SECURE energy services

MANAGEMENT DISCUSSION AND ANALYSIS

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

Three and Twelve Months ended December 31, 2012 and 2011

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("Secure" or the "Corporation") has been prepared by management and reviewed and approved by the Board of Directors of Secure on March 4, 2013. 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 are based upon International Financial Reporting Standards ("IFRS").

The MD&A's focus is primarily a comparison of the financial performance for the three and twelve months ended December 31, 2012 and 2011 and should be read in conjunction with the Corporation's audited consolidated financial statements and accompanying notes prepared under IFRS for the years ended December 31, 2012 and 2011. The Corporation's management is responsible for the information disclosed in this MD&A and the accompanying audited consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Corporation. The MD&A has been prepared as of March 4, 2013. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" 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", "continues", "maintains", "target" and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to: general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including drilling levels; commodity prices for oil, natural gas liquids and natural gas; demand for the Corporation's services and the factors contributing thereto; expansion strategy; the 2013 capital budget, the allocation between the PRD and DS divisions and the factors contributing thereto and the intended use thereof; debt service; capital expenditures; completion of facilities; future capital needs; access to capital; acquisition strategy; the Corporation's capital spending on the Rocky Mountain House and Judy Creek, Alberta full service terminals and the timing of completion thereof; the capital spending on the landfill at Saddle Hills, Alberta and the timing for completion thereof; the capital spending on the stand alone water disposal facilities at Kabob and Edson, Alberta and the timing of the completion thereof; the capital spending on the stand alone water disposal facilities at Keene and Stanley, North Dakota and the timing of the completion thereof; the amount of the Corporation's asset retirement obligations and the timing thereof; and oil purchase and resale revenue.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as assumptions that increases in market activity and growth will be consistent with industry activity in Canada, the United States, and internationally 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 favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking statements concerning the relative future competitive position of the Corporation is based upon the assumptions that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation and its subsidiary to successfully market their PRD (as defined herein) services in the Western Canadian Sedimentary Basin ("WCSB") and North Dakota and their DS division (as defined herein) in the Western Canadian Sedimentary Basin, the Rocky Mountain region (consisting of Colorado, Wyoming, Montana and Utah) and North Dakota will lead to sufficient demand for the Corporation 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 is based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking 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. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry

participants and analysts relating to anticipated exploration and development programs of oil and natural gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected industry equipment utilization in the WCSB, the Rocky Mountain region, North Dakota, and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

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. 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 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, 2012 and the most recent Information Circular and quarterly reports, material change reports and news releases. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them.

The Corporation's actual results could differ materially from those anticipated in such forward-looking statements as a result of the risk factors set forth below and elsewhere in this document: general economic conditions in Canada and the United States; changes in the level of capital expenditures made by oil and natural gas producers and the resultant effect on demand for oilfield services during drilling and completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield service generally; risks inherent in the Corporation's ability to generate sufficient cash flow from operations to meet its current and future obligations; increases in debt service charges; the Corporation's ability to access external sources of debt and equity capital; changes in legislation and the regulatory environment, including uncertainties with respect to implementing binding targets for reductions of emissions and the regulation of hydraulic fracturing services; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; competition; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; ability to integrate technological advances and match advances of completion; credit risk to which the Corporation is exposed in the conduct of its business; and changes to the royalty regimes applicable to entities operating in the WCSB, the Rocky Mountain region or North Dakota. Many of these factors are discussed in further detail through this document.

Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

CORPORATE OVERVIEW

Secure is a TSX publicly traded energy services company that focuses on providing specialized services to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and in the United States. The services provided by the Corporation assist these companies with the handling, processing and sale of crude oil, waste disposal, drilling fluids, recycling services and various complementary services associated with oil and natural gas development and production.

The Corporation operates two divisions:

PROCESSING, RECOVERY AND DISPOSAL DIVISION ("PRD")

Operating under the corporate name Secure Energy Services Inc., the PRD division provides clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. Secure currently operates sixteen facilities throughout western Canada, and three facilities in North Dakota, providing these services at its full service terminals ("FST"), landfills or stand alone water disposal facilities ("SWD").

DRILLING SERVICES DIVISION ("DS")

Operating under the corporate name Marquis Alliance Energy Group Inc. (together with its wholly owned subsidiaries "Marquis Alliance") and the trade names XL Fluids Systems ("XL Fluids") and Imperial Drilling Fluids Engineering ("IDF"), the DS division provides drilling fluid systems, solids control and environmental services. 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.

For a complete description of services provided in both of the above divisions, please refer to the headings “Secure Energy Services Inc.”, “Description of Business” and “Industry Overview” in the Corporation’s annual information form (“AIF”) for the year ended December 31, 2012.

CORPORATE STRATEGY

Secure’s goal is to achieve profitable growth while providing cost effective solutions and delivering exceptional customer service. To achieve this goal, Secure’s 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;
- Conduct operations in a safe and environmentally responsible manner; and
- Enhance environmental stewardship for the Corporation’s customers.

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SELECTED FINANCIAL HIGHLIGHTS

Secure's financial performance for 2012 increased significantly over 2011 resulting in a record year. For the year ended December 31, 2012, revenue (excluding oil purchase and resale) increased 70% to $392.2 million and net earnings improved 48% to $33.1 million while total assets increased 27% to total $767.9 million when compared to the year ended December 31, 2011. The Corporation executed on its organic growth and expansion initiatives adding $167.8 million of new facilities and equipment, and completing $36.6 million of acquisitions. Secure's results reflect increased demand at existing PRD facilities and increased market share in the DS division despite slower oil and natural gas industry activity in the second half of 2012. The PRD division 2012 operating margin of $79.6 million increased 63% from 2011 as a result of new facilities and expansions as well as greater demand for the Corporation's services. The Drilling Services division added operating margin of $63.0 million and increased its year over year market share in the WCSB to 29% from 26%.

The following table summarizes the operating and financial highlights for the year ended December 31, 2012:

($000's except share and per share data)[1]	Year Ended Dec 31, 2012	2011	2010
Revenue (excludes oil purchase and resale)	**392,192**	231,051	50,752
Oil purchase and resale	**637,248**	320,148	22,241
Total revenue	**1,029,440**	551,199	72,993
EBITDA [2]	**99,624**	61,964	24,601
Per share ($), basic	**1.03**	0.79	0.42
Per share ($), diluted	**1.00**	0.75	0.41
Net earnings	**33,052**	22,383	5,368
Per share ($), basic	**0.34**	0.28	0.09
Per share ($), diluted	**0.33**	0.27	0.09
Funds from operations [2]	**87,796**	56,002	25,524
Per share ($), basic	**0.91**	0.71	0.44
Per share ($), diluted	**0.88**	0.68	0.42
Cash dividends per common share	**nil**	nil	nil
Capital expenditures [2]	**201,587**	202,053	63,710
Total assets	**767,911**	603,083	198,464
Long term borrowings	**122,810**	119,070	-
Common shares - end of period	**104,627,002**	90,156,688	63,754,348
Weighted average common shares			
basic	**96,388,929**	78,540,224	58,560,338
diluted	**99,362,698**	82,944,975	60,464,341

[1] Certain amounts were reclassified to conform with current period presentation

[2] Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

2012 HIGHLIGHTS:

- RECORD REVENUE AND EBITDA
  - Revenue for the year ended December 31, 2012 (excluding oil purchase and resale) increased 70% to $392.2 million from $231.1 million for the year ended December 31, 2011. The major contributing factors to increased revenue in the PRD division included the new facilities and expansions completed during the year, higher disposal and processing volumes from existing facilities, and a key acquisition in North Dakota. The DS division revenue increased significantly as a result of twelve months of operations in 2012 versus seven months in 2011, completion of two key acquisitions and through increased demand for its services;
  - Oil purchase and resale revenue in the PRD division for the year ended December 31, 2012 of $637.2 million increased 99% from the same period in 2011. The significant increase resulted from the Drayton Valley FST being operational for a full year, the addition of the crude oil treating and terminalling at the Dawson FST and overall increased demand; and

- EBITDA (earnings before interest, taxes, depreciation and amortization) for the year ended December 31, 2012 increased 61% to $99.6 million from $62.0 million for the year ended December 31, 2011. EBITDA per diluted share for the year ended December 31, 2012 was $1.00, a 33% increase from the year ended December 31, 2011. Increases in revenue as discussed above and higher operating margins translated into improved EBITDA for Secure for the year ended December 31, 2012 as compared to the prior year period.

- DIVERSIFICATION INTO NEW MARKETS AND NEW AREAS
  - Organic expansion and growth capital totaled $167.8 million for 2012. Total assets as of December 31, 2012 were $767.9 million compared to $603.1 million as of December 31, 2011. New facilities completed, expansion of existing facilities and new projects initiated included:
    - Drayton Valley FST Oil Based Mud ("OBM") blending facility;
    - South Grande Prairie mud storage system;
    - Wild River SWD (permanent facility);
    - Obed, Dawson and Fox Creek FST expansions including the Phase III (oil treating and terminalling) at Dawson;
    - South Grande Prairie and Pembina landfill expansions;
    - Fox Creek landfill (completed in December of 2012);
    - Crosby North Dakota SWD, (completed in December of 2012), Secure's first organic project in the United States;
    - Construction of the new Judy Creek FST (joint venture with Pembina Pipelines Corporation) and the Rocky FST; both expected to be operational in the second quarter of 2013;
    - Construction of the new Edson SWD, temporary facility scheduled to open in the first quarter of 2013 with permanent facility forecasted to be operational the beginning of 2014;
    - New Kabob SWD, initial development complete with construction commencing in the second quarter; and
    - Various long lead equipment purchases for the 2013 capital projects.
  - Strategic acquisition capital totaled $36.6 million ($30.8 million cash portion) in 2012, targeting under-serviced and capacity constrained markets:
    - Asset purchase of DRD Saltwater Disposal LLC in July provided entry into the North Dakota Bakken, expanding PRD operations outside of the WCSB into the United States;
    - New West Drilling Fluids acquisition in January expanding the DS division drilling fluid solutions into the heavy oil and oil sands area of north eastern Alberta; and,
    - Purchase of the assets of Imperial Drilling Fluids Engineering. The acquisition provided the Corporation with access to the developing Niobrara area in the U.S. Rockies.
- SOLID BALANCE SHEET
  - On November 1, 2012 Secure increased its syndicated credit facility from $200.0 million to $300.0 million through an amended and restated extendible credit facility agreement. The credit agreement includes an accordion provision to increase the credit facility by $50.0 million to $350.0 million.
  - In August, a bought deal financing was completed raising total proceeds of $86.3 million. The net proceeds from the financing were used to initially repay the Corporation's credit facility. Funds have been redrawn on the credit facility to fund a portion of the 2012 and 2013 capital expenditure programs.
  - Funds from operations increased 12% in the fourth quarter of 2012 to $24.8 million from the comparative quarter in 2011 and 57% for the year ended December 31, 2012 compared to the same period in 2011. Increases were used to partially fund the Corporation's 2012 capital expenditure program thereby minimizing draws on the credit facility.
  - Secure's debt to EBITDA ratio was 1.51 as of December 31, 2012 compared to 2.07 as of December 31, 2011.
- On March 4, 2013, the Corporation's Board of Directors approved the implementation of a dividend of $0.0125 per share per month, or $0.15 per share on an annual basis, commencing May 1, 2013.

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FOURTH QUARTER 2012 HIGHLIGHTS:

($000's except share and per share data)[1]	Three Months Ended Dec 31, 2012	2011	% Change
Revenue (excludes oil purchase and resale)	**108,356**	101,999	6
Oil purchase and resale	**170,501**	129,262	32
Total revenue	**278,857**	231,261	21
EBITDA [2]	**28,360**	24,785	14
Per share ($), basic	**0.27**	0.28	(4)
Per share ($), diluted	**0.26**	0.26	-
Net earnings	**10,634**	10,290	3
Per share ($), basic	**0.10**	0.12	(17)
Per share ($), diluted	**0.10**	0.11	(9)
Funds from operations [2]	**24,785**	22,149	12
Per share ($), basic	**0.24**	0.25	(4)
Per share ($), diluted	**0.23**	0.24	(4)
Cash dividends per common share	**nil**	nil	-
Capital expenditures [2]	**67,604**	29,330	130
Total assets	**767,911**	603,083	27
Long term borrowings	**122,810**	119,070	3
Common shares - end of period	**104,627,002**	90,156,688	16
Weighted average common shares			
basic	**104,530,375**	89,481,219	17
diluted	**107,456,318**	93,718,121	15

[1] Certain amounts were reclassified to conform with current period presentation

[2] Refer to "Non GAAP measures and operational definitions" and "Additional GAAP measures" for further information

- Fourth quarter 2012 revenue (excluding oil purchase and resale) increased 6% to $108.4 million from $102.0 million in the fourth quarter of 2011. The increase relates to higher demand, the new facilities and expansions completed in 2012 and the three key acquisitions executed during the year, offset by a reduction in 2012 fourth quarter activity levels compared to the fourth quarter of 2011. Oil purchase and resale fourth quarter revenue of $170.5 million increased 32% from the fourth quarter of 2011 as a result of the addition of Dawson FST crude treating and terminalling in June of 2012.
- Fourth quarter 2012 EBITDA increased 14% to $28.4 million from $24.8 million in the fourth quarter of 2011. EBITDA per diluted share in the fourth quarter of 2012 was $0.26 which was consistent to the fourth quarter of 2011. The key factors contributing to higher EBITDA in the fourth quarter of 2012 compared to the fourth quarter of 2011 relate to improved market share for the DS division of approximately 30%, compared to 25% for the same period of 2011, the EBITDA contribution of the three acquisitions in the year, higher demand in the PRD division and a 1% improvement in operating margins in both divisions despite a 28% decline in the Canadian Association of Oilwell Drilling Contractor's (CAODC) average rig count in the fourth quarter of 2012 compared to the same quarter in 2011.
- Fourth quarter 2012 net earnings increased 3% over the fourth quarter of 2011. Overall net earnings were impacted by slower industry conditions, primarily effecting the DS division. As well, depreciation increased over the prior quarter due to capital additions deployed throughout the year. Net earnings generated from new capital assets generally are delayed twelve to eighteen months to gain full market presence. Finally, general administrative expenses increased in order to support future growth in both the United States and Canada.
- Net earnings per share (basic) of $0.10 for the fourth quarter of 2012 decreased from $0.12 in the fourth quarter of 2011. Net earnings per share decreased as the number of shares outstanding increased quarter over quarter and due to lower earnings before income taxes in the fourth quarter of 2012 compared to the fourth quarter of 2011. The number of shares increased during the year as the Corporation completed a bought deal financing and issued shares as consideration in certain acquisitions completed. The Corporation also only saw six months of profit contribution from two of the acquisitions, as

well any new facilities added typically require twelve to eighteen months to gain full market presence on a cash flow contribution basis.

Organic expansion and growth capital program totaled $66.4 million for the fourth quarter of 2012 compared to $28.9 million in the same quarter of 2011. Capital expenditures included:

- Ongoing construction of the new Judy Creek and Rocky FSTs;
- Obed FST expansion;
- Fox Creek landfill (completed in December of 2012);
- Crosby North Dakota SWD (completed in December of 2012);
- Construction of temporary Edson SWD;
- Initial development of the Kaybob SWD; and,
- Various long lead equipment purchases for the 2013 capital program.

OUTLOOK

Secure had a successful and rewarding year in 2012. The Corporation achieved significant growth while creating value for our shareholders over the past year. Concerns over crude oil differentials, natural gas liquid pricing and natural gas fundamentals in North America are leading to cautious producer spending plans for 2013. There is optimism that producer capital programs will be revised upwards in the latter half of 2013 predicated on continued foreign investment, improved access to capital for producers, stability in crude oil pricing and a narrowing of differentials and further clarity on future liquid natural gas ("LNG") export facility developments. There have been a number of recent positive developments for oilfield activity in the Western Canadian Sedimentary Basin ("WCSB") including the approval of the Nexen/CNOOC and Progress/PETRONAS transactions and the Encana/PetroChina Joint Venture in the Duvernay play. The Canadian Association of Oilwell Drilling Contractors is forecasting a 6% year over year decrease in 2013 well counts and drilling operating days in the WCSB. Despite the flat well count, average well depth is expected to continue to increase and the total of metres drilled in the WCSB is expecting to climb from 2012. In the United States, drilling activity peaked in the first quarter of 2012 and weakened over the course of the year as producers high graded development programs, in general shifting from natural gas drilling to crude oil plays. Expectations are for the U.S. land rig count to trough at some point in early 2013 with improvement in subsequent quarters.

Secure's continued investment in new facilities in Canada and the United States in 2012 provides a basis for continued growth into 2013. Secure recently announced a 2013 capital expenditure program of $155.0 million. $15.0 million is carry over capital from 2012 projects related to the Judy Creek and Rocky FSTs. The Rocky FST and the Judy Creek FST are expected to be completed in the second quarter of 2013. $115.0 million is allocated to PRD growth initiatives which include adding three FSTs, two SWDs and one landfill. The Corporation has started development of new Alberta SWDs at Edson and Kabob in the fourth quarter of 2012 and is in the planning stages of initiating new SWD projects at Keene and Stanley in North Dakota. All of these SWDs will be assessed for conversion to FST facilities pending regulatory approval and customer demand. It is expected that the majority of other PRD capital initiatives for 2013 will not have any material cash flow impact until 2014, which is typical considering the approval and construction timelines for these types of facilities. The DS division's growth initiatives include adding $15.0 million of solids control equipment allocated evenly between Canada and the United States. Secure's strong balance sheet has sufficient capacity to fund its capital program. The Corporation plans to fund the 2013 capital program through operating cash flow and available credit facilities. In addition to growth through capital projects, Secure expects market expansion attributed to increased demand for the Corporation's integrated service offerings through all stages of the value chain. Due to tighter regulatory and environmental standards, it is expected that producers will increasingly outsource their waste and water disposal needs as oil and gas by-products continue to increase. Secure's full-suite of services will continue to serve an existing and growing network of customers seeking end-to-end solutions for their waste handling needs.

The Corporation's focus on organic growth opportunities is complemented by strategic acquisitions as a way to expedite market presence in key areas. The IDF and DRD acquisitions in the third quarter of 2012 demonstrate how the Corporation capitalized on opportunities to gain an immediate presence in new market areas in the United States. The Corporation's primary goal is to exceed customer expectations by providing innovative, efficient and environmentally responsible fluid and solid solutions. In 2013, the Corporation will continue to look to expand through accretive acquisition opportunities that align with Corporation's value chain.
The organic growth and expansion capital budget detailed above will enhance our competitive positioning and expands our service offering in both Canada and the US. The diversity of Secure's asset base lessens the impact of drilling related revenue streams in favour of production related services. Secure has a focused strategy of constructing and expanding facilities and services in key under-serviced and capacity constrained markets. A solid balance sheet provides the leverage and flexibility to execute this strategy.

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NON-GAAP MEASURES AND OPERATIONAL DEFINITIONS

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

Operating margin

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

Operating days

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

Canadian Market Share

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

EBITDA

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

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Net earnings	**10,634**	10,290	3	**33,052**	22,383	48
Add:						
Depreciation, depletion and amortization	**12,236**	8,915	37	**42,283**	25,230	68
Non-cash share-based payments	**1,407**	1,007	40	**5,383**	3,029	78
Current tax expense	**2,239**	1,776	26	**7,286**	4,491	62
Deferred income tax expense	**(77)**	1,730	(104)	**5,855**	5,042	16
Interest, accretion and finance costs	**1,921**	1,067	80	**5,765**	1,789	222
EBITDA	**28,360**	24,785	14	**99,624**	61,964	61

Capital Expenditures

Expansion, growth and 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 judgement by management.

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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.

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Cash from (used in) operating activities	**47,426**	(12,828)	(470)	**99,266**	7,761	1,179
Add (deduct):						
Non-cash working capital changes	**(22,641)**	34,977	(165)	**(11,470)**	48,241	(124)
Funds from operations	**24,785**	22,149	12	**87,796**	56,002	57

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

Secure's operations are carried out in two divisions; the PRD division and the DS division. The PRD division operates under the trade name of Secure. The DS division operates under the trade names of Marquis Alliance Energy Group, XL Fluid Systems and Imperial Drilling Fluids. Both divisions conduct business in Canada and the United States. The following table shows the consolidated results for both divisions for the year ended December 31, 2012:

	Year Ended Dec 31,		
($000's except per share data)	**2012**	**2011**	**% Change**
Revenue	**1,029,440**	551,199	87
Operating expenses	**929,048**	489,878	90
General and administrative	**46,406**	25,452	82
Business development	**2,028**	2,014	1
Interest, accretion and finance costs	**5,765**	1,939	197
Earnings before income taxes	**46,193**	31,916	45
Current income tax expense	**7,286**	4,491	62
Deferred income tax expense	**5,855**	5,042	16
	13,141	9,533	38
Net earnings	**33,052**	22,383	48
Other comprehensive income			
Foreign currency translation adjustment	**(1,322)**	231	(672)
Total comprehensive income	**31,730**	22,614	40
Earnings per share			
Basic	**0.34**	0.28	21
Diluted	**0.33**	0.27	22

PRD DIVISION OPERATIONS - YEAR ENDED DECEMBER 31, 2012

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 class 1B disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

Oil purchase/resale service:

The purpose of providing this service is to enhance the service offering associated with Secure's business of produced water disposal, crude oil emulsion treating, terminalling and marketing. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure FSTs, crude oil volumes are metered and crude oil is purchased 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.

($000's)[1]	Year Ended Dec 31, 2012	2011	% Change
Revenue			
Processing, recovery and disposal services (a)	**129,893**	83,345	56
Oil purchase and resale service	**637,248**	320,148	99
Total PRD division revenue	**767,141**	403,493	90
Operating Expenses			
Processing, recovery and disposal services (b)	**50,246**	34,581	45
Oil purchase and resale service	**637,248**	320,148	99
Depreciation, depletion, and amortization	**29,356**	19,153	53
Total operating expenses	**716,850**	373,882	92
General and administrative	**14,281**	10,041	42
Total PRD division expenses	**731,131**	383,923	90
Operating Margin [2] (a-b)	**79,647**	48,764	63
Operating Margin [2] as a % of revenue (a)	**61%**	59%	3

[1] Certain amounts were reclassified to conform with current period presentation (see note below)

[2] Refer to "Non GAAP measures and operational definitions" for further information

Note: In the prior year, the Corporation completed the acquisition of Marquis Alliance and XL Fluids creating the DS division. In 2012, Secure has reclassified certain costs previously included in the PRD division, including segregating out costs associated with Corporate overhead. Accordingly, any reclassifications in 2012 were adjusted in the prior year to conform to current period presentation.

Revenue (PRD division)

Revenue from processing, recovery and disposal for the year ended December 31, 2012 increased 56% to $129.9 million from $83.3 million for the year ended December 31, 2011. Revenue increased as year over year processing volumes increased by 110%. Volumes increased from:

- New facility additions and expansions in late 2011 and throughout 2012 which include the new Drayton Valley FST in the fourth quarter of 2011; the acquisition of the Silverdale FST in October 2011; the new Wild River SWD permanent facility in the second quarter of 2012; the expansions of Obed, Fox Creek and Dawson FSTs; the acquisition of DRD in July 2012; the new Crosby SWD in North Dakota in December 2012; and the new Fox Creek Landfill in December of 2012 (the "new facilities and expansions");
- Increased demand as year over year processing volumes from existing facilities that were in operation at the same time in 2012 and 2011 continued to see growth.

Recovery revenue from the sale of oil recovered through waste processing, crude oil handling, marketing and terminalling increased by 49% for the year ended December 31, 2012 compared to the same period in 2011. The amount of recovery revenue increased with the addition of new facilities and expansions during the year, with higher processing volumes and due to the Corporation's ability to capitalize on crude oil marketing opportunities at its FSTs. Crude oil marketing revenue increased by 112% for the year ended December 31, 2012 compared to the same period of 2011 as a result of the Dawson FST, a full year of Drayton Valley and Silverdale FSTs and the Corporation's ability to capitalize on market spread differential opportunities throughout the year. For the years ended December 31, 2012 and 2011, $8.8 million and $8.0 million respectively in revenue and expenses relating to natural gas liquids purchased and sold were reclassified to the oil purchase and resale service line. There is no absolute dollar change in the operating margin relating to this reclassification.

Disposal volumes increased by 37% year over year from the addition of new facilities and expansions and the acquisition of DRD. Disposal volumes in existing facilities also improved on a year over year basis.

Revenue from oil purchase and resale service for the year ended December 31, 2012 increased 99% to $637.2 million from $320.1 million for the year ended December 31, 2011. Secure became a single shipper at the Dawson FST on June 1, 2012, the Drayton Valley FST in January 2012 and at the La Glace FST at the start of the fourth quarter of 2011. Adding single shipper status at these facilities increases the amount of oil purchased and sold at the facility. Increases in Secure's oil purchase/resale service helps drive demand for Secure's other service offerings. The revenue and corresponding expense of this service will fluctuate period over period, depending upon the volume of crude oil received, combined to the price of crude oil. As shown above, oil purchase/resale revenue is deducted to calculate the operating margin of processing, recovery and disposal services. See the "**Business Risks**" section in this MD&A for further discussion.

Operating Expenses (PRD division)

Operating expenses from PRD services for the year ended December 31, 2012 increased 45% to $50.2 million from $34.6 million for the comparative period of 2011. The increase in operating expenses relates to the new facilities and expansions added organically, the Silverdale and DRD acquisitions and due to an increase in processing volumes from existing facilities. Operating expenses have a fixed and variable component. The most significant fixed operating expense at facilities is salaries and wages. Therefore, when new facilities are added the costs to train and staff the facilities are typically higher in the first few months of operations. For existing facilities, these expenses should remain relatively constant. Variable operating expenses include items such as trucking, utilities, equipment charges, and facility repairs and maintenance. Revenue for the year ended December 31, 2012 increased 56% which is consistent with the 45% increase in operating expenses over the comparable period of 2011.

Operating margin as a percentage of revenue from PRD services was 61% for the year ended December 31, 2012 compared to 59% for the same period of 2011. The two percentage point increase in the operating margin in 2012 compared to 2011 was a result of improvements in operating efficiencies at the facilities and improved weather conditions experienced during the year. The Corporation did not experience the same weather conditions in 2012 as it did in 2011. Weather conditions in 2011 added approximately $2.0 million to operating expenses as a result of increased road maintenance, site and equipment, and leachate disposal expenses due to heavy rains. As discussed in the PRD revenue analysis, certain revenue and expenses in 2012 and 2011 were reclassified to the oil purchase and resale service line. As a result of this reclassification, there is no absolute dollar change to the operating margin.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the year ended December 31, 2012 increased to $29.4 million from $19.2 million in the comparable period of 2011. Depreciation, depletion and amortization expense has increased significantly due to the addition of

new facilities and expansions, and the increase in disposal volumes at PRD division 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 year ended December 31, 2012 increased to $14.3 million from $10.0 million in the comparative period of 2011. Wages and Salaries increased 54% as new employees were hired to support growth in the PRD division in Canada and the United States. Information system expenses increased 73% as a result of improvements in system infrastructure and added licensing fees to support increased volumes from existing and new facilities. G&A expenses also increased with the establishment of the PRD divisional office in Denver, Colorado. G&A expenses include non-cash share based payments from the granting of options to new employees upon commencing employment and to existing employees annually. Shared based payment expense is higher for 2012 due to increased number of employees for the reasons mentioned above. The increase in G&A is in line with management expectations. For the years ended December 31, 2012 and 2011, G&A as a percentage of revenue (excluding oil purchase/resale), improved to 11% from 12%, respectively. In 2012, the Corporation has reclassified certain G&A expenses from the PRD division to Corporate. The PRD division's G&A expenses exclude all public company costs, salaries, share based payments and office costs relating to corporate employees.

DS DIVISION OPERATIONS - YEAR ENDED DECEMBER 31, 2012

The Corporation's DS division commenced operations on June 1, 2011 with the acquisition of Marquis Alliance. The division has continued to expand with the subsequent acquisitions of XL Fluids on July 1, 2011, New West on January 25, 2012, and most recently Imperial Drilling Fluids on August 15, 2012. Comparative results for 2011 are limited to the seven months beginning June 1, 2011 for which this division was a wholly owned subsidiary of the Corporation. The DS division's main geographic area of operations remains the WCSB, however activity levels continue to increase in the United States with the acquisition of IDF as well as through increases in capital spending on solids control equipment. WCSB operations are coordinated from the Calgary, Alberta office, while U.S. operations are coordinated through the Denver, Colorado office.

Drilling services:

Three main service lines drive revenue for the DS division: drilling fluids, environmental, and solids control. The drilling fluids service line operates in the WCSB and the U.S. and is the foundation for DS division operations. Drilling fluids 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. Experienced technical personnel design adaptable drilling programs to meet the needs of increasingly complex horizontal and directional drilling. These programs offer customers significant savings in time and money by anticipating the drilling challenges they may encounter. The environmental service line serves the WCSB by offering remediation, reclamation, special project management, professional services, and drilling waste management to customers. Services include pre-drilling assessments, remediation of former wellsites, facilities, commercial, and industrial properties from initial assessment through to reclamation certification. The solids control service line focuses on providing equipment to ensure that the quality of drilling fluids used throughout the drilling cycle is maintained by continually processing and recycling the drilling fluids as they return to the surface. The solids control service line operates in concert with the drilling fluids service line in the WCSB and in the U.S. Solids control equipment ensures the continual removal of drilling cuttings and solids from the drilling fluid. This results in higher penetration rates with less wasted fluid, and an overall reduction in drilling costs. The current solids control fleet of high speed centrifuges, drying shakers, bead recovery units, tanks, and ancillary equipment are offered as a standalone package or as part of an integrated drilling fluids and solids control package.

SECURE energy services

($000's)[1]	Year Ended Dec 31, 2012	2011	% Change
Revenue			
Drilling services (a)	**262,299**	147,706	78
Operating expenses			
Drilling services (b)	**199,270**	109,919	81
Depreciation and amortization	**12,412**	5,777	115
Total DS division operating expenses	**211,682**	115,696	83
General and administrative	**26,867**	12,036	123
Total DS division expenses	**238,549**	127,732	87
Operating Margin [2] (a-b)	**63,029**	37,787	67
Operating Margin % [2]	**24%**	26%	(8)

[1] Includes DS division from its acquisition on June 1, 2011.

[2] Refer to "Non GAAP measures and operational definitions" for further information

Revenue (DS division)

For the year ended, December 31, 2012, revenue from the DS division increased 78% to $262.3 million versus $147.7 million for the seven months ended December 31, 2011. The year over year increase in revenue is mostly attributable to a full year of activities in 2012 versus the seven months of 2011 and the increase in the Canadian market share. DS division revenue in 2012 is driven by the drilling fluids service line representing $225.2 million or 86% of the division's revenue respectively; this compares to $129.1 million and 87% for the seven months ended December 31, 2011. The remainder of the revenue is attributable to the environmental and solids control service lines representing $37.1 million for the year ended December 31, 2012 and $18.6 million for the year ended December 31, 2011.

Canadian market share for the drilling fluids service line for the year ended December 31, 2012 was approximately 29%, up from 26% in 2011. The market share increased as a result of the successful integration of the XL and New West acquisitions, offering a broader product line adding SAGD and completion fluid products and the introduction of new technology such as well bore strengthening and lost circulation additives for oil based mud drilling and new products for the drilling of horizontal wells in the oil sands. Market share calculations are based on the CAODC's average monthly rig count for Western Canada of 351 rigs over the twelve months of 2012; and for 2011 were based on the seven months of operation since inception of the DS division.

Revenue per operating day for 2012 for the Canadian drilling fluids service line was $5,449 compared to $4,995 for the seven months ended December 31, 2011. Revenue per operating day increased over 2011due to an increased volume of oil based muds compared to the same period in 2011. Oil based muds have a higher selling price and lower margin than water based muds. Oil based mud demand has increased due to more horizontal and directional drilling; the product is typically better suited for these types of applications. Also, exclusion of the first quarter of 2011 which typically has more activity decreases the revenue per operating day number. Overall, revenue per operating day has continued to increase in the oil and gas industry as operators expand the length and depth of their wells, while continuing to reduce the days drilling. The effect of this trend keeps pressure on service companies to provide solutions to meet these increasing demands and hence increasing the complexity of the types of fluids and additives which, in turn, require higher cost drilling fluids and products.

Operating Expenses (DS division)

Operating margin represents the profit earned on revenue after deducting operating expenses; this includes the direct cost of products, logistics, personnel, and equipment associated with the DS division. Variations in product mix, well type, geographic area, and nature of activity (i.e. drilling fluids, environmental, and or solids control) drives changes in DS division operating margins. The DS division incurred operating expenses for the year ended December 31, 2012 of $199.3 million (or 76% of revenue) compared to $109.9 million (or 74% of revenue) for the seven months ended December 31, 2011. The year over year increase in absolute dollars is the direct result of twelve months of operations in 2012 versus the seven months of operation in 2011 (since inception of the division). On a percentage of revenue basis, operating margins of 24% decreased two percentage points due to a higher proportion of oil based drilling fluids use which has a lower margin than water based drilling fluids.

Depreciation and Amortization (DS division)

Depreciation and amortization for the year ended December 31, 2012 was $12.4 million compared to $5.8 million for the seven months ended December 31, 2011. Depreciation and amortization increased significantly in 2012 versus 2011 as a result of two factors – a full year of activity in 2012 versus seven months of activity in 2011; and a fixed asset base that continues to grow as the division purchases assets to support growth across the various business lines.

General and Administrative (DS division)

The DS division G&A expenses for the year ended December 31, 2012 were $26.9 million compared to $12.0 million for the seven months ended December 31, 2011. The year over year increase is the result of a full twelve months of operations in 2012 versus seven months of operation in 2011 and an increase in headcount and associated costs to manage the growth in U.S. operations. G&A expense as a percentage of revenue was therefore 10% for 2012 versus 8% in 2011. In 2012, the Corporation reclassified G&A expenses in the DS division to exclude all salaries, share based payments, and office costs relating to corporate employees. The most significant accounts within G&A expense include: salaries and benefits for office staff, professional fees, office leases, insurance, utilities, and communications. The increase in G&A is in line with management's expectations. As a percentage of revenue, G&A expenses have remained relatively consistent throughout the year.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2012

In order to discuss the factors that have caused period to period variations in operating activities, the Corporation has divided the business into two reportable operating segments; the PRD division and the DS division. The following table shows the consolidated results for the three months ended December 31, 2012:

	Three Months Ended Dec 31,		
($000's except per share data)	**2012**	**2011**	**% Change**
Revenue	**278,857**	231,261	21
Operating expenses	**250,542**	206,022	22
General and administrative	**13,036**	10,117	29
Business development	**562**	202	178
Interest, accretion and finance costs	**1,921**	1,124	71
Earnings before income taxes	**12,796**	13,796	(7)
Current income tax expense	**2,239**	1,776	26
Deferred income tax expense	**(77)**	1,730	(104)
	2,162	3,506	(38)
Net earnings	**10,634**	10,290	3
Other comprehensive income			
Foreign currency translation adjustment	**712**	229	211
Total comprehensive income	**11,346**	10,519	8
Earnings per share			
Basic	**0.10**	0.12	(17)
Diluted	**0.10**	0.11	(9)

SECURE energy services

PRD DIVISION OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2012

($000's)[1]	Three Months Ended Dec 31, 2012	2011	% Change
Revenue			
Processing, recovery and disposal services (a)	**36,558**	27,324	34
Oil purchase and resale service	**170,502**	129,262	32
Total PRD division revenue	**207,060**	156,586	32
Operating Expenses			
Processing, recovery and disposal services (b)	**13,904**	10,756	29
Oil purchase and resale service	**170,502**	129,262	32
Depreciation, depletion, and amortization	**9,057**	6,193	46
Total operating expenses	**193,463**	146,211	32
General and administrative	**4,483**	3,305	36
Total PRD division expenses	**197,946**	149,516	32
Operating Margin [2] (a-b)	**22,654**	16,568	37
Operating Margin [2] as a % of revenue (a)	**62%**	61%	2

[1] Certain amounts were reclassified to conform with current period presentation (see note below)

[2] Refer to "Non GAAP measures and operational definitions" for further information

Note: In the prior year, the Corporation completed the acquisition of Marquis Alliance and XL Fluids creating the DS division. In 2012, Secure has reclassified certain costs previously included in the PRD division, including segregating out costs associated with Corporate overhead. Accordingly, any reclassifications in 2012 were adjusted in the prior year to conform to current period presentation.

Revenue (PRD division)

Revenue from processing, recovery and disposal for the three months ended December 31, 2012 increased 34% to $36.6 million from $27.3 million for the three months ended December 31, 2011. In general, quarter over quarter revenue increases are from higher processing and disposal volumes and from added facilities and expansion. Processing volumes for the three months ended December 31, 2012 increased by 35% compared to volumes for the same period of 2011 despite a slowdown in drilling activity. The increase relates to Secure's new facilities and expansions as described in the results for the year ended December 31, 2012 in this MD&A, increased demand for the PRD division's services from existing facilities and from the DRD acquisition completed in July of 2012. During November, Secure also commissioned the waste expansion at the Obed FST. The facility had reduced levels of processing during the quarter therefore mitigating some of the overall increase in processing volumes.

Recovery revenue from the sale of oil recovered through waste processing, crude oil handling, marketing and terminalling for the three months ended December 31, 2012 increased by 21% from the same period of 2011. Higher processing and terminalling volumes from new facilities and expansions increased the amounts of oil recovered during processing and therefore increased the amount of revenue associated with marketing of oil volumes. Crude oil marketing revenue increased by 77% for the three months ended December 31, 2012 compared to the same period of 2011 as a result of the Dawson FST, Drayton Valley and Silverdale FSTs at increased capacity and the Corporation's ability to capitalize on market spread differential opportunities throughout the quarter. For the three months ended December 31, 2012, $3.1 million in revenue and expenses relating to natural gas liquids purchased and sold were reclassified to the oil purchase and resale service line ($2.3 million for the three months ended December 31, 2011). There is no absolute dollar change in the operating margin relating to this reclassification. Disposal volumes increased by 29% for the three months ended December 31, 2012 compared to the same period in 2011. The acquisition of DRD in July of 2012, the new Crosby SWD and the Fox Creek landfill added to volumes. Also, the Drayton Valley FST and Silverdale FST were in start-up phases in 2011 whereas they were fully operational in the fourth quarter of 2012. Disposal volumes in central Alberta facilities were marginally impacted by freezing rain in early November causing issues for trucking of solids and water on certain roads and leases thereby mitigating the increase in the quarterly volume.

Secure's oil purchase/resale service revenue for the three months ended December 31, 2012 increased 32% to $170.5 million from $129.3 million for the respective period in 2011. Secure became a single shipper at the Dawson FST on June 1, 2012 and at the Drayton Valley FST in January 2012 which increased the purchase and sale of oil at these facilities. Increases in Secure's oil purchase/resale service helps drive demand for Secure's other service offerings. The revenue and corresponding expense of this service will fluctuate period over period, depending upon the volume of crude oil received, combined with the price of crude oil. As shown above, oil purchase/resale revenue is deducted to calculate the operating margin of processing, recovery and disposal services. See the "**Business Risks**" section in this MD&A for further discussion.

Operating Expenses (PRD division)

Operating expenses from PRD services for the three months ended December 31, 2012 increased 29% to $13.9 million from $10.8 million for the comparative period of 2011. The majority of the increase is due to operating expenses for Secure's new facilities and expansions added organically and via acquisition throughout 2012. Specifically, the Corporation incurred start-up costs for the Fox Creek landfill and Crosby SWD which were both added in December of 2012. General facility repairs and maintenance, wages and salaries, trucking and utilities expenses increased for the three months ended December 31, 2012 mostly as a result of Secure's new and expanded facilities. A portion of the operating expenses are variable and will correspond to changes in revenue, as described in the results for the year ended December 31, 2012 of this MD&A. Revenue for the year ended December 31, 2012 increased by 34% which contributed to the 29% increase in operating expenses over the comparable period of 2011.

Operating margin as a percentage of revenue from PRD services for the three months ended December 31, 2012 was 62%, consistent with the 61% operating margin for the three months ended December 31, 2011. Operating costs and margins for the three months ended December 31, 2012 were marginally impacted by freezing rain in early November increasing road and site costs. Startup costs related to the new facilities opened in December also contributed to higher operating costs. Overall the operating margins are in line with management's expectations. As discussed in the PRD revenue analysis, certain revenue and expenses in the comparative quarter of 2011 were reclassified to the oil purchase and resale service line. As a result of this reclassification, there is no absolute dollar change on the operating margin.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the three months ended December 31, 2012 increased to $4.5 million from $3.3 million in the comparable period of 2011. Depreciation, depletion and amortization expense has increased significantly due to the addition of new facilities and expansions and the increase in disposal volumes at PRD division 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 expenses for the three months ended December 31, 2012 increased 36% to $4.5 million from $3.3 million in the comparative period of 2011. Wages and benefits increased 37% as new employees were hired to support growth in the PRD division in Canada and the United States. Information system expenses increased 65% as a result of higher licensing fees to support increased volumes from existing and new facilities. G&A expenses also increased from the establishment of the PRD divisional office in Denver, Colorado. For both the three months ended December 31, 2012 and 2011, G&A expenses as a percentage of revenue (excluding oil purchase/resale) was 12%. As described in the results for the year ended December 31, 2012, G&A expenses also include non-cash share based payments. The increase in G&A is in line with management expectations. In 2012, the Corporation has reclassified certain G&A expenses from the PRD division to Corporate. The PRD division's G&A expenses exclude all public company costs, salaries, share based payments and office costs relating to corporate employees.

SECURE energy services

DS DIVISION OPERATIONS – THREE MONTHS ENDED DECEMBER 31, 2012

($000's)[1]	Three Months Ended Dec 31, 2012	2011	% Change
Revenue			
Drilling services (a)	**71,797**	74,675	(4)
Operating expenses			
Drilling services (b)	**53,899**	57,087	(6)
Depreciation and amortization	**2,995**	2,643	13
Total DS division operating expenses	**56,894**	59,730	(5)
General and administrative	**7,199**	5,620	28
Total DS division expenses	**64,093**	65,350	(2)
Operating Margin [2] (a-b)	**17,898**	17,588	2
Operating Margin % [2]	**25%**	24%	4

[1] Includes DS division from its acquisition on June 1, 2011.

[2] Refer to "Non GAAP measures and operational definitions" for further information

Revenue (DS division)

DS divisional revenue for the fourth quarter of 2012 was $71.8 million compared to $74.7 million for the comparative period of 2011. Revenue decreased 4% from the previous year's quarter due to reduced drilling activity which led to lower demand for drilling fluids. In the fourth quarter of 2012, the CAODC's average rig count was 351 rigs, down 28% from the 489 average rigs working during the comparative period of 2011. Fourth quarter 2012 operating days for the Canadian DS division decreased as a result of a lower rig count; operating days were 9,616 or 14% below the fourth quarter of 2011.

Fourth quarter 2012 drilling fluid revenue decreased 2% from the fourth quarter of 2011. The drilling fluids service line contributed $63.3 million or 88% of total revenue during the fourth quarter of 2012. This compares to $64.4 million or 86% of total revenue in 2011. Revenue decreased as activity in the WCSB declined from the prior year's quarter due to slowdowns in producer spending caused by macro-economic factors such as low commodity prices and higher supplies of oil and natural gas. DS revenue decreased 4% compared to industry operating day decreases of 14%. DS revenue did not decrease to the same extent as industry due to the division's ability to increase its market share over the same quarter of 2011.

Despite the slower industry conditions, the DS division increased its market share. Market share for the drilling fluid services line for the fourth quarter of 2012 was approximately 30%, compared to 25% for the same period of 2011. The CAODC's average monthly rig count for Western Canada provides the basis for market share calculations. Fourth quarter revenue per operating day in Canada increased to $5,642 compared to $5,563 in 2011; this helped to offset the aforementioned reduction in operating days. Higher revenue per operating day is due to increased volume of oil based muds compared to the fourth quarter of 2011. Oil based muds have a higher selling price than water based muds. Oil based mud demand has increased due to an increase in horizontal and directional drilling.

Revenue per operating day can fluctuate significantly due to changes in product mix, the type of well that is being drilled, and the timing of specific drilling events such as the loss of well bore control either due to pressure or lost circulation. Environment and solid control revenue for the three months ended December 31, 2012 was consistent with the prior year period. The combined service lines of environmental and solids control contributed $8.5 million in 2012 compared to $10.3 million in the fourth quarter of 2011. Results were impacted due to the slowdown in activity; nevertheless the combined services lines performance was better than the fourth quarter of 2011 as a result of increased market share.

Operating Expenses (DS division)

Operating expenses for the fourth quarter of 2012 were $53.9 million compared to $57.1 million in 2011. Operating expenses decreased the same relative percentage as quarter over quarter revenue. Operating margins for the fourth quarter of 2012 were $17.9 million or 25% of revenue compared to $17.6 million or 24% in 2011. A contributing factor in the one percentage point margin increase is logistical savings associated with the Drayton Valley blending plant and increased sales from higher margin proprietary products. This small margin fluctuation is also expected from quarter to quarter due to changes in the mix and types of wells being drilled and associated changes in the product mix. Margin increases were moderated by the added IDF earn out expense which amounted to approximately $0.7 million in the quarter.

Depreciation and Amortization (DS division)

Depreciation and amortization for the three months ended December 31, 2012 was $3.0 million compared to $2.6 million for the comparative period of 2011. Depreciation and amortization increased by 13% compared to the prior year's quarter as a result of a larger fixed asset base associated with acquisitions and ongoing asset purchases to support growth across the various business lines.

General and Administrative (DS division)

G&A expenses for the fourth quarter ended December 31, 2012 were $7.2 million compared to $5.6 million for the three months ended December 31, 2011. The 28% increase is attributable to a higher headcount plus associated costs to improve infrastructure and manage the growing business in the US. G&A expense as a percentage of revenue was therefore 10 % for the three months ended December 31, 2012, versus 8% for the same period of 2011. In 2012, the Corporation reclassified certain G&A expenses in the DS division to exclude all salaries, share based payments, and office costs relating to corporate employees. The most significant accounts within G&A expense include: salaries and benefits for office staff, professional fees, office leases, insurance, utilities, and communications. The increase in G&A is in line with management expectations. As a percentage of revenue G&A expenses have remained relatively consistent throughout the year.

OTHER INCOME AND EXPENSES

CORPORATE EXPENSES

($000's)[1]	Three Months Ended Dec 31,			Year Ended Dec 31,		
	2012	**2011**	**% Change**	**2012**	**2011**	**% Change**
General and administrative	**1,353**	1,192	14	**5,258**	3,375	56

[1] Certain amounts were reclassified to conform with current period presentation

In the prior year, the Corporation completed the acquisition of Marquis Alliance and XL Fluids creating the DS division. In 2012, Secure has reclassified certain costs within both the PRD and DS divisions, including segregating out costs associated with Corporate overhead. Accordingly, any reclassifications in 2012 were adjusted in the prior year to conform to the current period presentation. The above G&A expenses for 2011 were previously recorded in the operating results of the PRD division.

G&A expenses for Corporate overhead for the three and twelve months ended December 31, 2012 increased to $1.4 million and $5.3 million from $1.2 million and $3.4 million in the comparative periods of 2011, respectively. The increase in G&A expenses generally relates to increased corporate costs associated with acquiring Marquis Alliance and its subsidiaries, including additional salaries and associated expenses, professional services fees and share based payments compensation. A full year of related Marquis Alliance expenses were included in 2012 whereas seven months of expenses were included in 2011. Share based payment compensation has increased in 2012 due to the new deferred share unit ("DSU") plan introduced in the year and annual option grants. The increase in G&A is in line with management expectations. G&A corporate expenses include all public company costs, salaries, share based payments and office costs relating to corporate employees.

BUSINESS DEVELOPMENT EXPENSES

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Business development	**562**	202	178	**2,028**	2,014	1

As part of the reclassification of G&A expenses, business development costs are no longer segregated within each division. The business development expenses related to recycling fluids, drilling fluid blending plants, efficient drilling waste handling, and other initiatives, contain benefits for both divisions. Accordingly, business development expenses are disclosed in aggregate given the significant overlap and integration between both divisions.

Business development expenses for the three and twelve months ended December 31, 2012 were $0.6 million and $2.0 million compared to $0.2 million and $2.0 million in the comparative periods of 2011. Business development expenses for 2012 relate to costs associated with the three acquisitions completed in the year, prospects costs related to organic and acquisition opportunities in Canada and the United States and drilling fluids research and development costs. In 2011, expenses included acquisition costs related to Marquis Alliance, XL Fluids and Emerge Oil and Gas processing facility ("Silverdale").

INTEREST, ACCRETION AND FINANCING COSTS

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Interest, accretion and finance costs	**1,921**	1,124	71	**5,765**	1,939	197

Interest, accretion and financing costs for the three and twelve months ended December 31, 2012 were $1.9 million and $5.8 million versus $1.1 million and $1.9 million for the respective periods in 2011. The amount included above for the year ended December 31, 2012 as interest expense is net of $0.6 million of interest capitalized on projects with substantial time to completion. The Corporation funds the majority of its capital program and increases in working capital through its credit facility and available cash flow from operations. The amount drawn on the credit facility for the year ended December 31, 2012 was $123.5 million compared to $120.0 million on December 31, 2011. The average drawn balance on the credit facility for the twelve months ended December 31, 2012 was $113.8 million whereas in 2011 there was no significant draw on the facility until September. The average debt drawn for the last quarter of 2011 was $103.3 million. Other expenses recorded in interest, accretion and finance costs include standby fees associated with the undrawn portion of the revolving credit facility, charges relating to the letters of credit and accretion associated with the Corporation's asset retirement obligations and transaction costs expensed relating to the previous credit facility.

FOREIGN CURRENCY TRANSLATION ADJUSTMENT

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Foreign currency translation adjustment	**712**	229	211	**(1,322)**	231	(672)

Translation adjustments relating to the conversion of U.S. operating subsidiary financials for the three and twelve months ended December 31, 2012 were $0.7 million and ($1.3) million versus $0.2 million and $0.2 million for the respective periods in 2011. The amount is a function of converting the DS and PRD division United States business operations functional U.S. dollar currency to the Corporations reporting currency in Canadian dollars. The Canadian dollar has decreased by 2.0% against the U.S. dollar over the past year ($1 CAD =1.0051 $US at December 31, 2012 compared to $1 CAD =0.9833$US at December 31, 2011). The foreign currency translation adjustment included in the consolidated statements of comprehensive income does not impact net earnings for the year.

INCOME TAXES

($000's)	Three Months Ended Dec 31, 2012	2011	% Change	Year Ended Dec 31, 2012	2011	% Change
Income taxes						
Current income tax expense	**2,239**	1,776	26	**7,286**	4,491	62
Deferred income tax expense	**(77)**	1,730	(104)	**5,855**	5,042	16
	2,162	3,506	(38)	**13,141**	9,533	38

Current Taxes

Current income tax expense for the three months ended December 31, 2012 increased to $2.2 million from a current income tax expense of $1.8 million for the three months ended December 31, 2011. Current income tax expense for the year ended December 31, 2012 increased to $7.3 million from a current income tax expense of $4.5 million for the year ended December 31, 2011. The increase in current tax expense for both the three months and year ended December 31, 2012 compared to the prior year is due to the utilization of prior year tax losses in 2012, thereby exposing more of the corporation's earnings to cash taxation.

Deferred Taxes

The Corporation follows the liability method of accounting for income taxes. The deferred tax expense for the three months ended December 31, 2012 decreased to ($0.1) million and for the twelve months ended December 31, 2012 increased to $5.9 million from $1.7 million and $5.0 million for the three months and year ended December 31, 2011. The deferred income tax expense increase for the year ended December 31, 2012 is a result of timing differences associated with higher cash tax deductions on assets in the current year verses allowable depreciation for accounting purposes. Therefore, the higher deduction reduces cash taxes in the current year but will have the effect of increasing cash taxes in future years. In the quarter, an adjustment of $2.3 million was recorded as an increase to the deferred income tax liability upon finalizing the Marquis Alliance tax filings related to operations prior to its acquisition.

SIGNIFICANT PROJECTS

Secure's 2012 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2012 capital expenditure program, see "***Liquidity and Capital Resources***" in this MD&A.

GEOGRAPHICAL FINANCIAL INFORMATION

($000's)	Canada 2012	2011	International 2012	2011	Total 2012	2011
Three months ended Dec 31						
Revenue	**266,345**	225,820	**12,512**	5,441	**278,857**	231,261
Year ended Dec 31						
Revenue	**986,801**	541,881	**42,639**	9,318	**1,029,440**	551,199
As at Dec 31,						
Total non-current assets	**517,892**	397,800	**70,892**	11,701	**588,784**	409,501

The table on geographical financial information breaks out revenue and non-current assets for the three and twelve months ended December 31, 2012 and 2011 respectively.

SECURE energy services

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. 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 Corporation's expansion into the United States helps to decrease seasonal impacts although U.S. operations are currently not significant enough to impact results.

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

($000s except share and per share data)	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	**108,356**	99,503	68,906	115,426	101,999	84,088	24,541	20,423
Oil purchase and resale	**170,501**	149,705	154,756	162,286	129,262	74,108	69,203	47,575
Total Revenue	**278,857**	249,208	223,662	277,712	231,261	158,196	93,744	67,998
Net earnings	**10,634**	6,354	1,087	14,977	10,290	7,853	10	4,230
Earnings per share - basic	**0.10**	0.06	0.01	0.17	0.12	0.09	0.00	0.07
Earnings per share - diluted	**0.10**	0.06	0.01	0.16	0.11	0.08	0.00	0.06
Weighted average shares - basic	**104,530,375**	98,724,604	91,527,556	90,658,046	89,481,219	89,242,506	71,207,964	63,829,714
Weighted average shares - diluted	**107,456,318**	101,492,349	94,210,135	94,179,644	93,718,121	93,949,868	75,851,337	67,855,436
EBITDA [(1)]	**28,360**	24,915	13,789	32,559	24,785	20,653	5,824	10,702

[(1)] Refer to "Non GAAP measures and operational definitions " for further information

Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation. However, with Secure's significant growth and recent acquisitions during 2011 and 2012, variations in quarterly results extend beyond seasonal factors. The most significant impact in the second and third quarter of 2011 relates to the Corporation acquiring Marquis Alliance and XL Fluids, which have formed the Corporation's DS division. In the fourth quarter of 2011, the Corporation also acquired the Silverdale facility which had an impact in the fourth quarter along with the opening of the Drayton Valley FST. In the first quarter of 2012, the Corporation acquired the operating assets (excluding working capital) of New West, a Canadian based drilling fluids company. New West was integrated into the DS division in the first quarter of 2012. In the second quarter of 2012, the Corporation commenced operations of the permanent Wild River SWD and commenced crude oil treating and terminalling (Phase III) at the Dawson FST. In the third quarter of 2012, the Corporation acquired DRD in North Dakota, which is included in the PRD division operating results. The Corporation also acquired IDF in Colorado, which is included in the DS division results. Near the end of the fourth quarter of 2012, the Corporation opened the Crosby SWD in North Dakota and the Fox Creek landfill. In addition, the Corporation's oil purchase/resale service revenue has increased significantly quarter over quarter. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. The significant revenue increases started in the fourth quarter of 2011 and are a result of Secure becoming a single shipper at Dawson FST, Drayton Valley FST and La Glace FST. See the "**Business Risks**" section in this MD&A for further discussion on this service.

Finally, each quarter was impacted by the date at which any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's business assets and operations, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's AIF for the year ended December 31, 2012. 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 met all required internal specifications for disposal of oilfield wastes. This process is conducted at all landfills, FSTs and SWDs before the producer will begin sending waste. Depending on the producer, this process can take several months.

LIQUIDITY AND CAPITAL RESOURCES

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

Sources of Cash

a) Funds from operations

	Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**
Funds from operations [1]	**87,796**	56,002	57

[1] Refer to "Additional GAAP measures" for further information

Funds from operations improved for the year ended December 31, 2012 to $87.8 million from $56.0 million for the year ended December 31, 2011. The significant increase over 2011 relates to the DS division operating for an entire year, the acquisitions of New West, IDF and DRD and the new facilities and expansions added in the PRD division. The DS division was operational for seven months in 2011. In addition to the acquisitions, expansions and new facilities added in 2011 and 2012, the Corporation also had continued growth in the DS division and demand for PRD services, including higher disposal volumes and higher processing volumes for the year ended December 31, 2012 compared to the prior year. Management is pleased with DS performance given the lower industry activity in both Canada and the US in 2012 compared to 2011.

b) Issue of common shares

	Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**
Issue of common shares, net of issue costs	**85,562**	83,015	3

For the year ended December 31, 2012, issuance of common shares increased to $85.6 million from $83.0 million for the year ended December 31, 2011. The issuance of common shares for the year ended December 31, 2012 relates to the bought deal financing completed in the third quarter of 2012. On July 24, 2012, the Corporation entered into an agreement on a bought deal basis with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 10,987,262 common shares (including overallotment) of the Corporation at a price of $7.85 per common shares for gross proceeds of $86.3 million. In connection with the offering, the Corporation incurred approximately $4.8 million in transaction costs which included $4.3 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2012.

In addition, the increase also relates to the exercising of options and warrants in accordance with the Corporation's share-based payment plan (the "Plan"). Under the Plan, the Corporation may grant share options to its employees, directors, and consultants for up to 10% of the issued and outstanding common shares of the Corporation calculated on a non-diluted basis at the time of grant. 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. As at December 31, 2012, Secure had a total of 104,627,002 common shares and 7,230,522 employee stock options outstanding. The $83.0 million that was raised for the year ended December 31, 2011 primarily relates to the closing of a public offering, on a bought deal basis, on May 19, 2011 through the issuance of 12,969,900 common shares for net proceeds of $81.5 million.

c) *Revolving Credit Facility*

($000's)	Year Ended Dec 31, 2012	2011	% Change
Net draws on revolving credit facility	3,500	-	100
Financing costs	(932)	-	100
Total draws	2,568	-	100

As at December 31, 2012, the Corporation has drawn $123.5 million on its new credit facility compared to $120.0 million in the same period of 2011.

On August 4, 2011, the Corporation entered into a new $150.0 million revolving credit facility with a syndicate of six financial institutions and Canadian chartered banks (the "revolving credit facility"). The facility consisted of a $140.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility that replaced the Corporation's $55.0 million non-syndicated revolving term facility. In the first quarter of 2012, Secure expanded the facility to $200.0 million through the exercise of a $50.0 million accordion feature.

On November 5, 2012, the Corporation and the lenders amended the revolving credit facility to add an additional lender and to increase the facility from $200.0 million to $300.0 million; the facility also includes an accordion feature which, if exercised, would increase the credit facility by an additional $50.0 million. The revolving credit facility now consists of a $290.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility.

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

The facility is secured by substantially all of the Corporation's assets and includes customary terms, conditions and covenants, including that the consolidated debt to EBITDA ratio does not exceed 3.00 to 1.00, the consolidated debt to capitalization ratio does not exceed 0.40 to 1.00 and the consolidated fixed charge coverage ratio is not less than 1.00 to 1.00.

Under the revolving credit facility, the Corporation can borrow by way of Canadian dollar advances through Canadian Prime Rate Loans or Bankers Acceptances or United States dollar advances through U.S. Base Rate Loans or Libor or letters of credit denominated in Canadian or U.S. dollars, and bears interest ranging from 0.75% to 1.75% above the prime rate or Bankers Acceptances ranging from 1.75% to 2.75% above the Bankers' Acceptance rate depending on the Corporation's prevailing funded debt to EBITDA ratio, with any unused amounts subject to standby fees ranging from 0.40% to 0.62%. Funded debt includes all outstanding debt, including capital leases, and any outstanding letters of credit. There are currently no United States dollar based advances.

The key changes in the new credit facility are as follows:

- An increase to the amount available from $200.0 million to $300.0 million, with an accordion feature which would provide an additional $50.0 million if exercised;
- Interest rates for the previous credit facility ranged from 1.0% to 2.0% above the prime rate or Bankers Acceptances which ranged from 2.0% to 3.0% above the Bankers Acceptance compared to rates ranging from 0.75% to 1.75% above the prime rate or Bankers Acceptances ranging from 1.75% to 2.75% above the Bankers Acceptance for the amended agreement. The range is determined by the Corporation's prevailing funded debt to EBITDA ratio;
- Standby fees for the previous credit facility ranged from 50 to 75 basis points and are now fees of 40 to 62 basis points for the amended agreement. The range is determine by the Corporation's prevailing funded debt to EBTIDA ratio; and
- The previous agreement required fixed charge registrations over all titles and leases where the amended agreement allows for a floating charge for all acquired property subsequent to executing the agreement.

SECURE energy services

In conjunction with obtaining the credit facility, the Corporation incurred transaction costs in the amount of $0.7 million, of which the unamortized amount will be offset against the outstanding principle balance of the debt. Prior unamortized transaction costs of $0.8 million relating to the previous revolving credit facility were expensed in the fourth quarter of 2012.

($000's)	Year Ended Dec 31, 2012
Revolving credit facility	300,000
Amount drawn on revolving credit facility	(123,500)
Letters of credit	(19,552)
Available amount	156,948

As at December 31, 2012, the Corporation had $156.9 million available under its credit facility. The Corporation is well positioned based on the available amount on its credit facility and expected funds from operations to execute on its 2013 capital program.

At December 31, 2012, the Corporation had issued approximately $19.6 million in letters of credit to various environmental regulatory authorities in Alberta and British Columbia. The Energy Resource and Conservation Board ("ERCB") implemented the Oilfield Waste Liability ("OWL") program to replace the previous fully funded liability management program for oilfield waste facilities. The OWL program is a facility specific asset to liability risk based assessment plan. The amount of letters of credit issued will fluctuate based on the growth of the Corporation and future refunds under the OWL program, which are undeterminable at this time.

As at December 31, 2012, the Corporation was in compliance with all of its debt covenants. The following is a list of key financial covenants determined as of the end of each of the Corporation's fiscal quarters, including, without limitation:

- Senior Debt to EBITDA (see Non-GAAP measures) Ratio: the Funded Debt to EBITDA Ratio shall not exceed 3.00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- Senior Debt to Capitalization Ratio: the ratio of Senior Debt to Senior Debt plus Equity shall not be greater than 40%; and
- Fixed Charge Coverage Ratio: the Fixed Charge Coverage Ratio shall not be less 1.00:1.

There is no change to the above covenants under the new credit facility.

Uses of Cash

- ***Capital Expenditures***

	Year Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**
Capital expenditures [(1)]			
Expansion and growth capital expenditures	**167,808**	96,546	74
Acquisitions	**30,788**	104,445	(71)
Sustaining capital expenditures	**2,991**	1,062	182
Total capital expenditures	**201,587**	202,053	-

[(1)] **Refer to "Non GAAP measures and operational definitions" for further information**

The Corporation's expansion and growth capital expenditures for the year ended December 31, 2012 increased to $167.8 million from $96.5 million for the same period in 2011. For the year ended December 31, 2012, $110.5 million of expenditures were incurred for growth capital and $20.7 million for expansion capital. The remainder was used to purchase rental equipment, software and long leads items. Expenditures on growth capital include Rocky and Judy Creek FSTs, build out of a temporary Edson SWD, construction of a new Kabob SWD, and completion of the Fox Creek landfill and Crosby SWD. Expansion capital relates to the waste expansion at the Obed and Fox Creek FSTs and new cells at the Pembina and South Grande Prairie landfills.

The projects for growth and expansion for 2012 are summarized as follows:

- Drayton Valley FST OBM blending facility;
- South Grande Prairie mud storage system;
- Wild River SWD (permanent facility);
- Obed, Dawson and Fox Creek FST expansions including the Phase III (oil treating and terminalling) at Dawson;
- South Grande Prairie and Pembina landfill expansions;
- Fox Creek landfill (completed in December of 2012);
- Crosby SWD in North Dakota (completed in December of 2012), Secure's first organic project in the United States;
- Construction of the new Judy Creek FST (joint venture with Pembina Pipelines Corporation) and the Rocky FST; both expected to be operational in the second quarter of 2013;
- Construction of the new Edson SWD, a temporary facility is scheduled to be open in the first quarter of 2013 with a permanent facility forecasted to be operational the beginning of 2014;
- New Kabob SWD, initial development complete with construction commencing in the second quarter of 2013; and
- Rental equipment & long leads (centrifuges, tanks, treaters, frac ponds).

The Corporation intends to fund its capital program primarily with existing cash, cash flow from operations and its expanded credit facility.

Other capital expenditures include $1.9 million for the installation of a new DS division accounting software completed in the quarter. The software brings consistency across all operating divisions, automates manual procedures and provides for processing efficiencies in office and field locations. The second phase of the implementation is to upgrade the PRD division to the current version of the software. The remaining amount of capital in the year was used to purchase rental equipment such as centrifuges, tanks, treaters, and frac ponds and other long lead equipment items.

For the year ended December 31, 2012 acquisitions totaled $30.8 million compared to $104.4 million for year ended December 31, 2011. In January 2012, the Corporation completed the acquisition of the operating assets (excluding working capital) of New West for an aggregate cash purchase price of $3.4 million. New West was a Canadian based drilling fluids company specializing in providing drilling fluid systems and products for heavy oil drilling. On July 2, 2012, the Corporation closed an asset purchase agreement with DRD to acquire the operating assets of DRD for total cash and share consideration of $26.3 million. On August 15, 2012, the board of directors approved an asset purchase agreement to acquire the operating assets of IDF for $6.9 million and a series of earn out

payments that, in aggregate, range from U.S. $2.7 million to U.S. $8.0 million for total maximum consideration of U.S. $15.0 million. The earn out payments are considered to be compensation for accounting treatment purposes and will be expensed on the consolidated statements of comprehensive income. IDF is a private drilling fluids company operating in Greeley, Colorado. IDF specializes in drilling fluids in Colorado, predominately in the Niobrara and Cordell Shale plays. These two United States acquisitions demonstrate how the Corporation capitalized on opportunities to gain immediate presence in new market areas. The prior year acquisition relates to acquiring all of the issued and outstanding shares of Marquis Alliance and the acquisition of the operating assets of XL Fluids.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgement by management. For the year ended December 31, 2012, sustaining capital was $3.0 million compared $1.1 million for the year ended December 31, 2011. 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.

- ***Contractual Obligations***

The Corporation has a total of $51.0 million in commitments, excluding the above commitment relating to the credit facility. The $51.0 million includes commitments for finance and operating lease agreements primarily for heavy equipment, vehicles, land leases and office space, and capital commitments relating to purchases for use in the Corporation's current and future capital projects. This also includes inventory purchases relating to a specialized product used in drilling fluids systems. Overall, the Corporation has sufficient funds from operations and availability though the credit facility to meet upcoming commitments.

		Payments due by period			
($000's)	**Total**	**1 year or less**	**1-3 years**	**4-5 years**	**5 years and thereafter**
Total Commitments	**50,955**	34,612	13,808	1,647	888

The Corporation's asset retirement obligations were estimated by management based on the Corporation's estimated costs to remediate, reclaim, and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2012 to be $24.3 million (December 31, 2011 - $15.0 million) based on a total future liability of $32.3 million as at December 31, 2012 (December 31, 2011 - $21.4 million). These costs are expected to be incurred over the next 25 years. The Corporation used its risk-free interest rates of 1.14% to 2.36% and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations. Commitments also include future earn out obligations related to the IDF acquisition.

PROPOSED TRANSACTIONS

There is no proposed asset or business acquisition or disposition expected to have a material effect on the financial condition, results of operations or cash flows of Secure.

BUSINESS RISKS

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

Oil and Natural Gas prices

The demand, pricing and terms for oilfield waste disposal services in the Corporation's existing or future service areas largely depend upon the level of exploration, development and production activity for both crude oil and natural gas in the WCSB, and the United States. Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control,

including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.
The level of activity in the oil and natural gas industry is volatile. No assurance can be given that natural gas exploration and production activities will continue at their current levels. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas companies. Any addition to, or elimination or curtailment of, government incentives for companies involved in the exploration for and production of oil and natural gas could have a significant effect on the oilfield services industry in the WCSB, the United States and India. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Governmental regulation

In addition to environmental regulations, the Corporation's operations are subject to a variety of other federal, provincial and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, and the manufacture, management, transportation, storage, and disposal of certain materials used in the Corporation's operations. The Corporation believes that it is in compliance with such laws, regulations and guidelines. The Corporation has invested financial and managerial resources to comply with applicable laws, regulations and guidelines and will continue to do so in the future. Although regulatory expenditures have not, historically, been material to the Corporation, such laws, regulations and guidelines are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or effect of such laws, regulations or guidelines on the Corporation's future operations. In addition, the Corporation's securities are being sold in Canada and are listed on the TSX, and the Corporation is accordingly subject to regulation by Canadian securities regulators and Canadian federal and provincial laws and regulations. The Corporation believes that it is in compliance with such laws and regulations.

Merger and acquisition activity

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

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

Performance of obligations

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

Competitive conditions

The Corporation competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market for the PRD division is dominated by two large market participants, Tervita Corporation with approximately 55 facilities, and Newalta Corporation with 35 facilities. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation, or that new or existing competitors will not enter the various markets in which the Corporation is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Corporation in both divisions. The Corporation's customers may elect not to purchase its services if they view the Corporation's financial viability as unacceptable, which would cause the Corporation to lose customers.

Provincial royalty rate changes

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

Regulation and taxation of energy industry

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

Environmental Activism

Environmental activism and opposition to Secure's operations may adversely affect the business of the Corporation by decreasing revenues and increasing remedial costs. The Corporation's operations, equipment and infrastructure could be vulnerable to unforeseen problems relating to environmental activism including, but not limited to, vandalism and theft which could interrupt the Corporation's operations for an extended period of time, result in significant delays to the Corporation's plans and result in increased costs to the Corporation. As a result of such interruption, the Corporation's business, financial condition and results of operations could be materially adversely affected. The Corporation's operations are dependent upon its ability to protect its operating equipment against damage from fire, vandalism, theft or a similar catastrophic event. Theft, vandalism and other disruptions could jeopardize the Corporation's operations and infrastructure and could result in significant set-backs, potential liabilities and deter future customers. While the Corporation has systems, policies, practices and procedures designed to prevent or limit the effect of the failure or interruptions of its infrastructure there can be no assurance that these measures will be sufficient and that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed in a timely manner.

Terrorist activities

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

Landfill closure costs

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

Key personnel

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

Development of new technology and equipment

The technology used in the PRD division for waste treatment, recovery and disposal business is not protected by intellectual property rights. As such, there are no significant technological barriers to entry within the industry. The technology used in the DS division for

drilling fluids systems and drilling fluid in some instances are protected by intellectual property rights, however new technological advances could occur within the drilling fluids system and drilling fluids industry at any time.

Availability of qualified employees

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

Global financial conditions

Global financial conditions include the commodity and equity markets that have recently been volatile as investors react to the sovereign-debt crisis in Europe. Investors fear global economies are heading into another recession and central banks and the government will be required to increase debt loads in an effort to avoid it. As a result of these global conditions, the Corporation is subject to increased counterparty risk and liquidity risk. The Corporation is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the cash of the Corporation or provide available funding on the Revolving Facility; and (ii) the insurance providers of the Corporation. As a result, the cash of the Corporation may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Corporation would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

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

Market conditions

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

Financing future growth or expansion

The Corporation's business strategy is based in part upon the continued expansion of the Corporation's network of facilities. In order to continue to implement its business strategy, the Corporation will be required to further its capital investment. The Corporation may finance these capital expenditures through vendor financings, ongoing cash flow from operations, borrowings under its revolving credit facility and by raising capital through the sale of additional debt or equity securities. The Corporation's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants in the Corporation's current and future debt agreements, by the Corporation's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Corporation's control.

Legal proceedings

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

In the event that the plaintiff is successful in asserting its claim against the Corporation, the Corporation has insurance and potential damages claimed in the Corporation's countersuit which may mitigate the impact upon the financial condition of the Corporation; however, the Corporation's insurance is limited to $5 million (which will be reduced by the amount of expenses of the lawsuit claimed by Secure against the insurance) and there can be no assurance that Secure's insurer will not determine that one or more of the claims specified in the Tervita Action are not covered by Secure's insurance policy and deny coverage. In the event that the Tervita

Action was to be determined in a manner adverse to the Corporation, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Raising additional capital

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

Access to capital

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

The credit agreement governing the revolving credit facility contains covenants that restrict the Corporation's ability to take various actions. In addition, the credit agreement governing the revolving credit facility requires the Corporation to comply with specified financial ratios. The Corporation's ability to comply with these covenants will likely be affected by events beyond its control, and the Corporation cannot assure that it will satisfy those requirements. The restrictions contained in the credit agreement could also limit the Corporation's ability to plan for or react to market conditions, meet capital needs or otherwise restrict the Corporation's activities or business plans and adversely affect its ability to finance its operations, enter into acquisitions or to engage in other business activities that would be in the Corporation's interest.

Volatility of market price of Common Shares

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

Proprietary technology

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

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

The products developed by the Corporation may also incorporate technology that will not be protected by any patent and are capable of being duplicated or improved upon by competitors. Accordingly, the Corporation may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary information of the Corporation and trade secrets. In addition, effective patent protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Policing unauthorized use of the Corporation's enhancements could prove to be difficult, and there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its enhancements. In

addition, litigation may be necessary in the future to enforce the intellectual property rights of the Corporation to protect their patents, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Corporation's business, results of operations or financial condition.

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

Economic dependence

The top ten customers of the Corporation accounted for approximately 32% of revenue for fiscal 2012, of which no single customer accounting for more than approximately 10%. The Corporation does not generally enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Corporation. The loss of one or more major customers, any significant decrease in services provided to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Corporation. In addition, treatment and waste disposal services are largely dependent on the willingness of customers to outsource their waste management activities. As such, the demand for Secure's services could be curtailed by a trend towards internal waste management. A concentrated portion of Secure's PRD division current and future revenue is generated from pipeline connected FST facilities. As significant revenue is generated from each pipeline connect FST facility, any single event that interrupts one of these operations could result in the loss of revenues.

Commodity price risk – non-trading

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

Crude oil marketing and Commodity price risk – trading

The Corporation is exposed to operating and commodity price risk at its FSTs that purchase and sell crude oil. Operating risk relates to factors that include but are not limited to pipeline apportionment, pipeline specifications regarding the quality of crude that is shipped down the pipeline, pipeline breaks at the Corporation's facility, and crude oil volumes actually received verses forecast. In addition, the Corporation's ability to generate crude oil marketing profits is also based on the type of crude oil type entering the facility and the associated commodity price of that crude oil. Any change to differentials can have a positive or negative impact to the Corporation's ability to generate crude oil marketing profits in the future. In order to maximize on crude oil marketing opportunities, the Corporation enters into crude oil contracts. The physical trading activities related to crude oil marketing contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the commodity price; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; and counterparty performance as a result of disagreements over terms of deals and/or contracts. These risks are mitigated by the fact that the Corporation only trades physical volumes and the Corporation does not currently participate in the long term storage of the commodities. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations. As part of the Corporation's processing, and facility operations, Secure will use net buy and net sell crude oil contracts for marketing and trading of crude oil. The volume purchased or sold relates to physical volumes only. Through this process, the Corporation may hold open positions. The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil contracts offset against physical delivery of all net sell crude oil contracts. The open position is subject to commodity price risk. The Corporation may choose to do this based on energy commodity pricing relationships, time periods or qualities.

Foreign currency risk

A significant portion of the Corporation's activities relate to the purchase and sale of crude oil or drilling fluids products which are transacted in or referenced to US dollars. The risk is mitigated as the majority of the activities occur in the same period; therefore

foreign currency risk exposure is limited to crude oil or drilling fluids products held in inventory. The Corporation does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time. The Corporation is exposed to foreign currency fluctuations as revenues, expenses and working capital derived from its foreign operations are denominated in U.S. dollars. In addition, the Corporation's U.S. subsidiary is subject to translation gains and losses on consolidation. Realized foreign exchange gains and losses are included in net earnings while foreign exchange gains and losses arising on the translation of the assets, liabilities, revenues and expenses of the Corporation's foreign operations are included in the foreign currency translation reserve.

Some of the Corporation's current operations and related assets are located in the United States. Risks of foreign operations include, but are not necessarily limited to, changes of laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange, inflation, repatriation of earnings, social unrest or civil war, acts of terrorism, extortion or armed conflict and uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation. While the impact of these factors cannot be accurately predicted, if any of the risks materialize, they could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Equipment risks

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

Credit risk

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

Leverage and restrictive covenants

The degree to which the Corporation is financially leveraged could have important consequences to the shareholders of the Corporation, including: (i) a portion of the Corporation's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness; and (ii) certain of the Corporation's borrowings have variable rates of interest, which float with the lender's prime rate, and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the prime rate should increase. The Corporation's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. The Corporation's lender have been provided with security over all of the assets of the Corporation. A failure to comply with the obligations in the agreements in respect of the revolving credit facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

Environmental protection & health and safety

The oil and natural gas industry is regulated by a number of federal and provincial legislation in Canada, federal and state laws and regulations in the United States and other applicable laws in the jurisdictions in which the Corporation operates. These regulations set forth numerous prohibitions and requirements with respect to planning and approval processes related to land use, sustainable resource management, waste management, responsibility for the release of presumed hazardous materials, protection of wildlife and the environment, and the health and safety of workers. Legislation provides for restrictions and prohibitions on the transport of dangerous goods and the release or emission of various substances, including substances used and produced in association with certain oil and natural gas industry operations. The legislation addresses various permits required for drilling, access road construction, camp construction, well completion, installation of surface equipment, air monitoring, surface and ground water monitoring in connection with these activities, waste management and access to remote or environmentally sensitive areas. Legislation regulating the oil and

natural gas industry may be changed to impose higher standards and potentially more costly obligations on the oil and gas customers of the Corporation. The Corporation's oil and gas customers will also be required to comply with any regulatory schemes for greenhouse gas emissions adopted by any applicable jurisdiction. The direct or indirect cost of these regulations may have a material adverse effect on the oil and gas customers of the Corporation and consequently on the Corporation's business, financial condition, results of operations and cash flows. Given the evolving nature of the debate related to climate change and control of greenhouse gases and resulting requirements, management is unable to predict the impact of greenhouse gas emissions legislation and regulation on the Corporation and it is possible that it could have a material adverse affect on the Corporation's business, financial condition, results of operations and cash flows.

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

The Corporation may incur substantial costs, including fines, damages, criminal or civil sanctions, and remediation costs, or experience interruptions in the Corporation’s operations for violations or liabilities arising under these laws and regulations. The Corporation may have the benefit of insurance maintained by the Corporation, its customers or others. However, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons, such as fires, blowouts, freeze-ups, equipment failures, pipeline breaks, unplanned and extended pipeline shutdowns, leakage of landfill cell liners, and other similar events affecting the Corporation or other parties whose operations or assets directly or indirectly affect the Corporation;

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

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

Operating risks and insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation’s operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunctions, failures, accidents, and natural disasters. These risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution, and other environmental damages.
Although the Corporation has obtained insurance against certain of these risks, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation’s liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation incurs substantial liability and such damages are not covered by insurance or are in excess of policy limits, or if the Corporation incurs such liability at a time when it is not able to obtain liability insurance, the Corporation’s business, results of operations and financial condition could be materially adversely affected.

Risk of third party claims for infringement

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

Conflict of interest

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

Sources, Pricing and Availability of Products and Third Party Services

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

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

Oil and Natural Gas market

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

Potential replacement or reduced use of products and services

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

Interest rates

The Corporation's banking facilities have interest rates which float with the lender's prime rate ranging from 0.75%to 1.75% above the prime rate or Bankers' Acceptance rate ranging from 1.75% to 2.75% above the Bankers' Acceptance rate depending on the Corporation's prevailing funded debt to EBITDA ratio and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the Canadian prime rate and Bankers' Acceptance rate should increase.

Disclosure controls & procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Corporation, is made known to the Chief Executive Officer and Chief Financial Officer by others within the Corporation, particularly during the period in which the annual and interim filings of the Corporation are being prepared, in an accurate and timely manner in order for the Corporation to comply with its disclosure and financial reporting obligations and in order to safeguard the Corporation's assets. Consistent with the concept of reasonable assurance, the Corporation recognizes that the relative cost of maintaining these

controls and procedures should not exceed their expected benefits. As such, the Corporation's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

Internal controls over financial reporting

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

Expansion of the Corporation's business into new jurisdictions

The Corporation has recently expanded its business into North Dakota and intends to continue to expand its business into new operating jurisdictions. The expansion of the business will depend upon the ability of management to successfully implement the strategy of Secure. There is no guarantee that this expansion of the business will be successful. Secure will need to comply with the laws of these new jurisdictions, which may be significantly different than those the Corporation is accustomed to, and there can be no assurance that it will be able to obtain necessary approvals to facilitate the expansion of its business into these new jurisdictions. Any failure to comply with applicable laws could result in the imposition of significant restrictions on the ability of Secure to do business in these jurisdictions, and could also result in fines and other sanctions, any or all of which could adversely affect its results of operations or financial condition. In addition, any changes in laws and regulation in these new jurisdictions
could materially adversely affect the business, results of operations and financial condition of the Corporation.

Forward Looking Statements may prove inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "Forward Looking Statements".

The decision to pay dividends and the amount of such dividends is subject to the discretion of the Corporation's Board of Directors based on numerous factors and may vary from time to time

Although the Corporation currently does not pay quarterly cash dividends to its shareholders, the decision to implement dividends and the amount is at the discretion of the Corporation's Board of Directors. The amount of cash available to the Corporation to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: the Corporation's operational and financial performance; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to equity markets; foreign currency exchange rates and interest rates; and the risk factors set forth in this MD&A.

The decision whether or not to pay dividends and the amount of any such dividends are subject to the discretion of the Corporation's Board of Directors, which regularly evaluates the Corporation's proposed dividend payments. In addition, the level of dividends per common share will be affected by the number of outstanding common shares and other securities that may be entitled to receive cash dividends or other payments. Dividends may be increased, reduced or suspended depending on the Corporation's operational success and the performance of its assets.

Seasonal nature of the industry

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of legally supporting heavy loads and, as a result, road bans are implemented prohibiting such loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted and the level of activity of our customers is consequently reduced. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to Secure's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up.

OUTSTANDING SHARE CAPITAL

As at March 4, 2013, there were 104,719,750 Common Shares issued and outstanding. In addition as at March 4, 2013, there were 7,026,476 share options outstanding, of which 2,890,284 were exercisable. There are no warrants outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2012, the Corporation had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

For the three and twelve months ended December 31, 2012, the Corporation incurred approximately $0.5 million and $1.5 million of expenses with related parties. Related parties include companies that have common directors, officers, employees and shareholders. The nature of the expenses relate to operating and general and administrative expenses for use in the Corporation's PRD and DS divisions. Amounts are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and twelve months ended December 31, 2012, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2011 - Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at December 31, 2012, the Corporation's financial instrument assets include cash, accounts receivables and accrued receivables, and other receivables. The Corporation's financial instrument liabilities include accounts payable and accrued liabilities, and long term borrowings. The fair values of these financial instruments approximate their carrying amount due to the short term maturity of these instruments and the floating market rate interest on the long term borrowings. The use of financial instruments exposes the Corporation to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the "Business Risk" section of this MD&A. Further information on how the fair value of financial instruments is determined is included in the "Critical accounting policies and estimates" section of this MD&A.

There are no off-balance sheet arrangements. Of the Corporation's financial instruments, only accounts receivable 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 POLICES, ESTIMATES AND JUDGEMENTS

In the preparation of the Corporation's 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 consolidated financial statements are prepared. Actual results could differ from these estimates. Please refer to the Corporation's consolidated financial statements for the year ended December 31, 2012 for a complete description of the accounting policies of the Corporation. The Corporation considers the following to be its critical accounting policies, estimates and judgements:

Judgements

Determining cash generating units ("CGU's)

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

Estimates

Depreciation, depletion and amortization

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

Recoverability of assets

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

Asset retirement obligations and accretion

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

Share-based payment transactions

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

Deferred Income taxes

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

Provision for doubtful accounts

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

Purchase price allocations

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

Policies

Inventories

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

Goodwill

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities. Goodwill is allocated as of the date of the business combination to the Corporation's cash generating units. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal. Any goodwill balances in subsidiaries whose functional currency is not the Canadian dollar are translated at period end exchange rates.

Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and the expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred. Intangible assets resulting from a business combination are recorded at fair value. Fair value is estimated by management based on the expected discounted future cash flows associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life and intangible assets with an indefinite life are not subject to amortization and are tested for impairment annually. Any impairment is identified by comparing the fair value of the indefinite life intangible asset to its carrying value. Any excess of the carrying value of the intangible asset over the implied fair value is the impairment amount and will be charged to profit in the period of the impairment. The reversal of a previous impairment is permitted when there is an indication that the judgement loss may no longer exist and a new implied fair value is calculated.

Current and deferred tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities in the various jurisdictions in which the Corporation operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the various jurisdictions where the Corporation operates and generates taxable income. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all of part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Financial instruments – initial recognition and subsequent measurement

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value. Investments not recognized at fair value through profit or loss are recognized at fair value plus directly attributable transaction costs. The Corporation's financial assets include cash and short term deposits, accounts receivable and accrued receivables, other receivables and notes receivable. The subsequent measurement of financial assets depends on their classification.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. Other financial liabilities are recognized at fair value plus directly attributable transaction costs. The Corporation's financial liabilities include, accounts payable and accrued liabilities, and long term borrowings. The subsequent measurement of financial liabilities depends on their classification.

Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. The Corporation has classified its financial instrument fair values based on the required three- level hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and,
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flows methods.

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, have assessed and evaluated the design and effectiveness of the Company's internal control over financial reporting as defined in National Instrument 52-109 as of December 31, 2012. Based on that evaluation, the Corporation's management concluded that the Corporation's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS, and are effective as of December 31, 2012.

While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over financial reporting for the three months and year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting. In the fourth quarter of 2012, management did employ additional procedures to ensure key financial internal controls remained in place after the conversion to a new accounting system in the Corporation's Canadian DS division. Management also performed additional account reconciliations and other analytical and substantive procedures to mitigate any financial risks from the new system

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.

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. The Corporation is currently seeking permission to amend the amount of the Counterclaim to $97.8 million. The matters raised in the lawsuit are considered by the Corporation to be unfounded and unproven allegations that will be vigorously defended, although no assurances can be given with respect to the outcome of such proceedings. The Corporation believes it has valid defences to this claim and accordingly has not recorded any related liability.

Examinations for discovery began in 2010 and will continue through 2014. The Corporation intends to continue to defend against the Tervita Claim and to prosecute the Counterclaim.

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.

ADDITIONAL INFORMATION

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