



SECURE ENERGY SERVICES INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

March 5, 2012

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FORWARD LOOKING STATEMENTS

Certain statements contained in this annual information form ("AIF") constitute "forward-looking statements". When used in this AIF, the words "may", "would", "could", "should", "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 AIF. In particular, this AIF 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, NGLs and natural gas; demand for the Corporation's services; expansion strategy; the 2012 capital program; the amounts of the PRD and DS divisions' 2012 capital budgets and the intended use thereof; debt service; capital expenditures; completion of facilities; future capital needs; access to capital; acquisition strategy; the balance of the Corporation's capital spending on new full service terminals and landfills; and oil purchase and resale revenue.

Forward-looking information 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 and growth levels in similar phases of previous economic cycles. Forward-looking information concerning the availability of funding for future operations is based upon assumptions that sources of funding which the Corporation has relied upon in the past will continue to be available to the Corporation on terms favorable to the Corporation and that future economic and operating conditions will not limit the Corporation's access to debt and equity markets. Forward-looking information concerning the relative future competitive position of the Corporation is based upon 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 matters, the ability of the Corporation to successfully market its PRD (as defined herein) services in the Western Canadian Sedimentary Basin ("WCSB") and its DS division (as defined here) in the Western Canadian Sedimentary Basin, Eastern Canada, the Rocky Mountain region (consisting of Colorado, Wyoming, Montana and Utah), North Dakota and India will lead to sufficient demand for the Corporation's services, 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. Forward-looking information concerning the nature and timing of growth is based on past factors affecting the growth of the Corporation, past sources of growth and expectations relating to future economic and operating conditions. Forward-looking information in respect of the costs anticipated to be associated with the acquisition and maintenance of equipment and property are based upon assumptions that future acquisition and maintenance cost 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, Eastern Canada, the Rocky Mountain region, North Dakota and India, 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, those factors discussed below and under the heading "*Risk Factors*" and those discussed in the Corporation's MD&A of the audited December 31, 2011 financial statements 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, Eastern Canada, the Rocky Mountain region, North Dakota or India. Many of these factors are discussed in further detail through this document.

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

Certain supplementary measures in this AIF 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 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 in Corporation's MD&A of the audited December 31, 2011 financial statements.

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

SECURE ENERGY SERVICES INC.

Introduction

Secure Energy Services Inc. ("**Secure**" or the "**Corporation**") was amalgamated on April 24, 2007, in accordance with the *Business Corporations Act* (Alberta), and is a successor entity of 1232711 Alberta Ltd. and Secure Energy Services Inc. The head office of the Corporation is located at 1900, 205 – 5th Avenue S.W. Calgary, Alberta, Canada, T2P 2V7. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7.

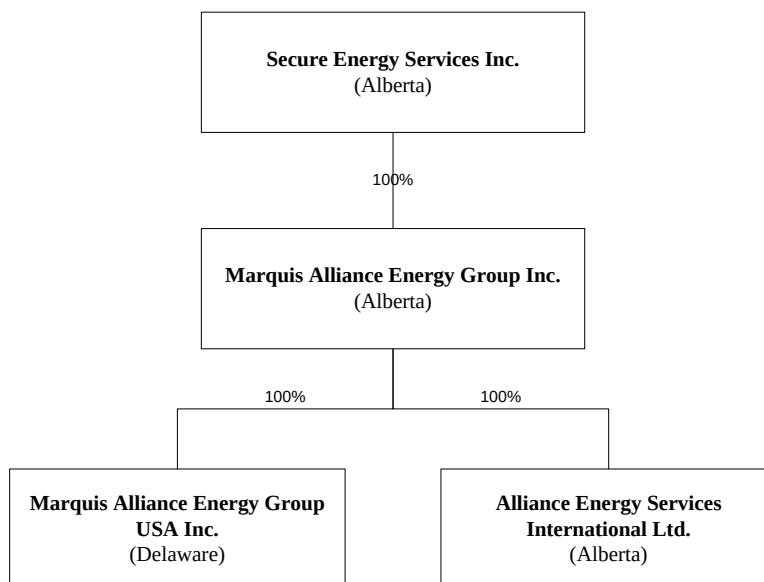
Marquis Alliance and Other Subsidiaries

The Corporation has one material subsidiary, Marquis Alliance Energy Group Inc. ("**Marquis Alliance**"), which was acquired on June 1, 2011 (see "*Acquisitions – Marquis Alliance*"). Marquis Alliance provides drilling fluids services in the Western Canadian Sedimentary Basin ("**WCSB**"), Eastern Canada (St. Lawrence Low Lands in Quebec), the Rocky Mountain region, North Dakota and India. Marquis Alliance is a wholly-owned subsidiary of the Corporation and was formed pursuant to the laws of the Province of Alberta.

The following table sets forth all subsidiaries of the Corporation, the percentage of shares or interest owned, directly or indirectly, by the Corporation and the jurisdiction of formation, incorporation or continuance of such subsidiaries as of December 31, 2011:

Name of Subsidiary	Jurisdiction of Formation, Incorporation or Continuance	Percentage of Voting Shares Beneficially Owned or Controlled, Directly or Indirectly, by Secure
Marquis Alliance Energy Group Inc.	Alberta	100%
Marquis Alliance Energy Group USA Inc.	Delaware	100%
Alliance Energy Services International Ltd.	Alberta	100%

The following diagram illustrates the organizational structure of Secure and its subsidiaries:



GENERAL DEVELOPMENT OF THE BUSINESS

Secure is a diversified energy services company that focuses on providing specialized services to upstream oil and natural gas companies operating in the WCSB, Eastern Canada, the Rocky Mountain region, North Dakota and India. Secure commenced active business operations in 2007. Through two divisions and wholly-owned subsidiaries, Secure is involved in two major service areas. The processing, recovery and disposal division (the "**PRD**") assists upstream oil and natural gas companies operating in the WCSB with the treatment and sale of crude oil and the processing and the treatment, recycling and disposal of by-products associated with oil and natural gas development and production. The drilling services division ("**DS**") specializes in the development and supply of drilling fluids and drilling fluid systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal SAGD wells located in the WCSB, Eastern Canada, the Rocky Mountain region, North Dakota and India.

Secure continues to successfully execute an aggressive organic growth strategy focused on constructing facilities in key under-serviced and capacity constrained markets. During the initial period from incorporation to December of 2007, Secure raised approximately \$23.7 million through private placement financings and constructed its first facility, the South Grande Prairie landfill, which commenced operations in October of 2007. In 2008, Secure raised approximately \$61 million through private placement financings, completed the construction of five facilities in Alberta and purchased one facility in British Columbia. In 2009, Secure raised approximately \$4.5 million through private placement financings and completed two additional facilities. In 2010, Secure raised approximately \$66.1 million, completed one additional facility at Dawson, British Columbia, purchased the operating assets of Pembina Area Landfill Ltd. (the "**Pembina Acquisition**") and initiated construction of two additional facilities which were completed in 2011. On June 1, 2011, the Corporation completed the acquisition of Marquis Alliance, a company providing energy services relating to drilling fluid systems, solids control, equipment rental, drilling waste management and environmental sciences primarily in Canada and the United States. On July 1, 2011, the Corporation, through Marquis Alliance, completed the acquisition of all of the operating assets (excluding working capital) of XL Fluid Systems Inc. ("**XL Fluids**"). XL Fluids is an energy services company that specializes in the supply and development of drilling fluids and drilling fluid systems. The assets acquired from XL Fluids have been integrated in to the Corporation's DS service line. In addition to the foregoing, in 2011, Secure raised approximately \$81.5 million, completed the acquisition of one additional facility at Silverdale, Saskatchewan and commenced operations at Brazeau, Drayton Valley and at Wild River (temporary facility), Alberta. Our strategy is to continue to expand through internal growth and selective acquisitions.

A description of certain material events in the development of the Corporation within the last three years is below under "*- Recent Developments*".

Recent Developments

2012 Capital Expenditure Program

On December 7, 2011, the Corporation announced that the Corporation's board of directors (the "**Board**") approved Secure's \$116 million 2012 capital program. The program is expected to provide for growth capital and the further expansion of Secure's facilities in a manner consistent with Secure's business strategy (see "*Description of Business – Business Strategy*"). The Corporation anticipates that it will finance a portion of the 2012 capital program with cash flow from operations and indebtedness drawn pursuant to the Corporation's syndicated revolving credit facility (the "**Credit Facility**") (see "*Material Contracts – The Credit Facility*"). The PRD divisions' 2012 capital budget is \$98 million comprised of \$80 million for growth capital, \$16.0 million for expansion of existing facilities and \$2 million for sustaining capital. The growth capital includes the construction of two full service terminals ("**FST**"), two landfills and one stand-alone water disposal facility ("**SWD**") facility. The expansion and sustaining capital amounts are budgeted to increase capacity and add services at the Corporation's existing facilities.

The DS divisions' 2012 capital budget totals \$18.0 million comprised of \$14.0 million for growth capital, \$2.0 million for expansion of existing facilities and \$2.0 million for sustaining capital. The growth capital is allocated evenly between Canadian and U.S. operations and is largely comprised of onsite solid's control equipment.

Acquisition of New West Drilling Fluids

On January 25, 2012, the Corporation acquired the operating assets (excluding working capital) of New West Drilling Fluids Inc. ("NWDF") for an aggregate cash purchase price of \$3.4 million. NWDF is a Canadian based drilling fluids company specializing in providing drilling fluid systems and products for the heavy oil and tar sands sector. NWDF is well known for its patented SAGD system, "BITUDRIL", the first bitumen encapsulating polymer based system on the market. Adding NWDF's assets, including BITUDRIL, to Marquis Alliance's existing patented and proprietary SAGD product line will increase the suite of cost effective drilling fluid solutions that can be provided to SAGD producers.

Revolving Credit Facility

On August 4, 2011, the Corporation entered into a new \$150 million syndicated revolving credit facility with a syndicate of six financial institutions and Canadian chartered banks (see "*Material Contracts – The Credit Facility*"). The Credit Facility consists of a \$140 million extendible three year revolving term credit facility and a \$10 million three year revolving operating facility that replaced the Corporation's \$55 million non-syndicated revolving term facility. The Credit Facility can be expanded to \$200 million through the exercise of an additional \$50 million accordion feature, available upon request by the Corporation and subject to review and approval by the lenders. In February of 2012 Secure exercised the accordion feature thereby expanding the Credit Facility to \$200 million. The committed three year revolving facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes. The Credit Agreement was filed with certain securities regulatory authorities in Canada (through SEDAR) on August 15, 2011, pursuant to National Instrument 51-102.

Subscription Receipt Financing

On May 19, 2011, Secure completed a public offering (the "**Subscription Receipt Financing**"), on a bought-deal basis, of 12,969,930 subscription receipts of Secure ("**Subscription Receipts**") including 1,691,730 Subscription Receipts issued in connection with the exercise of an underwriters' over-allotment option, to the public at a price of \$6.65 per Subscription Receipt representing total gross proceeds of \$86,249,835. The net proceeds of the Subscription Receipt Financing were used by Secure to fund the cash portion of the purchase price in connection with the acquisition of Marquis Alliance (see "*Acquisitions – Marquis Alliance*") and for working capital and general corporate purposes, including the funding of capital expenditures. As a result of the closing of the acquisition of Marquis Alliance on June 1, 2011, each Subscription Receipt was deemed to have been exchanged for one common share in the capital of the Corporation (a "**Common Share**").

Initial Public Offering

On March 30, 2010, Secure completed the initial public offering (the "**IPO**") of its Common Shares through the issuance of 19,166,667 Common Shares at a price of \$3.00 per share for total gross proceeds of \$57,500,001. As a result of the IPO, the Common Shares were listed and posted for trading on the facilities of the Toronto Stock Exchange ("**TSX**") under the symbol "SES" and Secure became a reporting issuer in each of the provinces of Canada, other than Québec. On April 16, 2010, the Corporation issued an additional 2,875,000 Common Shares at a price of \$3.00 per share for additional gross proceeds of \$8,625,000 pursuant to an over-allotment option granted in connection with the IPO.

Historical Developments

For a description of the historical development of Secure's business, please refer to "*Description of Business – Growth History*".

Acquisitions

Marquis Alliance

On June 1, 2011, the Corporation acquired all of the shares of Marquis Alliance for consideration consisting of 10,015,291 Common Shares and \$64.6 million in cash. Marquis Alliance provides energy services relating to drilling fluids systems, solids control, equipment rental, drilling waste management and environmental sciences primarily in Canada and in the United States (see "*General Description of the Business – Drilling Services*").

Division"). On July 28, 2011, the Corporation filed a Business Acquisition Report (on Form 51-104F4) in respect of the acquisition of Marquis Alliance.

XL Fluids

On July 1, 2011, the Corporation, through Marquis Alliance, acquired all of the operating assets of XL Fluids for a share consideration by the issuance of 2,297,885 Common Shares and a cash consideration of \$18.5 million. XL Fluids was an energy services company that specializes in the supply and development of drilling fluids and drilling fluid systems. The acquisition of XL Fluids significantly expanded the geographic presence of the Corporation's DS division which will allow such division to capitalize on the drilling fluids market in Saskatchewan and Manitoba combined with expanded exposure to horizontal drilling activity associated with the Cardium, Viking, Elkton and Bluesky formations in Alberta.

Silverdale Processing Facility

On October 1, 2011, the Corporation acquired the Silverdale processing facility (the "**Silverdale Facility**") located near Lloydminster, Saskatchewan from Emerge Oil & Gas Inc. ("**Emerge**") for cash consideration of \$18.0 million. The Silverdale Facility provides oil terminalling, emulsion processing and produced water disposal services and consists of multiple crude oil unload risers, tankage, two heavy oil treaters, two disposal wells, and is pipeline connected. The acquisition was made pursuant to an asset purchase agreement between Emerge and Secure which provides for the acquisition of all the operating assets and business of the Silverdale Facility.

Pembina Area Landfill

On May 3, 2010, the Corporation acquired the operating assets of Pembina Area Landfill Ltd., a subsidiary of Clean Harbours Inc., for cash consideration of \$11.75 million (the "**Pembina Acquisition**"). The Pembina Area Landfill consists of two separate landfill cells. A Class II cell, similar to those operated by Secure at South Grande Prairie and Willesden Green, provides disposal of non-dangerous reclamation solids and drill cuttings to surrounding oil and natural gas customers. See "*Description of the Business – Facilities – Class II Oilfield Landfill*". A Class I landfill cell accepts industrial hazardous solids and dangerous oilfield wastes. The landfill is located approximately 60 kms northwest of Drayton Valley, Alberta in the Pembina oilfield.

DESCRIPTION OF BUSINESS

General

Secure is an energy services company that focuses on providing specialized services to upstream oil and natural gas companies operating in the WCSB, Eastern Canada, the Rocky Mountain region, North Dakota and India. The services provided by the Corporation assist these companies with the treatment and sale of crude oil, the treatment, recycling and disposal of by-products associated with oil and natural gas development and production, and the development and supply of drilling fluids and drilling fluid systems. On June 1, 2011, the Corporation completed the acquisition of Marquis Alliance, a company providing energy services relating to drilling fluid systems, solids control, equipment rental, drilling waste management and environmental sciences primarily in Canada and the United States. On July 1, 2011, the Corporation completed the acquisition of all of the operating assets (excluding working capital) of XL Fluids. XL Fluids is an energy services company that specializes in the supply and development of drilling fluids and drilling fluid systems. With both of these recent acquisitions, the Corporation now operates two separate divisions as described below.

Processing, Recovery and Disposal Division

The processing, recovery and disposal services provided by Secure assist upstream oil and natural gas companies operating in the WCSB with the treatment and sale of crude oil and the treatment, recycling and disposal of by-products associated with oil and natural gas development and production. The PRD services provided by Secure include crude oil emulsion treatment, the terminalling and marketing of oil, oilfield waste processing, tank washing, landfill disposal and disposal of produced and waste water and the purchase and resale of crude oil.

As at the date hereof, the Corporation's PRD services are provided at twelve facilities in Alberta, two facilities in British Columbia, and one facility in Saskatchewan. The primary PRD services provided by the Corporation are detailed below.

Crude Oil Emulsion Treatment

Crude oil production or emulsion contains by-products such as water, suspended solids and water-soluble salts. These contaminants must be removed before crude oil can be shipped through a pipeline to a refinery. Secure's emulsion treating service separates oil from other by-products to create pipeline specification crude oil.

Clean Oil Terminalling and Marketing

The Laglace, Fox Creek and Drayton Valley facilities provide customers with an access point or terminal to transport their produced clean oil to market. Typically this oil is delivered by customers to Secure's facilities by truck and is stored on site until it is shipped through the gathering or transmission pipelines. Secure manages both the purchase of the oil and the subsequent payment to the producer of the delivered oil based on the initial quality received. Secure may upgrade the oil quality and enhance its value, thereby enabling Secure to generate incremental crude oil profits.

Oilfield Waste Processing

Waste is generated as a result of drilling, completions and production related activities. Secure's oilfield waste processing separates waste into three components: recoverable oil, waste water and residual solids. Recovered oil is treated and sold as detailed above. Residual waste water is deep well injected into Class IB Disposal Wells and separated solids are processed and transported to one of the Corporation's Class II or Class I Oilfield Landfills.

Tank Washing

Drilling, completions and workover activities typically require the transportation and storage of various drilling muds, frac fluids and flowback liquids. Oil and natural gas companies use oilfield service providers to transport and store these fluids in industry standard 400 barrel mobile tanks. The tanks must be cleaned internally between uses to ensure any residual fluids are removed prior to being used for a new purpose or delivered to a customer. Secure washes the tanks and disposes of the waste created through the cleaning process.

Landfill Disposal

The Corporation's landfills provide for the secure disposal of oilfield solid wastes. All landfills are approved as Class II Oilfield Landfills by Alberta Environment to dispose of waste associated with the following activities:

- Reclamation – contaminated soil associated with the cleanup of past operating facilities;
- Production – disposal of soil contaminated as a result of spills or pipeline breaks; and
- Drilling – cuttings removed from the wellbore are contaminated based on the type of drilling mud used.

In addition to a Class II cell, the Pembina Area Landfill has a separate Class I landfill cell. The Class I cell is regulated by Alberta Environment to dispose of industrial hazardous solids and dangerous oilfield wastes.

Produced Water and Waste Water Disposal

The Corporation provides produced and waste water disposal services through a network of Class IB Disposal Wells. Disposal wells are approved by the Energy Resource and Conservation Board to dispose of the following fluids:

- Produced water associated with production of oil, bitumen, natural gas or coalbed methane;
- Produced water and specific common oilfield waste fluids;
- Saline fluids from oilfield waste processing facilities; and

- Waste fluids from drilling and completion operations.

Oil purchase/resale

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 non pipeline connected facilities, Secure will meter the crude oil volumes and purchase the crude oil directly from its customers. The Corporation will then process, transport and handle the shipment of crude oil through its pipeline connected FSTs. The crude oil will then have direct access to be shipped down the pipeline. The Corporation's oil purchase/resale service also includes oil purchased at the Fox Creek, Laglace and Drayton Valley pipeline connected FSTs.

Drilling Services Division

Through its wholly-owned subsidiary, Marquis Alliance, the Corporation specializes in the development and supply of drilling fluids and drilling fluid systems. 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 SAGD wells. The Corporation provides drilling fluids services in the WCSB, Eastern Canada (St. Lawrence Low Lands in Québec), the Rocky Mountain region, North Dakota and India. Through the DS division, the Corporation has a large focus on serving the ongoing major resource plays such as, but not limited to, the Muskwa shales of the Horn River, the Cardium of Central Alberta, the Montney in the Deep Basin of Alberta and British Columbia, the oil sands of Alberta and Saskatchewan, the Bakken of Saskatchewan and North Dakota and the Utica shale of Quebec. The Corporation also provides solids control and ancillary equipment rentals for drilling operations in both western Canada and Rocky Mountain region and environmental services comprised of drilling waste management and environmental sciences in connection with reclamation services. The primary services provided by each of the division's service lines: (i) drilling fluids supply and engineering; (ii) solids control equipment rentals; and (iii) environmental services, are detailed below.

Drilling Fluids

The drilling fluids service line comprises the core business of the DS division, which includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The Corporation's 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. The Corporation's DS division provides drilling fluids services in the WCSB, Eastern Canada (St. Lawrence Low Lands in Québec), the Rocky Mountain region, North Dakota and India. This division has a large focus on servicing the ongoing major resource plays such as, but not limited to, the Muskwa shales of the Horn River, the Cardium of Central Alberta, the Montney in the Deep Basin of Alberta and British Columbia, the oil sands of Alberta and Saskatchewan, the Bakken of Saskatchewan and North Dakota and the Utica shale of Québec. The wells currently drilled in these resource plays include vertical wells and directional wells; however, the majority of the wells currently being drilled are horizontal. With the development of new horizontal completion techniques, such as horizontal fracturing technology, resources previously thought of as uneconomic or trapped are now being developed in old and new fields across North America. As these technologies require the drilling of horizontal wellbores, horizontal drilling is increasing in frequency. Horizontal drilling can be utilized in tight formations like shale gas/oil, and in carbonate formations and sand formations such as those found in the heavy oil areas of Alberta and Saskatchewan, including the oil sands. According to the Alberta Energy and Utilities Board only 18% of the total oil sands reserves can be recovered using mining techniques and the remaining 82% can only be recovered using *in situ* methods, such as steam-assisted gravity drainage (SAGD), which requires the drilling of horizontal wells. All wells drilled, whether gas, oil, bitumen, carbon dioxide injection and/or disposal wells require the use of drilling fluids to drill the well. Drilling fluids encompass the functions of cleaning debris out of the hole, stabilizing and sometimes strengthening the formation drilled, controlling subsurface pressures, preventing accretion, enhancing drilling rates and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. The Corporation's drilling fluid systems are designed to be adaptable to a wide range of complex and varied drilling and completion scenarios, to help clients eliminate inefficiencies in the drilling and completion process and to assist clients in meeting operational objectives while maintaining environmental compliance. The DS division markets its proprietary and patented products, technical expertise and fluid engineering services to all entities that drill oil, gas

or energy related wells. The DS division markets its services by emphasizing the historical success of its products and systems, as well as the experience and technical competency of its management and employees.

Solids Control and Equipment Rentals

The Corporation's solids control and equipment rental service line provides solids control and ancillary equipment rentals for drilling operations in both western Canada and the Rocky Mountain region. The majority of the activity for the solids control and equipment rental service line is in Central Alberta and the oil sands. The Corporation's current fleet of high speed centrifuges, drying shakers, bead recovery units, tanks and ancillary equipment is offered as a standalone package or part of an integrated package with the drilling fluids and environmental services. The centrifuge and hydraulic stand package is a state of the art system designed for high end drilling fluids to reduce fluid and moving costs between wells while providing a safe working platform.

Environmental Services

The Corporation's environmental service line is comprised of two groups: drilling waste management and environmental sciences. Both groups provide services primarily to oil and gas producers active in the WCSB. The business of the Corporation's environmental service line involves determining the appropriate processes for disposing of drilling waste such as drill cuttings and fluids and/or the recycling of the fluids produced by drilling operations. In addition, the Corporation also provides land reclamation and remediation consulting services, wildlife and environmental impact assessments as part of its environmental sciences group.

United States Operations

The Corporation operates in the United States, through its indirect wholly-owned subsidiary, Marquis Alliance Energy Group USA Inc. ("**Marquis USA**"), a Delaware limited liability company. The majority of Marquis USA's activity has been the supply of drilling fluids and solids control equipment in the Rocky Mountain region, primarily in the Bakken of North Dakota and Montana, as well as plays in Colorado, Wyoming and Utah. Marquis USA has its head office in Denver, Colorado.

Facilities

The Corporation's FST facilities are long-lived assets with low maintenance capital requirements compared to many other oilfield service sectors. The Corporation's facilities are designed to maximize the recovery of hydrocarbons and minimize the volume of waste requiring disposal. Solid waste is disposed of in landfills, while residual liquid waste water is injected via deep disposal wells into disposal zones between impermeable layers of rock. While there is no absolute method for determining the longevity of a disposal well, good operating procedures and proper maintenance provides an environment where it is not uncommon for a well to operate effectively for fifteen years or more. Landfill capacity is depleted when volumes of waste are deposited, however landfill sites are selected with provision for the addition of more cells as remaining space in existing cells declines.

The Corporation provides its specialized PRD services through three general types of facilities:

Full Service Terminal

Below is an aerial photograph of the Fox Creek FST, highlighting the facility's principal components.



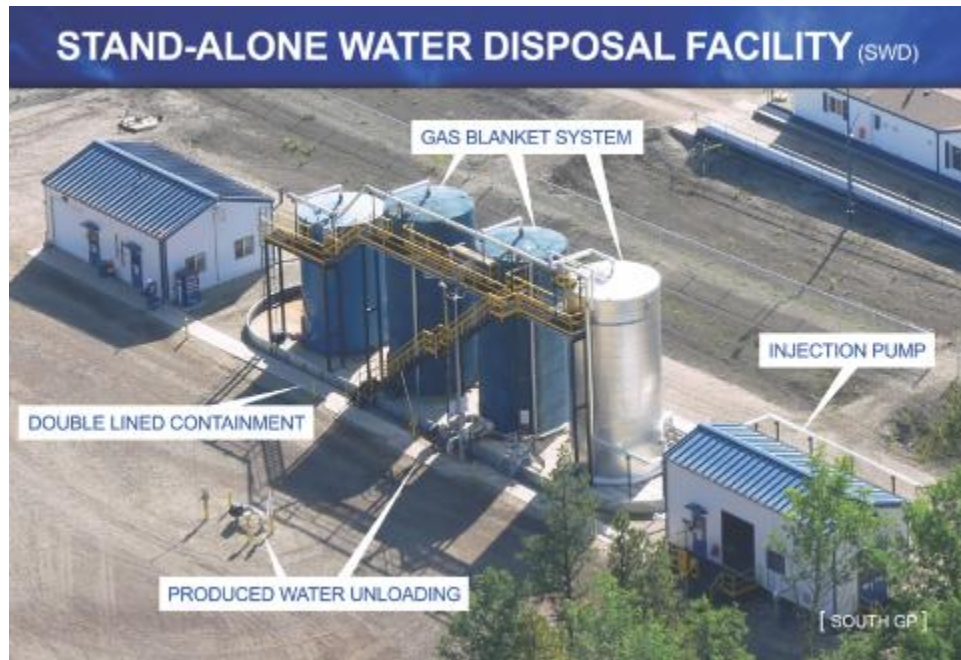
An FST is a facility that provides a combination of clean oil terminalling, custom treating of crude oil, crude oil marketing, crude oil purchase and resale, produced and waste water disposal and oilfield waste processing. Secure's Laglace, Fox Creek and Drayton Valley FSTs also include a connection to an oil gathering or transmission pipeline for the injection of oil. All FSTs are connected to a Class IB Disposal Well for the disposal of produced and waste water. In summary, the operation of an FST is as follows:

- clean oil or oil that requires treatment prior to injection into the pipeline is delivered to the FST by tank trucks. Secure processes the oil/water emulsion, resulting in pipeline specification oil, which is injected into the gathering or transmission pipelines, and clean produced water, which is subsequently injected into the disposal well; and
- oilfield waste is delivered to the FST by vacuum truck. Secure separates the waste into reclaimed oil waste water and residual solids, the oil is injected into the gathering or transmission pipeline, the water is injected into the disposal well and the residual solids are treated and disposed of at one of Secure's landfills.

Secure currently operates nine FSTs, six of which are located in Alberta. The upgrade of the South Grande Prairie SWD to an FST commenced in Q4, 2010 and became operational in Q3, 2011. In February 2011 waste services were added to Obed and in December, 2011 the Drayton Valley facility became fully operational. On October 1, 2011, the Corporation acquired the Silverdale Facility, representing the Corporation's first FST located in Saskatchewan.

Stand-Alone Water Disposal Facility

Below is an aerial photograph of an SWD, highlighting the facility's principal components.



An SWD provides disposal of produced and waste water through a Class IB Disposal Well into a non-hydrocarbon producing zone, ranging between 1,300 and 4,600 meters below the surface. Disposal wells are classified as either Class IB or Class II. Class II wells are permitted to dispose of saltwaters that are a by-product of oil and natural gas production and originate from a producing formation. Class IB wells can accept Class II fluid plus specific common oilfield waste streams that are produced during drilling, completion and production operations. Such fluids do not typically originate from producing formations but become contaminated either by introducing them to a formation during drilling and completion of wells (for example, fracture stimulation flowback water and waste drilling fluid) or at production facility operations (for example, wash water and boiler blowdown water).

Produced water is a by-product of crude oil and natural gas production. Waste water is a by-product most typically associated with oil and natural gas well drilling and completion activities as well as production related to well work-overs. In summary, the operation of a SWD facility is as follows:

- produced and waste water is delivered to the SWD by tank truck;
- produced and waste water is temporarily stored in tanks prior to being filtered to remove any suspended solids; and
- treated water is injected into the disposal well.

Secure currently operates three SWDs. The Brazeau SWD was commissioned in February 2011. The Corporation began operating its third SWD facility, located at Wild River, Alberta, with the installation of a temporary facility in July, 2011. Construction of a permanent facility is expected to be completed in Q3, 2012. All SWDs are located in Alberta.

Class II Oilfield Landfill

Below is an aerial photograph of the Willesden Green Landfill, highlighting the facility's principal components.

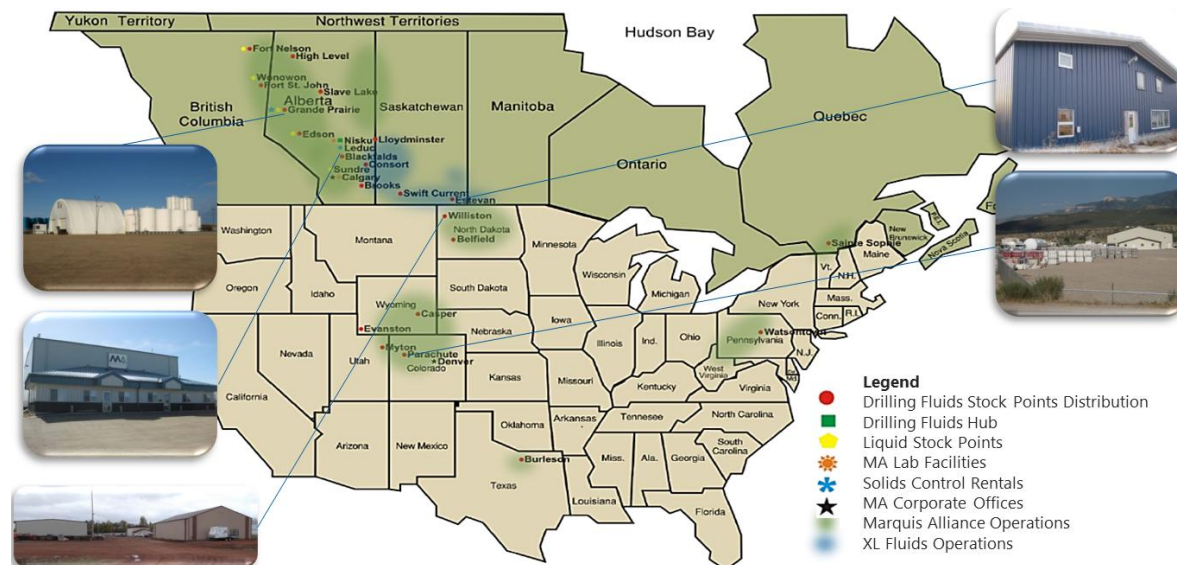


A Class II Oilfield Landfill provides disposal of contaminated soil associated with oil and natural gas drilling, production and reclamation activities. Class II landfills also dispose of waste solids that have been separated from liquid waste delivered to Secure's FST facilities. The Corporation's Class II Oilfield Landfills do not accept municipal, hazardous, dangerous or construction waste. Prior to delivery to the landfill, the waste must receive pre-approval by way of third party analytical testing to ensure that the soil meets acceptance criteria stipulated in the facility license. Random samples are tested at the facility and compared against prior analytical testing to ensure compliance. Landfills are located on land that meets stringent geological standards and are constructed with two separate liner systems. Liquids are removed from the landfill cells and treated and disposed of at one of Secure's FSTs or SWDs. The Pembina Area Landfill also has a separate Class I landfill cell. Class I landfills are constructed with three liners and have additional monitoring requirements. The Class I cell is regulated to dispose of hazardous industrial solids and dangerous oilfield waste.

Secure currently operates three landfills, all of which are located in Alberta.

DS Division Facilities

Marquis Alliance's drilling fluid distribution facilities are located in key Canadian and U.S. locations to ensure quick and efficient service to customers. Customer service is achieved through a network of facilities owned and operated by the corporation and stock points that are owned and managed by major third party oilfield transportation companies.



Canadian Facilities

Drilling Fluids

Marquis Alliance has drilling fluids distribution points across the Western Canadian Sedimentary Basin (WCSB) where the majority of its shipping facilities are located.

The corporation owns and operates a 30,000ft² Central Drilling Fluid Distribution Warehouse in Nisku, Alberta. The Nisku facility is a product stockpoint for Alberta operations and outlying stock points in British Columbia and functions as the corporation's SAGD product distribution center. Attached to the distribution warehouse is a laboratory that is used to ensure that only quality products are shipped to the field for our customers use.

In November, 2011, the corporation purchased an existing building and surrounding land in Arcola, Saskatchewan and has since renovated it into a drilling fluids distribution centre. The new Arcola facility is strategically located in Southeast Saskatchewan to specifically address the Saskatchewan and Manitoba markets. The facility has been retrofitted into a 20,000 ft² cold storage and distribution facility. Adjacent to the large warehouse is 7,000 ft² of heated office and storage space. The Arcola facility is expected to be fully operational by the end of the first quarter of 2012.

The corporation owns an invert (oil based drilling mud) blending and mixing facility in Grande Prairie, Alberta. This facility is capable of manufacturing and reconditioning invert fluid. The Grand Prairie facility has a large warehouse space for storing liquid and dry products including bulk storage products used for completions. The facility hosts an oil based mud testing laboratory that is used for Quality Control and Quality Assurance testing. Also located in Grand Prairie is the corporation's owned and operated silicate storage and supply facility.

The drilling fluids service line is able to extend its reach by maintaining stock points in third party warehouses operated and managed by major oilfield transportation companies. The following is a listing of MAEG stock points:

- Blackfalds, AB
- Brooks, AB
- Consort, AB
- Edson, AB
- Estevan, SK
- Ft. Nelson, BC
- Ft. St. John, BC
- Grande Prairie, AB
- High Level, AB
- Lloydminster, AB
- Slave Lake, AB
- Sainte-Sophie-de-Levrard, QC
- Sundre, AB
- Swift Current, SK
- Wonowon, BC

The drilling fluids service line also maintains a fully equipped laboratory located in its head office in Calgary, Alberta.

Solids Control

In Leduc, Alberta, Marquis Alliance has its operations centre for the repair, service, and rental management of the solids control equipment for Western Canada. The Marquis Alliance solids control rental equipment fleet consists of centrifuges, and related ancillary equipment. The Leduc facility occupies 2 acres, boasting more than 8,000ft² of indoor working space.

In Grande Prairie, the Invert facility is also used as a hub for Solids Control field technicians who service Northern Alberta and British Columbia.

United States Facilities

In Williston, North Dakota, Marquis Alliance Energy Group USA has its operations centre for the repair, service, and rental management of the solids control equipment and drilling fluids distribution for North Dakota and the Rocky Mountain region.

Marquis Alliance Energy Group USA also has drilling fluids distribution points located across the US that are operated and managed by third party vendors. They are located in convenient locations for quick access to our customers, including:

- Burleson, Texas
- Parachute, Colorado
- Casper, Wyoming
- Buckhannon, West Virginia

Growth History

The location of the PRD division facilities are illustrated below:



The Corporation's first facility was the South Grande Prairie Class II Oilfield Landfill which commenced operations in October of 2007. Since that time, Secure has completed the construction of eleven additional facilities and has acquired three others. The progression of Secure's expanding footprint is as follows:

Facility	Services Provided	Date Commissioned
Full Service Terminals (FST)	Oilfield waste processing, produced and waste water disposal, clean oil terminalling and marketing, emulsion treatment and tank washing	
La Glace, AB ⁽¹⁾		August 2008
Fox Creek, AB		July 2009
South Grande Prairie, AB ⁽²⁾		August 2008
Nosehill, AB ⁽²⁾		November 2008
Obed, AB ⁽²⁾		May 2009
Kotcho, BC ⁽²⁾⁽³⁾		October 2008
Dawson, BC ⁽²⁾		July 2010
Drayton Valley, AB		December 2011
Silverdale, SK ⁽⁵⁾		October 2011
Stand Alone Water Disposal Facilities (SWD)	Produced and waste water disposal	
Emerson, AB		April 2008
Brazeau, AB		February 2011
Wild River, SK ⁽⁶⁾		July 2011
Landfills	Class II oilfield solids disposal	
South Grande Prairie, AB		October 2007
Willesden Green, AB		November 2008
Pembina Area Landfill, AB ⁽⁴⁾	Class I and II landfill	May 2010

Notes:

- (1) The Corporation has a 50% joint venture interest with Pembina Pipeline Corporation for the operation of a portion of the FST facility in La Glace, Alberta. The joint venture shares revenues and expenses associated with clean oil terminalling, custom treating of crude oil, crude oil marketing, and produced water disposal. See "Material Contracts".
- (2) This facility is not pipeline connected.
- (3) This facility was purchased on September 30, 2008.
- (4) This facility was purchased on May 1, 2010.
- (5) This facility was purchased on October 1, 2011.
- (6) Temporary Facility

Business Strategy

Secure is focused on strategic, disciplined growth and strives to achieve that growth by following these principles:

- *Locate core disposal and treatment facilities in the heart of established oil and natural gas fields.* The Corporation locates its operations in well established basins that have proven production histories and remain active throughout high and low commodity pricing cycles. The Corporation believes that this improves the stability of its revenue stream by emphasizing Secure's production related services based on ongoing production from proven wells rather than exploratory activities driven by near-term fluctuations in oil and natural gas prices.
- *Construct facilities in key under-serviced and capacity constrained markets.* The Corporation has expanded its business by establishing lower capital cost facilities in close proximity to early stage or developing markets. For example, the Corporation has established a presence in the Horn River natural gas basin in British Columbia. In addition, facilities at Nosehill, Obed and Wild River in Alberta service the deep gas basin north of the towns of Edson and Hinton. The Corporation believes that this strategy allows it to grow its service offerings to match the growing needs of the market place.
- *Strategic Acquisitions.* By purchasing small independently operated facilities or surplus facilities from oil and natural gas producers, the Corporation can gain faster access to a particular market by avoiding the time associated with obtaining regulatory approval to construct a new facility. Secure quickly gained exposure to the Horn River basin in British Columbia through the acquisition of TriPoint Energy Solutions Inc. which has become the Kotcho FST. In May 2010, Secure gained exposure to the Pembina Cardium market through the Pembina Acquisition. In 2011, Secure began providing drilling fluid and drilling fluid system services as a result of its acquisition of Marquis Alliance and the assets of XL Fluids.
- *Expand services at existing facilities.* Management believes in incrementally investing capital to ensure that facilities are not constructed in locations where the demand is not sufficient to justify the investment. Accordingly, rather than constructing an FST at the outset, Secure typically begins by constructing an SWD facility and uses that facility to gauge the demand for other services. If customer demand is sufficient at a facility, Secure may invest additional capital to offer a broader range of services. Expanding the service offerings of existing facilities in response to the demand of customers provides Secure assurances that present demand justifies further investment. In 2011, Secure expanded services at the Obed, Dawson, Kotcho and South Grande Prairie facilities. The Corporation is exploring additional opportunities to provide environmental recycling services with respect to drilling mud and frac water.
- *Leverage management expertise and knowledge of regulations.* The market for oilfield waste management services has grown over time, in part due to increasingly stringent regulations regarding the treatment, handling and disposal of oilfield waste. Obtaining regulatory approval for the siting and construction of facilities can be lengthy and expensive. As many oil and natural gas producers prefer to focus on their core production and exploration business rather than investing resources to comply with these requirements, the Corporation believes that there is continued opportunity for increased outsourcing of oilfield waste management to third-party providers.

Industry Factors that Impact Secure's Business

Market for Services

The Corporation's PRD and DS divisions share the same customer base primarily consisting of oil and gas exploration and production companies. Customers generally do not enter into long-term binding agreements with fixed prices and volumes but instead sign master service agreements designating the Corporation as an approved service provider with pricing agreed upon prior to delivery of product or service provided. In aggregate, the Corporation's broad service offerings exploit the value chain from "cradle to grave" focusing on complimentary services, fluid recycling services, organic growth and acquisitions that complement the existing network of facilities in both operating divisions. All facilities are complimentary to one another and create synergies for the Corporation and its customers.

PRD Division

Demand for third party treatment and disposal services is largely dependent on oil and natural gas customers outsourcing these services. Key to the success of the division is its ability to provide cost effective treating and disposal services at price levels that encourage the redeployment of customers' capital toward production and reserves versus treating and disposal infrastructure. The maturation of the WCSB and the increasing number of wells in production drives growth in demand for the PRD divisions services. As a well matures, it produces more by-products that require treatment and disposal.

DS Division

Demand for drilling fluids, solids control and environmental services is closely correlated with the overall oil and natural gas drilling activity and the related capital budgets of oil and gas producers. Oil and gas producers continue to direct capital to resource plays that are often drilled deeper with a increasingly longer horizontal sections. Deep wells and other technically complex wells, including wells drilled horizontally, require sophisticated drilling fluid systems, a high level of drilling fluid expertise and technical support.

The combination of increase depth and complexity of wells being drilled has led to an increase in the cost to drill and complete wells. Effective drilling systems can significantly reduce costs and improve recovery economics for oil and gas producers. Properly designed drilling fluid systems can reduce the time to drill, increase wellbore stability and maximize recovery from the reservoir.

Seasonality of 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. As a result, road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of 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 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. The DS operations in the US has mitigated some of the historical effects of seasonality on the Corporations Canadian operations as it is not as significant a factor to drilling activity in the U.S.

Competition

PRD Division

The Corporation's competition in the third party oilfield treatment and disposal market includes small regional service providers as well as larger companies with operations throughout western Canada. The western Canadian market is composed of two large market participants, CCS Inc. with approximately 53 facilities and Newalta Corporation with approximately 35 facilities. Both are mature competitors who have diversified their operations beyond the treatment and disposal industry. Secure is the third largest service provider in the third party oilfield treatment and disposal market with 15 locations. A fourth competitor, Palko Environmental operates four facilities

in Alberta, and four in Saskatchewan. A handful of small competitors exist operating independent facilities, most of which offer limited services.

DS Division

With respect to the DS division, there are approximately 35 drilling fluid companies operating in the WCSB, and considerably more in the continental United States, all of which are in competition with the Corporation. Four large integrated oilfield service companies control a broad majority of the world-wide drilling fluids market-place. Drilling fluid entities compete by focusing their efforts on the price of materials, quality of product, technological advantages, and the knowledge and technical expertise of management field personnel. Management believes that the Corporation's specialty fluids provide significant productivity increases, drilling cost reductions, solutions to environmental issues and solutions to a wide variety of drilling operations, including conventional and heavy oil drilling, and for downhole problems such as water/oil separation, wellbore ballooning and other production specific problems. Management believes that the Corporation will maintain its competitive status by offering what management believes is state-of-the-art technology in its drilling fluid systems.

The segment of the drilling fluids market in which the Corporation operates has barriers to entry such as:

- *Proprietary Drilling Fluid Systems* – a drilling fluid provider that possesses proprietary technology and builds a proven history with that technology has an advantage over competitors who attempt to copy technology but do have a working history.
- *Reputation for Expertise* – a drilling fluids provider with technical expertise, particularly with respect to a specific formation or drilling process, has an advantage over other drilling fluids providers.
- *Certificates of Recognition* – Alberta Human Resources and Employment and the Petroleum Industry Training Service (the certifying partner for the petroleum industry) issues certificates of recognition to entities for achieving the provincial minimum standards for a health and safety program, and evidence that a drilling fluids provider has a safety program in place which meets minimum provincial standards. Most large exploration and production entities require their drilling fluid provider to hold a current certificate of recognition in order to work on their drilling projects.
- *Master Service Agreements* – many senior exploration and production entities as well as integrated oil companies require their service providers to be engaged through master service agreements which designate those service providers as approved service providers.
- *Capital Intensive* – with the trend toward horizontal drilling, the demand for oil based mud has increased. Capital investment is required for facilities to store and blend this mud prior to delivery to the customer's location. In addition, the service provider must be able to support sufficient working capital necessary to purchase the oil based stock prior to re-sale to the customer.

Management believes the Corporation's proprietary drilling fluid systems; its trained, loyal and experienced staff; its solid relationships with its clients, some of which are evidenced by master service agreements; and its efficient operations, give the Corporation a competitive advantage over other drilling fluids providers.

Customer Relationships

Customer relationships are a critical component in providing meaningful customer service where competitors are in close proximity and in which some customers have the ability to serve their own needs. By retaining an experienced management team and emphasizing customer service to all staff, Secure focuses on providing quality customer service in all of its operations. Secure solicits feedback from its customers and uses that information to enhance its service offerings to better meet its customers' needs.

Energy Prices and Oil and Natural Gas Activity

Energy prices, expectations of energy prices and oil and natural gas activity in the WCSB all have significant effects on Secure's performance. Revenue is impacted directly by a decrease in the price of oil due to the Corporation's sales of recovered oil. Accordingly, changing prices and associated differentials between crude oil types can impact revenue associated with the Corporations crude oil handling, marketing and terminalling activities. Volumes of recovered oil and revenue earned from processing, disposal, treatment, terminalling and marketing activities are all affected by oil and natural gas activity in the WCSB, and are thus indirectly impacted by oil and natural gas prices.

Demand for drilling fluid systems and drilling waste management is closely correlated with overall oil and natural gas drilling activity and the related capital budgets of oil and gas companies. Oil and gas producers base their capital expenditures on many factors, including, but not limited to, oil and natural gas commodity prices.

Regulatory Environment

The Corporation and its customers are subject to a variety of regulations applicable to the treatment and disposal of oilfield waste. In Alberta, all aspects of oilfield waste management are highly regulated, primarily by the Energy Resource and Conservation Board, Alberta Environment and Alberta Sustainable Resource Development. The Energy Resource and Conservation Board regulates operations under the Oil and Gas Conservation Act and the Oil and Gas Conservation Regulations. Alberta Environment regulates all of Secure's landfills under the Environmental Enhancement and Protection Act, the Waste Control Regulations and the Activities Designation Regulation.

In British Columbia, the dominant regulatory bodies are the British Columbia Oil and Gas Commission and the British Columbia Ministry of Environment. The British Columbia Oil and Gas Commission regulates field operations under the Petroleum and Natural Gas Act and the Drilling and Production Regulation while the Ministry of Environment operates under the Environmental Management Act.

In Saskatchewan, regulatory authority is split between two ministerial jurisdictions. Saskatchewan Energy and Resources regulate the exploration, development, production, and management of oil and gas within the province by administering the Oil and Gas Conservation Act. Saskatchewan Environment regulates environmental standards within the province through the administration of a number of provincial acts including: The Environmental Management and Protection Act, The Environmental Assessment Act, and The Clean Air Act among others.

In addition, the regulatory environment governing the Corporation's crude oil treatment, terminalling and crude oil marketing services establishes well defined reporting requirements for volumes produced from each well and the tracking of those volumes through to the final sale point. These reporting requirements are established by the provincial government in order to track royalty payments and are required by customers to ensure proper allocations of revenue in joint venture operations and to track volumes.

These provincial environmental regulations include requirements for oilfield waste management that deal with waste characterization and classification, waste manifesting and tracking, waste management facility design, application requirements and acceptable waste disposal options. These regulations strongly influence the permitting, design, construction, operation and reclamation of waste management facilities.

In each market that the corporation operates, the oil and natural gas industry is subject to a complex and increasingly stringent array of laws addressing the actual and potential environmental impacts inherent to the business, including laws governing waste management and the blending, storage, transportation, use and handling of fluids used in oil and gas drilling and completion operations.

The environmental legal regimes in Canada and the U.S., are comprised of a variety of federal, state, provincial and local laws which require the corporation to incur spending significant capital related to facility construction and maintenance and additional operating costs to maintain compliance.

Management and Employees

As at December 31, 2011, the Corporation has approximately 500 employees, the majority of which are located at the Corporation's PRD facilities and on site at customer locations associated with the DS division. A key part of the

Corporation's mission is to develop an entrepreneurial culture among all of its employees. To this end, within the PRD division each facility operates as a profit centre, with the facility manager playing a key role in the Corporation's strategic planning by developing goals and budgets. Each field employee, and the facility managers in particular, maintain relationships with customers to ensure that the Corporation is a key industry partner.

Financing

Secure's success depends upon its continued ability to finance its growth plan. Adequate financing gives the Corporation the flexibility to acquire, construct and expand facilities. Since inception, the Corporation has independently financed the construction of eleven facilities, developed another facility through a joint venture with a strategic partner, and acquired three operating facilities. Historically, the Corporation has financed growth primarily through equity issuances and debt financing, supplemented with cash flow from operations. The Corporation expects to finance future growth through cash flow from operations and indebtedness incurred under its Credit Facility, however, it will also supplement with equity as required to maintain a strong and flexible balance sheet.

INDUSTRY OVERVIEW

Participants in the upstream oil and natural gas industry in Canada generally fall into one of two categories – oil and natural gas companies and oilfield services companies. Oil and natural gas companies generally explore for, develop and produce oil and natural gas reserves. Oilfield services companies provide equipment, products and services to assist oil and natural gas companies in their efforts to explore for, develop and produce oil and natural gas.

The scope of services provided ranges widely among oilfield service companies, however most provide services on-site at the producers' wellsite or production facility. The PRD services provided by Secure is a niche sub-sector of the services industry that provides its services off-site at strategically located treatment and disposal facilities. The PRD services provided by Secure include crude oil emulsion treatment, the terminalling and marketing of crude oil, oilfield waste processing, tank washing, landfill disposal, disposal of produced and waste water and the purchase and resale of crude oil. Collectively this sub-sector is known as the treatment and disposal industry.

Marquis Alliance is an on-site oilfield service provider supplying drilling fluids systems, solids control equipment, drilling waste management and environmental services.

Demand for oilfield services in western Canada is generally a function of the willingness of oil and natural gas companies to make operating and capital expenditures to explore for, develop and produce oil and natural gas, which in turn is affected by current and anticipated levels of oil and natural gas demand and prices. A significant portion of Secure's PRD revenue is generated through producing oil and natural gas wells, which in turns lends more stability to cash flows in the treatment and disposal industry through the commodity cycles than for oilfield services that are more directly tied to drilling and completions. Demand for the DS divisions services is more closely correlated with the overall oil and natural gas drilling activity and the related capital expenditure budgets of oil and gas companies.

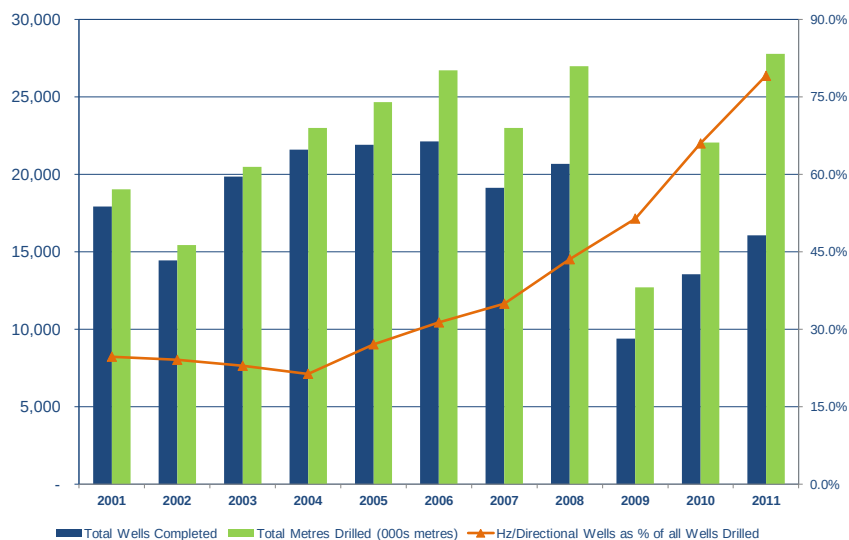
Well Drilling

The process of drilling a well requires the use of drill fluids and creates by-products such as drill cuttings and contaminated drilling mud. Drilling fluids are provided by the Corporation's DS division. Cuttings are disposed of at the Corporation's landfills and the mud is processed and disposed of at the Corporation's FST locations.

Oil and Gas producers in WCSB and the US continue to develop resource plays that require the drilling of deeper and more technically challenging horizontal wells. With the continued weakness in natural gas prices, drilling has been focused on oil or liquids rich natural gas producing areas. The wells currently drilled in these resource plays include vertical wells and directional wells; however, the majority of the wells currently being drilled are horizontal. With the development of new horizontal completion techniques, such as horizontal fracturing technology, resources previously thought of as uneconomic or trapped are now being developed in old and new fields across North America. As these technologies require the drilling of horizontal wellbores, horizontal drilling is increasing in frequency. Horizontal drilling can be utilized in tight formations like shale gas/oil, and in carbonate formations and sand formations such as those found in the heavy oil areas of Alberta and Saskatchewan, including the oil sands.

As the chart below illustrates, in 2011 the total meters drilled was higher than at any time during the preceding eleven year period. Since 2009, the total wells completed has increase by 71%, however the total meters drilled has increased by 119% over the same time period.. The growth in meters drilled is related to the growth of horizontal drilling in liquids rich gas development and unconventional oil resource plays. The growth in meters drilled correlates to an increased demand for drilling fluids. The increase in wells completed since 2009 and meters drilled has increased the volume of drill cuttings and drilling mud requiring disposal and the demand from customer's to outsource drilling waste management.

WESTERN CANADA DRILLING ACTIVITY



Sources: Daily Oil Bulletin

1

SECURE
energy services

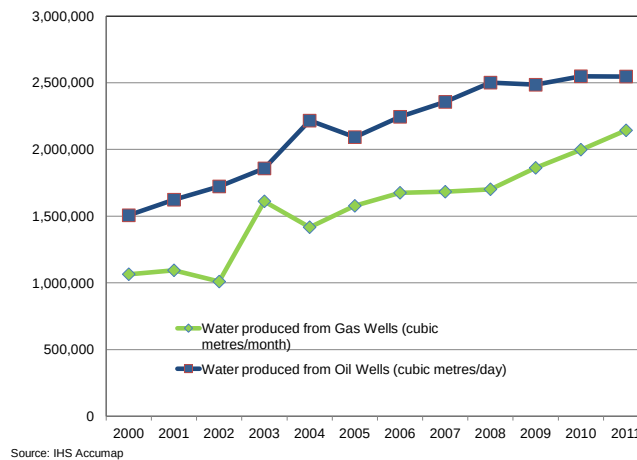
Well Completion

After a well is drilled, a variety of completion techniques are performed prior to the well being brought into production. The completion process generates oilfield waste that requires treatment and disposal at the Corporation's FST or SWD locations. As the chart above illustrates, the percentage of directional or horizontal wells drilled has been steadily increasing since 2004. Completing these wells increasingly involves multi stage fracturing of the geological formation to enhance the production of the well. The length of the horizontal section and the number of fractures per horizontal section are increasing as the technology develops. This results in greater volumes of by-products requiring disposal.

Well Production

In addition to the production of oil and natural gas, wells also produce substantial volumes of water requiring disposal at one of the Corporation's FST or SWD facilities. As the chart below indicates, the volume of water produced in the western Canadian sedimentary basin has been steadily increasing since 2000.

WCSB OIL & GAS WELL WATER PRODUCTION

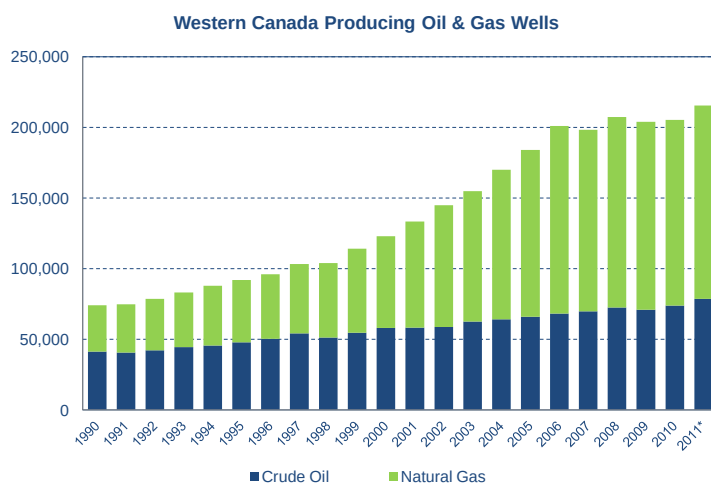


Generally, as a well matures, it produces increasingly larger volumes of water. As the WCSB matures, the average volume of water produced has increased by 8% per year since 2000.

Well/Facility Maintenance and Production Enhancement

During an oil or gas well's operational life, various activities are performed which may include remedial downhole repairs, re-perforations, swabbing, de-waxing and formation acidization. Collectively, these workover activities generate by-products requiring treatment and disposal at the Corporation's FST and SWD locations. The number of workovers is a function of the number of wells in production and the maturity of the wellbore. As the chart below illustrates, despite the fluctuating number of wells drilled, the number of wells in production has steadily increased. In the period from 1990 to 2011, the number of operating oil and natural gas wells in western Canada has increased steadily over time. A significant portion of oilfield waste is generated by producing oil and natural gas wells, lending more stability to cash flows from the PRD division through the commodity cycles than for oilfield services that are more directly tied to drilling and completions.

WESTERN CANADA PRODUCING OIL & GAS WELLS



Source: Canadian Association of Petroleum Producers (CAPP)
*2011 data estimate: IHS Accumap

Well Abandonment and Reclamation Activities

The cleanup or reclamation of wells, production facilities and pipelines results in contaminated soil, which requires disposal at the Corporation's Class II Oilfield Landfills and creates liquid by-products, which requires treatment and disposal at a FST or SWD facility. A maturing WCSB combined with increasing number of wells in production creates a revenue stream to the Corporation beyond the drilling and production cycle.

Increased Outsourcing by Oil and Gas Producers

The treatment and disposal industry has been growing in part due to the increasing willingness of customers to outsource. The birth of the industry occurred in the late 1980's, prior to which the third party treatment and disposal industry did not exist. By 2006, the two largest participants in the industry, CCS Inc and Newalta, had combined revenue of approximately \$426 million (2006 being the last year financial data was available publicly for both companies). As many oil and natural gas producers prefer to focus on their core production and exploration business, the Corporation believes that there is continued opportunity for increased outsourcing of oilfield waste management to third-party providers.

DIVIDENDS

The Corporation has not paid any dividends on the Common Shares and currently intends to reinvest any earnings to fund the development and growth of its business. Any future payments of dividends will be at the sole discretion of the Board and will depend upon the financial condition, capital requirements and earnings of the Corporation as well as other factors it may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Secure is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, of which 90,616,587 Common Shares are issued and outstanding as at March 5, 2012.

The holders of Common Shares ("**Shareholders**") are entitled: (i) to notice of, to attend and to one vote per Common Share at, all meetings of the Shareholders (other than meetings of a class or series of shares of the Corporation other than the Common Shares); (ii) to receive dividends as and when declared by the Board of Directors on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends; and (iii) in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among the Shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of a return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of a return of capital, in such assets of the Corporation as are available for distribution.

PRICE RANGE AND TRADING VOLUMES

The Common Shares are listed and posted for trading on the TSX under the symbol "SES". The following table sets out information concerning the monthly price ranges and trading volumes of the Common Shares on the TSX for the periods indicated.

2011	High \$	Low \$	Volume
January.....	6.15	5.50	1,919,949
February.....	6.30	5.60	3,025,936
March.....	6.35	5.72	2,738,521
April.....	7.99	6.17	5,322,765
May.....	8.95	7.02	4,910,519
June.....	10.10	8.42	6,579,515
July.....	9.99	8.84	1,842,264
August.....	9.33	7.30	5,919,238
September.....	8.39	6.80	4,044,449
October.....	8.20	5.99	3,733,534
November.....	8.05	6.67	4,436,757
December.....	7.97	6.55	3,896,851

PRIOR SALES

In the twelve month period ended December 31, 2011, the Corporation granted, under the Corporation's stock option plan (the "**Option Plan**"), options ("**Options**") to acquire an aggregate of 2,095,975 Common Shares, the particulars of which are set forth in the following table:

Date of Grant	Number of Common Shares Issuable on Exercise⁽¹⁾	Exercise Price per share
January 4, 2011	2,025	\$5.80
March 7, 2011	119,690	\$6.10
May 16, 2011	65,145	\$7.96
June 8, 2011	61,650	\$8.99
June 15, 2011	1,239,634	\$8.96
June 20, 2011	17,325	\$9.09
June 27, 2011	5,700	\$9.55
July 4, 2011	24,000	\$9.64
August 12, 2011	107,406	\$8.60
August 15, 2011	23,025	\$8.60
September 27, 2011	4,350	\$7.28
October 1, 2011	18,450	\$7.26
October 3, 2011	1,350	\$7.26
November 7, 2011	308,450	\$7.82
November 14, 2011	6,375	\$7.82
November 23, 2011	25,000	\$7.23
December 7, 2011	65,050	\$7.02
December 19, 2011	1,350	\$6.78

Notes:

(1) Each Option entitles the holder thereof to acquire one Common Share on the terms and conditions set forth in the Option Plan.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The following table sets out the securities of the Corporation which are subject to escrow restrictions as at December 31, 2011:

Designation of Class	Number of Securities in Escrow	Percentage of Class
Common Shares	14,458,444 Common Shares	15.95%

Though not required by law, in connection with the IPO several executive officers elected to enter into an escrow agreement with Bennett Jones LLP and the Corporation, pursuant to which such officers agreed to deposit, in the aggregate, 6,435,804 Common Shares into escrow with Bennett Jones LLP as escrow agent. Pursuant to such escrow agreement, 2,145,268 Common Shares (33 1/3%) were released from escrow on the completion of the IPO on March 30, 2010, 2,145,268 Common Shares (33 1/3%) were released on March 30, 2011 (the first anniversary of the IPO) and the remaining 2,145,268 Common Shares will be released on March 30, 2012 (the second anniversary of the closing date of the IPO).

In connection with the acquisition of the outstanding shares of Marquis Alliance, an aggregate of 10,015,291 Common Shares issued pursuant to the acquisition were placed in escrow on June 1, 2011, pursuant to an escrow agreement between Bennett Jones LLP, the Corporation and the holders of such shares. Pursuant to the escrow agreement, the shares will be released on the 1st, 2nd, 3rd, 4th and 5th anniversaries of closing as to 2,335,139; 2,335,135; 1,832,343; 1,832,340; and 1,680,334 Common Shares, respectively.

In connection with the acquisition of the assets of XL Fluids, an aggregate of 2,297,885 Common Shares issued pursuant to the acquisition were placed into escrow on July 1, 2011 pursuant to an escrow agreement between Bennett Jones LLP, the Corporation and XL Fluids. Pursuant to the escrow agreement the shares will be released on the 1st, 2nd, 3rd, 4th and 5th anniversaries of closing in respect of 472,359; 465,968; 465,968; 446,795; and 446,795 Common Shares, respectively.

DIRECTORS AND OFFICERS

Name and Jurisdiction of Residence	Position with the Corporation	Principal Occupation	Director Since⁽¹⁾	Common Shares Held (#/%)⁽²⁾
Rene Amirault Alberta, Canada	Chairman, President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation	June 1, 2007	4,023,841/4.4%
Nick Wieler Alberta, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation	N/A	463,666/0.5%
Gary Perras Alberta, Canada	Vice President, Engineering & Construction	Vice President, Engineering & Construction of the Corporation	N/A	408,435/0.5%
Dan Steinke Alberta, Canada	Vice President, Business Development & Operations	Vice President, Business Development & Operations of the Corporation	N/A	608,189/0.7%
Karen Myrheim Alberta, Canada	Vice President, Sales and Marketing	Vice President, Sales and Marketing of the Corporation	N/A	560,008/0.6%
Allen Gransch Alberta, Canada	Vice President, Finance	Vice-President, Finance of the Corporation	N/A	92,596/0.1%
George Wadsworth Alberta, Canada	President, Drilling Services Division and Director	President, Drilling Services Division of the Corporation	August 15, 2011	1,082,763/1.2%
Brad Markel Alberta, Canada	Corporate Secretary	Partner, Bennett Jones LLP	N/A	20,000/0.02%
Murray Cobbe ⁽³⁾⁽⁴⁾ Alberta, Canada	Lead Director	Chairman of Trican Well Service Ltd.	July 28, 2009 ⁽⁶⁾	383,000/0.4%
David Johnson ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Executive Chairman of Progress Energy Resources Corp.	June 1, 2007	290,000/0.3%
Kevin Nugent ⁽³⁾⁽⁵⁾ Alberta, Canada	Director	President of Livingstone Energy Management Ltd. (a private investment company)	September 25, 2007	75,000/0.08%
Brad Munro ⁽³⁾⁽⁴⁾⁽⁵⁾ Saskatchewan, Canada	Director	President and Chief Executive Officer of Bittercreek Capital Corporation (a private investment and advisory firm)	April 23, 2009	40,000/0.04%

Notes:

- (1) A director's term of office shall be from the date on which he is elected or appointed, as the case may be, until his successor is elected or appointed.
- (2) Includes Common Shares beneficially owned or controlled, directly or indirectly. Percentage holdings are calculated on a non-diluted basis.
- (3) Member of the Audit Committee of the Corporation.
- (4) Member of the Compensation Committee of the Corporation.
- (5) Member of the Corporate Governance Committee of the Corporation.
- (6) Mr. Cobbe acted in an advisory role to the Board of Directors since December 2007.

As at the date hereof, the directors and officers of the Corporation, as a group, beneficially owned, controlled or directed, directly or indirectly, 8,047,498 Common Shares, or approximately 8.88% of the outstanding Common Shares (on a non-diluted basis).

The following are brief biographies of each of the officers and directors of the Corporation, including a description of their present occupations and their principal occupations during the last five years.

Officers

Rene Amirault, Chairman, President, Chief Executive Officer and Director

Rene Amirault was appointed as the President and Chief Executive Officer of Secure in March 2007 and was elected a director and appointed as Chairman on June 1, 2007. From January 2006 to March 2007 he was an independent businessman. From September 2001 to January 2006, he was the Vice President of Corporate Development of CCS Income Trust. Mr. Amirault held various roles at Canadian Crude Separators Inc. and CCS Income Trust from August 1994 to January 2006, including Vice President roles in Sales and Marketing, Business Development and Corporate Development. Mr. Amirault was Vice President of Corporate Development of CCS Income Trust or its predecessor companies from September 2001 to January 2006, during which time his responsibilities included business development, acquisitions, strategic planning and investor relations. Mr. Amirault has over 25 years experience in the energy industry. Mr. Amirault held various positions with Imperial Oil Ltd. from 1981 to 1994, including marketing, project management, finance and accounting capacities. Mr. Amirault received a Certified General Accountant designation in June 1984.

Nick Wieler, Chief Financial Officer

Nick Wieler has been the Chief Financial Officer of the Corporation since March 2007. From January 2005 to April 2006, Mr. Wieler was Manager, Business Acquisitions for CCS Income Trust. Mr. Wieler held various roles at Canadian Crude Separators Inc. and CCS Income Trust from October 1997 to January 2005, including roles in sales, marketing and business development. Mr. Wieler has close to 20 years experience in the energy industry. Mr. Wieler worked in a marketing capacity with Imperial Oil Ltd. from 1991 to 1996 prior to joining Newalta Corporation until October 1997. Mr. Wieler received a Chartered Financial Analyst designation in September 2003.

Gary Perras, Vice President, Engineering and Construction

Gary Perras was appointed as the Corporation's Vice President, Operations in March 2007. From February 1996 to May 2006, Mr. Perras held various roles at Canadian Crude Separators Inc. and CCS Income Trust, including roles in environment, regulatory, engineering and construction. Most recently from March 2005 to May 2006, Mr. Perras was the General Manager of Landfills for CCS Income Trust. Mr. Perras has over 18 years of experience in the energy industry. Mr. Perras worked for Prowest Safety and Environmental Services from October 1994 until January 1996 as an environmental engineer. He also held a number of cooperative work-study positions with TransGas Ltd. from 1991 to 1993 while pursuing his engineering degree. Mr. Perras is a professional engineer registered with Apegga and received his Masters of Business Administration in November 2007 from Queens University.

Dan Steinke, Vice President, Business Development & Operations

Dan Steinke was appointed as Vice President of Sales and Marketing for the Corporation in March 2007. On February 1, 2010, Mr. Steinke was appointed as Vice President of Business Development. From April 2006 to March 2007, Mr. Steinke consulted to SCF Partners Inc. (later Enermax Services Inc.) working to consolidate numerous independent operators providing oilfield fluid sales and transportation services. Mr. Steinke held various roles at Canadian Crude Separators Inc. and CCS Income Trust from October 1995 to March 2006, including roles in sales, marketing and business development. Mr. Steinke has over 25 years experience in the energy industry, having held the title of Superintendent for Koch Service Canada from 1993 to 1995 and prior thereto owned a crude oil transportation business.

Karen Myrheim, Vice President, Sales and Marketing

Karen Myrheim was appointed as Vice President of Business Development for the Corporation in March 2007. On February 1, 2010, Ms. Myrheim was appointed as Vice President of Sales and Marketing. Prior to joining Secure, Ms. Myrheim provided project management services to Triumph Engineering beginning in May 2006. From November 2002 to May 2006, Ms. Myrheim worked independently as a consultant in a business development capacity for several oil and natural gas and waste management companies including CCS Income Trust. From July 1997 to October 2002, Ms. Myrheim held various positions at Canadian Crude Separators Inc., including roles in operations, regulatory, land and business development. From September 1991 to April 1995, Ms. Myrheim worked as a consultant for several oil and natural gas companies while attending university. From May 1989 to August 1991, Ms. Myrheim worked in an operations and land capacity for Polaris Petroleum Ltd. From August 1982 to December 1987, Ms. Myrheim worked in a sales and business development capacity for Puma Oilfield

Services. Ms. Myrheim received a Business Diploma from Southern Alberta Institute of Technology (SAIT) in April 1989.

Allen Gransch, Vice President, Finance

Allen Gransch was appointed Vice President, Finance of the Corporation in August 2010 and joined Secure in September 2007. Prior to joining Secure, Mr. Gransch was a Senior Manager with PricewaterhouseCoopers. From May 1999 to August 2007, Mr. Gransch held various positions from Associate to Senior Manager with PricewaterhouseCoopers located in Calgary, Alberta, Georgetown, Cayman Islands and Saskatoon, Saskatchewan. Mr. Gransch has over 12 years experience in a broad range of corporate finance and accounting activities. Mr. Gransch is a Chartered Accountant and attended the University of Saskatchewan where he earned a Bachelor of Commerce degree and his Masters of Professional Accounting degree.

George Wadsworth, President, Drilling Services Division

George Wadsworth was appointed President, Drilling Services Division of the Corporation as well a director of the Corporation in August 2011. Mr. Wadsworth has over 16 years of experience in the Canadian oilfield service industry and is currently the President of Marquis Alliance Energy Group, a wholly owned subsidiary of the Corporation. Prior thereto, Mr. Wadsworth was the President of Alliance Energy Services Ltd. and was the Vice President and co-founder of Alliance Drilling Fluids Ltd. in 2003. Prior to founding the Alliance Drilling Fluids Ltd, Mr. Wadsworth worked as the Western Canadian Manager for Swaco, division of M-I Swaco from 2001 to 2003. In addition, Mr. Wadsworth held various technical, sales, and management positions for M-I Swaco, QMAX Solutions Inc., Reef Mud, and Nowasco Well Service Ltd. Mr. Wadsworth and holds a Bachelor of Science degree from the University of Calgary.

Brad Markel, Corporate Secretary

Brad Markel is a Partner in the law firm of Bennett Jones LLP. Mr. Markel's practice includes mergers and acquisitions, corporate finance and corporate governance. Mr. Markel joined Bennett Jones LLP in 1997. Prior to joining Bennett Jones LLP, Mr. Markel practiced with MacPherson Leslie & Tyerman in Regina, Saskatchewan. Mr. Markel received a Bachelor of Laws degree from the University of Saskatchewan in 1990.

Directors

In addition to Mr. Amirault and Mr. Wadsworth, the following individuals are the directors of the Corporation:

Murray Cobbe, Lead Director

Murray L. Cobbe was elected as a director of the Corporation on July 28, 2009 and was appointed as Lead Director on December 9, 2009. Prior to his election as a director, he served in an advisory role to the Board of Directors. Mr. Cobbe is the Chairman of Trican Well Service Ltd. (an oilfield services company) and has been with Trican since its initial public offering in December 1996. Mr. Cobbe has been in the well services business since 1974 and has overseen operations in Canada, Europe, the Middle East and the United States. Mr. Cobbe graduated from the Southern Alberta Institute of Technology in 1970 with a Diploma in Petroleum Engineering (Reservoir). In addition, Mr. Cobbe is a past director of the Petroleum Services Association of Canada (the national association of Canadian oilfield service, supply and manufacturing companies). Mr. Cobbe currently serves as a director of Trican Well Service Ltd. (an oilfield services company), Pason Systems Inc. (a vertically integrated specialist providing data solutions to the oil and natural gas drilling industry) and Bellatrix Exploration Ltd. (an exploration and production company).

David Johnson, Director

David D. Johnson was elected as a director of the Corporation on June 1, 2007. Mr. Johnson, is Chairman of Progress Energy Resources Corp. since February 2011 and prior to was Executive Chairman from January, 2009. Prior thereto, Mr. Johnson was the President and Chief Executive Officer of Pro-Ex Energy Ltd. from July 2004 to January 2009. From November 2001 to July 2004, he was the President and Chief Executive Officer of Progress Energy Ltd. From July 1994 to April 2001, he was the President and Chief Executive Officer of Encal Energy Ltd. Mr. Johnson has over thirty years of diverse experience in the oil and natural gas industry, including a background in production, reservoir evaluation and operations. He has a B.Sc. in Petroleum Engineering, is a member of the

Canadian Institute of Mining, Metallurgy and Petroleum as well as the Association of Engineers, Geologists and Geophysics of Alberta and has served twice as a Governor of the Canadian Association of Petroleum Producers.

Kevin Nugent, Director

Kevin Nugent was elected as a director of the Corporation on September 25, 2007. Since October 2007, Mr. Nugent has been the President of Livingstone Energy Management Ltd., a privately held corporation created for the purpose of sourcing, evaluating and providing capital to companies engaged in the production of crude oil and natural gas or in the provision of services to the oil and natural gas industry. Mr. Nugent is a Chartered Accountant with more than 20 years of experience in the oil and natural gas industry, including serving from 2004 to 2006 as President, Chief Executive Officer and Director of NQL Energy Services Ltd., which was a leading provider of downhole drilling tools. Mr. Nugent currently serves as a director Savanna Energy Services Corp. and Trican Well Service Ltd. Mr. Nugent is a member of the Board of Governors of the University of Lethbridge.

Brad Munro, Director

Brad Munro was elected as a director of the Corporation on April 23, 2009. Mr. Munro is the President and Chief Executive Officer of Bittercreek Capital Corporation, a private investment and advisory firm. Through Bittercreek Capital Corporation Mr. Munro was a contractor to GrowthWorks Capital WV Ltd. and its affiliates in the role of Vice President, Investments from May 2006 to August 2009. Prior thereto, Mr. Munro was an employee of GrowthWorks Capital Ltd. and its affiliates since September 1991. Mr. Munro holds a Bachelor of Commerce degree from the University of Saskatchewan and has extensive experience in corporate finance and investment in the oil and natural gas and other industries. Mr. Munro presently serves as a director of three private companies and four public companies, including Guidex Energy Inc. which is listed on the TSX and Winalta, Inc. and 49 North Resources Inc. which are listed on the TSX Venture Exchange. Mr. Munro was a director of CCS Income Trust (or its predecessors) for eight years and was the lead director of the independent committee on the recent privatization of CCS Income Trust.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or executive officers is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while the director was acting in that capacity; (ii) was subject to such an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such a capacity.

None of the directors or executive officers is, or has been in the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Brad Munro.

Brad Munro

Mr. Munro was a director of Kipp & Zonen Inc., as part of his employment with GrowthWorks Canadian Fund Inc. from December 1996 to April 19, 2004. GrowthWorks held a convertible debenture in the principal amount of \$2,000,000 which was originally funded in December 1996 with a maturity in March 2001. On March 25, 2004, Kipp & Zonen was served with a Notice of Petition for Receiving Order by its landlord for unpaid rent. GrowthWorks served notice to Kipp & Zonen on April 7, 2004 with a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act* (Canada) under the terms of its amended and restated convertible debenture dated March 31, 2002. On April 21, 2004, GrowthWorks obtained an order of the Saskatchewan Court of Queen's Bench appointing Ernst & Young Inc. receiver of all of the undertaking, property and assets of the company. Effective April 19, 2004, Mr. Munro and the other directors and officers of Kipp & Zonen resigned.

Mr. Munro is a director of Winalta Inc. Winalta Inc. and each of its subsidiaries (collectively, "**Winalta**"), obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) (the "**CCAA**") pursuant to an order granted on April 26, 2010 by the Court of Queen's Bench of Alberta (the "**Court**"). Deloitte & Touche Inc. was

appointed as Winalta's monitor. The CCAA filing follows the receipt on March 31, 2010 by Winalta and its subsidiaries of demands for payment and Notices of Intention to Enforce Security from Winalta's principal lender, HSBC Bank of Canada. On October 22, 2010, Winalta received Court and creditor approval of a plan of arrangement (the "**Plan**") pursuant to the CCAA under which it amalgamated with certain of its subsidiaries and, effective October 29, 2010, emerged from CCAA protection to begin focused operations on its oilfield services business. The board of directors maintained its usual role during the period while Winalta was under CCAA protection and, together with management, was primarily responsible for formulating the Plan for restructuring the Winalta's affairs.

None of the directors or executive officers has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

There are no known existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation. Certain of the directors and officers also serve as directors and/or officers of other public companies that may be involved in the oil and natural gas industry, and therefore it is possible that a conflict may arise between their duties as directors or officers of the Corporation and their duties as directors and/or officers of such other companies. The Corporation and the directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict. In accordance with the *Business Corporations Act* (Alberta), the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

LEGAL PROCEEDINGS

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

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

The Secure Defendants filed an Amended Statement of Defence (the "**Defence**"), and the Corporation filed an Amended Counterclaim (the "**Counterclaim**"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of \$37.8 against CCS, alleging that CCS has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation.

Examinations for discovery began in the second quarter of 2010 and will continue through 2013. The Corporation intends to continue to defend against the CCS Action and to prosecute the Counterclaim. See "*Risk Factors - The CCS Action may negatively impact the Corporation and its business*".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Secure, no: (i) Director or executive officer of the Corporation; (ii) person that is the beneficial owner of, or who exercises direct or indirect control or direction over, more than ten percent of the outstanding Common Shares; or (iii) any associate or affiliate of any person referred to in (i) or (ii) above has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Secure, other than as disclosed elsewhere in this AIF and other than George Wadsworth, a director and officer of the Corporation who held approximately 10.8% of the outstanding shares of Marquis Alliance, which was acquired by the Corporation on June 1, 2011. See "*General Development of the Business – Acquisitions – Marquis Alliance*".

BUSINESS RISKS

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

Oil and Natural Gas prices

The demand, pricing and terms for oilfield waste disposal services in the Corporation's existing or future service areas largely depend upon the level of exploration, development and production activity for both crude oil and natural gas in the WCSB, Quebec, the United States and India. Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas industry is volatile. No assurance can be given that natural gas exploration and production activities will continue at their current levels. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas companies. Any addition to, or elimination or curtailment of, government incentives for companies involved in the exploration for and production of oil and natural gas could have a significant effect on the oilfield services industry in the WCSB, Quebec, the United States and India. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

In addition, treatment and waste disposal services are largely dependent on the willingness of customers to outsource their waste management activities. As such, the demand for Secure's services could be curtailed by a trend towards internal waste management.

Commodity price risk – non-trading

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

Commodity price risk – trading

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

Foreign currency risk

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

Volatility of market price of Common Shares

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

Competitive conditions

The Corporation competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market for the PRD division is dominated by two large market participants, CCS Midstream Services with approximately 53 facilities, and Newalta Corporation with 35 facilities. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation, or that new or existing competitors will not enter the various markets in which the Corporation is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Corporation in both divisions. The Corporation's customers may elect not to purchase its services if they view the Corporation's financial viability as unacceptable, which would cause the Corporation to lose customers.

Financing future growth or expansion

The Corporation's business strategy is based in part upon the continued expansion of the Corporation's network of facilities. In order to continue to implement its business strategy, the Corporation will be required to further its capital investment. The Corporation may finance these capital expenditures through vendor financings, ongoing cash flow from operations, borrowings under its revolving credit facility and by raising capital through the sale of additional debt or equity securities. The Corporation's ability to obtain financing or to access the capital markets for

future offerings may be limited by the restrictive covenants in the Corporation's current and future debt agreements, by the Corporation's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Corporation's control.

Access to capital

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

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

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

Seasonal nature of the industry

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

Development of new technology and equipment

The technology used in the PRD division for waste treatment, recovery and disposal business is not protected by intellectual property rights. As such, there are no significant technological barriers to entry within the industry. The technology used in the DS division for drilling fluids systems and drilling fluid in some instances are protected by intellectual property rights, however new technological advances could occur within the drilling fluids system and drilling fluids industry at anytime.

Risk of third party claims for infringement

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

Equipment risks

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

Credit risk

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

Environmental protection & health and safety

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

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

The Corporation may incur substantial costs, including fines, damages, criminal or civil sanctions, and remediation costs, or experience interruptions in the Corporation's operations for violations or liabilities arising under these laws and regulations. The Corporation may have the benefit of insurance maintained by the Corporation, its customers or

others. However, the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

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

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

Governmental regulation

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

Regulation and taxation of energy industry

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

Provincial royalty rate changes

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

Operating risks and insurance

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

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

Potential replacement or reduced use of products and services

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

Performance of obligations

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

Legal proceedings

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

In the event that the plaintiff is successful in asserting its claim against the Corporation, the Corporation has insurance and potential damages claimed in the Corporation's countersuit which may mitigate the impact upon the financial condition of the Corporation; however, the Corporation's insurance is limited to \$5 million (which will be reduced by the amount of expenses of the lawsuit claimed by Secure against the insurance) and there can be no assurance that Secure's insurer will not determine that one or more of the claims specified in the CCS Action are not covered by Secure's insurance policy and deny coverage. In the event that the CCS Action was to be determined in a manner adverse to the Corporation, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Oil and Natural Gas market

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

Merger and acquisition activity

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

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

Terrorist activities

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

Market conditions

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

Conflict of interest

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

Sources, Pricing and Availability of Products and Third Party Services

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

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

Global financial conditions

Global financial conditions include the commodity and equity markets that have recently been volatile as investors react to the sovereign-debt crisis in Europe. Investors fear global economies are heading into another recession and central banks and the government will be required to increase debt loads in an effort to avoid it. As a result of these global conditions, the Corporation is subject to increased counterparty risk and liquidity risk. The Corporation is

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

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

Availability of qualified employees

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

Proprietary technology

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

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

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

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

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

Economic dependence

The top ten customers of the Corporation accounted for approximately 32% of revenue for fiscal 2012, of which no single customer accounting for more than approximately 10%. The Corporation does not generally enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Corporation. The loss of one or more major customers, any significant decrease in services provided to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Corporation.

Interest rates

The Corporation's banking facilities have interest rates which float with the lender's prime rate, and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the prime rate should increase.

Leverage and restrictive covenants

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

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

Key personnel

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

Landfill closure costs

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

Legal and financial compliance

The Corporation is required to comply with the rules and regulations applicable to public companies in Canada and to file reports with the Canadian securities administrators. Accordingly, the Corporation incurs significant legal, accounting and other expenses that the Corporation did not incur as a private company. The Corporation's management and other personnel must devote a substantial amount of time and resources to comply with these requirements. These rules and regulations will increase the Corporation's legal and financial compliance costs, compared to similar costs incurred as a private company.

Disclosure controls & procedures

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

Internal controls over financial reporting

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

In accordance with the provisions of section 3.3 of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), in relation to the acquisition of Marquis Alliance effective June 1, 2011, the Corporation has limited its assessment of the design of disclosure controls and procedures and internal control over financial reporting to exclude the controls, policies and procedures of Marquis Alliance.

Raising additional capital

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

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Corporation is Meyers Norris Penny LLP, 7th Floor, 715-5th Ave. S.W., Calgary, Alberta T2P 2X6.

A register of holders of the Common Shares is maintained by Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

AUDIT COMMITTEE INFORMATION

The mandate of the Audit Committee is set forth in Appendix "A" attached hereto.

Composition of the Audit Committee

The following table sets forth the name of each of the current members of the Audit Committee, whether such member is "independent" and "financially literate" as those terms are defined by National Instrument 52-110 *Audit Committees* and the relevant education of each such member.

<u>Name</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
Kevin L. Nugent ⁽¹⁾	Yes	Yes	Mr. Nugent is President of Livingstone Energy Management Ltd. Mr. Nugent is a Chartered Accountant with more than 20 years of experience in the oil and natural gas industry. Mr. Nugent has held various senior positions requiring regular review of financial statements and has served as an audit committee member for a number of publicly traded companies.
Murray L. Cobbe	Yes	Yes	Mr. Cobbe was the President and Chief Executive Officer of Trican Well Service Ltd., a publicly-traded well service corporation. Mr. Cobbe has held various senior positions requiring regular review of financial statements and has served as an audit committee member for a number of publicly traded companies.
Bradley R. Munro	Yes	Yes	Mr. Munro is the President and Chief Executive Officer of Bittercreek Capital Corporation, a private investment and advisory firm. Mr. Munro holds a Bachelor of Commerce degree from the University of Saskatchewan and has extensive experience in corporate finance and investment in the oil and natural gas and other industries. Mr. Munro has held various senior positions requiring regular review of financial statements and has served as an audit committee member, including as Chairman, for a number of publicly traded companies.

Note:

(1) Chair of the Audit Committee.

Pre-Approval Policies and Procedures

To safeguard the continued independence of the Corporation's external auditors, all services (including non-audit services) to be rendered by the Corporation's external auditors and any of their related entities to the Corporation or any subsidiary of the Corporation, and all related terms of engagement, must be the subject of pre-approval by the Audit Committee.

External Auditor Service Fees

The following table sets forth the aggregate fees billed by Meyers Norris Penny LLP for the 2010 and 2011 fiscal years.

	<u>2011</u>	<u>2010</u>
Audit Fees	\$ 277,032	\$123,790
Audit Related Fees	\$ 256,579	\$ 64,030
Tax Fees ⁽¹⁾	\$ 39,839	\$ -
All Other Fees ⁽²⁾	\$ -	\$ 77,175
Total	\$ 573,450	\$ 264,995

Note:

(1) The tax fees relate to the preparation of T2 statements on behalf of the Corporation.

(2) Fee's related to the Corporations Initial Public Offering on March 30, 2010

MATERIAL CONTRACTS

The only material contracts entered into by the Corporation during the most recently completed financial year, or before the most recently completed financial year that are still in effect, other than during the ordinary course of business, are as follows:

1. *The Syndicated revolving credit facility.* On August 4, 2011, the Corporation entered into a new \$150 million Credit Facility with a syndicate of six financial institutions and Canadian chartered banks. The Credit Facility consists of a \$140 million extendible revolving term credit facility and a \$10 million revolving operating facility that replaced the Corporation's \$55 million non-syndicated revolving term facility. The Credit Facility can be expanded to \$200 million through the exercise of an additional \$50 million accordion feature, available upon request by the Corporation and subject to review and approval by the lenders, which was exercised by Secure in February of 2012, thereby increasing the Credit Facility to \$200 million.

The Credit Facility is a 3 year, committed facility with an initial maturity date of July 29, 2014 and is extendible annually, at the Corporation's request, provided that the maturity date associated with the granting of the extension does not exceed three (3) years. 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.

Amounts borrowed under the Credit Facility will bear interest at the Corporation's option of either the Canadian prime rate plus 1.0% to 2.50% or the banker acceptance rate plus 2.0% to 3.50%, depending, in each case, on the ratio of consolidated debt to EBITDA.

2. The Share Purchase Agreement among Secure Energy Services Inc., Marquis Alliance Energy Group Inc. and all of the holders of the issued and outstanding shares of Marquis Alliance Energy Group Inc. dated April 26, 2011 (see "*General Development of the Business – Acquisitions – Marquis Alliance*").
3. The Asset Purchase Agreement among XL Fluids Systems Inc., Secure Energy Services Inc. and Marquis Alliance Energy Group Inc. dated June 5, 2011 (see "*General Development of the Business – Acquisitions – XL Fluids*").

ADDITIONAL INFORMATION

Additional information, including information as to the remuneration of directors and officers of the Corporation, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is contained in Secure's information circular and proxy statement, dated April 6, 2011, and may be found on SEDAR at www.sedar.com.

Additional financial information in respect of the Corporation is provided in Secure's most recent interim and annual financial statements, which can be found on SEDAR at www.sedar.com.

Additional information relating to Secure may be found on SEDAR at www.sedar.com.

APPENDIX A

MANDATE OF THE AUDIT COMMITTEE SECURE ENERGY SERVICES INC.

Objectives

The Audit Committee is appointed by the board of directors (the "Board") of Secure Energy Services Inc. (the "Corporation") to assist the Board in fulfilling its oversight responsibilities.

The Audit Committee's primary duties and responsibilities are to:

- monitor the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
- assist Board oversight of: (i) the integrity of the Corporation's financial statements; and (ii) the Corporation's compliance with legal and regulatory requirements;
- monitor the independence, qualification and performance of the Corporation's external auditors; and
- provide an avenue of communication among the external auditors, management and the Board.

The Audit Committee will, at least annually, review and modify this mandate with regards to, and to reflect changes in, the business environment, industry standards on matters of corporate governance, additional standards which the Audit Committee believes may be applicable to the Corporation's business, the location of the Corporation's business and its shareholders and the application of laws and policies.

Composition

Audit Committee members must meet the requirements of applicable securities laws and of the stock exchanges on which the securities of the Corporation trade. The Audit Committee will be comprised of three or more directors as determined by the Board. Each member of the Audit Committee shall be "independent" and "financially literate", as those terms are defined in National Instrument 52-110 *Audit Committees* ("NI 52-110") of the Canadian Securities Administrators (as set out in Schedule "A" hereto), and as "financially literate" is interpreted by the Board in its business judgement.

Audit Committee members shall be appointed annually by the Board. The Chair of the Audit Committee shall be appointed by the Board. If an Audit Committee Chair is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee membership.

Meetings and Minutes

The Audit Committee shall meet at least four times annually, or more frequently if determined necessary to carry out its responsibilities.

A meeting may be called by the Chairman of the Audit Committee, the Chief Executive Officer of the Corporation (the "CEO") or any member of the Audit Committee. A notice of time and place of every meeting of the Audit Committee shall be given in writing to each member of the Audit Committee at least two business days prior to the time fixed for such meeting, unless waived by all members entitled to attend. Attendance of a member of the Audit Committee at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

A quorum for meetings of the Audit Committee shall require a majority of its members present in person or by telephone. If the Chair is not present at any meeting of the Audit Committee, one of the other members of the Audit Committee present at the meeting will be chosen to preside by a majority of the members of the Audit Committee present at that meeting.

The President and CEO shall be available to advise the Audit Committee, shall receive notice of meetings and may attend meetings of the Audit Committee at the invitation of the Chair. Other management representatives, as well as the Corporation's external auditors, shall be invited to attend as necessary. Notwithstanding the foregoing, the Chair shall hold *in camera* sessions, without management present, at every meeting of the Audit Committee.

Decisions of the Audit Committee shall be determined by a majority of the votes cast.

The Audit Committee shall appoint a member of the Audit Committee, other officer of the Corporation or legal counsel to act as secretary at each meeting for the purpose of recording the minutes of each meeting.

The Audit Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Audit Committee. All information reviewed and discussed by the Audit Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

Scope, Duties and Responsibilities

Mandatory Duties

Review Procedures

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Review and reassess the adequacy of the Audit Committee's mandate at least annually, and submit the mandate to the Board for approval.
2. Prior to filing or public distribution, review, discuss with management and the external auditors and recommend to the Board for approval, the Corporation's audited annual financial statements, annual earnings press releases, annual information forms, management's discussion and analysis, financial statements required by regulatory authorities, all prospectuses and all documents which may be incorporated by reference into a prospectus, including without limitation, the annual proxy circular. Approve, on behalf of the Board, the Corporation's interim financial statements and related management's discussion and analysis and interim earnings press releases. This review should include discussions with management, and the external auditors of significant issues regarding accounting principles, practices and judgements.
3. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 2 above and periodically assess the adequacy of those procedures.
4. Be responsible for reviewing the disclosure contained in the Corporation's annual information form as required by Form 52-110F1 *Audit Committee Information Required in an AIF*, attached to NI 52-110. If proxies are solicited for the election or directors of the Corporation, the Audit Committee shall be responsible for ensuring that the Corporation's information circular includes a cross-reference to the sections in the Corporation's annual information form that contain the information required by Form 52-110F1.

External Auditors

1. The Audit Committee shall advise the external auditors of their accountability to the Audit Committee and the Board as representatives of the shareholders of the Corporation to whom the external auditors are ultimately responsible. The external auditors shall report directly to the Audit Committee. The Audit Committee is directly responsible for overseeing the work of the external auditors, shall review at least annually the independence and performance of the external auditors and shall annually recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant. The Audit Committee shall, on an annual basis, obtain and review a report by the external auditor describing: (i) the external auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Corporation.
2. Approve the fees and other compensation to be paid to the external auditors.
3. Pre-approve all services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditors and all related terms of engagement.

Other Audit Committee Responsibilities

1. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
2. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

Discretionary Duties

The Audit Committee's responsibilities may, at the Audit Committee's discretion, also include the following:

Review Procedures

1. In consultation with management, and the external auditors, consider the integrity of the Corporation's financial reporting processes and controls and the performance of the Corporation's internal financial accounting staff; discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures; and review significant findings prepared by the external auditors together with management's responses.
2. Review with management, and the external auditors, the Corporation's policies relating to risk management and risk assessment.
3. Meet separately with each of management, and the external auditors to discuss difficulties or concerns, specifically: (i) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management; (ii) any changes required in the planned scope of the audit; and report to the Board on such meetings.
4. Conduct an annual performance evaluation of the Audit Committee.

External Auditors

1. On an annual basis, the Audit Committee should review and discuss with the external auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
2. The Audit Committee shall review the external auditors audit plan and discuss scope, staffing, locations, and reliance upon management and general audit approach.
3. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
4. Be responsible for the resolution of disagreements between management and the external auditors regarding financial performance.
5. Ensure compliance by the external auditors with the requirements set forth in National Instrument 52-108 *Auditor Oversight*.
6. Ensure that the external auditors are participants in good standing with the Canadian Public Accountability Board ("CPAB") and participate in the oversight programs established by the CPAB from time to time and that the external auditors have complied with any restrictions or sanctions imposed by the CPAB as of the date of the applicable auditor's report relating to the Corporation's annual audited financial statements.

Other Audit Committee Responsibilities

1. On at least an annual basis, review, with the Corporation's counsel, any legal matters that could have a significant impact on the organization's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
2. Ensure the preparation and filing of each annual certificate in Form 52-109F1 and each interim certificate in Form 52-109F2 to be signed by each of the Chief Executive Officer and Chief Financial Officer of the Corporation in accordance with the requirements set forth under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended from time to time ("NI 52-109").
3. In respect of annual filings only, the Audit Committee is responsible for ensuring that management evaluates the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by the annual filings and has caused the Corporation to disclose in the annual management's discussion and analysis its conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation. The terms "annual filings," "interim filings," "disclosure controls and procedures" and "internal control over financial reporting" shall have the meanings set forth under NI 52-109.
4. Be responsible for monitoring any changes in the Corporation's internal controls over financial reporting and for ensuring that any change that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting is disclosed in the Corporation's most recent annual or interim management's discussion and analysis.
5. Review all exceptions to established policies, procedures and internal controls of the Corporation, which have been approved by any two officers of the Corporation.
6. Perform any other activities consistent with this mandate, the Corporation's by-laws, and other governing law as the Audit Committee or the Board deems necessary or appropriate.
7. Maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.

Communication, Authority to Engage Advisors and Expenses

The Audit Committee shall have direct access to such officers and employees of the Corporation, to the Corporation's external auditors and to any other consultants or advisors, as well as to such information respecting the Corporation it considers necessary to perform its duties and responsibilities.

Any employee may bring before the Audit Committee, on a confidential basis, any concerns relating to matters over which the Audit Committee has oversight responsibilities.

The Audit Committee has the authority to engage the external auditors, independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any auditors, counsel and other advisors, such engagement to be at the Corporation's expense. The Corporation shall be responsible for all other expenses of the Audit Committee that are deemed necessary or appropriate by the Audit Committee in order to carry out its duties.

Adopted by the Board of the Corporation on December 9, 2009 and amended on February 5, 2010 and March 3, 2011.

Schedule "A"

Excerpt from National Instrument 52-110

Standard of "Independence"

1. An audit committee member is independent if he or she has no direct or indirect material relationship with the Corporation.
2. For the purposes of paragraph 1, a "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment.
3. Despite paragraph 2, the following individuals are considered to have a material relationship with the Corporation:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Corporation;
 - (c) an individual who:
 - (i) is a partner of a firm that is the Corporation's external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the Corporation's external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
4. Despite paragraph 3, an individual will not be considered to have a material relationship with the Corporation solely because he or she had a relationship identified in paragraph 3 if that relationship ended before March 30, 2004.
5. For the purposes of paragraphs 3(c) and 3(d), a partner does not include a fixed income partner whose interest in the firm that is the external auditor is limited to the receipt of fixed compensation (including

deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

6. For the purposes of paragraph 3(f), direct compensation does not include
 - (a) remuneration for acting as a member of the Board or any Board committee of the Corporation, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.
7. Despite paragraph 3, an individual will not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the Corporation, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the Board or of any Board committee of the Corporation on a part-time basis.
8. Despite any determination made under paragraphs 1 through 7, an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or
 - (b) is an affiliated entity of the Corporation or any of its subsidiary entities,is considered to have a material relationship with the Corporation.
9. For the purposes of paragraph 8, the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation.
10. For the purposes of paragraph 8, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Standard of "Financial Literacy"

An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.