SECURE energy services

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Three Months ended March 31, 2011, and 2010

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("**Secure**" or the "**Corporation**") has been prepared by management and reviewed and approved by the Board of Directors of Secure on May 12, 2011. The discussion and analysis is a review of the financial results of the Corporation based upon accounting principles that are generally accepted in Canada (the issuer's "**GAAP**"), which includes, International Financial Reporting Standards ("IFRS"). The Corporation transitioned to IFRS on January 1, 2011 (the "**Transition Date**"), which required, for comparative purposes, the restatement of amounts reported on the Corporation's opening IFRS statement of financial position as at January 1, 2010 and amounts reported by the Corporation for the quarter and year ended in 2010. The MD&A's focus is primarily a comparison of the financial performance for the three months ended March 31, 2011 and 2010 and should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and accompanying notes prepared under IFRS for the period ended March 31, 2011. The Corporation's management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Corporation. The MD&A has been prepared as of May 12, 2011. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of securities laws, including the "safe harbor" provisions of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking statements pertaining to: general market conditions, the oil and natural gas industry, activity levels in the oil and gas sector, commodity prices for oil, NGLs and natural gas, expansion strategy, debt service, capital expenditures, completion of facilities, future capital needs, access to capital, acquisition strategy, closing of the Corporation's acquisition of Marquis Alliance Energy Group Inc, anticipated completion of the South Grande Prairie waste expansion and anticipated completion of the Drayton Valley full service terminal.

Forward-looking information concerning expected operating and economic conditions are based upon prior year results as well as the assumption that increases in market activity and growth will be consistent with industry activity and growth levels in similar phases of previous economic cycles. Forward-looking information concerning the availability of funding for future operations is based upon the assumption 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 the assumption that economic and operating conditions, including commodity prices, crude oil and natural gas storage levels, interest rates, the regulatory framework regarding oil and natural gas royalties, environmental regulatory matters, the ability of the Corporation to successfully market its services and drilling and production activity in the Western Canadian Sedimentary Basin 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 costs will not significantly increase from past acquisition and maintenance costs.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. We caution readers not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to and under the heading "Risk Factors" in the Corporation's annual information form ("**AIF**") for the year ended December 31, 2010 and the Corporation's short form prospectus filed May 6, 2011. Although forward-looking statements contained in this MD&A are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are expressly qualified by this cautionary statement. Unless otherwise required by law, Secure does not intend, or assume any obligation, to update these forward-looking statements.

CORPORATE OVERVIEW

Secure is incorporated under the *Business Corporations Act* (Alberta) and is primarily engaged in clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal and oil purchase/resale service. The Corporation's broad service offerings ensure that its customers have a complete solution for their oil terminalling, processing and disposal requirements. All facilities are complementary to one another and create synergies for the Corporation and its customers. For a complete description of Secure's business assets and operations, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's AIF for the year ended December 31, 2010.

SELECTED FINANCIAL HIGHLIGHTS

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's except share and per share data)			
(unaudited)			
Revenue	**67,998**	12,208	457
EBITDA [(1)]	**10,702**	6,477	65
Per share ($), basic	**0.17**	0.15	13
Per share ($), diluted	**0.16**	0.15	7
Earnings per share	**4,230**	1,537	175
Per share ($), basic	**0.07**	0.04	75
Per share ($), diluted	**0.06**	0.03	100
Funds from operations [(1)]	**10,656**	6,377	67
Per share ($), basic	**0.17**	0.15	13
Per share ($), diluted	**0.16**	0.14	14
Cash dividends per common share	**nil**	nil	nil
Capital Expenditures	**16,635**	5,143	223
Total assets	**202,730**	153,396	32
Long term debt - including current portion	**-**	-	-
Total long term liabilities	**14,313**	4,809	198
Common Shares - end of period	**63,862,381**	60,814,648	5
Weighted average common shares			
basic	**63,829,714**	43,341,202	47
diluted	**67,855,436**	44,242,584	53

[(1)] Refer to "Non GAAP measures" on page 5 for futher information

FIRST QUARTER 2011 HIGHLIGHTS

Secure's revenue in the first quarter has increased substantially in both core processing, recovery and disposal and oil purchase/resale services. The key drivers behind the increase in core revenue relates to expansion of the Corporation's service offerings, increased demand, increased activity and the new facilities added. During the first quarter, the Corporation completed its expansion of waste services at its Obed Full Service Terminal ("FST") and opened the new Brazeau Stand Alone Water Disposal ("SWD") facility. The new facility and expansion of the Obed FST were well supported by the increased activity levels in the first quarter. In both Northwest Alberta and Northeast British Columbia, activity levels continue to increase based on technological improvements on drilling wells with lengthy horizontal sections. Oil and gas producers are taking advantage of these new techniques to improve economics of producing wells. The producer's capital programs are not only supported by the technological advancements, but also supported by the continued strength of the price of crude oil and Natural Gas Liquids ("NGLs"). The rising price of crude oil and NGL's in the first quarter also led to increase throughput of the Corporation's oil purchase/resale service. Secure's Fox Creek facility achieved record highs of volumes processed and terminalled since the facility commenced operations in July of 2009. All of these factors contributed to higher revenue, which also contributed to Secure's significant increase in EBITDA for the three months ending March 31, 2011 by 65% over the same period of 2010. Overall, the operating and financial highlights for the first quarter March 31, 2011 may be summarized as follows:

- Growing revenue to $67.9 million for the three months ended March 31, 2011 compared to $12.2 million in the comparable periods of 2010. Total revenue is split into the following two streams:
    - **Core processing, recovery and disposal revenue:** $21.7 million for the three months ended March 31, 2011 compared to $12.2 million in the comparable period ended March 31, 2010. The first quarter benefited from the introduction of waste services at Obed FST and the Brazeau SWD in late February. As described above, the increase also relates to higher actively levels, increased demand and the higher price of oil; and,
    - **Oil purchase/resale service**: $46.2 million for the three months ended March 31, 2011 compared to nil in the comparable period of 2010. The Corporation began offering this new oil purchase and resale service during the second quarter of 2010. This service increased significantly in the month of December 2010 as Secure became a single shipper at its Fox Creek FST. As a single shipper, Secure improved customer service, gained operational efficiencies and increased volumes from core processing, recovery and disposal. As described above, throughput increased dramatically as a result of higher oil prices and increased demand for this service;
- Achieving EBITDA of $10.7 million for the three months ended March 31, 2011 compared to $6.5 million in the same period of 2010. The increased activity levels, increased demand, and the new facility and expansion services added during the first quarter all contributed as described above;
- Generating total profit and comprehensive income for the period after taxes of $4.2 million, a significant increase from $2.7 million in the first quarter of 2010;
- Continuation of building a strong management team by adding well experienced personnel in business development, operations, sales and financial positions to support current and continued growth;
- Throughput of crude oil during the first quarter at the Fox Creek FST facility increased substantially as a result of Secure becoming a single shipper in December 2010, which supported increasing revenue of the Corporation's core business;
- Capital expenditures of $16.6 million in the first quarter related to the completion of the Brazeau SWD facility, the completion of waste expansion at the Obed FST, the ongoing construction of the waste expansion at South Grand Prairie FST and the ongoing construction on the new Drayton Valley FST;
- Maintaining a strong statement of financial position, exiting the first quarter 2011 with working capital of $15.3 million and an undrawn credit facility of $26.5 million. Subsequent to the first quarter, the credit facility was extended for another year and the available amount of the credit facility was increased from $35 million to $55 million;
- During the first quarter, the Corporation actively participated in environmental recycling process improvements and cost saving initiatives for customers. This includes seeking strategic acquisitions that complement Secure's current service offerings that will ultimately provide customers with new opportunities to recycle, re-use and reduce oil and gas by product waste. Subsequent to the period ended March 31, 2011, the Corporation was pleased to announce the strategic acquisition of Marquis Alliance Energy Group Inc. ("Marquis Alliance"). Marquis Alliance is an energy services company specializing in the supply and development of drilling fluids and drilling fluid systems. An industry leader in the drilling fluid business, Marquis Alliance focuses on providing products and systems designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal SAGD wells. Marquis Alliance also provides environmental services comprised of drilling waste management and environmental sciences in connection with reclamation services. In addition, Marquis Alliance provides solids control and ancillary equipment rentals for drilling operations. The addition of the Marquis Alliance business fits within Secure's stated strategy of exploiting the full value chain and adding complimentary services to the Corporation's business lines;

PROPOSED TRANSACTIONS

On April 27th, 2011, the Corporation publicly announced the acquisition of Marquis Alliance. Pursuant to the agreement with Marquis Alliance, Secure will acquire, by way of a share purchase agreement, all of the issued and outstanding shares of Marquis Alliance for total consideration of $131 million being paid as $65.5 million in cash and $65.5 million in Secure shares. In total, 10,015,291 Secure shares will be issued at an ascribed price of $6.54 per share. To fund the cash portion of the Acquisition, Secure has entered into an agreement, on a bought deal basis (the “Offering”), with a syndicate of Underwriters, pursuant to which the Underwriters have agreed to purchase for resale to the public 11,278,200 subscription receipts of Secure (“Subscription Receipts”) at a price of $6.65 per Subscription Receipt for gross proceeds of approximately $75 million. In addition, the Underwriters have been granted an over-allotment option, exercisable for a period of 30 days following closing of the Offering, to purchase an additional 1,691,730 Subscription Receipts, at a price of $6.65 per Subscription Receipt for additional gross proceeds of approximately $11.25 million. The net proceeds of the Offering will be used by Secure to fund the cash portion of the purchase price of the Acquisition and for working capital and general corporate purposes, including the funding of capital expenditures. The financing is subject to closing the Marquis Alliance acquisition. Closing of the Offering is expected to occur on or about May 19, 2011 and is subject to customary conditions and regulatory approvals, including the approval of the Toronto Stock Exchange (“TSX”).

OUTLOOK

Recent outlooks by the Petroleum Services Association of Canada (‘PSAC’) and the Canadian Association of Oilwell Drilling Contractors (“CAODC”) support Secure’s view of expanding the Corporation through additional service lines, organic growth, and/or strategic acquisitions such as the recently announced purchase of Marquis Alliance Energy Group Inc. (“Marquis Alliance”).

- On April 28, 2011 the Petroleum Services of Canada (‘PSAC’) released an update forecasting an increase in Canadian drilling activity for 2011. PSAC revised the 2011 forecast of 8,390 wells drilled in Alberta upwards to 8,732 wells drilled, a healthy increase of over 2010 drilling activity; and
- Members of the Canadian Association of Oilwell Drilling Contractors (“CAODC”) booked 37,332 operating days in the first quarter of 2011, the busiest winter since 2006 when contractors had 45,438 operating days in the same comparable period;
- Average meters drilled per rig jumped to 8,336 meters in the first quarter of 2011, up from 7,240 meters per rig in the same period last year;
- Total meters drilled during the first quarter of 2011 added up to 6.85 million (excluding oilsands evaluation wells), the highest since the first three months of 2007. Meters drilled in horizontal wells accounted for 4.65 million (68%) of that total.

Despite the efficiencies gained from modern drilling rigs, the amount of time it takes to drill a well is rising because of more complex drilling, the move to horizontal wells and the greater lengths/depths being pursued by operators. The Corporation expects this increase in drilling activity will drive demand for services at the Corporation’s waste processing and disposal facilities and in the Marquis Alliance drilling fluids business.

The strategic acquisition with Marquis Alliance will provide Secure with complimentary services to the Corporation’s existing business lines. By integrating Marquis Alliance’s product and service offering with Secure’s existing network of facilities, the strategic corporate benefits combined include the following:

- Drilling fluids blending and recycling at Secure’s existing facilities;
- Efficiencies in drilling waste handling and enhanced environmental stewardship;
- Integration with Secure’s existing network with minimal costs;
- Accretion to Secure earnings and cash flow per share;
- Full cycle ‘cradle to grave’ drilling fluid solutions.

In 2011, the Corporation will continue to focus on strengthening market position across all service lines and executing on the business strategy. The investment in developing a strong market position will continue to provide the Corporation with opportunities for growth. Secure expects the demand for the Corporation’s services to continue to increase based on a trend of greater outsourcing by oil and gas producers, and the increasing volume of by products requiring treatment and disposal from producing oil and gas wells. With the increase in volume, Secure is not only focusing on the treatment and disposal aspect in 2011, but also the opportunities for environmental recycling process improvements and cost saving initiatives for customers.

During the second quarter, the South Grande Prairie facility waste expansion is expected to be operational. The Drayton Valley FST is currently on schedule and it is expected the facility will be completed during the third quarter. In addition, the Corporation continues to work on a variety of projects for 2011 and 2012 relating to expansion and sustaining capital that will increase throughput capacity or will result in the introduction of new services at the Corporation's existing facilities. Secure will increase capacity through additional disposal wells, pipeline connections, upgraded metering systems and additional truck unload infrastructure. Secure's available cash, debt capacity and cash flow from operations will allow the Corporation the financial flexibility to deploy the capital strategy.

NON-GAAP MEASURES

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

Operating margin

Operating margin is used by management to evaluate the operating performance of its facilities, and is calculated as revenues less operating expenses (excluding depreciation and depletion and oil purchase/resale services). Management analyzes operating margin as a key indicator of operating efficiency and variable cost control.

Funds from operations

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

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Cash from operating activities	**5,521**	5,646	2
Add (deduct):			
Non-cash working capital	**5,135**	731	603
Funds from operations	**10,656**	6,377	67

EBITDA

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

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Profit	**4,230**	1,537	175
Add:			
Depreciation, depletion and amortization	**4,251**	3,440	24
Share-based payments	**502**	187	168
Future income tax expense	**1,602**	1,129	42
Interest, accretion and finance costs	**117**	184	(36)
EBITDA	**10,702**	6,477	65

Expansion, growth, acquisition or sustaining capital

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

RESULTS OF OPERATIONS FOR THE FIRST QUARTER

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's except per share data)			
(unaudited)			
Revenue	**67,998**	12,208	457
Expenses			
Operating	**59,128**	7,958	643
General and administrative	**2,701**	1,279	111
Business development	**187**	114	64
Interest, accretion and finance costs	**150**	191	(22)
Profit before income taxes	**5,832**	2,666	(119)
Income taxes			
Deferred income tax expense	**1,602**	1,129	42
Profit and comprehensive income	**4,230**	1,537	175
Earnings per share			
Basic	**0.07**	0.04	
Diluted	**0.06**	0.03	

Revenue

In order to understand the Corporation's core business, total revenue has been split into two separate revenue streams: core processing, recovery and disposal services; and oil purchase/resale services.

- Core processing, recovery and disposal services: Processing services are primarily performed at FST's and include waste processing and crude oil emulsion treating. Two of Secure's FST's are connected to oil pipelines through which Secure provides customers with an access point to process and/or treat their crude oil for shipment to market. The crude oil or oilfield waste is delivered by customers to Secure by tanker truck or by a vacuum truck. Oilfield waste is delivered on the receiving pad and processed through a shaker and centrifuge system. Crude oil not meeting pipeline specifications is processed through a crude oil emulsion treater. Recovery services include revenue from the sale of oil recovered through waste processing, crude oil handling, terminalling and marketing. Clean crude oil and treated crude oil are stored on site until the volumes are ready to be shipped through the gathering or transmission pipelines. Disposal services include produced and waste water disposal services through a network of class IB disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.
- Oil purchase/resale services: By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure's 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 to its pipeline connected FSTs. The crude oil will then have direct access to be shipped down the pipeline. Although this service has no operating margin, the purpose of providing the service is to increase the overall volumes received, thereby increasing revenues derived from Secure's core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. The revenue earned in relation to processing, transportation, and marketing the crude oil are all included in the core processing, recovery, and disposal services revenue stream. The Corporation's oil purchase/resale service also includes oil purchased at the Fox Creek FST and resold in Edmonton as part of Secure becoming a single shipper in December 2010.

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Revenue			
Core processing, recovery and disposal services	**21,730**	12,208	78
Oil purchase/resale service	**46,268**	-	100
Total revenue	**67,998**	12,208	457
Operating Expenses			
Core processing, recovery and disposal services	**8,609**	4,518	91
Oil purchase/resale service	**46,268**	-	100
	54,877	4,518	1,115
Depreciation, depletion, and amortization	**4,251**	3,440	24
Total operating expenses	**59,128**	7,958	643
Operating Margin, before depreciation, depletion and amortization	**13,121**	7,690	71
Operating Margin as a % of core processing, recovery and disposal services	**60%**	63%	(5)

Revenue from core processing, recovery and disposal revenue for the first quarter increased 78% to $21.7 million from $12.2 million in the same period of 2010. The substantial increase includes a 53% increase in processing crude oil volumes in the first quarter of 2011 compared to 2010. The Corporation's processing volumes are higher primarily as a result of the increased activity and demand, as well as, the opening of the Obed FST waste expansion in February 2011. Total sales from recovery for the three months ended March 31, 2011 increased by 73% over the same period in 2010. The higher price of crude oil in 2011 compared to 2010, the higher amount of oil recovered during waste processing, and the higher volume of waste processed in the first quarter all contributed to the increase in revenue. Furthermore, crude oil volumes have increased as a result of Secure becoming a single shipper in December 2010, allowing for greater crude oil handling, marketing and terminalling. Disposal revenue volumes increased by 319% during the first quarter of 2011, compared to the first quarter of 2010. The increase in disposal volume are a direct result of the addition of the Pembina Landfill in the second quarter of 2010, the Dawson FST in the fourth quarter of 2010 and the Obed FST waste expansion in the first quarter of 2011. In addition, higher activity levels and demand also contributed to the increase.

Oil purchase/resale service revenue for the three months ended March 31, 2011 increased to $46.2 million from nil in the comparative period of 2010. Secure started offering this new service to customers in the second quarter of 2010 so customers could gain efficiencies in transportation and handling of their crude oil to the pipeline. Secure also offers this service because it increases the overall volumes received, thereby increasing revenues derived from Secure's core business of produced water disposal, crude oil emulsion treating, terminalling and marketing. In the fourth quarter of 2010, the revenue and expenses associated with this service increased dramatically as a result of Secure becoming a single shipper on the Pembina Pipeline at its Fox Creek FST. Oil purchase/resale services increased significantly in the first quarter as all volume entering Fox Creek is purchased by Secure and sold back to customers in Edmonton. This also has a direct impact on Secure's accounts receivable and accounts payable, as commodity contracts are executed over the forecast period and commodity contracts are fulfilled on physical delivery. The majority of commodity contracts offset in subsequent payment months. See the "**Business Risks**" section in this MD&A for further discussion. The revenue and corresponding expense of this service will fluctuate depending upon the volume of crude oil received in any given period and the price of crude oil for that period. As shown above, oil purchase/resale revenue is deducted to calculate the operating margin of core processing, recovery and disposal services (60%).

Operating Expenses (core processing, recovery and disposal services)

For the three months ended March 31, 2011 operating expenses increased 91% to $8.6 million from $4.5 million in the comparative period of 2010. Operating expenses have increased as a result of the addition of the Dawson FST, Pembina Landfill, Obed FST waste expansion and the new Brazeau SWD. The significant increase in revenue directly correlates with an increase to variable operating costs. Operating costs in aggregate are in line with the Corporation's expectations. As shown in the above table, operating margin is split by the core processing, recovery and disposal services stream and the oil purchase/resale revenue stream in order to evaluate the performance of the operating facilities. Operating margin as a percentage of revenue from core processing, recovery and disposal services for the first quarter 2011 was 60%, down from 63% in the same period of 2010. The change in operating margin may fluctuate quarter to quarter as a result of changes in volumes affected by seasonality, as new facilities come online and activity levels increase, as the Corporation's sales mix or type of services received varies, and as commodity prices rise and fall. The decrease in operating margin for the first quarter 2011, is also driven by start up costs with Obed FST waste expansion and Brazeau SWD.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the three months ended March 31, 2011 increased to $4.3 million from $3.4 million for the three months ended March 31, 2010. The additions of the Dawson FST facility, Pembina landfill, Obed FST waste expansion and the new Brazeau SWD have all contributed to the increase for the three months ended March 31, 2011.

General and Administrative

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's except per share data)			
(unaudited)			
General and administrative	**2,199**	1,092	101
Share-based payments	**502**	187	168
Total general and administrative	**2,701**	1,279	111

For the three months ended March 31, 2011, general and administrative expenses ("G&A") increased to $2.7 million from $1.3 million in the comparable period of 2010. The increase is primarily due to the hiring of employees to support the growth in operations and the additional costs of operating as a public company following the Corporation's IPO in March of 2010. Furthermore, additional compensation has also been accrued for management and employees in accordance with the Corporation's annual incentive compensation arrangements. The most significant accounts within G&A include: salaries and benefits for office staff, professional fees, office lease, insurance, utilities and communications in the Corporation's head office.

The non-cash share-based payments expense for the three months ended March 31, 2011 increased by 168% over the comparable period in 2010. The increase primarily relates to the stock options granted to new employees hired in the prior year, options granted during the Corporation's Initial Public Offering ("**IPO**") in March 2010 and new employees hired in the first quarter of 2011.

Business Development Expenses

Business development expenses for the three months ended March 31, 2011 were $0.2 million compared to $0.1 million for the three months ended 2010. Overall, business development expenses were consistent with that of the first quarter of 2010. The majority of the expenses relate to research and development undertaken by Secure for environmental recycling process improvements and cost saving initiatives for customers.

Interest, Financing and Accretion

Interest and financing costs remained consistent in the first quarter of 2011 compared to the same period in 2010. The financing costs in the for the three months ended March 31, 2011 relate to standby fees associated with the undrawn portion of the credit facility, charges relating to the letters of guarantee and accretion associated with the Corporation's asset retirement obligations.

Income Taxes

The Corporation follows the liability method of accounting for income taxes. Future income tax expense (recovery) for the first quarter 2011 increased to $1.6 million from a deferred tax expense of $1.1 million in the first quarter of 2010. The increase in deferred tax expense is a result of increased activity and demand at the Corporation's facilities, which in turn resulted in an increase in profit before taxes.

Significant Projects

Secure's 2011 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2011 capital expenditure program, see "***Liquidity and Capital Resources"*** in the next section.

SUMMARY OF QUARTERLY RESULTS

Seasonality

Seasonality impacts Secure's operations. In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities may be restricted, and the level of activity of Secure's customers may be consequently reduced and as such the level of oilfield waste processing and landfill disposal is therefore reduced accordingly. The transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to the Corporation's facilities. Accordingly, while Secure'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. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. The table below summarizes unaudited quarterly information for each of the eight most recently completed fiscal quarters.

($000s except share and per share data)	**2011**	**2010**				**2009**		
(unaudited)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4***	**Q3***	**Q2***
Core processing, recovery and disposal services revenue	**21,730**	18,372	13,845	9,806	12,208	7,520	4,954	3,534
Oil purchase/resale service revenue	**46,268**	14,486	2,679	1,370	-	-	-	-
Total Revenue	**67,998**	32,858	16,524	11,176	12,208	7,520	4,954	3,534
Earnings (loss) per share - basic	**0.07**	0.04	0.02	0.00	0.04	(0.02)	(0.03)	(0.02)
Earnings (loss) per share - diluted	**0.06**	0.03	0.02	0.00	0.03	(0.02)	(0.03)	(0.02)
Weighted average shares - basic	**63,829,714**	63,730,396	63,701,941	63,187,252	43,341,202	41,624,234	41,620,292	40,074,801
Weighted average shares - diluted	**67,855,436**	66,732,263	65,859,648	64,716,438	44,242,584	42,600,342	42,568,727	40,995,562
EBITDA	**10,702**	8,037	6,433	3,648	6,477	2,761	1,444	741

(*) Prepared under Canadian Generally Accepted Accounting Principles (previous GAAP)

Quarterly Review Summary

As described above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth during 2010 and the period ended March 31, 2011, variations in quarterly results extend beyond seasonal factors. Each quarter was impacted by the date at which any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's business assets and operations, please refer to the headings "Secure Energy Services Inc.", "Description of Business" and "Industry Overview" in the Corporation's AIF for the year ended December 31, 2010 which includes a description of the date on which each of Secure's facilities commenced operations. In addition to when the facility commenced operating activities or was acquired, the quarters were also impacted by the length of time required for several oil and natural gas producers to conduct their own individual audits of the facilities to ensure Secure meets all required internal specifications for disposal of oilfield wastes. This process is conducted at all landfills, FSTs and SWDs before the producer will begin sending waste. Depending on the producer, this process can take several months. The Corporation's oil purchase/resale service revenue has also increased significantly quarter over quarter. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. The significant increase in the first quarter of 2011 and the fourth quarter 2010 are a result of Secure becoming a single shipper on December 1, 2010. See the "**Business Risks**" section in this MD&A for further discussion on this service.

LIQUIDITY AND CAPITAL RESOURCES

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

Sources of Cash

a) Funds from operations (see non-GAAP measures)

	Three Months Ended March 31,		
	2011	2010	% Change
($000's) (unaudited)			
Funds from operations	**10,656**	6,377	67

Funds from operations for the period ended March 31, 2011 increased to $10.7 million from $6.4 million for the period ended March 31, 2010. The significant increase relates to the addition of the Dawson Creek FST and Pembina landfill during 2010 as well as the Obed waste expansion and the new Brazeau SWD in the first quarter of 2011. Furthermore, growth in operations of all facilities, the increase in oil and natural gas activity, the increase in the price of oil, and volume of crude oil received has also contributed to the increase.

b) Issue of common shares

	Three Months Ended March 31,		
	2011	2010	% Change
($000's) (unaudited)			
Issue of common shares, net of issue costs	**266**	53,634	(100)

For the period ended March 31, 2011, the significant decrease to $0.3 million from $53.6 million over the same period of 2010, relates to the IPO completed in March 2010 where the Corporation issued 19.2 million Common Shares for net proceeds of $53.6 million to be utilized to fund the Corporation's capital expenditure program.

Uses of Cash

a) Capital Expenditures

Expansion and growth capital are capital expenditures with the intent to expand or restructure operations, enter into new locations or emerging markets, or complete a business acquisition. The Corporation's expansion and growth capital expenditures for the period ended March 31, 2011 increased to $16.6 million from $5.0 million compared to the same period in 2010. During the first quarter, the Corporation incurred expansion capital expenditures of $1.6 million primarily for costs associated with adding a second disposal well to an existing facility. The second disposal well at an existing facility provides the Corporation with additional capacity during peak times for deep well water injection, as well as a back up in the event a well requires routine maintenance.

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Capital Expenditures			
Expansion and Growth Capital Expenditures	**16,582**	5,016	231
Sustaining Capital Expenditures	**53**	127	(58)
Total Capital Expenditures	**16,635**	5,143	223

During the first quarter of 2011, the Corporation also incurred growth capital expenditures of $14.4 million. Included in the $14.4 million, was $11.6 million of costs associated with the ongoing construction of South Grand Prairie FST and the Drayton Valley FST, and the completed Brazeau SWD and Obed FST waste expansion. The South Grande Prarie FST is expected to be operational and commissioned in the second quarter and the Drayton Valley FST is expected to be operational and commissioned during the third quarter. Brazeau SWD and Obed FST waste expansion were both commissioned at the end of February and were operational in the month of March. The remaining $2.8 million for the period ended March 31, 2011 relates to purchasing assets for other upcoming projects for the 2011 capital program. This includes major components of a facility that may require long lead times to in order to meet the construction timeline. The Corporation intends to fund its capital program primarily with existing cash, cash flow from operations and its credit facility.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, replacements or improvements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgment by management. During the period ended March 31, 2011, sustaining capital was $0.1 million compared to $0.1 million during the period ended March 31, 2010. Sustaining capital in the first two years of operation of a facility is expected to be minimal because each facility is constructed with new equipment or refurbished equipment. As a facility matures, the amount of sustaining capital required will increase.

b) Credit Facility

	Three Months Ended March 31,		
	2011	**2010**	**% Change**
($000's) (unaudited)			
Use (repayment) of secured Credit Facility	**-**	(4,900)	(100)

In December 2009, the Corporation entered into a secured credit facility with a Canadian financial institution consisting of a $35.0 million committed revolving term facility (the "credit facility"). The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011. If the credit facility is not renewed prior to May 31, 2011, then a non-revolving term period shall commence immediately thereafter and shall end one year later on May 31, 2012. The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011, at which point the Corporation is required to repay in full all amounts owing under the credit facility. During the first quarter, no amounts were drawn on the facility. Subsequent to the end of the first quarter, the Corporation has received a commitment to extend the revolving period by one year and increased the amount of the credit facility from $35 million to $55 million. The covenants remain the same as the previous facility.

The credit facility is a multi-use facility and is intended to provide capital project financing, fund working capital requirements and, in addition, for the issuance of letters of guarantee in support of financial security requirements. The credit facility has a $10,000,000 sublimit for the issue of letters of guarantee which bear interest at 1.50% while issued. The aggregate dollar amounts of the outstanding letters of guarantee are not categorized in the consolidated interim financial statements as long term borriwings; however, the issued letters of guarantee reduce the amount available under the credit facility. The credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time. The credit facility bears interest ranging from 1.5% to 2.5% above the prime rate depending on the applicable funded debt to EBITDA ratio, with any unused amounts subject to standby fees. Funded debt includes all outstanding debt, including capital leases, and any outstanding letters of guarantees. At the option of the Corporation, the credit facility may be utilized by way of guaranteed notes with interest calculated at the lenders base rate for such notes plus 3.0% to 4.0% based on the funded debt to EBITDA ratio. EBITDA as defined in the credit facility has the same meaning as ascribed in the Non GAAP measurement section of this MD&A. Under the terms and conditions of the credit facility, the Corporation is subject to certain covenants with respect to maintaining minimum financial ratios. As at March 31, 2011, the Corporation is in compliance with all of its covenants. As security for the credit facility, the Corporation granted lenders a security interest over all of its present and after acquired property. A $200.0 million debenture provides a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subject to the fixed charge.

	March 31, 2011	March 31, 2010	% Change
($000's) (unaudited)			
Committed secured Credit Facility	**35,000**	35,000	-
Letters of guarantee issued	**(8,494)**	(8,380)	1
Available amount	**26,506**	26,620	(1)

At March 31, 2011, the Corporation had issued approximately $8.5 million in letters of guarantee to various environmental regulatory authorities in Alberta and British Columbia. The Energy Resource and Conservation Board ("ERCB"), is implementing amendments to the *Energy Statutes Amendment Act, 2009* (Alberta) with respect to the Oilfield Waste Liability ("OWL") program. The OWL program is expected to replace the current fully funded liability management program for oilfield waste facilities with a facility specific asset to liability risk based assessment that is backed by the existing upstream oil and natural gas industry liability management program. The amount of letters of guarantee issued will fluctuate based on the growth of the Corporation and future refunds under the OWL program, which are undeterminable at this time. As at March 31, 2011, the Corporation has $26.5 million available under its credit facility.

c) Contractual Obligations

The Corporation has $15.9 million in commitments for capital and operating lease agreements primarily for heavy equipment, vehicles, land leases and office space, and capital commitments relating to purchases for use in the Corporation's current and future capital projects.

		Payments due by period			
	Total	**1 year or less**	**1-3 years**	**4-5 years**	**5 years and thereafter**
($000's) (unaudited)					
Finance leases	2,885	1,318	1,542	25	-
Operating leases	6,177	1,097	2,277	2,260	543
Capital purchases	6,847	6,847	-	-	-
Total Commitments	15,909	9,262	3,819	2,285	543

The Corporation also has commitments for estimated future costs for asset retirement obligations ("**ARO**"). The net present value of the Corporation's total ARO as at March 31, 2011 is approximately $10.4 million (December 31, 2010 - approximately $9.6 million) based on a total future liability as at March 31, 2011 of approximately $15.9 million (December 31, 2010 - approximately $14.3 million). These costs are expected to be incurred over the next one to twenty-four years.

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 oil and natural gas exploration and production industry in which the Corporation operates is highly volatile, and there can be no assurance that demand for the Corporation's services will be maintained at current levels. 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 Western Canadian Sedimentary Basin ("WCSB"). 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 in the WCSB 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. 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 dependant 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.

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.

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 Western 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 net buy and net sell crude oil derivative contracts (the "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 risk; 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 disagreements over terms of deals and/or contracts. Secure's contracts relate to the oil purchase and resale service which is focused on providing customers another solution for effectively marketing their commodity requirements. The Corporation trades crude oil by physically buying and selling volumes from oil producers or through their designated shipper of oil ("shipper"). The Corporation will typically enter into net buy or net sell derivative contracts with the shipper prior to the production month. 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 derivative contracts offset against physical delivery of all net sell crude oil derivative contracts. The Corporation may choose to do this based on energy commodity pricing relationships, time periods or qualities.

Secure will carry exposures to changes in commodity prices based on the Corporation's market views or as a consequence of managing physical positions on a daily basis. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period (forecast and production month), and the Corporation does not currently participate in the long term storage of the commodities. In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

Foreign currency risk
A significant portion of Secure's activities relates to the purchase and sale of crude oil 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 held in inventory. The Corporation does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time.

Competitive conditions
The Corporation competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market is dominated by two large market participants, CCS Midstream Services with 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. 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.

Access to capital markets
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 expects to finance these capital expenditures through vendor financings, ongoing cash flow from operations, a portion of the net proceeds of the IPO, borrowings under its 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.

Financing future growth or expansion
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 credit facility contains covenants that restrict the Corporation's ability to take various actions. In addition, the credit agreement requires the Corporation to comply with specified financial ratios, including, but not limited to, working capital, fixed charge coverage, funded debt to EBITDA, and tangible assets to funded debt. 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 Secure's 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 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.

Credit risk

The Corporation provides credit to its customers in the normal course of operations. This includes credit risk on trading activities as the Corporation is at risk for potential losses if the counterparties 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. 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 Canadian oil and natural gas industry is regulated by a number of federal and provincial governmental bodies and agencies under a variety of complex federal and provincial legislation that sets 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.

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.

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.

Legal proceedings

The Corporation is named as a defendant in the CCS Action. While management of Secure does not believe that this action will have an adverse 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 received from 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.

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.

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.

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.

Economic dependence

The top ten customers of the Corporation accounted for approximately 42% of its revenue for fiscal 2010 with 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 rate risk

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.

Key personnel

The Corporation's success depends to a significant extent on a number of its officers and key employees. Management believes that because all members of the management team are also shareholders in the Corporation, risk of loss of services of these key employees is reduced. 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.

OUTSTANDING SHARE CAPITAL

As at May 12, 2011, there were 63,876,748 Common Shares issued and outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

For the period ended March 31, 2011, the Corporation incurred approximately $0.3 million of expenses with companies that have common directors, officers, employees and shareholders. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of the expenses relate to service work on the Corporation's disposal wells and promotional items.

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at March 31, 2011, the aggregate amount outstanding under the loans is $0.5 million.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As at March 31, 2011 the Corporation's financial instrument assets include cash and short term deposits, accounts receivables and accrued receivables, other receivables, notes receivable and derivative financial instruments. The Corporation's financial instrument liabilities include accounts payable and accrued liabilities, derivative financial instruments and long term borrowings. The fair values of these financial instruments approximate their carrying amount due to the short term maturity of these instruments. The use of financial instruments exposes the Corporation to credit, liquidity and market risk. A discussion of how these and other risks are managed can be found in the "***Business Risk***" section of this MD&A. Further information on how the fair value of financial instruments is determined is included in the "***Critical accounting policies and estimates***" section of this MD&A.

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

CRITICAL ACCOUNTING POLICES AND ESTIMATES

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("**AcSB**") published a new strategic plan that outlined the convergence with IFRS over a five year period. The changeover date to IFRS was completed on January 1, 2011.

IFRS 1, First-Time Adoption of International Financial Reporting Standards

IFRS 1, First-time adoption of International Financial Reporting Standards ("**IFRS 1**") states that, in general, an entity shall apply the principles under IFRS retrospectively. IFRS 1 provides the framework and specifies that, the adjustments that arise on retrospective conversion to IFRS from another GAAP should be recognized directly in retained earnings. There are certain optional exemptions and mandatory exceptions to retrospective application, both of which are clarified under IFRS 1. Below is a list of the IFRS exemptions applied and not applied:

Business combinations - exemption applied: the Corporation elected not to re-value business combinations performed prior to January 1, 2010.

Fair value or revaluation as deemed cost – exemption not applied: The Corporation elected to restate the property, plant and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since inception.

Share-based payment transactions – exemption not applied: The Corporation has not elected to use the option under IFRS 1 to revalue only those options that have vested before January 1, 2010. All options have been revalued under IFRS 2, Share-Based Payment.

Asset retirement obligations included in the costs of property, plant and equipment - exemption not applied: IFRS 1 provides an optional exemption whereby an entity may measure asset retirement obligations ("ARO") at the transition date using the guidance in IAS 37. The Corporation must then determine the amount that would have been included in property, plant and equipment at the date the ARO first arose by discounting the ARO back to that date using a best estimate of the historical risk-adjusted rate(s) that would have applied for that ARO over the period from when it first arose to the transition date. Furthermore, the Corporation must calculate the accumulated depreciation on the amount included in property, plant and equipment, at the transition date, using the current estimate of the useful life of the property, plant and equipment item and the depreciation policy implemented under IFRS. The Corporation revalued all ARO's from inception.

In the preparation of the Corporation's condensed consolidated interim financial statements, management has made estimates that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the condensed consolidated interim financial statements are prepared. Actual results could differ from these estimates. Please refer to the Corporation's condensed consolidated interim financial statements for the period ended March 31, 2011 for a description of the accounting policies of the Corporation. The Corporation considers the following to be its critical accounting policies and estimates:

Depreciation, depletion and amortization

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

Asset retirement obligations and accretion

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

Share-based payments

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

Current and deferred tax

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

Financial instruments – initial recognition and subsequent measurement

Financial assets

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

Financial instruments - derivatives

The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil or natural gas liquids ("crude oil"). Typically, these contracts are entered into in the forecast month which is the month prior to the production or delivery month. 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. There is no initial cash outlay in the month prior to the production month, as both the commodity price the producer will receive and the actual crude oil volume to be delivered are determined in the production month. The contract obligation is settled upon delivery. Therefore, as a result of no initial cash outlay in the forecast month, and given both the commodity price and physical delivery are settled at a future date (the production month) these contracts are defined as derivative instruments within financial instruments. The contracts are carried at fair value on the Corporation's consolidated interim statement of financial position in the forecast month, and are included within accounts receivable and accrued receivables or accounts payable and accrued liabilities upon settlement. The contracts settled in the production month are included in accounts receivable and accrued receivables and accounts payable and accrued liabilities and are recorded on a net basis where the Corporation has a legally enforceable right and intention to offset.

The contracts are financial assets classified as fair value through profit or loss. The contracts are traded and are settled with physical delivery of crude oil on a monthly basis. Financial assets recorded at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statement of comprehensive income.

Financial liabilities

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

Fair value of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models. The Corporation's crude oil derivative contracts are valued by one or more of these valuation techniques.

The Corporation has classified its financial instrument fair values based on the required three- level hierarchy:

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

Cash and short term deposits are recorded at fair value under level 1. Included in accounts receivable and accounts payable are crude oil derivative contracts related. The Corporation uses net buy or net sell crude oil derivative contracts for the marketing and trading of crude oil or natural gas liquids. The contracts are settled with physical delivery of crude oil on a monthly basis and are recorded at fair value at the consolidated statement of financial position date under level 2.

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

Provisions

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a risk free rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

FUTURE ACCOUNTING PRONOUNCEMENTS

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

In 2010, the IASB issued a collection of amendments as part of its annual project "Improvements to IFRSs." The amendments address details of the recognition, measurement, and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. Except as otherwise specified, the amendments, which have not yet been endorsed, are to be applied for annual periods beginning on or after January 1, 2012. They are not expected to have a material impact on the presentation of the Corporation's financial position or results of operations.

In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. Application of IFRS 9 is mandatory for financial periods beginning on or after January 1, 2013. The new standard is not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

DISCLOSURE CONTROLS AND PROCEDURES

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

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 in accordance with IFRS. While management of the Corporation has put in place certain plans and procedures to mitigate the risk of a material misstatement in the Corporation's financial reporting, a system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated. No changes were made to the Corporation's internal control over financial reporting during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

On December 21, 2007, CCS Inc. ("**CCS**") filed a statement of claim commencing Action No. 0701-13328 (the "**CCS Action**") in the Judicial District of Calgary of the Court of Queen's Bench of Alberta (the "**Court**") against the Corporation, certain of the Corporation's employees who were previously employed by CCS (collectively, the "**Secure Defendants**") and others in which CCS alleges that the defendants misappropriated business opportunities, misused confidential information, breached fiduciary duties owed to CCS, and conspired with one another. CCS seeks damages in the amount of $110 million, an accounting and disgorgement of all profits earned by the Corporation since its incorporation and other associated relief.

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

The Secure Defendants filed an Amended Statement of Defence (the "**Defence**"), and the Corporation filed an Amended Counterclaim (the "**Counterclaim**"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37,860,000 against CCS, alleging that CCS has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation.

Examinations for discovery began in 2010 and will continue through 2013. The Corporation intends to continue to defend against the CCS Claim and to prosecute the Counterclaim.

ADDITIONAL INFORMATION

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