \$18.8 million and \$36.9 million in the comparative periods of 2013.

The overall increase for the three and nine months ended September 30, 2014 is a direct result of increased project work, the four acquisitions completed since the third quarter of 2013, and a shortened spring break-up compared to the prior year as work continued through the second and third quarters and equipment remained on site.

Projects revenue for the three and nine months ended September 30, 2014 increased due to the acquisition completed in April 2014 which added a new geographic area and increased customer base. Additionally, there was an increase in remediation and reclamation projects and demolition projects completed that contributed to increased revenues combined with higher utilization of equipment as a result of favourable weather conditions and robust industry activity from the comparative periods of 2013.

IFS revenue increased for the three and nine months ended September 30, 2014 as a direct result of the acquisition completed in the first quarter of 2014 and a complimentary acquisition completed in August 2014 which added a new geographic area, and an increased customer base. High equipment utilization, addition of new customers, and the increased

offering of complimentary and in demand services, has positively impacted IFS. As the drilling season was extended due to a late spring break-up, demand for an integrated fluids solutions package was strong for both the second and third quarters.

Environmental services revenue increased for the three and nine months ended September 30, 2014 as the CleanSite waste container services was in the start-up phase in the 2013 comparative periods. The increase in the available fleet and customer demand has driven the growth in this service line.

#### ***Operating Expenses (OS division)***

Operating expenses for the three and nine months ended September 30, 2014 increased 82% and 97% to \$25.0 million and \$58.5 million from \$13.7 million and \$29.7 million for the comparative periods of 2013. The increase is a direct result of the four acquisitions completed since the third quarter of 2013, and an overall increase in activity and revenues from the comparative periods of 2013.

For the three and nine months ended September 30, 2014, operating margins increased to 30% and 27% from 27% and 20% in the 2013 comparative periods. The operating margin for the OS division is expected to fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up, and other services in any given period. The increase in margins over the 2013 comparative periods is a result of an increase in remediation and reclamation projects, and demolition projects which contribute higher margins combined with the acquisition of two rentals based business' in the first and third quarters of 2014, which inherently achieve higher margins.

#### ***Depreciation and Amortization (OS division)***

Depreciation and amortization expense for the three and nine months ended September 30, 2014 increased to \$2.9 million and \$7.4 million from \$1.2 million and \$2.6 million in the comparative periods of 2013. The increase in depreciation over the 2013 comparative periods is due to the four acquisitions completed since the third quarter of 2013, and capital additions of various types of equipment to meet increasing customer demand.

#### ***General and Administrative (OS division)***

G&A expenses for the three and nine months ended September 30, 2014 increased to \$2.2 million and \$5.7 million from \$1.6 million and \$4.3 million in the comparative periods of 2013. G&A expenses increased due to the four acquisitions completed since the third quarter of 2013, an overall increase in activity and operations in the division, increased costs related to Secure's rebranding initiative in the second quarter, and costs associated with moving to a new OS division office. G&A is expected to fluctuate based on the growth of the division.

## OTHER INCOME AND EXPENSES

### Corporate expenses

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
General and administrative	2,573	2,125	21	8,807	5,946	48

Corporate expenses for the three and nine months ended September 30, 2014 increased to \$2.6 million and \$8.8 million from \$2.1 million and \$5.9 million in the comparative periods of 2013. Included in corporate expenses are all public company costs, salaries, share based payments and office costs relating to corporate employees and officers. The increase for the three and nine months ended September 30, 2014 is attributed to increased headcount due to growth of the Corporation, higher salaries, bonus, and share based compensation.

### Business Development Expenses

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Business development	3,468	2,889	20	11,084	6,828	62

Business development expenses for the three and nine months ended September 30, 2014 increased to \$3.5 million and \$11.1 million from \$2.9 million and \$6.8 million in the comparative periods of 2013. Business development expenses include prospect costs associated with organic and acquisition opportunities in Canada and the United States, and research and development costs. Business development expenses increased for the three and nine months ended September 30, 2014 due to costs related to the seven acquisitions completed, prospect costs for potential new facility locations, increased salaries resulting from a higher headcount required to support the increased capital expenditure program related to organic and acquisition opportunities, and continued investment in research and development activities. The Corporation continues to expand and evaluate a number of potential projects and prospects.

### Interest and Financing costs

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Interest and finance costs	2,708	1,950	39	6,288	4,228	49

Interest and financing costs for the three and nine months ended September 30, 2014 increased to \$2.7 million and \$6.3 million from \$2.0 million and \$4.2 million in the 2013 comparative periods. On September 26, 2014, the Corporation entered into an amended and restated \$700.0 million syndicated credit facility. In conjunction with obtaining the Credit Facility, the Corporation incurred \$1.1 million in financing fees and was required to expense \$0.4 million of unamortized financing fees related to the previous credit facility in the quarter.

Interest is capitalized on capital projects with a substantial time to completion. Typically, interest is only capitalized on the construction of the Corporation's FSTs and FSRs. For the three and nine months ended September 30, 2014, capitalized interest was \$0.1 million and \$0.6 million versus \$0.2 million and \$1.2 million respectively, for the 2013 comparative periods. The balance drawn on the credit facility as at September 30, 2014 was \$335.0 million compared to \$211.0 million as at September 30, 2013.

### Foreign Currency Translation Adjustment

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Foreign currency translation adjustment, net of tax	6,185	1,449	327	5,201	2,540	105

Included in Other Comprehensive Income ("OCI") is \$6.2 million and \$5.2 million for the three and nine months ended September 30, 2014 of foreign currency translation adjustments relating to the conversion of the financial results of the US operations as at September 30, 2014. The US dollar increased 4% and 5% in value relative to the Canadian dollar during the three and nine months ended September 30, 2014. The foreign currency translation adjustment included in the consolidated statements of comprehensive income does not impact net earnings for the period.



## Other (Expense) Income

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Other (expense) income</b>						
Impairment adjustment (expense)	(3,640)	1,661	(319)	(3,640)	(1,052)	246
Insurance recovery (adjustment)	900	(2,265)	140	900	2,123	(58)
<b>Total other (expense) income</b>	<b>(2,740)</b>	<b>(604)</b>	<b>354</b>	<b>(2,740)</b>	<b>1,071</b>	<b>356</b>

Other expense in the third quarter of 2014 is an asset impairment charge related to the Watford, North Dakota SWD facility that was damaged by a strike of lightning. During the quarter, an impairment charge of \$1.8 million, the estimated net book value of the assets, was recorded against the facility. The facility is currently operating with temporary assets at the site while repair work begins. Expenses associated with the repair are expected to be reimbursable through insurance coverage up to the replacement value of \$0.9 million therefore, an accrual for the insurance proceeds was recorded in the period.

As required by IFRS, each cash generating unit ("CGU") that has been allocated goodwill must be tested annually for impairment or when indicators of impairment are present. The lightning strike and resulting damage to the Watford SWD triggered the impairment test in the quarter. In comparing the CGUs value in use and its carrying value, an impairment of \$1.8 million was recorded in the quarter against the goodwill. The CGUs value in use was based on forecasted revenue, operating expense, and an applicable discount rate.

The impairment adjustment and insurance recovery for the 2013 comparative period was a result of the lightning strike that damaged the Brazeau SWD in the second quarter of 2013.

## Income Taxes

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
<b>Income taxes</b>						
Current income tax expense	5,067	4,496	13	13,905	8,076	72
Deferred income tax expense	1,701	1,369	24	5,683	3,552	60
	<b>6,768</b>	<b>5,865</b>	<b>15</b>	<b>19,588</b>	<b>11,628</b>	<b>68</b>

Income tax expense for the three and nine months ended September 30, 2014 increased to \$6.8 million and \$19.6 million from \$5.9 million and \$11.6 million in the 2013 comparative periods. The increase in the current income tax expense for the three and nine months ended September 30, 2014 is attributable to the overall increase in the Corporation's net earnings before income taxes as compared to the prior periods. The increase in deferred income tax expense relates to a combination of changes in the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes compared to the amounts used for taxation purposes.

## SIGNIFICANT PROJECTS

Secure's 2014 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2014 capital expenditure program, see "**Liquidity and Capital Resources**" in this MD&A.

## GEOGRAPHICAL FINANCIAL INFORMATION

(\$000's)	Canada		USA		Total	
	2014	2013	2014	2013	2014	2013
<b>Three Months Ended September 30</b>						
Revenue	575,888	431,765	23,526	11,995	599,414	443,760
<b>Nine Ended Sept 30</b>						
Revenue	1,634,228	1,068,056	59,337	36,535	1,693,565	1,104,591
<b>As at Sept 30, 2014 and Dec 31, 2013</b>						
Total non-current assets	952,475	686,536	153,540	116,880	1,106,015	803,416

Revenue from assets in the United States for the three and nine months ended September 30, 2014 increased 96% and 62% from the comparative periods of 2013. For the three and nine months ended September 30, 2014, the increase in revenue relates to an increase in overall demand for the PRD division's services in the US and the addition of new facilities and expansions at current facilities subsequent to the third quarter of 2013 which include: completion of the Stanley SWD in the third quarter of 2013, addition of the Keene SWD and 13 Mile Landfill late in the fourth quarter of 2013, commissioning of the Keene FST in April 2014 and commissioning of the Stanley FST in the third quarter of 2014. United States based non-current assets as at September 30, 2014 of \$153.5 million have increased 31% from \$116.9 million as at December 31, 2013. The increase is a direct result of the conversion of the Keene SWD into an FST which was commissioned in April 2014, conversion of the Stanley SWD into an FST which was commissioned during the third quarter, and preliminary design and engineering for 2014 organic projects in North Dakota including conversion of the 13 Mile SWD into an FST and expansion of the 13 Mile Landfill. The Corporation now operates three water disposal facilities in North Dakota, one landfill, two FSTs, offers drilling fluid and drilling equipment rental services and onsite services throughout the US Rocky Mountain region. As noted above, the Corporation opened its first FST in the US in the first quarter of 2014 and its second FST in the third quarter of 2014. This will further increase the service offerings in the US market and combined with the rebranding initiative, will increase Secure's brand recognition in the US.

## SUMMARY OF QUARTERLY RESULTS

### Seasonality

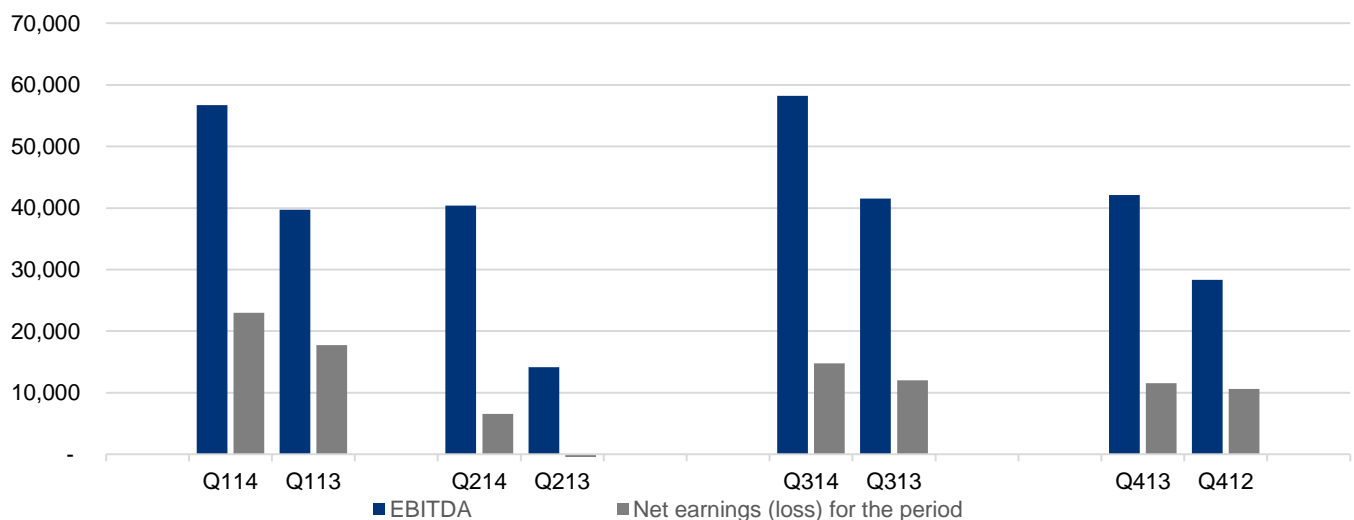
Seasonality impacts the Corporation's operations. In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many 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 consolidated quarterly information for each of the eight most recently completed fiscal quarters:

(\$000s except share and per share data)	2014				2013			2012	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Revenue (excluding oil purchase and resale)	208,743	155,690	205,632	155,427	153,868	85,530	147,122	108,356	
Oil purchase and resale	390,671	412,249	320,580	232,522	289,892	252,323	175,856	170,501	
<b>Total Revenue</b>	<b>599,414</b>	<b>567,939</b>	526,212	387,949	443,760	337,853	322,978	278,857	
Net earnings (loss) income for the period	14,756	6,564	22,989	11,545	12,036	(2,375)	17,758	10,634	
Earnings (loss) per share - basic	0.12	0.06	0.20	0.10	0.11	(0.02)	0.17	0.10	
Earnings (loss) per share - diluted	0.12	0.05	0.19	0.10	0.11	(0.02)	0.17	0.10	
Weighted average shares - basic	120,048,665	118,489,217	117,235,063	110,706,772	108,648,873	106,824,753	104,734,964	104,530,375	
Weighted average shares - diluted	123,736,572	121,757,066	120,436,149	113,700,987	111,500,617	106,824,753	107,363,836	107,456,318	
EBITDA <sup>(1)</sup>	58,229	40,393	56,691	42,108	41,542	14,158	39,705	28,360	

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

### Quarterly Financial Highlights (\$000s)



### Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth and acquisitions completed in the nine months ended September 30, 2014 and during 2013, variations in quarterly results extend beyond seasonal factors. While Secure has experienced increased demand for its services over the last eight quarters, the most significant impact relates to new facilities, expansions of existing facilities and acquisitions.

Each quarter was impacted by the date at which an acquisition occurred or any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's PRD, DS, and OS division business assets and operations, please refer to the headings "Secure Energy Services Inc.", and "Description of Business" in the Corporation's AIF for the year ended December 31, 2013 which includes a description of the date of acquisitions or on which each of Secure's facilities commenced operations.

The following summarizes the facilities commissioned and acquisitions completed since December 31, 2013 that have impacted the 2014 quarterly results: In the first quarter, the Corporation commissioned the Kindersley FST and completed two acquisitions comprised of a rentals based business specialized in water handling and an environmental contracting business. In the second quarter, the Corporation commissioned the Edson and Keene FSTs and completed three acquisitions including the mineral products plant, a drilling fluids business and an environmental contracting business. In the third quarter, the Corporation commissioned the Stanley FST and completed the acquisition of the assets of Predator and a rentals based business in the OS division complementing the first quarter water handling business acquired.

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.

By offering the oil purchase and resale service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. The increases realized in the last eight quarters is a result of Secure becoming a single shipper at Drayton Valley FST and La Glace FST during 2012, and the Judy Creek FST in the third quarter of 2013. See the "Business Risks" section in this MD&A for further discussion on this service.

### 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, dividends 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, payment of dividends and increased cash flow so as to sustain future development of the business.

### Cash Provided by Operations

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Funds from operations <sup>(1)</sup>	58,746	33,069	78	156,058	85,672	82

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

Funds from operations for the three and nine months ended September 30, 2014 increased to \$58.7 million and \$156.1 million from \$33.1 million and \$85.7 million in the comparative periods of 2013. The 78% and 82% increase for the three and nine month periods ended September 30, 2014 is a result of an increased demand for the Corporation's products and services; new PRD facility additions and expansions; increased revenue per operating day for drilling fluids, increased rental revenues from organic growth of the rental fleet, and the seven acquisitions completed during the nine month period ended September 30, 2014.

## Investing Activities

(\$000's)	Three months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Capital expenditures <sup>(1)</sup>						
Expansion and growth capital expenditures	86,472	52,603	64	204,812	130,321	57
Aquisition <sup>(2)</sup>	61,404	21,335	188	91,034	26,683	241
Sustaining capital expenditures	2,002	1,718	17	3,107	3,597	(14)
Total capital expenditures	149,878	75,656	98	298,953	160,601	86

<sup>(1)</sup> Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

<sup>(2)</sup> Does not include share consideration

The Corporation's growth and expansion capital expenditures for the three months ended September 30, 2014 increased to \$86.5 million from \$52.6 million in the comparative period of 2013. Capital expenditures for the three months ended September 30, 2014 are allocated as follows:

- \$57.0 million in PRD growth capital relating to the Stanley, Brazeau, and 13 Mile SWD conversions to FSTs, Rycroft and Kindersley FSRs, and Tulliby Lake FST and Landfill;
- \$13.0 million for expansion capital for landfill cells under construction in the quarter at Saddle Hills and 13 Mile, additional disposal well at the Obed FST; an additional treater at the Kindersley FST; and waste expansion at the South Grande Prairie FST;
- \$8.1 million for long lead equipment for 2014 and 2015 capital projects; and
- \$8.4 million for rental equipment such as centrifuges, Target Tanks, hydraulic stands, invert tanks and other miscellaneous capital expenditures, the oil based mud blending plant in Fox Creek that was completed and commissioned in July 2014, and the new DS state of the art laboratory facility which opened in July 2014.

The Corporation's growth and expansion capital expenditures for the nine months ended September 30, 2014 increased to \$204.8 million from \$130.3 million in the comparative period of 2013. Capital expenditures for the nine months ended September 30, 2014 are allocated as follows:

- \$133.9 million in PRD growth capital:
  - Kindersley FST was completed and operational during the first quarter;
  - Edson and Keene FST's were completed, commissioned and operational during the second quarter of 2014;
  - Waste portion of the Stanley FST was completed and commissioned in the third quarter of 2014;
  - The Brazeau and 13 Mile SWDs are currently under construction to convert to FSTs with the waste portion of the Brazeau facility anticipated to be commissioned late in the fourth quarter of 2014 and 13 Mile in the first quarter of 2015;
  - The Rycroft and Kindersley FSRs are the Corporation's first organic oil rail facilities. The Rycroft FSR will offer treating, storage, disposal and transloading services. It is expected the Rycroft FSR will be commissioned and operational in the first quarter of 2015 and the Kindersley FSR is anticipated to be commissioned in the second quarter of 2015; and
  - Tulliby Lake FST and Landfill is the Corporation's first heavy oil and production sand treating, and Landfill facility. It is expected the landfill will be commissioned and operational near the end of the fourth quarter of 2014 and the FST in the first quarter of 2015.
- \$30.9 million for expansion capital:
  - Landfill cells at South Grande Prairie, Saddle Hills, and 13 Mile with the additional cell capacity available for the fourth quarter and subsequent years;

- Additional disposal wells at both the Obed and Drayton Valley FSTs will be commissioned in the fourth quarter;
  - Purchase of an office in Grande Prairie to accommodate growth of the Corporation and consolidate all three divisions into one space;
  - Additional treater is under construction at the Kindersley FST and will be commissioned in the fourth quarter; and
  - Waste expansion at South Grande Prairie FST will be completed and commissioned in the fourth quarter.
- \$14.0 million for long lead equipment for 2014 and 2015 capital projects; and
  - \$26.0 million for rental equipment such as centrifuges, Target Tanks, hydraulic stands, invert tanks and other miscellaneous capital expenditures, the oil based mud blending plant in Fox Creek was completed and commissioned in July 2014, and completion of the new DS state of the art laboratory facility opened in July 2014.

For the three and nine months ended September 30, 2014 acquisitions were \$61.4 million and \$91.0 million compared to \$21.3 million and \$26.7 million in the 2013 comparative periods.

In the first quarter of 2014, the Corporation completed two acquisitions in the OS division for \$16.4 million in cash consideration, with assets that will grow the Corporation's IFS service line and establish an onsite market presence in the US.

In the second quarter of 2014, the Corporation completed three acquisitions for \$13.2 million in cash consideration. A mineral products plant which mainly processes barite that will allow the Corporation to vertically integrate the operations in the DS division to improve logistics and quality of product, a drilling fluids business that will provide additional drilling fluids systems for highly complex wells in the deep basin and key customer relationships, and an environmental contracting business that provides services relating to spill cleanup, pond construction, and contaminated soil excavation, stockpiling, treatment, transportation and disposal and will expand the service area of the OS division.

In the third quarter of 2014, the Corporation completed two acquisitions for \$61.4 million in cash consideration. Secure closed the acquisition of the assets of Predator and acquired the assets of a private oilfield services company. Predator is a private midstream company that owns and operates three rail transloading terminals in Alberta. Predator transloads crude oil from truck to rail, where rail cars are aggregated and subsequently sold to refineries. The acquisition will add three operational rail sites and combined with Secure's current construction of the Rycroft FSR, will provide an immediate rail terminal network from which to build on. The other acquisition specializes in providing water pumping and frac pond setup services, and provides miscellaneous equipment for rent. The acquisition will expand the service area and assets of the OS division.

These seven strategic acquisitions are a continuation of the Corporation's strategy to add complementary services along the energy services value chain. In the 2013 comparative periods, the Corporation completed the acquisition of Frontline Integrated Services Ltd. and Target Rentals Ltd.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, or replacements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgment by management. During the three and nine month periods ended September 30, 2014, sustaining capital was \$2.0 million and \$3.1 million compared to \$1.7 million and \$3.6 million respectively, for the 2013 comparative periods. 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 typically relates to pump and riser replacements or upgrades. As a facility matures, the amount of sustaining capital required will increase.

## Financing Activities

(\$000's)	Three Months Ended Sept 30,			Nine Months Ended Sept 30,		
	2014	2013	% Change	2014	2013	% Change
Issue of common shares, net of issue costs	3,471	2,295	51	12,571	6,433	95
Net draws (repayments) on revolving credit facility	157,000	66,000	138	174,500	87,500	99
Financing costs	(1,088)	-	100	(1,088)	(28)	3,786
Dividends paid	(5,991)	(4,058)	48	(16,309)	(6,729)	142
Net cash flow from financing activities	153,392	64,237	139	169,674	87,176	95

For the nine months ended September 30, 2014, the Corporation issued 2,812,176 common shares for the seven acquisitions completed. In addition, the increase of common shares relates to the exercising of options in accordance with the Corporation's share-based payment plan (the "Plan"). Under the Plan, the Corporation may grant share options to its employees and directors for up to 10% of the issued and outstanding common shares of the Corporation calculated on a non-diluted basis at the time of grant. Options issued under the Plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant. Lastly, the increase relates to the vesting of the first tranche of Restricted Share Units ("RSUs") in accordance with the Corporation's RSU plan in which common shares were issued. RSUs issued vest in three equal portions on the first, second and third anniversary of the grant date and are settled in common shares of the Corporation.

On September 26, 2014, the Corporation entered into an amended and restated \$700.0 million syndicated credit facility. The Credit Facility consists of a \$675.0 million extendible revolving term credit facility and a \$25.0 million revolving operating facility that replaces the Corporation's \$400.0 million credit facility. The Credit Facility includes an accordion feature which, if exercised and approved by the Corporation's lenders, would increase the Credit Facility by \$100.0 million.

Amounts borrowed under the Credit Facility will bear interest at the Corporation's option of either the Canadian prime rate plus 0.45% to 2.00% or the Bankers' Acceptance rate plus 1.45% to 3.00%, depending in each case on the ratio of consolidated Senior Debt to EBITDA ratio, with any unused outstanding amounts subject to standby fees ranging from 0.29% to 0.60%. Senior Debt includes outstanding debt, finance leases, and any outstanding letters of credit. Total Debt is equal to Senior Debt plus any unsecured debt, excluding any convertible debentures. The Corporation currently does not have any unsecured debt and as a result, Total Debt is equal to Senior Debt. The Credit Facility is to be used for working capital purposes, capital expenditures, acquisitions, and general corporate purposes.

The Credit Facility is due on September 26, 2018 (the "maturity date"), and includes an option for the Corporation to extend the maturity date (once per annum) to a maximum of four years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the Credit Facility would therefore be repayable on the maturity date if the Credit Facility was not extended.

The following covenants apply to the existing Credit Facility:

- The Total Debt to EBITDA Ratio shall not exceed 5:00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- The Senior Debt to EBITDA Ratio shall not exceed 3:5:1 and
- The Interest Coverage Ratio shall not be less than 2:50:1.

At September 30, 2014, the Corporation was in compliance with all covenants.

As at September 30, 2014, the Corporation had drawn \$335.0 million on its Credit Facility compared to \$211.0 million in the 2013 comparative period. The amount drawn on the Credit Facility relates to capital expenditures and working capital requirements. Working capital in the DS division, specifically inventory, requires certain minimum levels to be held in order to meet the needs of customers for the active winter drilling season. The Corporation had \$335.1 million available under its credit facility as at September 30, 2014. The Corporation is well positioned, based on the available amount of its Credit Facility and expected funds from operations, to execute on the remainder of the 2014 capital program.

At September 30, 2014, the Corporation had issued approximately \$29.9 million in letters of credit and approximately \$13.1 million of performance bonds to various environmental regulatory authorities in Alberta and British Columbia and letters of credit related to certain crude oil marketing contracts. The Alberta Energy Regulator (“AER”) has implemented 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, requirements for crude oil contracts and future refunds under the OWL program, which are undeterminable at this time.

During the three and nine months ended September 30, 2014, the Corporation declared dividends totaling \$6.0 million and \$16.3 million to holders of common shares. Of the dividends declared for the three and nine months ended September 30, 2014, \$0.7 million and \$2.1 million was reinvested in additional common shares through the DRIP.

Subsequent to September 30, 2014, the Corporation declared dividends to holders of common shares in the amount of \$0.0167 per common share payable on October 15, 2014, and November 17, 2014, for shareholders of record on October 1, 2014, and November 1, 2014, respectively.

### **Contractual Obligations**

The Corporation has a total of \$311.2 million in commitments, excluding the above commitment relating to the credit facility. The \$311.2 million includes commitments for operating lease agreements primarily for heavy equipment, vehicles, land leases and office space, rail car operating leases as a result of the acquisition of Predator, and pipeline volumes for transportation of crude oil; capital commitments relating to purchases for use in the Corporation’s current and future capital projects, and inventory purchase commitments for use in the normal course of operations and for use at the mineral products plant acquired in the second quarter. Overall, the Corporation has sufficient funds from operations and availability through the credit facility to meet upcoming commitments.

(\$000's)	Payments due by period			Total
	1 year or less	1-5 years	5 years and thereafter	
Operating leases	8,704	16,281	8,359	33,344
Crude oil transportation	23,869	92,067	86,767	202,702
Inventory purchases	6,497	35,100	-	41,597
Capital purchases	31,784	-	-	31,784
Earn out payments	1,746	-	-	1,746
<b>Total Commitments</b>	<b>72,600</b>	<b>143,448</b>	<b>95,126</b>	<b>311,173</b>

In the normal course of operations, the Corporation is committed to the purchase and sale of 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 divisions.

### **BUSINESS RISKS**

A comprehensive listing of the Corporation’s business risks are set out in the Corporation’s Annual Information Form for the year ended December 31, 2013 under the heading “Business Risks”. This section does not describe all risks applicable to the Corporation, its industry or its business, and 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. In addition, the following additional business risks were identified for the quarter ended September 30, 2014:



### **Transportation of Dangerous Goods**

The Corporation transports various petroleum products by rail and truck. These petroleum products are considered dangerous goods under transportation of dangerous goods legislation. The volume of product shipped and the number of rail cars and trucks loaded at Secure facilities has continued to increase over the years. When Secure loads petroleum products, it may be considered the consignor, in which case it has specific responsibilities under the applicable laws, including the responsibility to ensure that the product is properly classified, the shipment is properly labelled and the product is loaded in an appropriate tank. Secure also owns and operates rail infrastructure and must comply with applicable laws relating to the maintenance and inspection of these facilities. Secure may face liability for personal injuries, damage to property, environmental damage, lost product in the event of an incident involving rail cars or trucks loaded by Secure, where Secure is the consignor or importer of the product, where Secure owns the product that is involved in an incident, or where an incident occurs on Secure's proprietary rail infrastructure. In addition, Secure may be exposed to regulatory action in the event that it fails to comply with transportation of dangerous goods laws.

The Corporation regularly assesses the risks associated with the transportation of dangerous goods. Among the risk mitigation measures that Secure employs, are: training programs for operational and logistics staff; adoption of general and site-specific procedures for loading/unloading, infrastructure maintenance, testing and product classification; negotiating fleet maintenance contracts; leasing rail cars that comply with current regulatory requirements; engaging with industry associations and regulatory agencies; periodically auditing operations and logistics practices; reviewing insurance requirements and securing appropriate coverage; hiring specialists as appropriate to assist.

### **OUTSTANDING SHARE CAPITAL**

As at November 6, 2014, there were 121,101,171 Common Shares issued and outstanding. In addition as at November 6, 2014, there were 7,558,274 share options outstanding, of which 3,015,749 were exercisable, 761,600 RSUs outstanding, of which nil were redeemable, and 21,578 PSUs outstanding, of which nil were redeemable.

### **OFF-BALANCE SHEET ARRANGEMENTS**

At September 30, 2014 and December 31, 2013, the Corporation did not have any off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

For the three and nine months ended September 30, 2014, the Corporation earned \$10.9 million and \$29.1 million of revenue and incurred \$1.3 million and \$2.1 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, DS and OS 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 three and nine months ended September 30, 2014, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (September 30, 2013 - 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.

### **ACCOUNTING POLICIES**

Secure's significant accounting policies are set out in Note 2 of the Corporation's annual audited financial statements for the year ended December 31, 2013.

### **FINANCIAL AND OTHER INSTRUMENTS**

As at September 30, 2014, the Corporation's financial instrument assets include cash, accounts receivables and accrued 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 except long term borrowings. Long term borrowings approximate their fair values due to the variable interest rates applied, which approximate market interest rates. The Corporation utilizes derivative financial instruments to manage its exposure to market risks relating to foreign currency exchange rates. Fair values of derivative contracts fluctuate

depending on the underlying estimates of future foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data. Refer to note 10, Financial Instruments of the accompanying financial statements for a summary of the fair value of derivative financial instruments existing at September 30, 2014. The use of financial instruments exposes the Corporation to credit, liquidity, foreign currency, 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 estimates and judgements" section of this MD&A.

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

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the preparation of the Corporation's condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgements 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 financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgements used in the preparation of the Corporation's condensed consolidated financial statements have been set out in the Corporation's MD&A for the year ended December 31, 2013 and its audited annual consolidated financial statements and notes thereto for the year ended December 31, 2013.

### **FUTURE ACCOUNTING PRONOUNCEMENTS**

On May 28, 2014, the International Accounting Standards Board issued International Financial Reporting Standard ("IFRS") 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on the Corporation's 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. 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. Management has reviewed internal controls over financial reporting

and no changes were made during the nine months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting other than the acquisitions completed during the quarter. Management is currently reviewing the ICFR systems and processes and has not identified any significant design or operating deficiencies to date.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains forward-looking statements pertaining to: corporate strategy; goals; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including market fundamentals, drilling levels, commodity prices for oil, natural gas liquids ("NGLs") and natural gas; industry fundamentals for the fourth quarter of 2014; capital forecasts and spending by producers; demand for the Corporation's services; expansion strategy; the amount of the increased 2014 capital budget; the amounts of the PRD, DS and OS divisions' proposed 2014 capital budgets and the intended use thereof; debt service; capital expenditures; completion of facilities; the impact of new facilities on the Corporation's financial and operational performance; future capital needs; access to capital; acquisition strategy; anticipated commissioning of the Rycroft and Kindersley FSRs; anticipated commissioning of the water recycling at South Grande Prairie FST; completion of the Brazeau and 13 Mile FSTs, and anticipated commissioning the Tulliby Lake FST and Landfill.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as the assumption that increases in market activity and growth will be consistent with industry activity in Canada, and

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

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "Business Risks" and under the heading "Risk Factors" in the Corporation's annual information form ("AIF") for the year ended December 31, 2013. Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

#### **ADDITIONAL INFORMATION**

Additional information, including Secure's AIF, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.secure-energy.ca](http://www.secure-energy.ca)