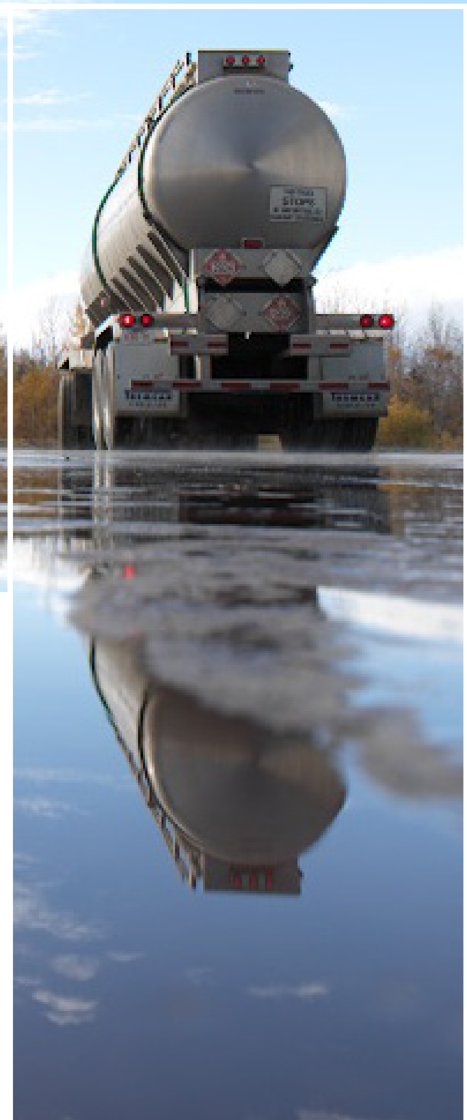
SECURE
energy services



SECURE energy services Inc.
TSX: SES

ANNUAL REPORT 2013

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CORPORATE PROFILE

SECURE energy services ("SECURE") or the ("Corporation") is a leading North American energy services company providing integrated solutions to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") (including British Columbia, Alberta, Saskatchewan and Manitoba), and North Dakota and Colorado in the United States.

With a focus on Environmental and Midstream services in underserviced and capacity constrained markets, SECURE is constantly striving to find innovative, efficient and environmentally responsible ways to help oil and gas producers. The Corporation's growth strategy is focused on a combination of 80% organic growth and 20% strategic acquisitions that provide increased capacity and/or new services lines to continue meeting the growing needs of its customers.

The Corporation operates three divisions: Processing, Recovery and Disposal ("PRD"), Drilling Services ("DS") and OnSite Services ("OS"). The PRD division assists upstream oil and natural gas companies with processing, treatment, recycling, and disposal of by-products associated with oil and natural gas exploration, development and production. The Company's PRD services include crude oil emulsion treatment, terminalling and marketing of crude oil, oilfield fluids and solids recycling, oilfield sludge and solids processing, tank washing, oilfield landfill disposal, and deep well disposal of produced and waste water.

The DS division specializes in the development and supply of drilling and completion fluids that are designed for complex wells, such as medium to deep wells, horizontal wells and horizontal steam assisted gravity drainage ("SAGD") wells and provides ancillary equipment rentals for drilling operations. DS offers its services to various resource plays, such as the Muskwa shales of the Horn River, the Cardium of Central Alberta, the Montney and Duvernay in the Deep Basin of Alberta and British Columbia, the oil sands of Alberta and Saskatchewan, the Bakken of Saskatchewan and North Dakota and the Denver-Julesburg basin of Colorado.

The OS division provides a full spectrum of services with the following areas of expertise: pipeline integrity, environmental services including drilling waste management and site assessments, watercourse crossings, asset management and recovery, as well as civil remediation and reclamation earthworks.

SECURE completed two acquisitions in 2013. On April 1st, 2013 the Corporation completed the acquisition of Frontline Integrated Services Ltd.'s ("Frontline") operating assets to form its OS division. In addition to increasing new capabilities and service offerings, this acquisition incorporated and expanded the existing environmental and project management services of the Corporation's DS division into the OS division. On July 2nd, 2013 the Corporation announced the acquisition of Target Rentals Ltd. ("Target"). The addition of Target's patented dual containment fluid storage tank system strengthens the existing rental business of the Corporation's DS division. These acquisitions, along with the organic growth accomplished throughout the year, resulted in a substantial evolution and expansion to SECURE's integrated suite of services. SECURE's head office is located in Calgary, Alberta.

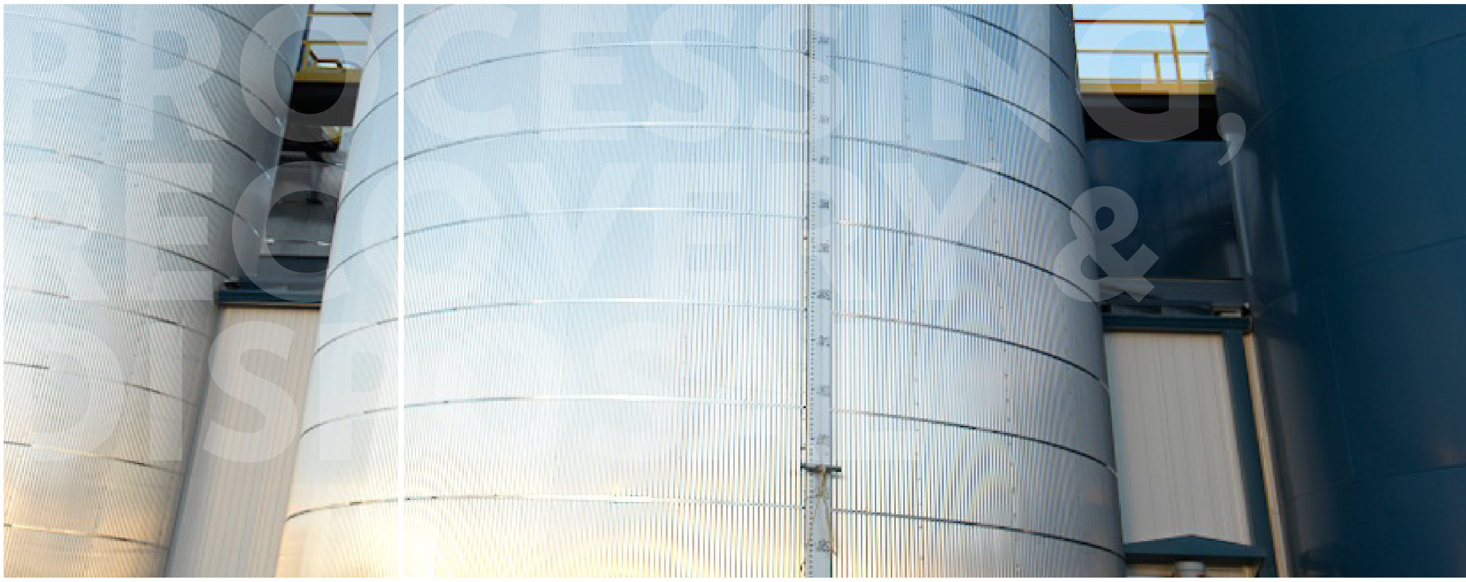
NOTICE OF ANNUAL MEETING

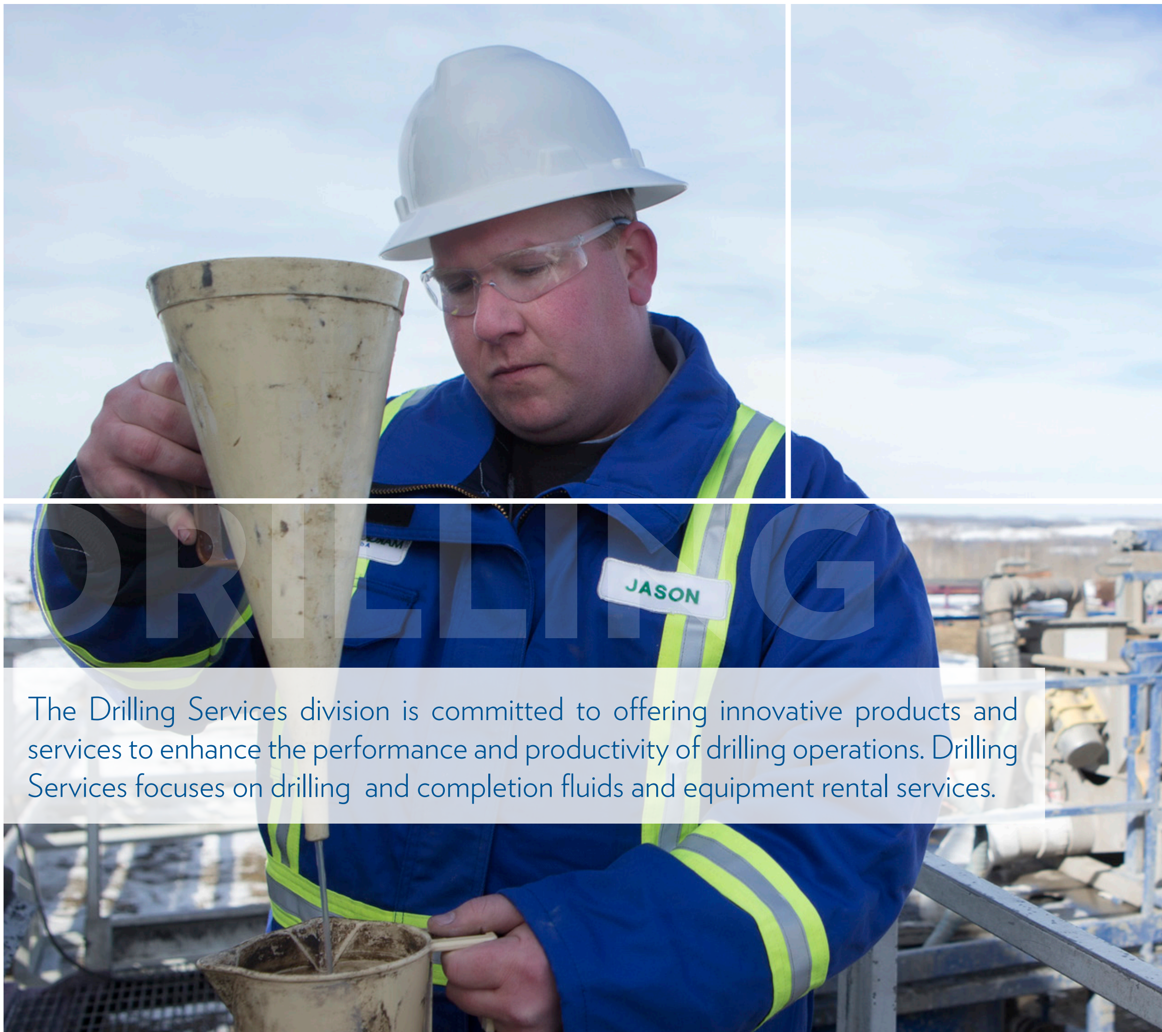
SECURE Energy Services Inc. ("SECURE" or the "Corporation") is pleased to invite its shareholders and other interested parties to the Corporation's Annual General Meeting which will be held at the Metropolitan Conference Centre, 333 4 Ave SW, Calgary, AB T2P 0J4, on Thursday, May 8th, 2014 at 4:00p.m.

ONE COMPANY THREE DIVISIONS

SECURE's Processing, Recovery and Disposal division operates Full Service Terminals, Stand-Alone Water Disposal Facilities and Landfills that serve the oil and gas industry for the safe treatment and disposal of oilfield by-products. This division focuses on crude oil treating and terminalling, produced and waste water disposal, oilfield waste processing and solids disposal.

PROCESSING, RECOVERY & DISPOSAL



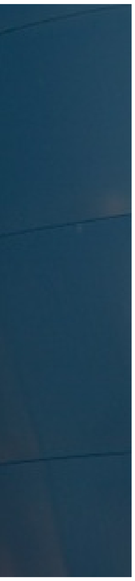


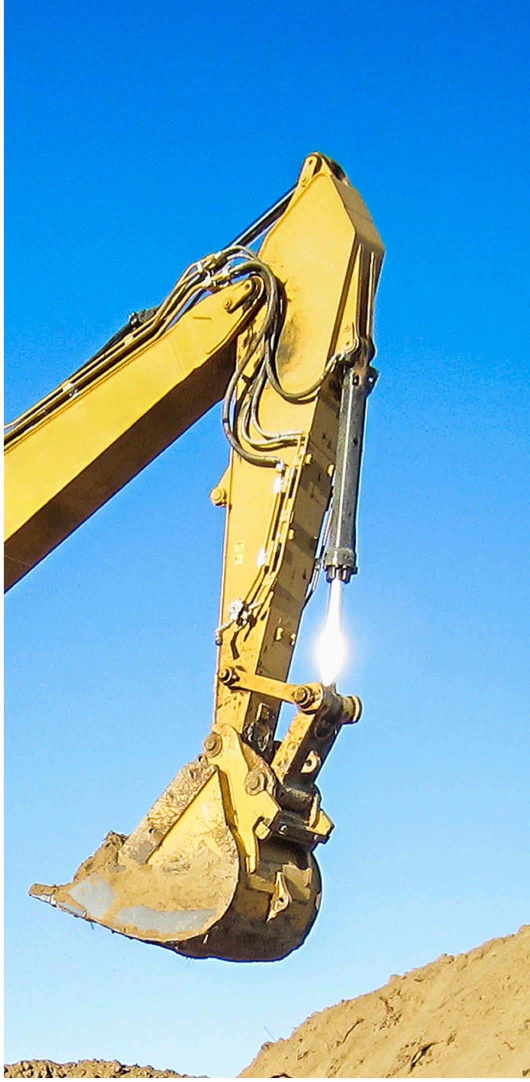
DRILLING

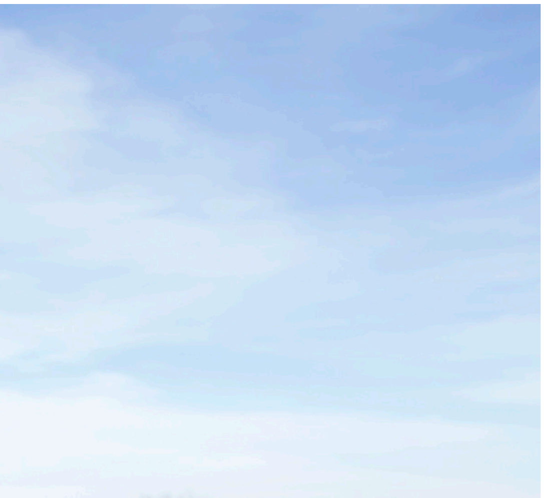
The Drilling Services division is committed to offering innovative products and services to enhance the performance and productivity of drilling operations. Drilling Services focuses on drilling and completion fluids and equipment rental services.

ONSITE

SECURE's OnSite Services division provides a full suite of value-added integrated services to support the energy, resource, pipeline and civil construction industries. OnSite employs an integrated service offering approach to resolving environmental and pipeline challenges, with services spanning from initial construction through to abandonment and decommissioning.







Several by-products and wastes are generated by oil and gas producers throughout the full cycle of oil and gas exploration, production and final reclamation. These fluid and solid by-products require innovative, efficient and environmentally responsible solutions in order to mitigate any potential negative impacts to the environment. SECURE designs, builds and operates its facilities with the environment and public health and safety in mind. SECURE applies best-in-class engineering and operations practices in developing PRD facilities, to ensure hydrocarbon recovery is maximized while waste volumes and overall environmental impact is minimized.

The PRD division also provides services to help oil and gas producers deliver crude oil to market and manage associated by-products. SECURE operates three types of facilities; Full Service Terminals ("FST"), Stand Alone Water Disposal ("SWD") and Class I & II landfills.

The PRD division has grown to now operate 26 facilities in North America. This includes six facilities in North Dakota and the opening of the first landfill in 2013, the 13 Mile Special Waste Landfill, and the completion of two SWD facilities in November, 2013.

FLUID DISPOSAL FACILITIES

SWD's and FST's are connected to deep disposal wells for injection of produced and waste water from new well completions and producing oil wells. The disposal well delivers fluids into a zone between impermeable layers of rock. SECURE's FST's are designed to be a one-stop fluids and solids solution for crude oil and oilfield by-products. These facilities are also specially equipped to treat off-spec crude oil that does not meet pipeline specifications. The treatment process separates oil from produced water in order to send the crude oil to market and safely dispose of the residual water. Currently, six of the Corporation's twelve FSTs are connected to an oil pipeline. These terminals also act as pipeline access points for producers with clean oil that does not need treatment prior to being shipped via pipeline.

FSTs are also equipped to process slurries through an advanced separation process. Slurries are any form of liquid with a solids content inseparable through basic filtration. After separation, the solid waste is sent to a SECURE landfill. Residual fluids are treated to recover any crude oil content before disposal through deep well injection.

OILFIELD LANDFILL

Disposal of solid waste from oil and gas operations is highly regulated. These wastes are produced from drilling operations through to final site clean-up, and are typically contaminated with chlorides/hydrocarbons.

The Corporation's PRD division currently operates five Class II landfills and one combined Class I & II landfill. A Class II Oilfield landfill provides disposal of contaminated soil associated with oil and natural gas drilling, production and reclamation activities. Class II landfills also dispose of solids that have been separated from liquid waste delivered to SECURE's FST facilities.

The Class I landfill is licensed to dispose of hazardous industrial solids and oilfield by-products. Class I landfill cells are constructed to a higher standard and have additional monitoring requirements. All PRD facilities are long-lived assets designed to maximize the recovery of hydrocarbons and minimize the volume of waste requiring disposal.

DRILLING SERVICES

The Drilling Services division provides drilling and completion fluids and equipment rentals. The DS division is committed to providing innovative products and services to enhance the performance and productivity of drilling operations. Oil and gas drilling requires technologically advanced fluids to ensure the integrity of the borehole, remove cuttings, control wellbore pressure and maximize efficiency of the process. The equipment rental services provided by the DS division maximizes the useful life of drilling fluids and provides safeguards for environmental compliance. Both components work in synergy to ensure oil and gas producers have the best chance of success in an increasingly cost competitive and environmentally stringent industry.

The DS division operates throughout the WCSB and in the Rocky Mountain States of the USA, which includes North Dakota, Colorado and Wyoming.

DRILLING & COMPLETION FLUIDS

The DS division provides innovative products and drilling and completion fluid systems that are designed for increasingly complex wells. These can be medium to deep wells, horizontal wells and SAGD wells drilled into the oil sands. These services are provided in the WCSB and the United States. The drilling fluid systems are designed to be adaptable to a wide range of complex and varied drilling and completion scenarios. These customized solutions, along with the technical expertise and experience of the DS division, help clients meet operational objectives while maintaining environmental compliance.

All wells drilled, whether gas, oil, bitumen, carbon dioxide injection and/or disposal wells require the use of drilling fluids. Drilling fluids encompass the functions of cleaning debris out of the hole, stabilizing and sometimes strengthening the formation drilled, controlling subsurface pressures, and preventing accretion. All of the above enhance drilling rates and protect potential production zones while conserving the environment in the surrounding surface and subsurface areas.

The drilling and completion fluids service line comprises the majority of revenue for the DS division.

EQUIPMENT RENTALS

The equipment rentals service line provides equipment to support drilling operations in both the WCSB and the United States. Solids control equipment removes unwanted solid particles from used drilling fluid preventing drilling problems, and reducing fluid and waste costs. This equipment includes high speed centrifuges, drying shakers, bead recovery units, dual containment horizontal fluid storage tanks (Target Tank™) and ancillary equipment to support the drilling process. The equipment is offered as a standalone package or part of an integrated package with drilling fluids and OnSite Services.

ONSITE SERVICES

The OnSite Services division ("OS") provides fully integrated services supporting the energy, resource, pipeline and civil construction industries throughout the WCSB. OS offers an integrated services approach to resolving pipeline and environmental challenges, with a full spectrum of services spanning from pipeline integrity, to remediation and reclamation and demolition and decommissioning.

OS was formed in April, 2013 with the acquisition of Frontline. The OS division runs under the operating name SECURE OnSite Services USA LLC. in the United States. The creation of the OS division is a continuation of SECURE's strategy to add complementary services to the Corporation's existing business lines throughout the oil and gas lifecycle.

PIPELINE INTEGRITY

Pipeline integrity management is a critical service to the oil and gas industry. The OS division's all-encompassing management system helps mitigate risk and prevent pipeline failures by ensuring the Corporations clients' assets are fulfilling their delivery obligations and operating efficiently. The OS division's pipeline integrity services include pipeline integrity digs, maintenance, new construction HDD programs, HSE, geotechnical evaluation, abandonment and decommissioning services. Using a proactive approach, OS division helps prevent pipeline failures to mitigate risks that could affect the public and environment.

Integrity of the pipeline can be threatened if there is corrosion, imperfections, dents, cracks or wall thinning. Using inspection tools, these internal and external changes are detected and then repaired or replaced. Repair and replacement services include cut-outs, sleeve installation, sleeve repairs and pipeline lowering. SECURE understands the potential risks with these tasks and has procedures identified to minimize the risk to employee safety and the environment. Integrity excavation solutions help clients to safely excavate and inspect areas of potential concern along their pipelines.

WATERCOURSE CROSSING

Extensive watercourse crossing services are implemented to inspect or repair pipelines and perform remedial activity. This involves installation of aqua dams, sandbag berms and high flow pumps for stream flow diversion. These services include:

- Watercourse remediation and reclamation
- Watercourse crossing pipeline repair and replacement
- Stream flow diversion and spill response
- Aqua dams
- Sheet piling
- Sandbag berms
- Coffer dam construction
- Erosion and sediment control
- Engineered armour design and construction

The Corporation adheres to strict environmental principles when working around water bodies, and coordinates closely with the environmental and regulatory consultants on site to minimize impacts on plants and wildlife. As part of project completion, reclamation work is performed to return any disturbed areas to their natural state. The OS division also installs erosion and sediment control measures.

DEMOLITION & DECOMMISSIONING

When a company's assets reach the end of their useful life, a safe, cost effective method to remove these assets is required. The OS division provides the



specialized equipment necessary for the project to be completed safely. The OS division provides a complete decommissioning service from hazardous materials removal, through to facility demolition and asset recovery and recycling. OS works to maximize asset values and returns through re-sale, re-use or recycling methods.

Decommissioning industrial facilities often presents a number of different challenges; from hazardous waste management and disposal to pond removal and remediation. The OS division has extensive experience in decommissioning gas plants, compressor stations, pipelines and facilities and provides the specialized equipment necessary for these projects to be completed safely.

REMEDIATION & RECLAMATION

Remediation and reclamation services assist clients in the removal and cleanup of contaminants from soil, groundwater and sediment for the protection and betterment of the public and the environment. These services include:

- Soil excavation, treatment, transportation and disposal
- Flare pit, well site and pipeline integrity remediation
- Groundwater control and treatment
- Soil/sludge stabilization and solidification
- Soil/gravel screening and material segregation
- Waste water reduction and diversion
- Above/underground storage tank remediation
- Pond remediation

ENVIRONMENTAL CONSTRUCTION

OS has the capability to complete all aspects of environmental construction from landfill construction, leachate collection system installation, pond construction, liner installation and bentonite slurry wall construction.

OS provides long-term solutions for groundwater control and groundwater remediation problems for clients by constructing bentonite slurry cutoff walls. Slurry walls are advantageous because they achieve higher production rates as specialized, long reach excavators are used to reach greater depths. Working closely with engineering and consulting firms in the design specification required for slurry walls, OS is able to seamlessly execute its client's project requirements.

ENVIRONMENTAL SERVICES

The OS environmental service line provides the following services to oil and gas producers active in the WCSB:

- Environmental planning
- Drilling waste management
- Remediation and reclamation assessments and monitoring

The environmental service line determines the appropriate processes for handling, recycling or disposing of drilling wastes and by-products. Reclamation services are also offered to assess and consult on the appropriate and cost effective methods for reclaiming land back to its original pre-drilling state. Environmental planning helps SECURE's clients reach regulatory compliance, mitigate environmental concerns, and achieve corporate responsibility goals prior to development.

CLEANSITE SERVICES

CleanSite services provide engineered waste containers and waste management. CleanSite offers bins to collect and store contaminated soils, rags and filters. These bins provide a safe and responsible solution for storing contaminated matter on site, before transportation to the landfill where the waste is treated and disposed. The CleanSite team manages the bins to ensure they are maintained and picked up for disposal when they are nearly full.

Naturally Occurring Radioactive Material ("NORM") services provide a highly integrated approach to the management of NORM waste streams. NORM management includes NORM site assessments, safe work procedures and training, remediation and project management and waste management.

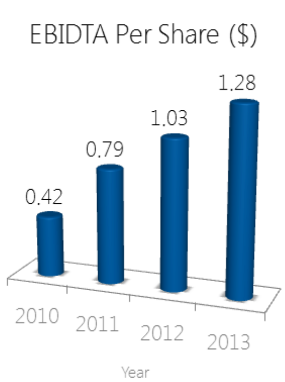
MESSAGE to SHAREHOLDERS

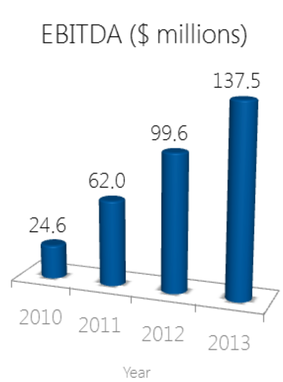
On behalf of the employees and the Board of Directors of SECURE Energy Services Inc., I am pleased to report on the Corporation's 2013 financial and operational results. 2013 was a year that SECURE continued to strengthen its foundation for long-term success through the establishment of its third operating division. SECURE now operates three divisions which work together to support the needs of our customers by offering an integrated package of services. We are continually looking at ways to provide innovative, efficient and environmentally responsible fluids and solids handeling solutions to our customers and this latest division further enhances our service offerings. We firmly believe we have the right people and service offerings to position the Corporation for long-term growth and profitability.

CONTINUING TO GROW SHAREHOLDER VALUE

In 2013, SECURE set record operating and financial results by continuing to execute on our business strategy of carrying out organic growth initiatives in key underserviced markets, expanding complimentary and recycling services at facilities, and completing strategic acquisitions that enhance SECURE's existing network. Given these results and SECURE's ability to continue to build on the fundamentals of the business strategy, SECURE was pleased to announce the implementation of a monthly dividend of $0.0125 including a Dividend Reinvestment Plan to provide further returns to SECURE's shareholders.

The Corporation increased operations in Canada and the United States in both the PRD and DS operating divisions, and established the OS division with the acquisition of Frontline during 2013. In addition, the Corporation completed the acquisition of Target in the DS division which further enhanced our drilling equipment rentals and service offerings. Overall, the strength of existing operations, organic growth and new acquisitions contributed to consolidated revenue of $542 million (excluding oil purchase/resale) and EBITDA of $138 million which were at all-time highs both increasing 38% over 2012. Since the Corporation's IPO in March of 2010,





EBITDA and EBITDA per share have grown dramatically. The largest capital program in the Corporation's history was executed in the year. In Canada, the PRD division added new FST's, new SWD facilities, a landfill and completed numerous facility expansions. These facilities are located in Rocky Mountain House, Judy Creek, Kindersley, Kaybob, and Saddle Hills. In the United States, three new PRD facilities were added in the Bakken play of North Dakota. This includes SECURE's first landfill in the United States, which was completed at 13 Mile, North Dakota along with the addition of two new SWDs, at Stanley and Keene. These organic projects completed in 2013 will begin to contribute to our 2014 results and will position the Corporation for growth in future years. These investments expanded our service capability and geographic coverage thereby improving service offerings to our customers and increasing shareholder value.

The Frontline acquisition in the second quarter was completed to establish SECURE's OS division along with Integrated Water Solutions and Environmental Services (previously included in the DS division). The combined OS division enhances our customer service by ensuring the combined business units offer environmental solutions that integrate project management, on site equipment, and PRD facilities.

The DS division continues to develop innovative products and expand its integrated service offering. The Target acquisition of dual containment fluid storage tanks for oil based drilling fluid applications added to the Corporation's existing fleet of drilling equipment rentals. These patented Target Tanks™ provide a safe and more efficient way of storing oil based products.

OPERATIONAL & FINANCIAL STRENGTH

There are now 26 facilities in the PRD division compared to 19 last year with another two expected to be operational in early 2014. The added facilities expand SECURE's service area meeting demand driven by our customers. SECURE is also excited about construction of its first full service rail terminal in 2014 which will continue to expand our suite of services to meet the evolving needs of SECURE's customers. The DS division was successful in growing its Canadian market share and increasing its revenue per operating day. The DS division expanded its service offerings by adding $19 million of equipment in Canada and the United States and through the previously mentioned Target acquisition. The OnSite Services division was created in the second quarter of 2013 in conjunction with the acquisition of Frontline. SECURE is excited by the expanded service opportunities this new division will create to provide further value to our customers in 2014 and beyond.

To achieve continued successful growth the Corporation must maintain a solid financial position. The Corporation strengthened its financial position in 2013 by completing a bought deal equity financing raising $110 million and finalizing an amendment to its syndicated credit facility increasing the credit available from $300 million to $400 million, with an additional $50 million accordion feature. The Corporation is well positioned to execute on its 2014 capital program as well as take advantage of acquisition opportunities that complement the existing service offerings.

HEALTH & SAFETY

SECURE continued to establish industry leading safety performance by consistently operating below accepted industry averages in 2013. During the year, all divisions successfully completed the Certificate of Recognition Audit (COR) process, which aims to ensure that health and safety related programs are implemented, effective, accessible and focused on continued improvement. We are also excited to share that Frontline was recognized in 2013 for best in class safety practices, receiving the Shell Canada Four Pillars annual award.

SECURE maintained a focus on proactive health and safety performance in 2013, ensuring that personnel utilized the health and safety management system effectively in order to prevent or avoid a significant loss event. As a result of this focus a correlation between increased proactive events and a significant reduction in reactive events (loss to personnel, process, community and the environment) were observed. SECURE will continue to maintain this focus into 2014 through the implementation of Behavior Based Safety practices aimed at affecting worker responsibility and actions in conjunction with process safety initiatives.

During 2013, SECURE created a health and safety management system integration protocol in which acquisitions and current operating divisions conduct gap analysis of policies, programs and protocols in order to create one corporate Health & Safety program. This integration will provide efficiencies for future acquisition integrations from a health and safety perspective to promote a safe workplace. SECURE is committed to continually strive to provide a safe and healthy work environment to all of our valued employees.

ENVIRONMENTAL STEWARDSHIP

We understand the importance of protecting the environment and reducing the industry's impact on the environment. A key component of the Corporation's strategy is to find ways to protect the environment while improving products and services offered to our customers. We are continually investing in new techniques to create opportunities to recycle, reuse and reduce oil and natural gas by-product waste. SECURE has initiated testing of oil based fluid recycling and reuse in efforts to reduce the amount of drill site waste and minimize the volume of product used.

In addition, we are working with our customers to find viable solutions to recycle flowback water as part of our 2014 integrated water solutions. We have further invested in environmental and reclamation services with dedicated environmental scientists and chemists. To that end, we have successfully improved drilling fluid products geared to heavy oil drilling, controlled well seepage losses and reduced waste on the well site. All of SECURE's services and products meet environmental requirements: external and internal standards. As part of this commitment, SECURE adheres to the policies and procedures as set out in the Canadian Association of Petroleum Producers' "Environmental Code of Practice" and has adopted this into our Corporate Environmental Policy. We are committed to maintaining the highest standards and are proud of our environmental stewardship record to date.

ACKNOWLEDGEMENTS

SECURE continues to enjoy the success earned through the last six years of dedication and hard work. Our performance is directly attributable to the hard work and fortitude of our employees. SECURE has a motivated and entrepreneurial team with a passion for the business that continues to drive SECURE forward. Our team is excited about providing safe and innovative solutions that create value for our customers and shareholders. The positive operational and financial results for the year are due to the commitment of SECURE's employees, consultants and industry partners. The shared values of our employees has created the culture that defines who we are today and will lead us to continued success in the future. We would like to thank all shareholders, customers, vendors and other stakeholders who supported the Corporation over the past six years. Also, thank you to all SECURE employees who continually strive to achieve exceptional results on a daily basis. We are proud of our accomplishments and look forward to the future.

Rene Amirault
President &
Chief Executive Officer
March 6, 2014

R. Amirault

MANAGEMENT DISCUSSION AND ANALYSIS

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

Three and Twelve Months ended December 31, 2013 and 2012

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Secure Energy Services Inc. ("Secure" or the "Corporation") has been prepared by management and reviewed and approved by the Board of Directors of Secure on March 6, 2014. The discussion and analysis is a review of the financial results of the Corporation based upon accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS").

The MD&A's focus is primarily a comparison of the financial performance for the three and twelve months ended December 31, 2013 and 2012 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and accompanying notes prepared under IFRS for the years ended December 31, 2013 and 2012. The Corporation's management is responsible for the information disclosed in this MD&A and the accompanying audited consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Corporation. The MD&A has been prepared as of March 6, 2014. Additional information regarding the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

CORPORATE OVERVIEW

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

The Corporation operates three divisions:

PROCESSING, RECOVERY AND DISPOSAL DIVISION ("PRD")

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

DRILLING SERVICES DIVISION ("DS")

Operating under the name Marquis Alliance Energy Group Inc. (together with its wholly owned subsidiaries "Marquis Alliance"), the trade name XL Fluid Systems ("XL Fluids"), and the name Target Rentals Ltd. ("Target"), the DS division provides drilling fluid systems and drilling equipment rentals and services. The drilling fluids service line comprises the majority of the revenue for the division which includes the design and implementation of drilling fluid systems for producers drilling for oil, bitumen and natural gas. The DS division focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands.

ONSITE SERVICES DIVISION ("OS")

The OnSite Services division was established April 1, 2013 as a result of the Frontline Integrated Services Ltd. ("Frontline") acquisition. Operating under the name of Frontline, the operations of the OS division include integrated water solutions through frac pond rentals; "CleanSite" waste container services; environmental services which include pre-drilling assessment planning, drilling waste management, remediation and reclamation of former wellsites, facilities, commercial, and industrial properties, and laboratory services; pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning. These services are offered throughout the WCSB. Environmental services were previously included in the DS division and integrated water solutions (frac pond rentals and water recycling) were previously included in the PRD division. As of April 1, 2013, these services are now included in the OS division.

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

CORPORATE STRATEGY

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

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

SELECTED FINANCIAL HIGHLIGHTS

During 2013, Secure continued to execute on its corporate strategy to deliver solid operational and financial performance resulting in record results both on a quarterly and year to date basis. For the year ended December 31, 2013, revenue (excluding oil purchase and resale) and EBITDA increased 38% to $541.9 million and $137.5 million respectively, while total assets increased 35% to $1,039.7 million over the year ended December 31, 2012, reflecting the continued focus on organic growth and expansion initiatives combined with the execution of strategic acquisitions to strengthen the value chain of services offered by the Corporation. The increase was driven by the commissioning of six new facilities during 2013 and the Rocky Mountain and Judy Creek FSTs that were part of the 2012 capital program in the PRD division; a 19% increase in revenue per operating day and an increased rental fleet including the acquisition of Target in the DS division; and the acquisition of Frontline in the OS division. As a result of the strong performance for the year, a strong balance sheet and stable cash flows, the board of directors have approved an increase to the dividend of $0.05 per share to $0.20 per share on an annualized basis.

The operating and financial highlights for the year ended December 31, 2013 are summarized as follows:

	Year Ended Dec 31,		
($000's except share and per share data)	**2013**	**2012**	**2011**
Revenue (excludes oil purchase and resale)	541,947	392,192	231,051
Oil purchase and resale	950,593	637,248	320,148
Total revenue	**1,492,540**	1,029,440	551,199
EBITDA [1]	**137,512**	99,624	61,964
Per share ($), basic	**1.28**	1.03	0.79
Per share ($), diluted	**1.24**	1.00	0.75
Net earnings for the year	**38,963**	33,052	22,383
Per share ($), basic	**0.36**	0.34	0.28
Per share ($), diluted	**0.35**	0.33	0.27
Funds from operations [1]	**121,014**	87,796	56,002
Per share ($), basic	**1.12**	0.91	0.71
Per share ($), diluted	**1.09**	0.88	0.68
Cash dividends per common share	**0.10**	nil	nil
Capital expenditures [1]	**224,861**	201,587	202,053
Total assets	**1,039,725**	767,911	603,083
Long term borrowings	**159,931**	122,810	119,070
Total long term liabilities	**240,913**	178,902	156,534
Common shares - end of period	**116,574,147**	104,627,002	90,156,688
Weighted average common shares			
basic	**107,747,722**	96,388,929	78,540,224
diluted	**110,586,896**	99,362,698	82,944,975

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

- REVENUE INCREASES 38% OVER 2012
  - Revenue (excluding oil purchase and resale) of $541.9 million for the year ended December 31, 2013 increased 38% compared to the same period in 2012.
    - PRD division revenue (excluding oil purchase/resale) for the year ended December 31, 2013 increased 43% compared to 2012. Revenue increased as a result of increased demand and new facility additions and expansions including five facilities in Canada and three in North Dakota. Crude oil marketing revenue increased 131% for the year ended December 31, 2013 compared to the prior year as a result of increased throughput at the Corporation's pipeline connected FSTs, the Corporation's ability to capitalize on market spread differential opportunities (including maximizing crude oil marketing opportunities available by shipping crude oil via rail), and the Judy Creek FST becoming pipeline connected in the third quarter of 2013.
    - DS division revenue of $308.2 million increased 27% compared to 2012. Drilling Fluids Canadian market share increased from 29% to 32% and revenue per operating day increased by 19% from 2012. Overall there was higher field activity as meters drilled in Canada increased by 4% for the year ended December 31, 2013 compared to the prior year as reported by the Canadian Association of Drilling Contractors ("CAODC"). The acquisition of Target in the second quarter increased the rental fleet and contributed to an increase of 31% in rental revenue for the year.
    - OS division revenue of $54.4 million for the year ended December 31, 2013 increased by 131% over 2012. The acquisition of Frontline on April 1, 2013 significantly contributed to the increase in revenues combined with a 29% increase in environmental projects completed, and a full year of operations for the CleanSite business.
  - Oil purchase and resale revenue in the PRD division increased 49% to $950.6 million for the year ended December 31, 2013 compared to 2012. The increase resulted from increased throughput and crude oil marketing activity at existing facilities and the Judy Creek FST becoming pipeline connected in the third quarter of 2013.
- EBITDA INCREASES TO $137.5 MILLION FROM $99.6 MILLION IN 2012
  - For the year ended December 31, 2013, EBITDA increased 38% as compared to 2012. EBITDA increased in all three divisions through the addition of new facilities, capitalizing on crude oil marketing opportunities, and higher demand in the PRD division, increase in market share and revenue per operating day in the DS division combined with the acquisition of Target, and the acquisition of Frontline combined with an increase in the number of environmental projects in the OS division as detailed above in the revenue highlights.
  - Earnings per share increased to $0.36 from $0.34 in the prior year. The growth in earnings per share is lower than the growth in EBITDA because of the addition of amortization and depreciation charges related to the Corporation's continued investment in long term strategic acquisitions and organic projects ahead of their contribution to earnings. In addition, issuance of shares through acquisitions and bought deal financings continue to increase the weighted average number of shares.
- INCREASED CAPITAL SPENDING THROUGH ORGANIC GROWTH AND STRATEGIC AQUISITIONS
  - Organic growth capital totaled $193.8 million for the year ended December 31, 2013 and includes 2012 carryover capital related to the Judy Creek and Rocky FSTs. The Corporation increased its 2013 capital expenditure program from $155.0 million to $195.0 million during the year and in the fourth quarter announced the 2014 capital expenditure budget of $225.0 million. Major expenditures for the year ended December 31, 2013 included:
    - 2012 carry over capital for the Rocky and Judy Creek FSTs, that were completed and commissioned during the second and third quarters of 2013;

  - Growth capital consisting of eight new PRD facilities with construction commencing or completed in 2013:
    - Three FSTs – Kindersley FST (phase one treating and disposal) which was commissioned in late December, 2013, Edson, and Keene (North Dakota) which are expected to be opened at the start of the second quarter of 2014;
    - Three SWDs – Kaybob and Stanley (North Dakota) were completed and commissioned during the third and fourth quarter of 2013, Keene (North Dakota) was completed and commissioned in the fourth quarter;
    - Two landfills - Saddle Hills and 13 Mile (North Dakota) were completed and opened during the fourth quarter of 2013; and
  - Expansion capital consisting of:
    - Landfill cells were completed during the year at Pembina, Fox Creek and South Grande Prairie;
    - Second treaters at Fox Creek FST and Drayton Valley FST were completed, commissioned and were fully operational in the second half of 2013;
    - Second disposal well at 13 Mile (North Dakota) was completed and commissioned in the fourth quarter;
  - Various long lead purchases for 2014 PRD capital projects and rental equipment for the DS division. Both the PRD and DS divisions continue to heavily invest in business development, including research and development activities, pilot projects for water and oil recycling, and front end development for 2014 projects.
- During the year, the Corporation completed two strategic acquisitions:
  - On April 1, 2013 the Corporation acquired Frontline for an aggregate purchase price of $22.4 million. Frontline's core services include pipeline integrity; remediation and reclamation; and demolition and decommissioning performed throughout Western Canada. The Frontline acquisition created the OnSite Services division, which includes environmental services and the integrated water solutions group.
  - On July 2, 2013, the Corporation acquired Target for an aggregate purchase price, including assumed debt, of $40.1 million. Target was a privately owned oilfield service company headquartered in Grande Prairie, Alberta that offers equipment rental and support services in both the drilling and completions sectors. Their core service is the supply of a patented dual containment fluid storage tank system for oil based drilling fluid applications. The "Target Tank" system provides customers with a safe, environmentally responsible, cost effective solution to storing oil based drilling fluids and other sensitive fluids at the drill site.
- BRAZEAU SWD UPDATE
  - During the fourth quarter, the Corporation completed the repairs to the facility as a result of the lightning strike in the second quarter of 2013 and the SWD is now operational.
- SOLID BALANCE SHEET
  - On October 29, 2013, the Corporation entered into an amended and extended $400.0 million revolving credit facility (the "credit facility"). The previous revolving credit facility was increased from $300.0 million to $400.0 million and includes an accordion feature which if exercised, would increase the credit facility by $50.0 million with the consent of the lenders. The credit facility consists of a $390.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility. The credit facility was extended along with an interest rate reduction of 25 basis points.

- On November 20, 2013, the Corporation entered into an agreement on a bought deal basis (the "offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 7,166,123 common shares (including overallotment) of the Corporation at a price of $15.35 per common share for gross proceeds of $110.0 million. The proceeds of the offering will be used by the Corporation to fund capital expenditures and for general working capital and corporate purposes.
- During the year, the Corporation announced it would begin paying a dividend commencing May 1, 2013. In conjunction with the dividend, the Corporation also announced the adoption of a Dividend Reinvestment Plan ("DRIP"). The DRIP provides eligible shareholders with the opportunity to reinvest their cash dividends into the Corporation.
- Secure's debt to EBITDA ratio was 1.38 as of December 31, 2013 compared to 1.51 as of December 31, 2012.

- SUBSEQUENT EVENTS
  - Subsequent to year end, Secure executed two strategic acquisitions for an aggregate purchase price of approximately $28.7 million, paid in cash and shares of the Corporation. These acquisitions fall into the OS division with assets that will grow the Corporation's integrated water solutions service line and establish an onsite market presence in the US. This is a continuation of the Corporation's strategy to add complementary services along the energy services value chain.
  - In January of 2014, Secure entered into a purchase agreement for a mineral products plant in Alberta for total consideration of $12.0 million. The mineral products plant mainly processes barite which is a product used in drilling fluids. The mineral products plant allows Secure to vertically integrate the operations into the DS division to improve supply logistics and quality. The transaction is pending and is anticipated to close in April of 2014.

FOURTH QUARTER 2013 HIGHLIGHTS

($000's except share and per share data)	Three Months Ended December 31, 2013	2012	% Change
Revenue (excludes oil purchase and resale)	155,427	108,356	43
Oil purchase and resale	232,522	170,501	36
Total revenue	387,949	278,857	39
EBITDA [1]	42,108	28,360	48
Per share ($), basic	0.38	0.27	41
Per share ($), diluted	0.37	0.26	42
Net earnings for the period	11,545	10,634	9
Per share ($), basic	0.10	0.10	-
Per share ($), diluted	0.10	0.10	-
Funds from operations [1]	35,339	24,785	43
Per share ($), basic	0.32	0.24	33
Per share ($), diluted	0.31	0.23	35
Cash dividends per common share	0.04	nil	100
Total assets	1,039,725	767,911	35
Long term borrowings	159,931	122,810	30
Total long term liabilities	240,913	178,902	35
Common shares - end of period	116,574,147	104,627,002	
Weighted average common shares			
basic	110,706,772	104,530,375	6
diluted	113,700,987	107,456,318	6

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

- Revenue (excluding oil purchase and resale) of $155.4 million for the three months ended December 31, 2013 increased 43% compared to the same period in 2012.
  - PRD division revenue (excluding oil purchase/resale) for the three months ended December 31, 2013 increased 46% compared to the same period in 2012. Revenue for the quarter increased as a result of increased demand and new facility additions and expansions subsequent to the fourth quarter of 2012. Disposal volumes increased 36% over the comparative quarter of 2012 as a result of the Corporation commissioning landfills in the fourth quarter at 13 Mile, North Dakota and Saddle Hills combined with cell expansions at the Fox Creek and South Grande Prairie landfills.
  - DS division revenue of $86.3 million increased 32% compared to the same period in 2012. DS Canadian revenue per operating day increased 22% over the prior year quarter combined with an overall higher field activity level as reported by the CAODC as average rig count increased 6% over the comparative quarter of 2012. In addition, meters drilled in Canada increased by 8% in the fourth quarter of 2013. The acquisition of Target in the second quarter contributed to an increase of 43% in rental revenue in the quarter.
  - OS division revenue of $17.6 million for the three months ended December 31, 2013 increased by 134% over the same period in 2012. The acquisition of Frontline on April 1, 2013 significantly contributed to the increase in revenue, combined with an increase in environmental projects completed resulting in an increase of 44% for the quarter, and a full quarter of operations for the CleanSite business which began operations in the fourth quarter of 2012.

- EBITDA increased 48% over 2012 fourth quarter
    - For the three months ended December 31, 2013, EBITDA increased 48% as compared to the same period in 2012. EBITDA increased in all three divisions through the addition of new facilities, capitalizing on crude oil marketing opportunities, and higher demand in the PRD division, increase in revenue per operating day in the DS division, combined with the acquisition of Target, contributed to higher margins for the quarter, and the increase in environmental project work and the acquisition of Frontline in the OS division as detailed above in the revenue highlights.

OUTLOOK

The rig count in the fourth quarter of 2013 was up 6% from the previous year as a result of increased winter drilling activity, driven in part by resource play development. In addition, meters drilled in Canada increased 4% over the prior year. The increase in the number of meters drilled as a result of a continued emphasis on horizontal drilling is a positive indicator for the Corporation as it is anticipated it will create higher demand for the Corporation's products and services. Secure views meters drilled as a better indicator than the number of wells drilled of future macro trends impacting the Corporation's results.

Market indicators suggest activity will rise in 2014 given the active capital markets in the fourth quarter of 2013 and stronger balance sheets heading into 2014. This is expected to result in increased capital budgets by producers with spending plans trending higher into 2014 compared to 2013. In addition, alternatives to crude transport such as rail have positively impacted activity levels. The longer term fundamentals of the North American oil and gas market are positive which will drive customer demand for the services the Corporation's offers.

In the first quarter of 2014, the Corporation expects activity levels to remain strong in both the PRD division and the DS division as a result of an expected increase in the number of wells and meters drilled. The OS activity will also be strong as some project delays in the fourth quarter of 2013 will carry into the first quarter of 2014. An early or late spring break up period can impact revenue in all three divisions.

Secure recently announced its 2014 capital expenditure program of $225.0 million, the largest in the Corporation's history. Spending on 2014 capital initiatives will have a minimal impact on 2014 results, which is typical for these projects considering the approval and construction timelines. Material cash flow effects from these projects will be seen in 2015. Included in the capital program is $20.0 million of carry over capital from 2013 projects related to the Edson, and Keene FSTs. $135.0 million of growth capital is allocated to the PRD division for completion of the Corporation's first full service rail facility, one FST, two SWDs, one landfill, and conversion of two existing SWDs to FSTs; $45.0 million for expansion capital; and $5.0 million for normal course maintenance capital. $14.0 million has been allocated to the DS division for growth capital consisting of an oil based mud blending plant and rental equipment. $6.0 million is allocated to the OS division for growth capital consisting of heavy duty equipment and specialized tools for ongoing OnSite projects.

Following the completion of the $110.0 million offering and expansion of the credit facility by $100.0 million in the fourth quarter, along with increasing cash flows from operations, the Corporation is well positioned to fund its capital program for 2014. Secure has a strong balance sheet that will allow the Corporation to continue in growth mode, capitalize on opportunities in underserviced markets, and meet demand as it increases.

In 2014, Secure will continue to execute on its strategy of helping customers with new facilities and services in both under-serviced and capacity constrained markets, reduce waste, recycle and reuse fluids at Secure facilities and to provide full cycle environmental and midstream solutions in the energy services market. Secure's construction of five new facilities in Canada and three new facilities in the United States during 2013 will provides a solid platform for growth into 2014 and beyond.

Finally, Secure was strengthened at all levels through a focus on health and safety, with reportable incidents well below industry standards in 2013. These are numbers that Secure is proud of and will strive to improve this record in 2014. The commitment to talent development and recruitment of the right people enabled us to grow to over 1,000 employees. The Corporation strives to keep its agile and disciplined entrepreneurial culture to ensure that Secure's abundant opportunities are adequately financed and executed by the right people. Secure is excited about the future and providing safe and innovative solutions that create continued value for our customers and shareholders.

NON-GAAP MEASURES AND OPERATIONAL DEFINITIONS

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

Operating margin

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

Operating days

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

Canadian Market Share

Canadian market share is calculated by comparing active rigs the DS division services to total active rigs in Western Canada. The CAODC publishes total active rigs in Western Canada on a semi-weekly basis.

EBITDA

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

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Net Earnings	**11,545**	10,634	9	**38,963**	33,052	18
Add:						
Depreciation, depletion and amortization	**20,513**	12,236	68	**67,345**	42,283	59
Share-based payments	**2,520**	1,407	79	**8,411**	5,383	56
Current tax expense	**4,548**	2,239	103	**12,624**	7,286	73
Deferred income tax expense	**46**	(77)	(160)	**3,598**	5,855	(39)
Interest, accretion and finance costs	**2,727**	1,921	42	**7,433**	5,765	29
Other expenses/ (income)	**209**	-	100	**(862)**	-	100
EBITDA	**42,108**	28,360	48	**137,512**	99,624	38

Capital Expenditures

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

ADDITIONAL GAAP MEASURES

Funds from operations

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

	Three Months Ended Dec 31,			Year Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Cash from operating activities	**18,766**	47,426	(60)	**99,602**	99,266	-
Add (deduct):						
Non-cash working capital changes	**16,573**	(22,641)	(173)	**21,412**	(11,470)	(287)
Funds from operations	**35,339**	24,785	43	**121,014**	87,796	38

RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2013

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

Note: Due to the creation of the OS Division April 1, 2013, certain reclassifications of revenues and expenses between the divisions have occurred. Accordingly, any reclassification in 2013 was restated in the prior year to conform to current period presentation. More specifically, the DS division environmental services business and the PRD division integrated water solutions business have been combined with Frontline to form the OS division.

	Year Ended December 31,		
($000's except per share data)	**2013**	**2012**	**% Change**
Revenue	**1,492,540**	1,029,440	45
Operating expenses	**1,360,930**	929,048	46
General and administrative	**60,372**	44,518	36
Business development	**9,482**	3,916	142
Interest, accretion and finance costs	**7,433**	5,765	29
Total expenses	**1,438,217**	983,247	46
Other income	**862**	-	100
Earnings for the year before income taxes	**55,185**	46,193	19
Income taxes			
Current income tax expense	**12,624**	7,286	73
Deferred income tax expense	**3,598**	5,855	(39)
	16,222	13,141	23
Net earnings for the year	**38,963**	33,052	18
Other comprehensive income/(expense)			
Foreign currency translation adjustment	**5,515**	(1,322)	(517)
Total comprehensive income	**44,478**	31,730	40
Earnings per share			
Basic	**0.36**	0.34	6
Diluted	**0.35**	0.33	7

PRD DIVISION OPERATIONS – YEAR ENDED DECEMBER 31, 2013

For further clarity, the Corporation's PRD division's revenue has been split into two separate service lines: processing, recovery and disposal services; and oil purchase/resale services.

Processing, recovery and disposal services:

Processing services are primarily performed at FSTs and include waste processing and crude oil emulsion treating. Secure's FSTs that are connected to oil pipelines provide customers with an access point to process and/or treat their crude oil for shipment to market. The crude oil or oilfield waste is delivered by customers to Secure by tanker truck or by a vacuum truck. The FST will process oilfield waste to separate out solids, water and crude oil. Crude oil that does not meet pipeline specifications is processed through a crude oil emulsion treater. Recovery services include revenue from the sale of oil recovered through waste processing, crude oil handling, terminalling and marketing. Clean crude oil and treated crude oil are stored on site temporarily until the volumes are ready to be shipped through gathering or transmission pipelines. Disposal services include produced and waste water disposal services through a network of class 1B disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

Oil purchase/resale service:

The purpose of providing this service is to enhance the service offering associated with Secure's business of produced water disposal, crude oil emulsion treating, terminalling and marketing. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. At Secure FSTs, Secure will meter the crude oil volumes and purchase the crude oil directly from its customers. The Corporation will then process, transport to a pipeline connected FST if necessary and handle the shipment of crude oil down the pipeline.

	Year Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**
Revenue			
Processing, recovery and disposal services (a)	**179,343**	125,833	43
Oil purchase and resale service	**950,593**	637,248	49
Total PRD division revenue	**1,129,936**	763,081	48
Operating Expenses			
Processing, recovery and disposal services (b)	**68,385**	48,601	41
Oil purchase and resale service	**950,593**	637,248	49
Depreciation, depletion, and amortization	**44,607**	29,114	53
Total operating expenses	**1,063,585**	714,963	49
General and administrative	**23,247**	12,392	88
Total PRD division expenses	**1,086,832**	727,355	49
Operating Margin [(1)] [(a-b)]	**110,958**	77,232	44
Operating Margin [(1)] as a % of revenue (a)	**62%**	61%	

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

Revenue (PRD division)

Revenue from processing, recovery and disposal for the year ended December 31, 2013 increased 43% to $179.3 million from $125.8 million in 2012.

Processing: For the year ended December 31, 2013, processing volumes increased 20% from 2012. Part of the increase relates to the addition of the following new facilities and services added after the third quarter of 2012 ("new facilities and services"): completion of the Crosby SWD in North Dakota in December 2012; Fox Creek Landfill in December 2012; Edson temporary water injection facility in January 2013; Rocky and Judy Creek FSTs in May 2013; Kaybob SWD in August 2013; Stanley SWD in North Dakota in September 2013; 13 Mile Landfill in North Dakota in October 2013; Keene SWD in North Dakota and Saddle Hills Landfill in November 2013; and the Kindersley FST in December 2013. Also contributing to the increase in revenue was an increase in overall demand for the PRD division's services.

Recovery: Revenue from recovery includes revenue from the sale of oil recovered through waste processing, crude oil handling, marketing and terminalling. Revenue from recovery for the year ended December 31, 2013 increased by 63% from 2012. A significant portion of the increase in recovery revenue for the year ended December 31, 2013 is a result of the Corporation's ability to capitalize on crude oil marketing opportunities at its FSTs, higher throughput and an average 4% increase in the price of crude oil over 2012. Crude oil marketing revenue increased by 131% for the year ended December 31, 2013, from 2012. Increased oil throughput at the Corporation's pipeline connected FST's, in conjunction with the Corporation's ability to capitalize on market spread differential opportunities (including maximizing crude oil marketing opportunities available by shipping crude oil via rail), led to the significant increases in revenue from this service line as compared to 2012. In addition, the Corporation's Dawson FST was fully operational in 2013, and the Judy Creek FST was pipeline connected and fully operational in the third quarter of 2013.

Disposal: Secure's disposal volumes increased by 40% for the year ended December 31, 2013 from 2012. The following FSTs and landfills opened in the year contributed to the increase in volumes: Fox Creek Landfill in December 2012; Rocky and Judy Creek FST's in May 2013; 13 Mile Landfill in North Dakota in October 2013; and Saddle Hills Landfill in November 2013.

Oil purchase/resale service: Revenue from oil purchase and resale services increased 49% to $950.6 million over the prior year. The increase in the year is due to increased pipeline capacity added in the year at the Judy Creek FST in the third quarter, a 4% increase in crude oil prices, increased oil throughput at the Corporation's pipeline connected FSTs, and increasing crude oil volumes shipped via rail. The revenue from this service line will fluctuate monthly based on the factors described above.

Operating Expenses (PRD division)

Operating expenses from processing, recovery and disposal services for the year ended December 31, 2013 increased 41% to $68.4 million from $48.6 million for 2012. The increase in operating expenses for the year relate to the new facilities, expansions added organically, and the increases in both processing and disposal volumes at the Corporation's existing facilities.

A majority of the increase in operating expenses is a direct result of new facilities commissioned in the year. The five facilities in Canada and three in the US accounted for 62% of the increase over the comparative period in 2012. Commissioning expenses related to staffing and training for the opening of the eight new facilities in the year contributed to a 7% increase in operating expenses. The remaining increase in operating expenses directly correlates with the increase in revenue.

Trucking expenses increased 88% from the comparative period of 2012 as a result of additional trucking costs incurred to move crude oil from FSTs that are not pipeline connected and to move crude oil shipped by rail from the Silverdale FST. The increase can also be attributed to an increase in processed volumes at the Corporation's FSTs, as the solid waste is transferred to the Corporation's landfills for disposal.

Operating margin as a percentage of revenue for the year ended December 31, 2013 was 62% compared to 61% for 2012. The 1% increase to operating margin for the year ended December 31, 2013 is a result of improvements in operating efficiencies at the facilities, increases in recovery including crude oil marketing activities at the Corporation's pipeline connected FSTs, and from volumes managed by rail at the Silverdale FST.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the year ended December 31, 2013 increased to $44.6 million from $29.1 million for 2012. The increase is due to the addition of new facilities, expansions at existing facilities and the increase in disposal volumes at landfills. Landfill cell costs are depleted on a unit basis, therefore as disposal volumes increase, there is a corresponding increase to the amount of depletion expensed.

General and Administrative (PRD division)

General and administrative ("G&A") expenses for the year ended December 31, 2013 increased 88% to $23.2 million from $12.4 million in 2012. For the year ended December 31, 2013, G&A increased to 13% of revenue (excluding oil purchase/resale) from 10% in 2012. Major drivers of the increase on year to date comparatives is a 58% increase in wages and salaries to support the opening of new facilities and growth at existing facilities both in Canada and the US, a $1.5 million increase in building and lease costs to accommodate growth of staff in Canada, a 132% increase in facility costs to support growth in North Dakota with the addition of four new facilities over the prior year, and a $0.9 million increase in information technology expenses related to information technology systems and licensing of software to support the growth of the division and consolidate software systems used in the head office and the field to gain operational efficiencies. The increase in G&A is reflective of management's intention to prepare for the growth of the new and expanding facilities as well as the growth in the US PRD operations. It is management's expectation that G&A as a percentage of revenues will decrease as operations increase.

DS DIVISION OPERATIONS – YEAR ENDED DECEMBER 31, 2013

The DS division's main geographic area of operations is the WCSB; while activity levels in the United States increased with the acquisition of IDF, providing a presence in the Niobrara play in Colorado, and through additions to the fleet of rental equipment in Colorado and North Dakota. WCSB operations are coordinated from the Calgary, Alberta office, while U.S. operations are coordinated through the Denver, Colorado office.

Drilling services:

The DS division has two main service lines: drilling fluids and equipment rentals. The environmental service line (which was previously included within the DS division) now forms part of the OnSite Services division created in the second quarter. The drilling fluids service line is the core service of the DS division and operates in the WCSB as well as the U.S. (primarily in Colorado and North Dakota). Drilling fluid products are designed to optimize the efficiency of customer drilling operations through engineered solutions that improve drilling performance and penetration, while reducing non-productive time. Increasingly complex horizontal and directional drilling programs require experienced drilling fluid technical personal who design adaptable drilling programs to meet the needs of drilling fluid customers.

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

	Year Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**
Revenue			
Drilling services (a)	**308,160**	242,812	27
Operating expenses			
Drilling services (b)	**230,400**	185,185	24
Depreciation and amortization	**17,762**	12,308	44
Total DS division operating expenses	**248,162**	197,493	26
General and administrative	**23,549**	23,011	2
Total DS division expenses	**271,711**	220,504	23
Operating Margin [1] (a-b)	**77,760**	57,627	35
Operating Margin % [1]	**25%**	24%	

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

Revenue (DS division)

Revenue from the DS Division for the year ended December 31, 2013 increased 27% to $308.2 million from $242.8 million in 2012. The significant increase in revenue for the year ended December 31, 2013 is the result of a combined 26% increase in drilling fluids service line revenue and a 42% increase in revenue for the equipment rentals service line from 2012. Major drivers for the drilling fluids service line revenue increases in the year are due to increased market share, an increase in meters drilled, increase in revenue per operating day, and an increase in SAGD activity. The increase in the equipment rentals service line is a result of a 5% increase in equipment utilization over 2012, an increase in rental equipment market share as the division increased its rental fleet size, and the addition of Target on July 2, 2013.

Drilling fluids revenue per operating day for the year ended December 31, 2013 increased to $6,430 from $5,419 in 2012. The increase in revenue per day for the year can be attributed to a 23% increase in meters drilled for the Corporation which led to higher product usages, increased probability of lost circulation events and a higher usage of specialty chemicals. In addition, the Corporation realized a 23% increase in the proportion of SAGD wells relative to 2012. SAGD wells are more complex and require more costly drilling fluids which contribute to the increase in revenue per operating day. For any given quarter, revenue per operating day can fluctuate significantly due to changes in the product mix, the type of well that is being drilled, and the timing of specific drilling events such as the loss of well bore control either due to pressure or lost circulation.

WCSB market share increased by 3% for the year ended December 31, 2013 to 32% from 29% for 2012. The CAODC average monthly rig count for Western Canada provides the basis for market share calculations. Operating rig days for the year ended December 31, 2013 were 39,991 compared to 37,203 for the 2012 comparative period. Market share has continued to increase as a result of the addition of the Drayton Valley blending plant, increase in SAGD wells drilled where the Corporation has a higher market share than other operating areas, and the successful integration of the XL and New West Drilling Fluids Inc. (“New West”) acquisitions.

Operating Expenses (DS division)

Operating expenses for the DS Division for the year ended December 31, 2013 increased 24% to $230.4 million from $185.2 million for 2012. As a percentage of revenue, operating expenses for the year were 75%, a 1% decrease over the comparative period of 2012. DS division operating margins can vary due to changes in product mix, well type, geographic area, and nature of activity. As wells become longer in reach, more specialized products are used which tend to have higher product margin. Equipment rental operating expenses decreased on the basis of a percentage of revenue driven by the increased rental fleet from the acquisition of Target and an overall increase in fleet utilization.

For the year ended December 31, 2013, operating margins increased to 25% from 24% in 2012. The 1% increase can be attributed to the shift in product mix. Equipment rentals, which have higher operating margins, made up a larger portion of DS revenue in 2013 as a result of the addition of Target and an increase in fleet utilization.

Depreciation and Amortization (DS division)

Depreciation and amortization expense for the year ended December 31, 2013 increased to $17.8 million from $12.3 million in 2012. Depreciation and amortization expense increased compared to the prior year as a result of a larger fixed asset base driven by capital additions to the rental fleet combined with the acquisition of Target.

General and Administrative (DS division)

G&A expense for the year December 31, 2013 increased to $23.5 million from $23.0 million in 2012. As a percentage of revenue for the year ended December 31, 2013, G&A expenses were 8% compared to 10% for 2012. The increase of $0.5 million is a result of supporting the US operations and the acquisition of Target.

OS DIVISION OPERATIONS

The OS division was established April 1, 2013 as a result of the Frontline acquisition. Services offered by Frontline are combined with the Corporation's existing environmental services and integrated water solutions to offer customers a fully integrated suite of products and services. OS division operations include integrated water solutions through frac pond rentals; "CleanSite" waste container services; environmental services which include pre-drilling assessment planning, drilling waste management, remediation and reclamation of former wellsites, facilities, commercial, and industrial properties, and laboratory services; pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning. These services are offered throughout the WCSB.

	Year Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**
Revenue			
Onsite services (a)	**54,444**	23,547	131
Operating expenses			
Onsite services (b)	**44,152**	15,730	181
Depreciation and amortization	**4,020**	346	1,062
Total OS division operating expenses	**48,172**	16,076	200
General and administrative	**5,784**	3,857	50
Total OS division expenses	**53,956**	19,933	171
Operating Margin [1] (a-b)	**10,292**	7,817	32
Operating Margin % [1]	**19%**	33%	

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

Revenue (OS division)

Revenue for the year ended December 31, 2013 increased 131% to $54.4 million from $23.5 million for 2012 and is primarily due to the acquisition of Frontline effective April 1, 2013. The prior year comparative figures include environmental services revenue and integrated water solutions revenue. The environmental services and integrated water solutions groups were previously included in other divisions but were allocated into the OS division in conjunction with the Frontline acquisition. Environmental services revenue for the year ended December 31, 2013 increased 46% over 2012 due to an increase in the number of environmental projects completed and the start-up of the CleanSite business in the fourth quarter of 2012.Frontline utilization remained strong for the year despite a few projects being impacted by wet weather in both the second and the fourth quarter of 2013. Wet weather impacts the mobilization of equipment to the customer site, increases overhead and delays the start of projects. In addition, Frontline completed $5.4 million of internal projects for the PRD division, of which intercompany profits are eliminated.

Operating Expenses (OS division)

Operating expenses for the year ended December 31, 2013 increased to $44.2 million from $15.7 million for 2012. The acquisition of Frontline contributed to the year to date increases as the number of projects completed that were previously delayed due to the wet weather conditions experienced in the second and fourth quarter added to increased mobilization and overhead costs for the year, and mobilization costs for projects that are anticipated to be completed in the first quarter of 2014 were incurred.

Environmental services operating expenses for the year ended December 31, 2013 increased 67% over 2012 due to the startup of the CleanSite business in the fourth quarter of 2012 and the increase in the number of environmental projects completed in the year which increased third party pass through costs.

Operating margin for the year ended December 31, 2013 was reduced to 19% as a result of combining the Frontline services in the second quarter of 2013 with that of the environmental services group. The operating margin for the OS division is expected to fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up and other services in any given period.

Depreciation and Amortization (OS division)

Depreciation and amortization expense for the year ended December 31, 2013 increased to $4.0 million from $0.3 million for 2012. The majority of the increase in depreciation in relation to 2012 is due to the acquisition of Frontline. Depreciation and amortization of tangible and intangible assets added from the acquisition began on April 1, 2013. Depreciation and amortization in the prior year related to the environmental and integrated water solutions business lines.

General and Administrative (OS division)

G&A expenses for the year ended December 31, 2013 increased to $5.8 million from $3.9 million for 2012. G&A expenses increased due to the Frontline acquisition, increased demand for Frontline services, and increases in environmental service activity associated with the startup of the "CleanSite" business in the fourth quarter of 2012.

PRD DIVISION OPERATIONS – FOURTH QUARTER ENDED DECEMBER 31, 2013

	Three Months Ended Dec 31,		
($000's)	2013	2012	% Change
Revenue			
Processing, recovery and disposal services (a)	**51,586**	35,269	46
Oil purchase and resale service	**232,522**	170,502	36
Total PRD division revenue	**284,108**	205,771	38
Operating Expenses			
Processing, recovery and disposal services (b)	**20,857**	13,346	56
Oil purchase and resale service	**232,522**	170,502	36
Depreciation, depletion, and amortization	**13,749**	8,968	53
Total operating expenses	**267,128**	192,816	39
General and administrative	**5,982**	3,961	51
Total PRD division expenses	**273,110**	196,777	39
Operating Margin [1] (a-b)	**30,729**	21,923	40
Operating Margin [1] as a % of revenue (a)	**60%**	62%	

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

Revenue (PRD division)

Revenue from processing, recovery and disposal for the three months ended December 31, 2013 increased 46% to $51.6 million from $35.3 million in the comparative period of 2012.

Processing: For the three months ended December 31, 2013, processing volumes increased 32% from the comparative period in 2012. Part of the significant increase relates to the addition of new facilities and expansions at current facilities as described in the results for the year ended December 31, 2013. Also contributing to the increase in revenue was an increase in overall demand for the PRD division's services.

Recovery: Revenue from recovery for the three months ended December 31, 2013 increased by 55% from the comparative period in 2012. A significant portion of the increase in recovery revenue for the three months ended December 31, 2013 is a result of the Corporation's ability to capitalize on crude oil marketing opportunities at its FSTs, higher throughput and an increase in the price of crude oil of 12% as compared to the fourth quarter of 2012. Crude oil marketing revenue increased by 111% for the three months ended December 31, 2013, from the comparative period of 2012. Increased oil throughput at the Corporation's pipeline connected FSTs, in conjunction with the Corporation's ability to capitalize on market spread differential opportunities (including maximizing crude oil marketing opportunities available by shipping crude oil via rail), led to the significant increases in revenue from this service line as compared to the same period of 2012. In addition, the Corporation's Judy Creek FST was pipeline connected and fully operational in the third quarter of 2013 which contributed to an increase in the quarter.

Disposal: Secure's disposal volumes increased by 36% for the three months ended December 31, 2013 from the comparative period of 2012. As described above, the increase is due to higher demand for the PRD division's services and commissioning of the landfills at 13 Mile, North Dakota and Saddle Hills combined with cell expansions at Fox Creek and South Grande Prairie in the fourth quarter of 2013.

Operating Expenses (PRD division)

Operating expenses from PRD services for the three months ended December 31, 2013 increased 56% to $20.9 million from $13.3 million for the comparative period of 2012. The increase in operating expenses for the fourth quarter relate to the new facilities, expansions added organically, and the increase in both processing and disposal volumes at the Corporation's existing facilities. This includes the upfront commissioning costs in the fourth quarter associated with opening 13 Mile Landfill, Keene SWD, Brazeau SWD, Saddle Hills Landfill, and the Kindersley FST (phase one treating and disposal). The new facilities accounted for 63% of the increase over the comparative period in 2012. In addition, trucking expenses increased 90% from the comparative period of 2012 as a result of additional trucking costs incurred to move crude oil from FSTs that are not pipeline connected and to move crude oil shipped by rail from the Silverdale FST. The increase is also a result of higher processed volumes at the Corporation's FSTs as solid waste is transferred to the Corporation's landfills for disposal.

In the fourth quarter of 2013, one-time, non-recurring maintenance costs were incurred which account for approximately $1.6 million in additional operating expenses for the quarter. During the fourth quarter, two of the Corporation's disposal wells were down for non-recurring maintenance. As a result of the down time, produced water and waste water was diverted to Secure's other facilities resulting in increased trucking costs for the Corporation. In addition, the Corporation also incurred costs at one of its Landfills for liner repairs. Both of the above one-time costs are considered non-recurring events.

Operating margin as a percentage of revenue for the three months ended December 31, 2013 was 60% compared to 62% for the comparative period of 2012. The 2% decrease to operating margin for the three months ended December 31, 2013 is a direct result of the non-recurring maintenance expenses incurred of approximately $1.6 million, as described above, in the fourth quarter of 2013.

Depreciation, Depletion and Amortization (PRD division)

Depreciation, depletion and amortization expense for the three months ended December 31, 2013 increased to $13.7 million from $9.0 million for the comparative period of 2012. The increase is due to the addition of new facilities, expansions at existing facilities and the increase in disposal volumes at landfills. Landfill cell costs are depleted on a unit basis, therefore as disposal volumes increase there is a corresponding increase to the amount of depletion expensed.

General and Administrative (PRD division)

General and administrative ("G&A") expenses increased for the three months ended December 31, 2013 to $6.0 million from $4.0 million in the comparative period of 2012. For the quarter ended December 31, 2013, G&A increased to 12% of revenue (excluding oil purchase/resale) from 11% in the comparative period. Major drivers of the increase are an increase of $1.2 million in wages & salaries to support the opening of new facilities and growth at existing facilities both in Canada and the US, a 143% increase in building and lease costs to accommodate growth of staff in Canada, and an 81% increase in information technology expenses related to information technology systems and licensing of software to support the growth of the division and consolidate software systems used in the head office and the field to gain operational efficiencies. The increase in G&A is reflective of management's intention to prepare for the growth of the new and expanding facilities as well as the growth in the US PRD operations.

DS DIVISION OPERATIONS – FOURTH QUARTER ENDED DECEMBER 31, 2013

	Three Months Ended Dec 31,		
($000's)	**2012**	**2011**	**% Change**
Revenue			
Drilling services (a)	**86,287**	65,572	32
Operating expenses			
Drilling services (b)	**62,506**	49,142	27
Depreciation and amortization	**5,104**	2,968	72
Total DS division operating expenses	**67,610**	52,110	30
General and administrative	**5,978**	6,167	(3)
Total DS division expenses	**73,588**	58,277	26
Operating Margin [(1)] [(a-b)]	**23,781**	16,430	45
Operating Margin % [(1)]	**28%**	25%	

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

Revenue (DS division)

Revenue from the DS division for the three months ended December 31, 2013 increased 32% to $86.3 million from $65.6 million in the comparative period of 2012. The significant increase in revenue for the three months ended December 31, 2013 is the result of a combined 26% increase in drilling fluids service line revenue and a 113% increase in revenue for the equipment rentals service line from the comparative period in 2012. Major drivers for the drilling fluids service line revenue increases in the fourth quarter are due to an increase in meters drilled, an increase in revenue per operating day, and an increase in SAGD activity in the quarter. The increase in the equipment rentals service line is a result of a 14% increase in equipment utilization over the comparative period of 2012, an increase in rental equipment market share as the division increased its rental fleet size, and the addition of Target on July 2, 2013.

Drilling fluids revenue per operating day for the three months ended December 31, 2013 increased to $6,857 from $5,642 from the comparative period of 2012. The increase in revenue per day for the quarter can be attributed to a 17% increase in meters drilled for the Corporation which led to higher product usages, increased probability of lost circulation events and a higher usage of specialty chemicals. In addition, the Corporation realized an increase in the proportion of SAGD wells relative to the 2012 comparable period. SAGD wells are more complex and require more costly drilling fluids which contribute to the increase in revenue per operating day.

WCSB market share increased by 1% for the three months ended December 31, 2013 to 31% from 30%, for the comparative period of 2012. The CAODC average monthly rig count for Western Canada provides the basis for market share calculations. Operating rig days for the three months ended December 31, 2013 were 10,526 compared to 9,616 for the 2012 comparative period.

Operating Expenses (DS division)

Operating expenses for the DS Division for the three months ended December 31, 2013 increased 27% to $62.5 million from $49.1 million for the comparative period of 2012. As a percentage of revenue, operating expenses for the three months ended December 31, 2013 were 72%, a 3% decrease from 75% in the 2012 comparative period. DS division operating margins can vary due to changes in product mix, well type, geographic area, and the nature of activity. As wells become longer in reach, more specialized products are used which tend to have higher product margin. Equipment rental expenses decreased on the basis of a percentage of revenue as a result of an increase in revenue base due to the acquisition of Target, and an increase in the utilization of the rental fleet during the quarter.

For the three months ended December 31, 2013, operating margins increased to 28% from 25% for the 2012 comparative period. The increase in margin over the prior period quarter is a direct result of the increase in rental equipment revenue, which contributes a higher margin percentage, and was up 9% over the prior year quarter.

Depreciation and Amortization (DS division)

Depreciation and amortization expense for the three months ended December 31, 2013 increased to $5.1 million from $3.0 million in the comparable period of 2012. Depreciation and amortization expense increased compared to the prior periods as a result of a larger fixed asset base driven by capital additions to the rental fleet combined with the acquisition of Target.

General and Administrative (DS division)

G&A expense for the three months ended December 31, 2013 decreased to $6.0 million from $6.2 million in the comparative period of 2012. As a percentage of revenue for the three months ended December 31, 2013, G&A expenses were 7% compared to 9% for the comparative period of 2012. The decrease of $0.2 million for the three months ended December 31, 2013 is a result of one time training and staffing costs incurred in the prior year comparative quarter due to the implementation of a new ERP system that became operational in the 2012 quarter and overhead efficiencies gained as the result of a growing revenue base.

OS DIVISION OPERATIONS – FOURTH QUARTER ENDED DECEMBER 31, 2013

	Three Months Ended Dec 31,		
($000's)	**2013**	**2012**	**% Change**
Revenue			
Onsite services (a)	**17,554**	7,514	134
Operating expenses			
Onsite services (b)	**14,477**	5,315	172
Depreciation and amortization	**1,425**	116	1,128
Total OS division operating expenses	**15,902**	5,431	193
General and administrative	**1,484**	1,032	44
Total OS division expenses	**17,386**	6,463	169
Operating Margin [1] (a-b)	**3,077**	2,199	40
Operating Margin % [1]	**18%**	29%	

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

Revenue (OS division)

Revenue for the three months ended December 31, 2013 increased 134% to $17.6 million from $7.5 million for the comparative period of 2012 and is primarily due to the acquisition of Frontline effective April 1, 2013. The prior year comparative figures include environmental services revenue and integrated water solutions revenue. The environmental services and integrated water solutions groups were previously included in other divisions but were allocated into the OS division in conjunction with the Frontline acquisition. Environmental services revenue for the three months ended December 31, 2013 increased 44% over 2012 comparative period due to an increase in the number of environmental projects completed and the start-up of the CleanSite business in the fourth quarter of 2012.

Frontline utilization was lower than the third quarter of 2013 due to unfavorable weather conditions, longer than anticipated mobilization of equipment for a significant project in Northern British Columbia and shut down of projects over the holiday season in the last two weeks of December. In addition, Frontline completed $2.1 million of internal projects for the PRD division, of which intercompany profits are eliminated.

Operating Expenses (OS division)

Operating expenses for the three months ended December 31, 2013 increased 172% to $14.5 million from $5.3 million for the comparative period of 2012. The acquisition of Frontline contributed most significantly to the quarter over quarter increases. In addition, mobilization expenses associated with a project that is commencing in the first quarter of 2014 combined with other projects being delayed due to unfavourable weather conditions, contributed to higher costs in the fourth quarter of 2013 compared to 2012.

Environmental services operating expenses for the three months ended December 31, 2013 increased 60% over the 2012 comparative period, which is due to the startup of the CleanSite business in the fourth quarter of 2012 and an increase in the number of environmental projects completed which increased third party pass through costs.

Operating margin for the fourth quarter of 2013 was reduced to 18% as a result of combining the Frontline services in the second quarter of 2013 with that of the environmental services group. The operating margin for the OS division is expected to fluctuate depending on the volume and type of projects undertaken and the blend of business between remediation and reclamation projects, demolition projects, pipeline integrity projects, site clean-up and other services in any given period. During the fourth quarter, Frontline work was weighted towards reclamation, remediation and demolition projects which typically have lower margins.

Depreciation and Amortization (OS division)

Depreciation and amortization expense for the three months ended December 31, 2013 increased to $1.4 million from $0.1 million for the comparative period of 2012. The majority of the increase in depreciation over the 2012 comparative period is due to the acquisition of Frontline. Depreciation and amortization of tangible and intangible assets added from the acquisition began on April 1, 2013. Depreciation and amortization in the prior year related to the environmental and integrated water solutions business lines.

General and Administrative (OS division)

G&A expenses for the three months ended December 31, 2013 increased to $1.5 million from $1.0 million for the comparative period of 2012. G&A expenses increased due to the Frontline acquisition, and increases in environmental services through the startup of the "CleanSite" business in the fourth quarter of 2012.

OTHER INCOME AND EXPENSES

CORPORATE EXPENSES

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
General and administrative	1,846	1,355	36	7,792	5,258	48

Corporate expenses for the three and twelve months ended December 31, 2013 increased to $1.8 million and $7.8 million from $1.4 million and $5.3 million for the comparative periods of 2012. Included in corporate expenses are all public company costs, salaries, share based payments and office costs relating to corporate employees. The increases in the quarter and year to date are attributed to increased headcount and lease costs due to growth of the Corporation, higher salaries, bonus, and stock based compensation.

BUSINESS DEVELOPMENT EXPENSES

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Business development	2,654	1,085	145	9,482	3,916	142

Business development expenses for the three and twelve months ended December 31, 2013 increased to $2.7 million and $9.5 million from $1.1 million and $3.9 million for the comparative periods of 2012. Business development expenses include prospect costs associated with organic and acquisition opportunities in Canada and the United States, and research and development costs. Business development expenses increased in the quarter and year to date due to increased salaries resulting from a higher headcount required to support the increased capital expenditure programs related to organic and acquisition opportunities, and a continued investment in research and development activities. The increase is also a result of acquisition related costs associated with the Frontline and Target acquisitions in the second and third quarters of the year, respectively. The Corporation continues to expand and evaluate a number of potential projects and prospects.

INTEREST AND FINANCING COSTS

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Interest and finance costs	2,476	1,818	36	6,694	5,401	24

Interest and financing costs for the three and twelve months ended December 31, 2013 were $2.5 million and $6.7 million compared to $1.8 million and $5.4 million for the 2012 comparative periods. The Corporation amended its credit agreement on October 29, 2013. The amendment reduced the interest rate range based on the Canadian prime rate and issuance fees for Bankers Acceptance by 25 basis points. The average debt balance in the fourth quarter of 2013 increased 75% over the prior year quarter whereas the average debt balance for the twelve months ended December 31, 2013 increased 17% from the comparative period in 2012. Interest associated with higher debt balances was partially offset by lower interest rates charged under the amended credit facility.

Interest is capitalized on capital projects with a substantial time to completion. Typically, interest is only capitalized on the construction of the Corporation's FSTs. For the three and twelve months ended December 31, 2013, capitalized interest was $0.1 million and $1.3 million versus $0.1 million and $0.4 million for the 2012 comparative periods. The balance on the credit facility as at December 31, 2013 was $159.9 million compared to $122.8 million as at December 31, 2012.

FOREIGN CURRENCY TRANSLATION ADJUSTMENT

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Foreign currency translation adjustment	**2,975**	712	318	**5,515**	(1,322)	(517)

Included in Other Comprehensive Income ("OCI") is $3.0 million and $5.5 million for the three and twelve months ended December 31, 2013 of foreign currency translation adjustments relating to the conversion of the financial results of the US operations as at December 31, 2013. The Canadian dollar decreased 3% and 7% in value during the fourth quarter and year ended December 31, 2013, respectively. The foreign currency translation adjustment included in the consolidated statements of comprehensive income does not impact net earnings for the period.

OTHER INCOME (EXPENSE)

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Other income (expense)						
Impairment expense	**-**	-	-	**(1,052)**	-	-
Insurance recovery (adjustment)	**(209)**	-	-	**1,914**	-	-
Total other income (expense)	**(209)**	-	-	**862**	-	-

During the second quarter of 2013, the Corporation's Brazeau SWD facility was damaged by a lightning strike. An estimated impairment charge was recorded against the net book value of the damaged assets with a corresponding insurance proceeds accrual. During the third quarter, the Corporation began dismantling the damaged property within the facility. As a result of the dismantlement and repair process, the Corporation was able to determine more precisely the property that was damaged and the property that could be salvaged. The facility commenced operations in December, 2013. Therefore, the previously recognized provision for damages to the facility was revised accordingly.

INCOME TAXES

	Three Months Ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Income taxes						
Current income tax expense	**4,548**	2,239	103	**12,624**	7,286	73
Deferred income tax expense (recovery)	**46**	(77)	(160)	**3,598**	5,855	(39)
	4,594	2,162	112	**16,222**	13,141	23

Income taxes for the three and twelve months ended December 31, 2013 increased to $4.6 million and $16.2 million from $2.2 and $13.1 million for the 2012 comparative periods. The increase in current income tax expense for both the three and twelve months ended December 31, 2013 is attributable to the overall increase in the Corporation's net earnings before income taxes as compared to the prior periods. In addition, the remaining non-capital losses in Canada were used in 2012 which resulted in higher current tax expense in 2013 for both the three and twelve months ended December 31, 2013. Deferred income tax expense decreased for the twelve months ended December 31, 2013 as the deferred income tax asset increased relating to higher non-capital losses carried forward in the US.

SIGNIFICANT PROJECTS

Secure's 2013 capital expenditure program included a number of significant projects. For a discussion of the Corporation's 2013 capital expenditure program, see "***Liquidity and Capital Resources***" in this MD&A.

GEOGRAPHICAL FINANCIAL INFORMATION

	Canada		United States		Total	
($000's)	2013	2012	2013	2012	2013	2012
Three months ended December 31						
Revenue	374,225	266,345	13,724	12,512	387,949	278,857
Year ended December 31						
Revenue	1,442,281	986,801	50,259	42,639	1,492,540	1,029,440
As at December 31, 2013 and 2012						
Total non-current assets	686,536	517,892	116,880	70,892	803,416	588,784

United States revenue for the three and twelve months ended December 31, 2013 increased 10% and 18% from the respective periods of 2012. Secure is a relatively new market entrant into North Dakota, with the acquisition of DRD Saltwater Disposal LLC in the third quarter of 2012. For the year ended December 31, 2013, increased revenue relates to the completion of the Crosby SWD in December 2012, the addition of the Stanley SWD in the third quarter of 2013, and the addition of the Keene SWD and 13 Mile Landfill late in the fourth quarter of 2013. United States based non-current assets as at December 31, 2013 of $116.9 million have increased 65% from $70.9 million as at December 31, 2012. The increase is a direct result of the addition of an FST, an SWD, a landfill and preliminary design and engineering for 2014 projects in North Dakota during the year. The Corporation now operates five water disposal facilities in North Dakota, one landfill, and offers drilling fluid and drilling equipment rental services throughout the US Rocky Mountain region. The Corporation is in the process of converting the Keene SWD into an FST set to open in 2014. This will further increase the service offerings in the US market and increase Secure's brand recognition.

SUMMARY OF QUARTERLY RESULTS

Seasonality

Seasonality impacts the Corporation's operations. In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities may be restricted, and the level of activity of the Corporation's customers may be consequently reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

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

($000s except share and per share data)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	155,427	153,868	85,530	147,122	108,356	99,503	68,906	115,426
Oil purchase and resale	232,522	289,892	252,323	175,856	170,501	149,705	154,756	162,286
Total Revenue	387,949	443,760	337,853	322,978	278,857	249,208	223,662	277,712
Net earnings (loss) for the period	11,545	12,036	(2,375)	17,758	10,634	6,354	1,087	14,977
Earnings (loss) per share - basic	0.10	0.11	(0.02)	0.17	0.10	0.06	0.01	0.17
Earnings (loss) per share - diluted	0.10	0.11	(0.02)	0.17	0.10	0.06	0.01	0.16
Weighted average shares - basic	110,706,772	108,648,873	106,824,753	104,734,964	104,530,375	98,724,604	91,527,556	90,658,046
Weighted average shares - diluted	113,700,987	111,500,617	106,824,753	107,363,836	107,456,318	101,492,349	94,210,135	94,179,644
EBITDA [(1)]	42,108	41,542	14,158	39,705	28,360	24,915	13,789	32,559

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

Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth and recent acquisitions during 2013 and 2012, variations in quarterly results extend beyond seasonal factors. While Secure has experienced increased demand for its services over the last eight quarters, the most significant impact relates to new facilities, expansions of existing facilities and acquisitions. PRD facility additions and expansions becoming operational in 2012 were the Wild River SWD (second quarter), Fox Creek landfill (fourth quarter) and the Crosby SWD (fourth quarter) and expansions occurred at Obed, Fox Creek and Dawson FSTs. In the first quarter of 2013, both the Fox Creek landfill and the Crosby SWD provided a full quarter of revenue (both opened late December 2012) and the new Edson temporary SWD began accepting water for disposal. The Judy Creek and Rocky FSTs became operational in the second and third quarters of 2013, the Kaybob and Stanley SWD's began accepting water for disposal in the third quarter of 2013 and the Keene FST in North Dakota (water disposal only), 13 Mile North Dakota and Saddle Hills landfills were commissioned in the fourth quarter; and the Kindersley FST (phase one treating and disposal) was commissioned in late December 2013.

Acquisitions also increased revenue and earnings per share. In the first quarter of 2012, the Corporation acquired New West; a Canadian based drilling fluids company specializing in providing drilling fluid systems and products for heavy oil drilling. New West was integrated into the DS division in the first quarter of 2012. In the third quarter of 2012, DRD was acquired expanding PRD operations into the United States, namely North Dakota, by adding two recently constructed SWD's. IDF, a Colorado based drilling fluids company was acquired adding drilling fluids services into the Niobrara and Cordell shale plays. In the second quarter of 2013, the Corporation completed the acquisition of Frontline thereby expanding its service capability into pipeline integrity, reclamation, remediation, demolition and decommissioning services. In the third quarter of 2013, the Corporation acquired Target, a Canadian based company that supplies horizontal dual containment fluid storage tank systems used primarily for oil based fluid applications. The addition of Target's market leading dual containment fluid storage tank system strengthens Secure's integrated service offering, supporting and expanding the existing drilling fluids and rental business of the Corporation's DS division.

In addition, 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 2012 is a result of Secure becoming a single shipper at Drayton Valley FST and La Glace FST. Further increases were achieved in the fourth quarter of 2013 as Judy Creek FST was pipeline connected in the third quarter of 2013. See the "**Business Risks**" section in this MD&A for further discussion on this service.

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

LIQUIDITY AND CAPITAL RESOURCES

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

Sources of Cash

a) Funds from operations

	Year Ended December 31,		
($000's)	2013	2012	% Change
Funds from operations (1)	121,014	87,796	38

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

Funds from operations for the year ended December 31, 2013 were $121.0 million compared to $87.8 million for 2012. The 38% increase for the year ended December 31, 2013 was a result of new PRD facility additions and expansions, DS division market share improvement, revenue per day growth, and increased rental revenues, increased demand for the Corporation's products and services and through the acquisition of Frontline in the second quarter of 2013 and Target in the third quarter of 2013.

b) Issue of common shares

($000's)	Year Ended December 31, 2013	2012	% Change
Issue of common shares, net of issue costs	113,899	85,562	33

For the year ended December 31 2013, issuance of common shares was $113.9 million from $85.6 million for 2012. In the fourth quarter of 2013, the Corporation closed a bought deal financing with a syndicate of underwriters for the purchase of 7,166,123 common shares (including overallotment) of the Corporation at a price of $15.35 per common share for gross proceeds of $110.0 million. In connection with the offering, the Corporation incurred approximately $5.1 million in transaction costs which included $3.8 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2013.

In addition, the increase also relates to the exercising of options in accordance with the Corporation's share-based payment plan (the "Plan"). Under the Plan, the Corporation may grant share options to its employees, directors, and consultants for up to 10% of the issued and outstanding common shares of the Corporation calculated on a non-diluted basis at the time of grant. Options issued under the Plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant. As at December 31, 2013, Secure had a total of 116,574,147 common shares, 7,519,300 employee stock options, and 171,932 RSUs outstanding. The $85.6 million that was raised for the year ended December 31, 2012 primarily relates to the closing of a public offering, on a bought deal basis, in the third quarter of 2012 through the issuance of 10,987,262 common shares for net proceeds of $81.5 million.

Uses of Cash

- ***Capital Expenditures***

	Three months ended December 31,			Year Ended December 31,		
($000's)	2013	2012	% Change	2013	2012	% Change
Capital expenditures [(1)]						
Expansion and growth capital expenditures	63,520	66,368	(4)	193,841	167,808	16
Acquisitions	-	-	-	26,683	30,788	(13)
Sustaining capital expenditures	740	1,236	(40)	4,337	2,991	45
Total capital expenditures	64,260	67,604	(5)	224,861	201,587	12

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

The Corporation's expansion and growth capital expenditures for the three months ended December 31, 2013 were $63.5 million from $66.4 million in the comparative period of 2012. Capital expenditures for the fourth quarter of 2013 are allocated as follows:

- $51.0 million in PRD growth capital relating to Edson, Kindersley, and Keene FSTs and the Saddle Hills and 13 Mile landfills. Kindersley was opened in December, 2013 (phase one treating and disposal). Saddle Hills and 13 Mile landfills were opened in the fourth quarter;
- $3.4 million in expansion capital relating to construction and completion of landfill cells at Fox Creek, and South Grande Prairie; and an additional disposal well was commissioned at 13 Mile;
- $5.6 million for long lead items; and
- $3.5 million for rental equipment such as centrifuges, hydraulic stands and invert tanks and other miscellaneous capital expenditures.

The Corporation's expansion and growth capital expenditures for the year ended December 31, 2013 increased to $193.8 million from $167.8 million in 2012. Capital expenditures for the year ended December 31, 2013 are allocated as follows;

- $140.5 million in PRD growth capital:
  - 2012 carry over capital for the Rocky and Judy Creek FSTs, of which completion and commissioning of the Rocky and Judy Creek FST's occurred during the second quarter of 2013;
  - Growth capital consisting of eight new PRD facilities, with construction commencing or completed in 2013:
    - Three FSTs – Kindersley which was commissioned in late December, 2013 (phase one treating and disposal), Edson and Keene which are expected to be opened at the start of the second quarter of 2014;
    - Three SWDs -Kaybob and Stanley were completed and commissioned during the third quarter of 2013, Keene was completed and commissioned in the fourth quarter;
    - Two landfills -Saddle Hills and 13 Mile both were both completed and opened during the fourth quarter;
- $14.7 million for expansion capital
    - Landfill cells at Fox Creek and South Grande Prairie were completed in the fourth quarter and Pembina in the third quarter;
    - Second treaters at Fox Creek and Drayton valley are completed and commissioned and were fully operational at the end of the second quarter;
    - Additional disposal well at 13 Mile was completed and commissioned in the fourth quarter;
- $19.9 million for long lead items, and initial development and engineering for 2014 capital projects; and
- $18.7 million for rental equipment such as centrifuges, hydraulic stands and invert tanks and other miscellaneous capital expenditures.

For the year ended December 31, 2013 acquisitions were $26.7 compared to $30.8 million for 2012. Target was acquired July 2, 2013 and Frontline was acquired in the second quarter of 2013. In the prior year the Corporation acquired New West Drilling Fluids Inc. in the first quarter, paid a deposit for the purchase of DRD Saltwater Disposal LLC in the second quarter with the acquisition closing in the third quarter, and acquired Imperial Drilling Fluids Engineering Inc. in the third.

Sustaining capital or maintenance capital refers to capital expenditures in respect of capital asset additions, or replacements required to maintain ongoing business operations. The determination of what constitutes sustaining capital expenditures versus expansion and growth capital involves judgment by management. During the year ended December 31, 2013, sustaining capital was $4.3 million compared to $3.0 for 2012. Sustaining capital is typically minimal in the first two years of operation of a facility because each facility is constructed with new equipment or refurbished equipment. Sustaining capital typically relates to pump and riser replacements or upgrades. As a facility matures, the amount of sustaining capital required will increase.

- ***Credit Facility***

($000's)	Year Ended December 31, 2013	2012	% Change
Net draws on revolving credit facility	**37,000**	3,500	957
Financing costs	**(651)**	(932)	(30)
Total Draw	**36,349**	2,568	1,315

On October 29, 2013, the Corporation entered into an amended and extended $400.0 million revolving credit facility (the "credit facility") that includes an accordion feature which if exercised, would increase the credit facility by $50.0 million with the consent of the lenders. The credit facility consists of a $390.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility. The Corporation can borrow by way of Canadian dollar advances through Canadian Prime Rate Loans or Bankers Acceptances or United States dollar advances through US Base Rate Loans or Libor or letters of credit denominated in Canadian or U.S. dollars. The credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time.

Prime loans bear interest ranging from 0.50% to 1.75% above the Canadian prime rate or US base rate. Bankers Acceptances and Libor loans range from 1.50% to 2.75% above the Bankers' Acceptance rate or LIBOR depending on the Corporation's prevailing funded debt to EBITDA ratio, with any unused amounts subject to standby fees ranging from 0.34% to 0.69%. Funded debt includes all outstanding debt, including finance leases, and any outstanding letters of credit. The credit facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

The credit facility is due on July 31, 2016 (the "maturity date"), and includes an option for the Corporation to extend the maturity date (once per annum) to a maximum of three years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the credit facility was not extended.

In conjunction with obtaining the credit facility, the Corporation incurred transaction costs in the amount of $0.6 million, of which the unamortized amount has been offset against the outstanding principle balance of the debt. Amortization of the transaction costs recognized in interest, accretion and finance costs on the consolidated statements of comprehensive income for the year ended December 31, 2013 is $0.8 million (December 31, 2012 - $1.2 million) of which $0.5 million in transaction costs related to the previous revolving credit facility that were expensed and included in interest, accretion and finance costs on the consolidated statements of comprehensive income.

The following covenants apply to the existing credit facility:

- The Funded Debt to EBITDA Ratio shall not exceed 3:00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- The ratio of Senior Debt to Senior Debt plus Equity shall not exceed 40%; and
- The Fixed Charge Coverage Ratio shall not be less than 1:00:1.

At December 31, 2013, and December 31, 2012, the Corporation was in compliance with all covenants.

As security for the credit facility, the Corporation granted its lenders a security interest over all of its present and after acquired property. A $1.0 billion 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.

As at December 31, 2013, the Corporation has drawn $160.5 million on its credit facility compared to $123.5 million in the 2012 comparative period.

The amount drawn on the credit facility relates to capital expenditures and working capital requirements. Working capital in the DS division, specifically inventory, requires certain minimum levels to be held in order to meet the needs of customers for the active winter drilling season.

As at December 31, 2013, the Corporation had $220.3 million available under its credit facility. The Corporation is well positioned, based on the available amount of its credit facility and expected funds from operations, to execute on the 2014 capital program.

At December 31, 2013, the Corporation had issued approximately $19.2 million in letters of credit to various environmental regulatory authorities in Alberta and British Columbia and letters of credit related to certain crude oil marketing contracts. The Energy Resource and Conservation Board ("ERCB") is implementing the Oilfield Waste Liability ("OWL") program. The OWL program is expected to replace the current fully funded liability management program for oilfield waste facilities with a facility specific asset to liability risk based assessment that is backed by the existing upstream oil and natural gas industry liability management program. The amount of letters of credit issued will fluctuate based on the growth of the Corporation, requirements for crude oil contracts and future refunds under the OWL program, which are undeterminable at this time.

- ***Dividend Policy***

In March 2013, the Corporation's Board of Directors approved a monthly dividend to be paid to holders of common shares of the Corporation.

In conjunction with the approval of a monthly dividend, the Corporation's Board of Director's approved the adoption of a Dividend Reinvestment Plan ("DRIP") that provides eligible shareholders with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional Common Shares ("Plan Shares"), which will be issued from treasury.

Under the terms of the DRIP, plan shares issued from treasury will be issued on the applicable dividend payment date to eligible shareholders at a 3% discount to the average market price of the Common Shares. Average market price is defined in the DRIP to be the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days preceding the dividend payment date.

The Corporation declared dividends to holders of common shares for the year ended December 31, 2013, as follows:

	Dividend record date	Dividend payment date	Per common share ($)	Amount ($000's)
May	May 1, 2013	May 15, 2013	0.0125	1,333
June	June 1, 2013	June 14, 2013	0.0125	1,338
July	July 1, 2013	July 15, 2013	0.0125	1,339
August	Aug 1, 2013	Aug 15, 2013	0.0125	1,357
September	Sept 1, 2013	Sept 16, 2013	0.0125	1,362
October	Oct 1, 2013	Oct 15, 2013	0.0125	1,361
November	Nov 1, 2013	Nov 15, 2013	0.0125	1,363
December	Dec 1, 2013	Dec 16, 2013	0.0125	1,367
Total dividends declared during the period			**0.1000**	**10,820**

Of the dividends declared, $1.3 million for the year ended December 31, 2013, was reinvested in additional common shares through the DRIP. The Corporation has 557,637 common shares reserved for issue under the DRIP as at December 31, 2013.

Subsequent to December 31, 2013, the Corporation declared dividends to holders of common shares in the amount of $0.0125 per common share payable on January 15, 2014, February 15, 2014, and March 15, 2014 for shareholders of record on January 1, 2014, February 1, 2014, and March 1, 2014 respectively. Furthermore, the board of directors approved a dividend increase of $0.05 per share to $0.20 per share on an annualized basis.

Contractual Obligations

The Corporation has a total of $53.6 million in commitments, excluding the above commitment relating to the credit facility. The $53.6 million includes commitments for finance and operating lease agreements primarily for heavy equipment, vehicles, land leases and office space, and capital commitments relating to purchases for use in the Corporation's current and future capital projects. Overall, the Corporation has sufficient funds from operations and availability though the credit facility to meet upcoming commitments.

		Payments due by period		
($000's)	Total	1 year or less	1-5 years	5 years and thereafter
Finance leases	15,617	6,249	9,368	-
Operating leases	15,839	5,984	8,617	1,238
Capital purchases	12,670	12,670	-	-
Inventory purchases	5,474	5,474	-	-
Earn Out Payments - IDF	3,983	2,274	1,709	-
Total Commitments	53,583	32,651	19,694	1,238

The Corporation's asset retirement obligations were estimated by a third party or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2013 to be $38.8 million (December 31, 2012 - $24.3 million) based on a total future liability of $60.9 million as at December 31, 2013 (December 31, 2012 - $32.3 million). These costs are expected to be incurred over the next 25 years. The Corporation used its risk-free interest rates of 0.94% to 4.23% and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations.

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

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 is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occurs, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements discussed in this MD&A.

Oil and Natural Gas prices

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

The level of activity in the oil and natural gas industry is volatile. No assurance can be given that oil and 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, and the United States. 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.

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.

Market conditions

Fixed costs, including costs associated with leases, labour 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.

Global financial conditions

Global financial conditions include the commodity and equity markets that have been volatile as investors react to changes in the global economy. As a result of these global conditions, the Corporation is subject to increased counterparty risk and liquidity risk. The Corporation is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the cash of the Corporation or provide available funding on the credit facility and (ii) the insurance providers of the Corporation. As a result, the cash of the Corporation may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Corporation would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

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

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

Regulation and taxation of energy industry

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

Provincial royalty rate changes

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

Expansion of the Corporation's business into new jurisdictions

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

Merger and acquisition activity

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

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

Competitive conditions
The Corporation competes with a number of outsourcing companies, and oil and gas producers. The western Canadian market for the PRD division is dominated by two large market participants, Tervita Corporation with approximately 70 facilities, and Newalta Corporation with 35 facilities. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Corporation, or that new or existing competitors will not enter the various markets in which the Corporation is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Corporation in all divisions. The Corporation’s customers may elect not to purchase its services if they view the Corporation’s financial viability as unacceptable, which would cause the Corporation to lose customers.

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

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

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

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

Commodity price risk – non-trading
Crude oil prices are primarily based on West Texas Intermediate ("WTI"), plus or minus a differential to WTI based on the crude type and market conditions (the “commodity price”). The value of the Corporation’s crude oil inventory is impacted by the commodity price of crude oil. Crude oil prices have historically fluctuated widely and are affected by numerous factors outside of the Corporation’s control. As part of normal operating activities, the Corporation is required to hold a

certain amount of inventory in any given month. The Corporation is therefore exposed to commodity price fluctuations. The Corporation has elected not to actively manage commodity price risk associated with crude oil inventory at this time as the exposure to these fluctuations is not considered significant, however as the Corporation's exposure to this fluctuation increases, the Corporation may choose to mitigate this risk.

Crude oil marketing and Commodity price risk – trading

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

Credit risk

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

Sources, Pricing and Availability of Products and Third Party Services

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

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

Contract bidding success and renewal of existing contracts

The Corporation's business depends on the ability to successfully bid on new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and could involve a highly lengthy bidding and selection process, which are affected by a number of factors, such as market conditions, financing arrangements and required government approvals. If negative market conditions arise, or if there is a failure to secure adequate financial arrangements or the required governmental approval, the Corporation may not be able to pursue particular projects which could adversely reduce or eliminate profitability.

Seasonal nature of the industry

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring break-up"), rendering many secondary roads incapable of legally supporting heavy loads and, as a result, road bans are implemented prohibiting such loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted and the level of activity of the Corporation'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.

Foreign currency risk

A significant portion of the Corporation's activities relate to the purchase and sale of crude oil or drilling fluids products which are transacted in or referenced to US dollars. The risk is mitigated as the majority of the activities occur in the same period; therefore foreign currency risk exposure is limited to crude oil or drilling fluids products held in inventory. The Corporation does not maintain an active hedge program to mitigate this risk as the exposure is limited at this time. The Corporation is exposed to foreign currency fluctuations as revenues, expenses and working capital derived from its foreign operations are denominated in U.S. dollars. In addition, the Corporation's US subsidiary is subject to translation gains and losses on consolidation. Realized foreign exchange gains and losses are included in net earnings while foreign exchange gains and losses arising on the translation of the assets, liabilities, revenues and expenses of the Corporation's foreign operations are included in the foreign currency translation reserve.

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

Environmental Activism

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

Terrorist activities

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

Economic dependence

The top ten customers of the Corporation accounted for approximately 31% of revenue for fiscal 2013, of which no single customer accounted for more than approximately 10%. The Corporation does not generally enter into long term contracts with its customers and there can be no assurance that the current customers will continue their relationships with the Corporation. The loss of one or more major customers, any significant decrease in services provided to a customer, or prices paid or any other changes to the terms of service with customers, could have a material adverse affect on the financial results, cash flows, and the overall financial condition of the Corporation. In addition, treatment and waste disposal services are largely dependent on the willingness of customers to outsource their waste management activities. As such, the demand for Secure's services could be curtailed by a trend towards internal waste management. A concentrated portion of Secure's PRD division current and future revenue is generated from pipeline connected FST facilities. As significant revenue is generated from each pipeline connected FST facility, any single event that interrupts one of these operations could result in the loss of revenues.

Failure to timely complete, miss a required performance standard or otherwise fail to adequately perform on a project

Client commitments are made to complete a project by a scheduled time. If the project is not completed by the scheduled date, the Corporation may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion. In addition, performance of projects can be affected by a number of factors beyond the Corporation's control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in project scope of services requested by clients, industrial accidents, environmental hazards, labour disruptions and other factors. To the extent these events occur, the total cost of the project could exceed estimates and the Corporation could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate overall profitability.

Landfill closure costs

Operating and maintaining a landfill is capital intensive and generally requires letters of credit or insurance bonds 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.

Environmental protection & health and safety

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

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

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

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

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

Key personnel

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

Availability of qualified employees

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

Proprietary technology

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

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

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

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

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

Risk of third party claims for infringement

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

Operating risks and insurance

The Corporation’s operations are subject to risks inherent in the oilfield services industry, such as equipment defects, malfunctions, failures, accidents, spills, shut down or loss of a disposal well, 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.

Financing future growth or expansion

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

Raising additional capital

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

Access to capital

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

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

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

Volatility of market price of Common Shares

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

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

The decision to implement dividends and the amount is at the discretion of the Corporation's Board of Directors. The amount of cash available to the Corporation to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: the Corporation's operational and financial performance; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to equity markets; foreign currency exchange rates and interest rates; and the risk factors set forth in this MD&A.

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

Leverage and restrictive covenants

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

Interest rates

The Corporation's banking facilities have interest rates which float with the lender's prime rate ranging from 0.50% to 1.75% above the prime rate or Bankers' Acceptance rate ranging from 1.50% to 2.75% above the Bankers' Acceptance rate depending on the Corporation's prevailing funded debt to EBITDA ratio and as such, as these banking facilities are drawn, the Corporation will be exposed to higher interest costs if the Canadian prime rate and Bankers' Acceptance rate should increase.

Legal proceedings

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

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

Breach of confidential information

The Corporation's efforts to protect confidential information may prove unsuccessful due to the actions of third parties, software bugs, technical malfunctions, employee error, or other factors. Should any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving a breach of confidential information could damage the Corporation's reputation and expose competitive positioning of future growth strategy of the Corporation. Should this occur, it could have a material adverse effect on the Corporation's business, financial condition, and reputation.

Disclosure controls & procedures

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

Internal controls over financial reporting

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

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.

Forward Looking Statements may prove inaccurate

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

OUTSTANDING SHARE CAPITAL

As at March 6, 2014, there were 117,466,474 Common Shares issued and outstanding. In addition as at March 6, 2014, there were 7,372,579 share options outstanding, of which 2,842,658 were exercisable, and 199,312 RSUs outstanding, of which nil were exercisable.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2013, the Corporation had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

For the three and twelve months ended December 31, 2013, the Corporation incurred approximately $0.3 million and $1.3 million of expenses with related parties. Related parties include companies that have common directors, officers, employees and shareholders. The nature of the expenses relate to operating and general and administrative expenses for use in the Corporation's PRD, DS and OS divisions. Amounts are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the three and twelve months ended December 31, 2013, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (December 31, 2012 - Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

ACCOUNTING POLICIES

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

FINANCIAL AND OTHER INSTRUMENTS

As at December 31, 2013, the Corporation's financial instrument assets include cash, accounts receivables and accrued receivables. The Corporation's financial instrument liabilities include accounts payable and accrued liabilities, and long term borrowings. The fair values of these financial instruments approximate their carrying amount due to the short term maturity of these instruments except long term borrowings. 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 estimates and judgements" section of this MD&A.

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

In the preparation of the Corporation's consolidated financial statements, management has made judgements, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgements used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the consolidated financial statements are prepared. Actual results could differ from these estimates. Please refer to the Corporation's consolidated financial statements for the year ended December 31, 2013 for a complete description of the accounting policies of the Corporation. Management considers the following to be the most significant of these estimates and judgements:

Significant judgements

Determining cash generating units ("CGU's)

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

Significant estimates and assumptions

Depreciation, depletion and amortization

Amounts recorded for depreciation and amortization are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs. Amounts recorded for depletion on the landfill cells are based on estimates of the total capacity utilized in the period.

Recoverability of assets

The Corporation assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Goodwill is tested annually for impairment. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The Corporation used the calculation of value in use to determine the fair value of its CGU's for the purpose of goodwill impairment testing, determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound growth rate of annual net earnings excluding depreciation, depletion, amortization and accretion, share-based payments expense, interest, and taxes ("EBITDA"), consistent with the assumption that a market participant would make. The discount rate used to calculate the net present value of cash flows is based on estimates of the Corporation's weighted average cost of capital, with reference to an approximate industry peer group. Changes in the general economic environment could result in significant changes to this estimate.

The Corporation used the calculation of fair value less costs to sell to determine the fair value of its tangible assets for the purpose of impairment testing. In determining the fair value less costs to sell, the Corporation used recent transactions, comparable data in the market and applied weighted averages, to determine an implied fair value of the asset being tested.

Asset retirement obligations and accretion

The amounts recorded for asset retirement obligations and the related accretion expenses are based on estimates of the costs to abandon and reclaim the wells and facilities and the estimated time period in which these costs are expected to be incurred in the future. In determining the fair value of the asset retirement obligation, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Corporation's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. The Corporation's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Share - based payments

The Corporation provides share-based awards to certain employees in the form of stock options and restricted share unit plan (the "Awards"). The Corporation follows the fair-value method to record share-based payment expense with respect to the Awards granted. The fair value of each Award 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 agreement. Share-based payment expense associated with Awards issued to employees, consultants, officers and non-employee directors of the Corporation are expensed. The consideration received by the Corporation on the exercise of the Awards 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 the Awards granted using assumptions related to interest rates, expected lives of the Awards, volatility of the underlying security, forfeitures and expected dividend yields.

Deferred Income taxes

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

Provision for doubtful accounts

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

Purchase price allocations

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 is still available for early adoption. The full impact of the standard on the Corporation's consolidated financial statements will not be known until the project is complete.

In December 2011, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for the Corporation on January 1, 2015 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for the Corporation on January 1, 2015 with required retrospective application and early adoption permitted. The adoption of these amended standards is not expected to have a material impact on the Corporation's consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of Secure are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Corporation.

DC&P are designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the time periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Corporation's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers Annual and Interim Filings", an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2013. Based on this evaluation, the CEO and CFO have concluded that, subject to the inherent limitations noted below, the Corporation's DC&P and ICFR are effective. Management, including the CEO and CFO, does not expect that the Corporation's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Corporation have been detected.

There was no change to the Corporation's ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. In the third quarter of 2013, management did employ additional procedures to ensure key financial internal controls remained in place during and after the conversion to a new Enterprise Resource Planning system in the Corporation's PRD division. Management also performed additional account reconciliations and other analytical procedures to mitigate any financial risks from the introduction of the new system.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their

Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the Competition Act (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. As a result of the Corporations application to the Chief Justice of the Alberta Queen's Bench, the Corporation has received permission of the Court to increase the Counterclaim to $97.8 million. The amended counterclaim will now include damages related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia. The Corporation contends that Tervita purchased the landfill with the intention of maintaining its geographic monopoly and conspiring to cause injury to the Corporation. On February 25, 2013, the Federal Court of Appeal released its decision upholding the Competition Tribunals Order requiring that Tervita divest the Babkirk landfill site following its acquisition of Complete Environmental.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as forward-looking statements). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to Secure, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Secure with respect to future events and operating performance and speak only as of the date of this document. In particular, this document contains forward-looking statements pertaining to: corporate strategy; goals; general market conditions; the oil and natural gas industry; activity levels in the oil and gas sector, including market fundamentals, drilling levels, commodity prices for oil, natural gas liquids ("NGLs") and natural gas; demand for the Corporation's services; expansion strategy; the amounts of the PRD, DS and OS divisions' proposed 2014 capital budgets and the intended use thereof; debt service; capital expenditures; completion of facilities; the impact of new facilities on the Corporation's financial and operational performance; use of proceeds from the 2013 offering; future capital needs; access to capital; acquisition strategy; and the impact of the OWL program.

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

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

ADDITIONAL INFORMATION

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

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

To the Shareholders of Secure Energy Services Inc. (the "Corporation"):

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates within the acceptable limits of materiality. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Corporation. The Audit Committee is responsible for reviewing the consolidated financial statements and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management and MNP LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers the independence of the external auditors and reviews their fees.

MNP LLP, an independent firm of Chartered Accountants, is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

March 6, 2014

"SIGNED"	*"SIGNED"*
Rene Amirault	Allen Gransch
President & Chief Executive Officer	Executive Vice President & Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Secure Energy Services Inc.:

We have audited the accompanying consolidated financial statements of Secure Energy Services Inc. and its subsidiaries (the "Corporation") which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Secure Energy Services Inc. and its subsidiaries as at December 31, 2013 and 2012 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Contingencies

We draw your attention to the disclosure made in note 22 of the consolidated financial statements concerning litigation involving the Corporation. This matter, as explained in note 22 of the consolidated financial statements, indicates the existence of a material contingency. No adjustment has been made to record this contingency. Our opinion is not qualified in respect of this matter.

MNP LLP

Chartered Accountants
March 6, 2014
Calgary, Alberta

SECURE ENERGY SERVICES INC.
Consolidated Statements of Financial Position
As at December 31,

($000's)	Notes	2013	2012
Assets			
Current assets			
Cash		12,019	7,506
Accounts receivable and accrued receivables	6	167,476	125,006
Prepaid expenses and deposits		6,014	3,997
Inventories	7	50,800	42,618
		236,309	179,127
Assets under construction	8	109,586	103,179
Property, plant and equipment	9	512,184	313,426
Intangible assets	10	79,722	79,663
Goodwill	11	101,924	92,516
Total Assets		1,039,725	767,911
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	120,145	106,233
Asset retirement obligations	14	2,807	-
Current income tax liability	18	5,277	263
Finance lease liabilities	22	6,249	4,114
		134,478	110,610
Long term borrowings	13	159,931	122,810
Asset retirement obligations	14	35,984	24,274
Finance lease liabilities	22	9,368	4,158
Deferred income tax liability	18	35,630	27,660
Total Liabilities		375,391	289,512
Shareholders' Equity			
Issued capital	15	562,306	415,288
Share-based payment reserve	16	14,659	9,400
Foreign currency translation reserve		4,424	(1,091)
Retained earnings		82,945	54,802
Total Shareholders' Equity		664,334	478,399
Total Liabilities and Shareholders' Equity		1,039,725	767,911

Approved by the Board of Directors:

"SIGNED" — *Rene Amirault*

"SIGNED" — *Kevin Nugent*

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Comprehensive Income
For the years ended December 31,

($000's except per share and share data)	Notes	2013	2012
Revenue	**23**	**1,492,540**	1,029,440
Operating expenses		**1,360,930**	929,048
General and administrative		**60,372**	44,518
Business development		**9,482**	3,916
Interest, accretion and finance costs		**7,433**	5,765
Total expenses		**1,438,217**	983,247
Other income	**9**	**862**	-
Earnings for the year before income taxes		**55,185**	46,193
Current income tax expense	**18**	**12,624**	7,286
Deferred income tax expense	**18**	**3,598**	5,855
		16,222	13,141
Net earnings for the year		**38,963**	33,052
Other comprehensive income/(expense)			
Foreign currency translation adjustment		**5,515**	(1,322)
Total comprehensive income for the year		**44,478**	31,730
Earnings per share			
Basic, earnings for the year per common share	**17**	**0.36**	0.34
Diluted, earnings for the year per common share	**17**	**0.35**	0.33

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31,

($000's)	Notes	Issued capital	Share-based payment reserve	Foreign currency translation reserve	Retained earnings	Total Shareholders' Equity
Balance at January 1, 2013		**415,288**	**9,400**	**(1,091)**	**54,802**	**478,399**
Net earnings for the year		-	-	-	38,963	**38,963**
Dividends declared	**15**	-	-	-	(10,820)	**(10,820)**
Shares issued under dividend reinvestment plan	**15**	1,265	-	-	-	**1,265**
Foreign currency translation adjustment		-	-	5,515	-	**5,515**
Issue of share capital for business acquisition	**5**	29,236	-	-	-	**29,236**
Issue of share capital	**15**	110,000	-	-	-	**110,000**
Exercise of options	**15**	10,341	(2,499)	-	-	**7,842**
Share issue costs, net of tax	**15**	(3,824)	-	-	-	**(3,824)**
Share-based payments	**16**	-	7,758	-	-	**7,758**
Balance at December 31, 2013		**562,306**	**14,659**	**4,424**	**82,945**	**664,334**
Balance at January 1, 2012		**321,498**	**5,558**	**231**	**21,750**	**349,037**
Net earnings for the year		-	-	-	33,052	33,052
Foreign currency translation adjustment		-	-	(1,322)	-	(1,322)
Issue of share capital for business acquisition	**5**	5,753	-	-	-	5,753
Issue of share capital	**15**	86,275	-	-	-	86,275
Exercise of options and w arrants	**15**	5,434	(1,255)	-	-	4,179
Share issue costs, net of tax	**15**	(3,672)	-	-	-	(3,672)
Share-based payments	**16**	-	5,097	-	-	5,097
Balance at December 31, 2012		**415,288**	**9,400**	**(1,091)**	**54,802**	**478,399**

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Cash Flows
For the years ended December 31,

($000's)	Notes	2013	2012
Cash flows from operating activities			
Net earnings for the year		**38,963**	33,052
Adjustments for non-cash items:			
Depreciation, depletion and amortization		**67,345**	42,283
Accretion	14	**729**	364
Deferred income tax expense	18	**3,598**	5,855
Amortization of financing fees	13	**772**	1,172
Unrealized foreign exchange loss		**144**	(313)
Impairment loss	9	**1,052**	-
Share-based payments	16	**8,411**	5,383
Funds from operations		**121,014**	87,796
Change in accounts receivable and accrued receivables, and prepaid expenses and deposits		**(31,942)**	17,445
Change in inventories		**(7,890)**	(7,472)
Change in accounts payable, accrued liabilities and current income tax liability related to operating activities		**18,420**	1,497
Net cash flows from operating activities		**99,602**	99,266
Cash flows from investing activities			
Purchase of property, plant and equipment		**(198,178)**	(170,799)
Business combinations, net of cash acquired	5	**(26,683)**	(30,788)
Change in non-cash working capital		**(9,760)**	10,315
Net cash flows used in investing activities		**(234,621)**	(191,272)
Cash flows from financing activities			
Shares issued, net of share issue costs	15	**113,899**	85,562
Draw on credit facility	13	**37,000**	3,500
Financing fees	13	**(651)**	(932)
Dividends paid	15	**(10,820)**	-
Net cash flows from financing activities		**139,428**	88,130
Effect of foreign exchange on cash		**104**	14
Increase/(decrease) in cash		**4,513**	(3,862)
Cash, beginning of year		**7,506**	11,368
Cash, end of year		**12,019**	7,506
Taxes paid		**11,383**	8,281
Interest paid		**6,360**	3,243

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

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Secure Energy Services Inc. ("Secure") is incorporated under the Business Corporations Act of Alberta. Secure operates through a number of wholly-owned subsidiaries (together referred to as the "Corporation") which are managed through three operating segments. The Processing, Recovery and Disposal services division ("PRD") is primarily engaged in providing services relating to clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal and oil purchase/resale service. The Drilling Services division ("DS") is primarily engaged in providing services relating to drilling fluids and supplying drilling equipment. The OnSite division ("OS") is primarily engaged in providing services that include the full life cycle of pipeline and facility operations, waste management and environmental sciences, asset management and recovery, civil, remediation and reclamation earthworks as well as integrated water solution services.

The following entities have been consolidated within Secure's consolidated financial statements for the year ended December 31, 2013:

Subsidiary	Country	Functional currency	Segment	% Interest	
				Dec 31, 2013	Dec 31, 2012
Secure Energy Services Inc. (parent company)	Canada	Canadian dollar	PRD/OS		
Marquis Alliance Energy Group Inc.	Canada	Canadian dollar	DS/OS	100%	100%
SES USA Holdings Inc.	USA	US dollar	PRD/DS/OS	100%	0%
Secure Energy Services USA LLC	USA	US dollar	PRD	100%	0%
Marquis Alliance Energy Group USA LLC	USA	US dollar	DS	100%	100%
Secure On-Site Services USA LLC	USA	US dollar	OS	100%	0%
Alliance Energy Services International Ltd.	Canada	Canadian dollar	DS	100%	100%
1658774 Alberta Inc.	Canada	Canadian dollar	DS	100%	100%
Frontline Integrated Services Ltd.	Canada	Canadian dollar	OS	100%	0%
Target Rentals Ltd.	Canada	Canadian dollar	DS	100%	0%

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, well servicing, and other onsite activities may be restricted, and the level of activity of the Corporation's customers may be consequently reduced. In the areas in which the Corporation operates, the second quarter has generally been the slowest quarter as a result of spring break-up. Historically, the Corporation's first, third and fourth quarters represent higher activity levels and operations. These seasonal trends typically lead to quarterly fluctuations in operating results and working capital requirements, which should be considered in any quarter over quarter analysis of performance.

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2013.

Effective January 1, 2013, the Corporation adopted IFRS 10 – Consolidated Financial Statement, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities, IFRS 13 – Fair Value Measurement, IAS 1 – Presentation of Financial Statements, IAS 28 – Investment in Associates and Joint Ventures, and early adopted IAS 36 - Impairment of Assets (Amended).

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION (continued)

The adoption of these new standards had no recognition or measurement impacts on the Corporations consolidated financial statements. The new disclosure requirements are provided in the appropriate notes to these consolidated financial statements.

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

Management is required to make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Management reviews these judgments, estimates and assumptions on an ongoing basis, including those related to the determination of cash generating units, depreciation, depletion and amortization, asset retirement obligations, fair values of financial instruments, recoverability of assets, income taxes, and share-based payments. Actual results may differ from these estimates. See Note 3 for a description of significant estimates and judgments.

These consolidated financial statements were approved by the Board of Directors on March 6, 2014. The head office of the Corporation is located at 3600, 205 – 5th Avenue S.W., Calgary, Alberta, Canada, T2P 2V7. The registered office of the Corporation is located at 4500, 855 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 4K7.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of Secure and its subsidiaries and the proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint operations as at December 31, 2013 and 2012. All inter-company balances and transactions have been eliminated on consolidation.

In the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows, certain items are combined for the sake of clarity. These are explained in the notes. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Corporation. Cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, current tax assets and liabilities and inventories are always presented as current items; deferred tax assets and liabilities, assets under construction, property, plant and equipment, intangible assets and goodwill are presented as non-current items. Asset retirement obligations, prepaid expenses and deposits, borrowings, and finance lease obligations may be shown as both current and non-current, in connection with their respective maturities.

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

b) Revenue recognition

Revenue is recognized in the period services are provided or performed and when collectability is reasonably assured, economic benefits will flow to the Corporation and revenue can be reliably measured. Processing and disposal revenues are recorded at the time of delivery.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from the sale of crude oil and natural gas liquids is recorded when title passes to the customer and collection is reasonably assured. Revenue from drilling services is recognized when services are provided and when rental equipment is delivered and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluids inventory. Revenue from rentals is recognized over the term of the rental agreement at pre-determined rates. Revenue from onsite services is recognized when services are provided. The following specific recognition criteria must also be met before revenue is recognized:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

c) Share-based payments

Equity-settled transactions

The Corporation has a share-based payment plan. The Corporation follows the fair-value method to record share-based payment expense with respect to stock options granted. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based payment expense over the vesting period of those grants, with a corresponding increase to share-based payment reserve less an estimated forfeiture rate. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in share-based payment reserve. Forfeitures are estimated for each reporting period, and adjusted as required to reflect actual forfeitures that have occurred in the period.

In order to record share-based payment expense, the Corporation estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

In March 2013, the Corporation implemented a performance share unit (“PSU”) plan for senior officers. The Board of Directors shall designate, at the time of grant, the date or dates which all or a portion of the PSUs shall vest and any performance conditions to such vesting. PSUs will be settled in equity or cash at the discretion of the Corporation, in the amount equal to the fair value of the PSU on that date. If the PSUs are equity settled, the fair value of the PSUs is determined on the grant date based on the market price of the common shares on the grant date. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the PSUs outstanding plus the graded vested portion of any dividends paid on common shares since the grant date. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation also implemented a restricted share unit ("RSU") plan for eligible officers and employees of the Corporation. Under the terms of the RSU plan, the RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in equity or cash at the discretion of the Corporation, in the amount equal to the fair value of the RSU on that date. If the RSUs are equity settled, the fair value of the RSUs issued is determined on the grant date based on the market price of the common shares on the grant date. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the RSUs outstanding plus the graded vested portion of any dividends paid on common shares since the grant date. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of RSUs that vest.

The Corporation does not intend to make cash payments under the PSU and RSU plans ("PSU/RSU plans") and, as such, the PSUs and RSUs are accounted for within shareholders' equity.

Cash-settled transactions

The Corporation has implemented a deferred share unit ("DSU") plan for its non-employee directors. The DSU's vest immediately and the fair value of the liability and the corresponding expense is charged to earnings in the consolidated statements of comprehensive income at the grant date. Subsequently, at each reporting date between the grant date and settlement date, the fair value of the liability is revalued with any changes in the fair value recognized in earnings for the period in the consolidated statements of comprehensive income. When the awards are surrendered for cash, the cash settlement paid reduces the outstanding liability. The liability is included in accounts payable and accrued liabilities in the consolidated statement of financial position and the expense is included in the general and administrative expenses in the consolidated statements of comprehensive income.

d) Financial instruments

Financial assets

Initial recognition and measurement

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 ("FVTPL"), available for sale, 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. The Corporation currently does not classify any financial instruments as available for sale.

All financial assets are recognized initially at fair value. Financial assets not recognized at FVTPL are recognized at fair value plus directly attributable transaction costs.

The Corporation accounts for its physical delivery purchase and sale contracts as executory contracts as they were entered into and continue to be held for the purpose of receipt or delivery of products in accordance with its expected purchase, sale or usage requirements. As such, these contracts are not considered to be derivative financial instruments. Settlement on these physical contracts is recognized in earnings over the term of the contracts as they occur.

The Corporation's financial assets include cash, and accounts receivable and accrued receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. 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. The Corporation does not designate any derivative financial instruments as hedging instruments. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value, with changes in fair value recognized in finance income or finance cost in the consolidated statements of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. Any losses arising from impairment are recognized in the consolidated statements of comprehensive income in interest, accretion and finance costs. The Corporation has classified cash, and accounts receivable and accrued receivables, as loans and receivables.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The rights to receive cash flows from the asset have expired; or,
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with financial defaults.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Corporation first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit that has not yet been incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statements of comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to interest, accretion and finance costs in the consolidated statements of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39, Financial Instruments: Recognition and Measurement are classified as financial liabilities at FVTPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value. Other financial liabilities are recognized at fair value plus directly attributable transaction costs.

The Corporation's financial liabilities include accounts payable and accrued liabilities and long term borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category could include derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives could also be classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the effective interest rate method ("EIR"). Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs on the consolidated statements of comprehensive income.

The Corporation has designated accounts payable and accrued liabilities, and long term borrowings as other financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

f) Shareholders' equity

Common shares are presented in issued capital within shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from issued capital, net of any tax effects.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Fair value measurement

On January 1, 2013 the Corporation adopted IFRS 13, "Fair Value Measurement", and applied the standard prospectively as required by the transitional provisions. The standard provides a consistent definition of fair value and introduces consistent requirements for disclosures related to fair value measurement. There has been no change to how the Corporation measures the fair value of financial instruments upon adoption of this standard.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. The Corporation does not hold any such instruments as at December 31, 2013 and 2012.

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 (to the extent possible); discounted cash flow analysis; or other valuation models.

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

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

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.

h) Transaction costs

Transaction costs for financial instruments other than FVTPL are capitalized in the period they are incurred. Transaction costs for loan facilities that have durations longer than one year are capitalized and amortized using the EIR method over the period that corresponds with the term of the loan facilities.

i) Property, plant and equipment

Land is measured at cost. Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such costs include geological and geophysical, drilling of wells, labour and materials, site investigation, equipment and facilities, contracted services and borrowing costs for long-term construction projects if the recognition criteria are met. Overhead costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by management are capitalized. These costs include compensation costs paid to internal personnel dedicated to capital projects. When significant parts of plant and equipment are required to be replaced, the Corporation recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred. The present value of the expected cost for the asset retirement obligation of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 14 for further information about the recognition and measurement of the asset retirement obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation, except for units of capacity, is based on a straight line basis and is calculated over the estimated useful life of the asset as follows:

Buildings	10 to 45 years
Landfill cells	Units of total capacity utilized in the period
Mobile equipment	5 years
Plant infrastructure and equipment	2 to 15 years
Rental equipment	2 to 15 years
Disposal wells	15 years
Furniture and fixtures	7.5 years
Leasehold improvements	10 years
Computer equipment and software	3 to 10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Costs related to assets under construction are capitalized when incurred. Assets under construction or refurbishment are not depreciated until they are complete and available for use in the manor intended by management. When this occurs, the asset is transferred to property, plant and equipment and classified by the nature of the asset.

j) Leases

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis in the consolidated statements of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Corporation incurs in connection with the borrowing of funds.

l) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets and liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in earnings or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured and its final settlement shall be accounted for within equity.

m) Intangible assets

Intangible assets acquired outside business combinations are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and the expenditure is reflected in the consolidated statements of comprehensive income in the period in which the expenditure is incurred.

Intangible assets resulting from a business combination are recorded at fair value. Fair value is estimated by management taking into account its highest and best use associated with the intangible asset. Intangible assets with a finite life are amortized over the estimated useful life and intangible assets with an indefinite life are not subject to amortization and are tested for impairment annually. Any impairment is identified by comparing the fair value of the indefinite life intangible asset to its carrying value. Any excess of the carrying value of the intangible asset over the implied fair value is the impairment amount and will be charged to earnings in the period of the impairment. The reversal of a previous impairment is permitted when there is an indication that the impairment loss may no longer exist and a new implied fair value is calculated. The reversal is limited so that the carrying amount of intangible asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the intangible asset in prior periods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization is based on a straight line basis and is calculated over the estimated useful life of the intangible asset as follows:

Non-competition agreements	3 to 5 years
Customer relationships	5 to 15 years
Licenses	10 years
Patents	11 to 13 years

n) Goodwill

The Corporation measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgement in the determination of the fair value of assets and liabilities.

Goodwill is allocated to the Company's cash generating units or group of cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal.

Any goodwill balances in subsidiaries whose functional currency is not the Canadian dollar are translated at period end exchange rates.

o) Inventories

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

p) Impairment of non-financial assets

IAS 36, Amendments, Recoverable Amount Disclosures for Non-Financial Assets, was published in May 2013. The amendments were issued to reverse the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments were required to be applied retrospectively for years beginning on or after January 1, 2014 with early adoption allowed. The Corporation has elected to early adopt these amendments effective January 1, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The non-financial assets of the Corporation are comprised of assets under construction, property, plant and equipment, goodwill and intangible assets as at December 31, 2013 and 2012. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

Goodwill is reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at either the individual or group CGU level and is determined based upon the amount of future discounted cash flows generated by the individual CGU or group of CGU's compared to the individual CGU or group of CGUs' respective carrying amount(s). If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the individual CGU or group of CGU's.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the non-financial asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in the consolidated statements of comprehensive income. Any previously recognized impairment losses on goodwill are not reversed.

q) 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 statements 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Earnings per share

The Corporation uses the treasury method for outstanding options which assumes that the use of proceeds that could be obtained upon exercise of options in computing diluted per share are used to purchase the Corporation's common shares at the average market price during the period. The calculation of basic earnings per share has been calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur if in-the-money stock options were exercised. The calculation of diluted earnings per share has been calculated by dividing net earnings available to common shareholders by the total of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, utilizing the treasury method, arising from the exercise of in-the-money share options.

s) Investments in joint operations, consolidation, associates and disclosures

On January 1, 2013, the Corporation adopted IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", and IFRS 12, "Disclosures of Interests in Other Entities", and the amendments to IAS 28, "Investments in Associates and Joint Ventures". The adoption of IFRS 10, IFRS 12, and the amendments to IAS 28 did not result in a change to the consolidation of the Corporation's wholly owned subsidiaries or the related disclosures.

Under IFRS 11, a joint operation is a joint arrangement whereby two or more parties have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A portion of the Corporation's activities are conducted jointly with others and therefore, the Corporation as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Corporation accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRS applicable to the particular assets, liabilities, revenues and expenses. The adoption of the new standard had no impact on the accounting for joint arrangements.

t) Asset retirement obligations

Asset retirement obligations associated with well sites and facilities are measured at the present value of the expenditures expected to be incurred. The Corporation uses a risk-free rate in the measurement of the present value of its asset retirement obligations. The associated asset retirement cost is capitalized as part of the related asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows or changes in the discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost. Accretion is expensed as incurred and recognized in the consolidated statements of comprehensive income as interest, accretion and finance costs. The estimated future costs of the Corporation's asset retirement obligations are reviewed at each reporting period and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Foreign currency translation and transactions

For foreign entities whose functional currency is the Canadian dollar, the Corporation translates monetary assets and liabilities at period-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in earnings in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Corporation translates assets and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the consolidated statements of comprehensive income as foreign currency translation adjustments.

Transactions of Canadian entities in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from the changes in exchange rates are recognized in earnings in the period of occurrence. Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign currency translation reserve in the cumulative amount of foreign currency translation differences.

v) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities in the various jurisdictions in which the Corporation operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the various jurisdictions where the Corporation operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate in accordance with IAS 37 Provisions, Contingent Liabilities, and Contingent Assets.

Deferred income tax

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all 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 earnings 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 expected to be realized or the liability is expected to be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items relating to items recognized outside of earnings are recognized in correlation to the underlying transaction either in other comprehensive income or directly in shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Goods and Services tax ("GST") and Sales Tax

Revenues, expenses, liabilities and assets are recognized net of the amount of GST and sales tax. The net amount of GST and sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

w) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's CEO in order to make decisions regarding the allocation of resources to the segment.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

x) Presentation of items in comprehensive income

On January 1, 2013, the Corporation adopted the amendments to IAS 1, "Presentation of Financial Statements". These amendments require the Corporation to group other comprehensive income ("OCI") items by those that will be reclassified subsequently to earnings and those that will not. These changes did not result in any adjustments to OCI or comprehensive income.

y) Reclassification of prior period amounts

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Corporation's consolidated financial statements requires management to make, at the end of the reporting period, judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to required estimates are recognized in the year in which the estimate is revised.

The key estimates and judgements concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Readers are cautioned that the following list is not exhaustive and other items may also be affected by estimates and judgements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Significant judgements

Determining cash generating units ("CGU's")

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

Significant estimates and assumptions

Depreciation, depletion and amortization

Amounts recorded for depreciation and amortization are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs. Amounts recorded for depletion on the landfill cells are based on estimates of the total capacity utilized in the period.

Recoverability of assets

The Corporation assesses impairment on its assets that are subject to amortization when it has determined that a potential indicator of impairment exists. Goodwill is tested annually for impairment. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The Corporation used the calculation of value in use to determine the fair value of its CGU's for the purpose of goodwill impairment testing, determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal valuation. The terminal valuation is determined based on management's estimate of the long-term compound growth rate of annual net earnings excluding depreciation, depletion, amortization and accretion, share-based payments expense, interest, and taxes ("EBITDA"), consistent with the assumption that a market participant would make. The discount rate used to calculate the net present value of cash flows is based on estimates of the Corporation's weighted average cost of capital, with reference to an approximate industry peer group. Changes in the general economic environment could result in significant changes to this estimate.

The Corporation used the calculation of fair value less costs to sell to determine the fair value of its tangible assets and finite life intangibles for the purpose of impairment testing. In determining the fair value less costs to sell, the Corporation used recent transactions, comparable data in the market and applied weighted averages, to determine an implied fair value of the asset being tested.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Asset retirement obligations and accretion

The amounts recorded for asset retirement obligations and the related accretion expenses are based on management's best estimate of the costs to abandon and reclaim the wells and facilities and the estimated time period in which these costs are expected to be incurred in the future. In determining the fair value of the asset retirement obligation, assumptions and estimates are made in relation to discount rates, the expected cost for the reclamation, the expected cost to recover the asset and the expected timing of those costs. The Corporation's operations are affected by federal, provincial and local laws and regulations concerning environmental protection. The Corporation's provisions for future site restoration and reclamation are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

Share - based payments

The Corporation provides share-based awards to certain employees in the form of stock options and restricted share unit plan (the "Awards"). The Corporation follows the fair-value method to record share-based payment expense with respect to the Awards granted. The fair value of each Award 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 agreement. Share-based payment expense associated with Awards issued to employees, consultants, officers and non-employee directors of the Corporation are expensed. The consideration received by the Corporation on the exercise of the Awards 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 the Awards granted using assumptions related to interest rates, expected lives of the Awards, volatility of the underlying security, forfeitures and expected dividend yields.

Deferred income taxes

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Provision for doubtful accounts

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

Purchase price allocations

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. In July 2013, the IASB deferred the mandatory effective date of IFRS 9 and has left this date open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 is still available for early adoption. The full impact of the standard on the Corporation's consolidated financial statements will not be known until the project is complete.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

In December 2011, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures and IAS 32, Financial Instruments: Presentation to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IFRS 7 are effective for the Corporation on January 1, 2015 with required retrospective application and early adoption permitted. Amendments to IAS 32 are effective for the Corporation on January 1, 2014 with required retrospective application and early adoption permitted. The adoption of these amended standards is not expected to have a material impact on the Corporation's consolidated financial statements.

5. BUSINESS COMBINATION

a) New West Drilling Fluids

On January 25, 2012, the Corporation closed an asset purchase agreement with New West Drilling Fluids Inc. ("New West"), a wholly owned subsidiary of New West Energy Services Inc. to acquire the operating assets of New West (excluding working capital) for aggregate cash consideration of $3.4 million. New West specializes in providing drilling fluid systems and products for the oil sands industry, and is most well-known for a patented Steam Assisted Gravity Drainage system ("SAGD") called "BITUDRIL", the first bitumen encapsulating polymer based system on the market. The acquisition of New West allows the Corporation, through its subsidiary Marquis Alliance Energy Group Inc., to expand its existing patented and proprietary SAGD product line and to increase Marquis Alliance Energy Group Inc.'s ability to provide cost effective drilling fluid solutions in the SAGD market.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of January 25, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values.

Balance, January 25, 2012	Amount ($000's)
Cash paid	3,405
	3,405

Balance, January 25, 2012	Amount ($000's)
Inventory	105
Property, plant and equipment	21
Intangible assets	3,347
	3,473
Deferred income tax liability	(68)
	3,405

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

5. BUSINESS COMBINATION (continued)

b) DRD Saltwater Disposal LLC

On July 2, 2012, the Corporation closed an asset purchase agreement with DRD Saltwater Disposal LLC ("DRD") to acquire the operating assets of DRD for total cash and share consideration of $26.3 million. The operating assets acquired include two recently constructed fully operational standalone water disposal facilities serving the Bakken oil play. The acquisition of DRD allows the Corporation to expand its geographical presence of its PRD division into the United States, and to continue to expand on the Corporation's growth strategy in underserviced markets. The Corporation paid $20.5 million in cash and issued 1,168,519 common shares of the Corporation at a closing price per share of $7.90 for consideration of $9.2 million, which was adjusted to fair value consideration for accounting purposes of $5.8 million. The fair value for accounting purposes was determined using a discounted cash flow analysis and was adjusted after considering such factors as the escrow period and liquidity of the Corporation's shares in the market place. Accordingly, the $5.8 million used in the purchase price allocation is the difference between the $9.2 million at closing and the fair value adjustment of $3.4 million.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of July 2, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

Balance, July 2, 2012	Amount ($000's)
Common shares issued (1,168,519 shares)	5,753
Cash paid	20,499
	26,252

Balance, July 2, 2012	Amount ($000's)
Property, plant and equipment	9,235
Intangible assets	7,313
Goodwill	11,837
	28,385
Deferred income tax liability	(2,133)
	26,252

The amounts recorded on the DRD acquisition above are based upon information available to management as of the date of this report and the preparation of these consolidated financial statements.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining DRD with the rest of the Corporation. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

5. BUSINESS COMBINATION (continued)

c) Imperial Drilling Fluids Engineering Inc.

On August 15, 2012, the Corporation closed an asset purchase agreement with Imperial Drilling Fluids Engineering Inc. ("IDF") to acquire the operating assets of IDF (excluding working capital) for aggregate cash consideration of $6.9 million. IDF specializes in drilling fluids in Colorado, predominately in the Niobrara and Cordell Shale plays. The acquisition of IDF allows the Corporation, through its subsidiary Marquis Alliance, to expand its geographical presence and take advantage of a growing market opportunity in the region.

The acquisition has been accounted for using the acquisition method of accounting with an effective date of August 15, 2012, whereby the assets acquired and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

Balance, August 15, 2012	Amount ($000's)
Cash paid	6,882
	6,882

Balance, August 15, 2012	Amount ($000's)
Inventories	564
Property, plant and equipment	393
Intangible assets	5,482
Goodwill	443
	6,882

The amounts recorded on the IDF acquisition above are based upon information available to management as of the date of this report and the preparation of these consolidated financial statements.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining IDF with the rest of the Corporation. The goodwill is expected to be deducted straight-line over 15 years for US tax purposes.

Pursuant to the IDF acquisition agreement (the "IDF agreement"), the Corporation is obligated to pay additional consideration consisting of a series of three annual earn out payments ("contingent payments") beginning in September 2013 to certain selling shareholders based on the achievement of a certain gross margin percentage. The potential annual earn out payments range from US$0.9 million to US$2.7 million for total earn out payments over the three year period ranging from US$2.7 million to US$8.0 million. Since the obligation to pay the contingent payments is conditional upon the continued employment of the former shareholders, the payments are considered compensation expense and, accordingly, are included in operating expenses on the consolidated statements of comprehensive income in accordance with the applicable IFRS.

The Corporation incurred acquisition-related costs of $0.1 million relating to due diligence costs and legal fees. These costs have been expensed and included in business development costs on the consolidated statements of comprehensive income.

5. BUSINESS COMBINATION (continued)

d) Frontline Integrated Services Ltd.

On April 1, 2013, the Corporation acquired all of the issued and outstanding shares of Frontline Integrated Services Ltd. ("Frontline") for total cash consideration of $2.7 million, assumption of $2.7 million of debt, and the issuance of 1,394,616 common shares of the Corporation at a closing price of $12.19 per share for consideration of $22.4 million, which was adjusted to fair value consideration for accounting purposes to $19.3 million. The fair value for accounting purposes was determined using a discounted cash flow analysis and was adjusted after considering such factors as the escrow period (shares to be released over various periods, see Note 9a) and liquidity of the Corporation's shares in the market place.

Frontline is an integrated service provider servicing the energy, resource, and civil construction industries. Frontline core services include pipeline integrity, repair, replacement, rehabilitation, remediation and reclamation, demolition and decommissioning. The Frontline acquisition is a continuation of the Corporation's strategy to add complementary services along the energy services value chain; it will support and expand the existing environmental and project management services of the Corporation's OS division.

The following summarizes the major classes of consideration transferred at the acquisition date:

Balance, April 1, 2013	Amount ($000's)
Cash paid	2,658
Shares issued	13,931
Assumption of bank debt (net of $1.1 million cash acquired)	2,690
	19,279

The acquisition has been accounted for using the acquisition method on April 1, 2013, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Frontline's operating results have been included in the Corporation's revenues, expenses and capital spending.

The following summarized the allocation of the aggregate consideration for the Frontline acquisition:

Balance, April 1, 2013	Amount ($000's)
Net w orking capital (excluding cash)	1,839
Property and equipment	5,610
Intangible assets	8,726
Goodw ill	3,914
Deferred tax liability	(810)
	19,279

The allocations and determinations of the consideration described above are preliminary and subject to changes upon final adjustments. Pursuant to the purchase and sale agreement, $1.5 million of the cash consideration is held under trust conditions to account for any potential material accounts receivable allowances.

5. BUSINESS COMBINATION (continued)

Trade receivables, included in net working capital, are comprised of gross contractual amounts due of $5.4 million, all of which are considered to be collectible.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining Frontline with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to December 31, 2013 Frontline contributed an estimated $28.1 million of revenue and $0.7 million of losses before tax for the Corporation. If the business combination had been completed on January 1, 2013, the estimated revenue and losses before income tax for the year ending December 31, 2013 would have been $33.6 million and $0.7 million, respectively.

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

e) Target Rentals Ltd.

On July 2, 2013, the Corporation, through its wholly owned subsidiary Marquis Alliance Energy Group Inc., acquired all of the issued and outstanding shares of Target Rentals Ltd. ("Target") for a total consideration of $40.1 million, comprising: total cash consideration of $18.7 million; assumption of $2.6 million of debt; and the issuance of 1,367,047 common shares of the Corporation at a closing price of $13.72 per share, which was adjusted to fair value consideration for accounting purposes to $15.3 million.

The fair value for accounting purposes was determined using a discounted cash flow analysis and was adjusted after considering such factors as the escrow period (shares to be released over various periods, see Note 15b) and liquidity of the Corporation's shares in the market place.

Target is a privately owned oilfield service company headquartered in Grande Prairie, AB offering a complete line of equipment rental and support services in both the drilling and completions sectors. Their core service is the supply of a patented dual containment fluid storage tank system, for oil based drilling fluid applications. The Target acquisition is a continuation of the Corporation's strategy to add complementary services along the energy services value chain; it will support and expand the existing services of the Corporation's DS division.

The following summarized the major classes of consideration transferred at the acquisition date:

Balance, July 2, 2013	Amount ($000's)
Cash paid	18,989
Shares issued	15,305
Assumption of bank debt	2,602
	36,896

5. BUSINESS COMBINATION (continued)

The acquisition has been accounted for using the acquisition method on July 2, 2013, whereby the assets acquired and the liabilities assumed were recorded at their fair values with the surplus of the aggregate consideration relative to the fair value of the identifiable net assets recorded as goodwill. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the market value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. Subsequent to the acquisition date, Target's operating results have been included in the Corporation's revenues, expenses and capital spending.

The following summarized the allocation of the aggregate consideration for the Target acquisition:

Balance, July 2, 2013	Amount ($000's)
Net working capital	911
Property and equipment	33,000
Intangible assets	3,049
Goodwill	4,636
Deferred tax liability	(4,700)
	36,896

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

Trade receivables, included in net working capital, are comprised of gross contractual amounts due of $1.7 million, all of which are considered to be collectible.

The goodwill arises as a result of the assembled workforce, the synergies existing within the acquired business and also the synergies expected to be achieved as a result of combining Target with the rest of the Corporation. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Target contributed an estimated $7.8 million of revenue and $2.1 million of earnings for the period before tax of the Corporation. If the business combination had been completed on January 1, 2013, an estimated $21.8 million of revenue and $6.4 million of earnings before tax for the year ending December 31, 2013 would have been recorded, respectively.

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

6. ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES

($000's)	Dec 31, 2013	Dec 31, 2012
Trade accounts receivable and accruals	167,915	122,877
Related party receivables (Note 21)	50	2,444
Allowance for doubtful accounts	(489)	(315)
Total accounts receivable and accrued receivables	**167,476**	**125,006**

As at December 31, 2013, $0.5 million (2012 - $0.3 million) of trade receivables were considered impaired (Note 19).

7. INVENTORIES

($000's)	Dec 31, 2013	Dec 31, 2012
Drilling fluids	44,545	39,077
Crude oil and natural gas liquids	5,595	3,192
Spare parts and supplies	660	349
Total inventories	**50,800**	**42,618**

Inventories are shown at the lower of cost and net realizable value. Crude oil, natural gas liquids and drilling fluids inventories recognized as operating expenses in the consolidated statements of comprehensive income for the year ended December 31, 2013 were $1,129 million (2012: $773.7 million).

Inventories are included in the general security agreements held by the banks as security for the Corporation's credit facility (Note 13).

8. ASSETS UNDER CONSTRUCTION

($000's)	Dec 31, 2013	Dec 31, 2012
Projects under construction	106,155	101,339
Long lead items and equipment under refurbishment	3,431	1,840
Total assets under construction	**109,586**	**103,179**

The amounts included in the categories above consist of assets associated with a variety of ongoing projects. During the year ended December 31, 2013, $5.5 million (2012: $2.6 million) of directly attributable capitalized salaries and overhead were added to assets under construction.

The Corporation's policy is to capitalize borrowing costs on projects with a substantial time to completion. Typically, borrowing costs are only capitalized on the construction of the Corporation's full-service terminals. The amount of borrowing costs capitalized to assets under construction for the year ended December 31, 2013 was $1.3 million (2012: $0.4 million) based on a capitalized borrowing rate of 3.42% (2012: 3.37%).

9. PROPERTY, PLANT AND EQUIPMENT

Included in operating expenses on the consolidated statements of comprehensive income for the year ended December 31, 2013 is $52.2 million (2012: $32.3 million) of depreciation and depletion expense for the Corporation's property, plant and equipment.

During the year ended December 31, 2013, $188.9 million (2012: $104.7 million) was transferred from assets under construction to property, plant and equipment for completed projects.

Included in property, plant, and equipment is equipment under finance lease arrangements with a net book value of $16.2 million at December 31, 2013 (December, 31 2012 - $14.5 million). The finance lease commitments over the next five years are disclosed in Note 22.

In June 2013, the Corporation's Brazeau standalone water disposal facility was struck by lightning which caused extensive damage to specific assets at the facility. All fluids on site were contained without incident. The facility reopened in the fourth quarter of 2013. The Corporation estimates the net book value of the damage to assets at the facility to be $1.0 million, which resulted in an impairment write-down on that facility based on fair value less costs of disposal. The Corporation has received $1.4 million of insurance proceeds and expects to be fully reimbursed up to the replacement value for the remaining repair related costs through its insurance coverage and has therefore accrued additional insurance proceeds of $0.4 million.

Both the impairment loss on assets of $1.0 million and insurance recoverable of $1.9 million are recorded in other income on the consolidated statements of comprehensive income for the year ended December 31, 2013. The impairment affects the PRD segment only and is recorded against plant infrastructure, equipment and landfill cells, and buildings. The above estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control.

9. PROPERTY, PLANT AND EQUIPMENT (continued)

($000's)	Land	Buildings	Plant, Infrastructure, Equipment, and Landfill Cells	Rental Equipment	Mobile Equipment	Disposal Wells	Furniture and Fixtures, and leasehold improvements	Computer Equipment and Software	Total
Cost:									
At December 31, 2011	3,114	21,622	178,140	15,073	3,519	41,268	1,673	2,941	**267,350**
Additions from business combinations (Note 5a)	-	-	20	-	-	-	-	1	**21**
Additions from business combinations (Note 5b)	-	479	4,632	-	-	4,100	12	12	**9,235**
Additions from business combinations (Note 5c)	-	-	385	-	-	-	-	8	**393**
Additions	708	7,867	74,579	15,138	3,040	10,375	1,055	2,974	**115,736**
Transfers between divisions	-	-	19	-	112	-	-	-	**131**
Change in asset retirement cost	-	-	115	-	-	154	-	-	**269**
Disposals	-	-	(1,698)	-	(237)	-	-	-	**(1,935)**
Foreign exchange effect	(5)	(2)	48	(141)	(1)	35	(2)	(1)	**(69)**
December 31, 2012	3,817	29,966	256,240	30,070	6,433	55,932	2,738	5,935	**391,131**
Additions from business combinations (Note 5d)	-	-	5,403	-	-	-	74	133	**5,610**
Additions from business combinations (Note 5e)	-	-	-	32,822	-	-	150	28	**33,000**
Additions	589	14,549	155,058	13,235	1,361	20,530	1,161	6,310	**212,793**
Impairment	-	(90)	(962)	-	-	-	-	-	**(1,052)**
Change in asset retirement cost	-	-	8	-	-	713	-	-	**721**
Disposals	(249)	(124)	(3,870)	-	(291)	(782)	-	(2)	**(5,318)**
Foreign exchange effect	36	281	1,629	472	5	582	(30)	14	**2,989**
December 31, 2013	**4,193**	**44,582**	**413,506**	**76,599**	**7,508**	**76,975**	**4,093**	**12,418**	**639,874**
Accumulated depreciation and depletion:									
At December 31, 2011	-	(1,875)	(34,472)	(1,128)	(1,266)	(5,625)	(276)	(1,184)	**(45,826)**
Depreciation and depletion	-	(1,720)	(22,700)	(2,777)	(1,095)	(2,996)	(274)	(779)	**(32,341)**
Transfers between divisions	-	-	1	-	(87)	-	-	-	**(86)**
Disposals	-	-	444	-	100	-	-	-	**544**
Foreign exchange effect	-	-	(4)	8	-	-	-	-	**4**
December 31, 2012	-	(3,595)	(56,731)	(3,897)	(2,348)	(8,621)	(550)	(1,963)	**(77,705)**
Depreciation and depletion	-	(2,490)	(36,978)	(4,692)	(1,391)	(4,452)	(594)	(1,572)	**(52,169)**
Disposals	-	25	1,728	727	98	24	-	-	**2,602**
Foreign exchange effect	-	(21)	(199)	(148)	(2)	(34)	(5)	(9)	**(418)**
December 31, 2013	**-**	**(6,081)**	**(92,180)**	**(8,010)**	**(3,643)**	**(13,083)**	**(1,149)**	**(3,544)**	**(127,690)**
Net book value:									
December 31, 2013	**4,193**	**38,501**	**321,326**	**68,589**	**3,865**	**63,892**	**2,944**	**8,874**	**512,184**
December 31, 2012	3,817	26,371	199,509	26,173	4,085	47,311	2,188	3,972	**313,426**

10. INTANGIBLE ASSETS

Amortization expense relating to intangible assets is included in operating expenses on the consolidated statements of comprehensive income.

($000's)	Non-competition agreements	Customer relationships	Licenses	Patents	Total
Cost:					
At December 31, 2011	**14,784**	**54,172**	**3,245**	**4,795**	**76,996**
Additions through business combinations (Note 5a)	-	999	-	2,348	**3,347**
Additions through business combinations (Note 5b)	4,247	3,066	-	-	**7,313**
Additions through business combinations (Note 5c)	1,318	4,164	-	-	**5,482**
Foreign exchange effect	64	84	-	-	**148**
At December 31, 2012	**20,413**	**62,485**	**3,245**	**7,143**	**93,286**
Additions through business combinations (Note 5d)	6,313	2,413	-	-	8,726
Additions through business combinations (Note 5e)	621	2,178	-	250	3,049
Removals	(348)	-	-	-	(348)
Foreign exchange effect	623	291	-	-	914
At December 31, 2013	**27,622**	**67,367**	**3,245**	**7,393**	**105,627**
Accumulated amortization:					
At December 31, 2011	**(1,690)**	**(2,180)**	**(541)**	**(224)**	**(4,635)**
Amortization	(3,772)	(4,316)	(324)	(578)	**(8,990)**
Foreign exchange effect	2	-	-	-	**2**
At December 31, 2012	**(5,460)**	**(6,496)**	**(865)**	**(802)**	**(13,623)**
Amortization	(6,368)	(5,257)	(324)	(519)	**(12,468)**
Removals	348	-	-	-	348
Foreign exchange effect	(145)	(17)	-	-	**(162)**
At December 31, 2013	**(11,625)**	**(11,770)**	**(1,189)**	**(1,321)**	**(25,905)**
Net book value:					
At December 31, 2013	**15,997**	**55,597**	**2,056**	**6,072**	**79,722**
At December 31, 2012	**14,953**	**55,989**	**2,380**	**6,341**	**79,663**

11. GOODWILL

($000's)	Dec 31, 2013	Dec 31, 2012
Balance - beginning of year	92,516	77,820
Additions through business combination	-	2,269
Additions through business comination (Note 5b)	-	11,837
Additions through business comination (Note 5c)	-	443
Additions through business comination (Note 5d)	3,914	-
Additions through business comination (Note 5e)	4,636	-
Foreign exchange effect	858	147
Balance - end of year	101,924	**92,516**

The Corporation tests goodwill annually for impairment or more frequently if there are indications that the asset may be impaired. At December 31, 2013, an impairment test was performed at the group CGU level or individual CGU level as applicable, and no impairment was recognized (Note 3). The aggregate carrying amount of goodwill allocated to the DS division is $85.2 million (2012: $80.7 million) with the remaining goodwill allocated to CGUs within the PRD and OS divisions.

The recoverable amounts of the individual or group of CGU's were estimated as their value in use, determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter (ranging from 3% to 7.5%). The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make. The discount rate used to calculate the net present value of cash flows is 19.4% (before tax) and is based on estimates of the Corporation's weighted average cost of capital, with reference to an approximate industry peer group. The recoverable amount of each cash generating unit was in excess of the carrying amount. No impairment was recorded during the annual impairment testing process in the year ended December 31, 2013 (2012 - no impairment).

12. ACCOUNTS PAYABLE AND ACCRUED LIABLITIES

($000's)	Dec 31, 2013	Dec 31, 2012
Accounts payable and accrued liabilities	120,143	105,637
Related party payables (Note 21)	2	596
Total accounts payable and accrued liabilities	120,145	**106,233**

The Company's exposure to currency and liquidity risk related to accounts payable and accrued liabilities is disclosed in Note 19.

13. LONG TERM BORROWINGS

($000's)	Dec 31, 2013	Dec 31, 2012
Amount drawn on credit facility	160,500	123,500
Unamortized transaction costs	(569)	(690)
Total long term borrowings	**159,931**	**122,810**

On October 29, 2013, the Corporation entered into an amended and extended $400.0 million revolving credit facility (the "credit facility") including an accordion feature which, if exercised, would increase the new credit facility by $50 million. The credit facility consists of a $390.0 million extendible revolving term credit facility and a $10.0 million revolving operating facility. The Corporation can borrow by way of Canadian dollar advances through Canadian Prime Rate Loans or Bankers Acceptances or United States dollar advances through US Base Rate Loans or Libor or letters of credit denominated in Canadian or U.S. dollars. The credit facility provides that the Corporation may borrow, repay, draw on and convert between types of borrowings at any time.

Prime loans bear interest ranging from 0.50% to 1.75% above the Canadian prime rate or US base rate. Bankers Acceptances and LIBOR loans range from 1.50% to 2.75% above the Bankers' Acceptance rate or LIBOR. The rate depends on the Corporation's prevailing funded debt to EBITDA ratio, with any unused amounts subject to standby fees ranging from 0.34% to 0.69%. Funded debt includes all outstanding debt, including finance leases, and any outstanding letters of credit. The credit facility is to be used for working capital, to refinance existing debt, for capital expenditures including permitted acquisitions, and for general corporate purposes.

The credit facility is due on July 31, 2016 (the "maturity date"), and includes an option for the Corporation to extend the maturity date (once per annum) to a maximum of three years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the credit facility was not extended.

In conjunction with obtaining the credit facility, the Corporation incurred transaction costs in the amount of $0.6 million, of which the unamortized amount has been offset against the outstanding principle balance of the debt. Amortization of the transaction costs recognized in interest, accretion and finance costs on the consolidated statements of comprehensive income for the year ended December 31, 2013 is $0.8 million (2012: $1.2 million) of which $0.5 million in transaction costs related to the previous revolving credit facility that were expensed and included in interest, accretion and finance costs on the consolidated statements of comprehensive income.

The following covenants apply to the existing credit facility:

- The Funded Debt to EBITDA Ratio shall not exceed 3:00:1; where EBITDA is adjusted for acquisitions on a pro-forma trailing twelve month basis;
- The ratio of Senior Debt to Senior Debt plus Equity shall not exceed 40%; and
- The Fixed Charge Coverage Ratio shall not be less than 1:00:1.

At December 31, 2013, and December 31, 2012, the Corporation was in compliance with all covenants.

13. LONG TERM BORROWINGS (continued)

As security for the credit facility, the Corporation granted its lenders a security interest over all of its present and after acquired property. A $1.0 billion 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.

The available credit facility is reduced by any outstanding letters of credit. As at December 31, 2013, the Corporation has $19.2 million (2012: $19.6 million) in letters of credit issued by the Corporation's lenders. The letters of credit are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (Note 14) and crude oil marketing contracts.

($000's)	Dec 31, 2013	Dec 31, 2012
Credit facility	400,000	300,000
Amount drawn on credit facility	(160,500)	(123,500)
Letters of credit	(19,221)	(19,552)
Available amount	220,279	156,948

14. ASSET RETIREMENT OBLIGATIONS

($000's)	
December 31, 2011	**15,005**
Arising during the year through development activities	6,503
Arising during the year through acquisitions	2,133
Accretion	364
Change in discount rate	269
December 31, 2012	**24,274**
Arising during the year through development activities	12,742
Revisions during the year	3,745
Accretion	729
Change in discount rate	(3,024)
Foreign exchange effect	325
December 31, 2013	**38,791**

The Corporation's asset retirement obligations were estimated by a third party or management based on the Corporation's estimated costs to remediate, reclaim and abandon the Corporation's facilities and estimated timing of the costs to be incurred in future periods. The Corporation has estimated the net present value of its asset retirement obligations at December 31, 2013 to be $38.8 million (December 31, 2012: $24.3 million) based on a total future liability of $60.9 million as at December 31, 2013 (December 31, 2012: $32.3 million). The Corporation used its risk-free interest rates of 0.94% to 4.23% (December 31, 2012: 1.14% to 2.36%) and an inflation rate of 3.00% to calculate the net present value of its asset retirement obligations at December 31, 2013 (December 31, 2012 - 3.00%).

14. ASSET RETIREMENT OBLIGATIONS (continued)

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

($000's)	Dec 31, 2013	Dec 31, 2012
Current	2,807	-
Non-current	35,984	24,274
	38,791	24,274

The Corporation has letters of credit issued by the Corporation's banker in relation to the Corporation's asset retirement obligations (Note 13).

15. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common voting shares of no par value

Unlimited number of preferred shares of no par value

	Number of Shares	Amount ($000's)
Balance, December 31, 2011	90,156,688	321,498
Options exercised	1,683,536	3,236
Warrants exercised	628,497	943
Transfer from reserves in equity	-	1,255
Bought-deal equity financing (Note 15e)	10,987,262	86,250
Shares issued as consideration for business combination (Notes 5 and 15d)	1,168,519	5,753
Other	2,500	25
Share issue costs (net of tax of $1,220)	-	(3,672)
Balance, December 31, 2012	104,627,002	415,288
Options exercised	1,947,249	7,842
Transfer from reserves in equity	-	2,499
Shares issued through DRIP (Note 15f)	92,363	1,265
Adjustment to shares issued as consideration for business combination	(20,253)	-
Shares issued as consideration for business combination (Notes 5 and 15a)	1,394,616	13,931
Shares issued as consideration for business combination (Notes 5 and 15b)	1,367,047	15,305
Bought-deal equity financing (Note 15c)	7,166,123	110,000
Share issue costs (net of tax of $1,304)	-	(3,824)
Balance, December 31, 2013	**116,574,147**	**562,306**

As at December 31, 2013, there were 10,145,914 (December 31, 2012: 10,764,197) common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations.

15. SHAREHOLDERS' EQUITY (continued)

a) On April 1, 2013, the Corporation acquired 100% of the issued and outstanding shares of Frontline for an aggregate purchase price of approximately $19.3 million including the issuance of 1,394,616 common shares of the Corporation (Note 5). The Frontline agreement provides that 1,217,903 common shares issued by the Corporation will be held in escrow pursuant to which 1,139,080 of such shares will be released on a straight line basis annually over five years, 61,822 released 40% on the first anniversary after closing, and 30% on the second and third anniversaries after closing, and the remaining 17,001 shares released 60% on the first anniversary from closing, and 40% on the second anniversary after closing. Accordingly, as at December 31, 2013, 1,217,903 common shares were held in escrow.

b) On July 2, 2013, the Corporation acquired 100% of the issued and outstanding shares of Target for an aggregate purchase price of approximately $36.6 million including the issuance of 1,367,047 common shares of the Corporation (Note 5). The Target agreement provides that 1,367,047 common shares issued by the Corporation will be held in escrow pursuant to which such shares will be released on a straight line basis annually over five years. Accordingly, as at December 31, 2013, 1,367,047 common shares were held in escrow.

c) On November 20, 2013, the Corporation entered into an agreement on a bought deal basis (the "offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 7,166,123 common shares (including overallotment) of the Corporation at a price of $15.35 per common share for gross proceeds of $110.0 million. In connection with the offering, the Corporation incurred approximately $5.1 million in transaction costs which included $3.8 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2013.

d) On July 2, 2012, The Corporation closed an asset purchase agreement to acquire the operating assets of DRD for total cash and share consideration of $26.3 million. The purchase price consisted of $20.5 million in cash consideration and $5.8 million consideration by way of issuance of 1,168,519 common shares of the Corporation (Note 5). The DRD agreement provides that 1,148,519 of the common shares issued by the Corporation will be held in escrow with twenty five percent being released on each anniversary of the closing date.

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

f) In March 2013, the Corporation's Board of Directors approved a monthly dividend to be paid to holders of common shares of the Corporation.

   In conjunction with the approval of a monthly dividend, the Corporation's Board of Director's approved the adoption of a Dividend Reinvestment Plan ("DRIP") that provides eligible shareholders with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional Common Shares ("Plan Shares"), which will be issued from treasury.

15. SHAREHOLDERS' EQUITY (continued)

Under the terms of the DRIP, plan shares issued from treasury will be issued on the applicable dividend payment date to eligible shareholders at a 3% discount to the average market price of the Common Shares. Average market price is defined in the DRIP to be the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days preceding the dividend payment date.

The Corporation declared dividends to holders of common shares for the year ended December 31, 2013, as follows:

	Dividend record date	Dividend payment date	Per common share ($)	Amount ($000's)
May	May 1, 2013	May 15, 2013	0.0125	1,333
June	June 1, 2013	June 14, 2013	0.0125	1,338
July	July 1, 2013	July 15, 2013	0.0125	1,339
August	Aug 1, 2013	Aug 15, 2013	0.0125	1,357
September	Sept 1, 2013	Sept 16, 2013	0.0125	1,362
October	Oct 1, 2013	Oct 15, 2013	0.0125	1,361
November	Nov 1, 2013	Nov 15, 2013	0.0125	1,363
December	Dec 1, 2013	Dec 16, 2013	0.0125	1,367
Total dividends declared during the period			**0.1000**	**10,820**

Of the dividends declared, $1.3 million for the year ended December 31, 2013, was reinvested in additional common shares through the DRIP. The Corporation has 557,637 common shares reserved for issue under the DRIP as at December 31, 2013.

Subsequent to December 31, 2013, the Corporation declared dividends to holders of common shares in the amount of $0.0125 per common share payable on January 15, February 15, and March 15, 2014, for shareholders of record on January 1, February 1, and March 1, 2014, respectively. In addition, on March 6, 2013, the Corporation's Board of Directors approved a $0.05 increase to the annual dividend for a total annualized dividend of $0.20, effective April 2014.

16. SHARE-BASED PAYMENT PLANS

The Corporation has share-based payment plans (the "Plans") under which the Corporation may grant share options, Restricted Share Units and Performance Share Units to its employees, employee directors and consultants. In addition the Corporation has a Deferred Share Unit plan for non-employee directors of the Corporation.

The aggregate number of common shares issuable pursuant to the exercise of options granted under the Plans shall not exceed ten percent of the issued and outstanding common shares of Secure calculated on a non-diluted basis at the time of the grant.

Share Option Plan

The exercise price of options granted under the Plan is calculated as the five-day weighted average trading price of the common shares for the five trading days immediately preceding the date the options are granted. Options issued under the Plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant.

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

	Dec 31, 2013		Dec 31, 2012	
	Outstanding options	Weighted average exercise price ($)	Outstanding options	Weighted average exercise price ($)
Balance - beginning of year	7,230,522	6.04	6,788,685	4.25
Granted	2,597,962	13.52	2,560,142	8.35
Exercised	(1,947,249)	4.03	(1,683,536)	1.92
Forfeited	(361,935)	8.50	(434,769)	7.64
Balance - end of year	**7,519,300**	**9.03**	**7,230,522**	**6.04**
Exercisable - end of year	**2,970,444**	**5.63**	**2,991,579**	**3.90**

The following table summarizes information about share options outstanding as at December 31, 2013:

	Options outstanding			Options exercisable	
Exercise price ($)	Outstanding options	Weighted average exercise price ($)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price ($)
2.50 - 4.00	1,463,758	2.95	1.06	1,463,758	2.95
4.01 - 5.50	104,535	5.02	1.91	104,535	5.02
5.51 - 7.00	95,720	6.10	2.19	63,813	6.10
7.01 - 8.50	1,776,738	7.89	3.18	569,636	7.87
8.51 - 10.00	1,347,856	9.05	2.88	701,298	9.01
10.01 - 11.50	202,203	10.09	3.93	67,404	10.09
11.51 - 13.00	729,698	11.55	4.19	-	-
13.01 - 14.50	1,417,134	13.81	4.40	-	-
14.51 - 16.00	144,158	15.39	4.89	-	-
16.01 - 17.50	237,500	16.77	4.94	-	-
	7,519,300	**9.03**	**4.89**	**2,970,444**	**5.63**

16. SHARE-BASED PAYMENT PLANS (continued)

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

	Dec 31, 2013	Dec 31, 2012
Volatility factor of expected market price (%)	39.64	42.57
Weighted average risk-free interest rate (%)	1.33	1.44
Weighted average expected life in years	4.08	4.10
Weighted average expected annual dividends per share (%)	0.77	Nil
Weighted average fair value per option ($)	4.14	2.95
Weighted average forfeiture rate (%)	5.28	3.57

The Corporation's stock has approximately four years of trading history, therefore the Corporation has used a weighted average volatility consisting of its own historical volatility and the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model. The Corporation determines a forfeiture rate by using actual historical forfeiture rates.

Restricted share unit plan

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

Unless otherwise directed by the Board of Directors, one third of each RSU grant vests and becomes available for redemption on each of the first, second, and third anniversaries of the date of grant. RSUs terminate and cease to be redeemable on December 31 of the third year following the year in which the grant of the RSU was made.

The following table summarizes the RSUs outstanding:

	Dec 31, 2013	Dec 31, 2012
Balance - beginning of year	-	-
Granted	195,743	-
Redeemed for common shares	-	-
Forfeited	(23,811)	-
Balance - end of year	171,932	-

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

	Dec 31, 2013	Dec 31, 2012
Weighted average expected life in years	2.00	-
Weighted average expected annual dividends per share (%)	1.08	-
Weighted average fair value per unit ($)	13.97	-
Weighted average forfeiture rate (%)	5.94	-

16. SHARE-BASED PAYMENT PLANS (continued)

Share-based payment reserves

For the year ended December 31, 2013, share-based payment expense of $7.8 million (year ended December 31, 2012: $5.1 million) has been recognized for stock options and RSUs granted, and is included in general and administrative expenses on the consolidated statements of comprehensive income. These costs are recorded as share-based payment expense with the offsetting amount being credited to share based payment reserve as shown in the following table:

($000's)	Dec 31, 2013	Dec 31, 2012
Balance - beginning of year	9,400	5,558
Share-based payments	7,758	5,097
Transfer to issued capital	(2,499)	(1,255)
Balance - end of year	14,659	9,400

Deferred Share Unit Plan

The Corporation has a Deferred Share Unit ("DSU") plan for non-employee members of the Board of Directors. Under the terms of the plan, DSUs awarded will vest immediately and will be settled in cash in the amount equal to the previous five day's weighted average price of the Corporation's common shares on the date the members of the Board of Directors specify upon the non-employee director tendering their resignation from the Board of Directors. The specified date must be after the date in which the notice of redemption is filed with the Corporation and within the period from the non-employee director's termination date and December 31 of the first calendar year commencing after the non-employee's termination date. A summary of the status of the Corporation's DSU plan is as follows:

	Dec 31, 2013	Dec 31, 2012
Balance - beginning of year	28,864	-
Granted	23,356	28,864
Settled in cash	-	-
Forfeited	-	-
Balance - end of year	52,220	28,864
Exercisable - end of year	52,220	28,864

Share-based payment expense for DSUs is included in general and administrative expenses in the consolidated statements of comprehensive income and credited to accounts payable and accrued liabilities on the consolidated statements of financial position. As at December 31, 2013, $0.9 million (2012: $0.3 million) was included in accounts payable and accrued liabilities for outstanding DSUs and share based payment expense was $0.6 million for the year ended December 31, 2013 (2012: $0.3 million).

16. SHARE-BASED PAYMENT PLANS (continued)

Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to purchase common shares of the Corporation. Employees may contribute up to 20% of their base salaries in the ESOP. For year ended December 31, 2013, employees contributed $2.8 million into the plan (2012 - $1.7 million). The Corporation will match contributions, subject to certain limitations, based on the employee's years of service with the Corporation. Shares purchased for both the employee contributions and Corporation's matching contributions are purchased on the open market. The Corporation's matching expense for the year ended December 31, 2013 was $1.4 million (2012 - $0.9 million) and is recognized in either operating expenses or general and administrative expenses on the consolidated statements of comprehensive income.

17. EARNINGS PER COMMON SHARE

Basic earnings per common share amounts are calculated by dividing net earnings for the year attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net earnings for the year attributable to common shareholders of the Corporation by the weighted average number of shares outstanding during the year plus the weighted average number of shares, if any, that would be issued on conversion of all the potential dilutive instruments utilizing the treasury method.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the year ended	
($000's)	Dec 31, 2013	Dec 31, 2012
Net earnings attributable to common shareholders for basic and diluted earnings per share	38,963	33,052

	For the year ended	
	Dec 31, 2013	Dec 31, 2012
Weighted average number of shares for basic earnings per share	107,747,722	96,388,929
Effect of dilution:		
Options and RSUs	2,839,174	2,973,769
Weighted average number of shares for diluted earnings per share	**110,586,896**	**99,362,698**

For the year ended December 31, 2013, the above table excludes 79,815 options and RSUs (2012: 214,199 options) that are considered anti-dilutive.

18. INCOME TAXES

($000's)	Dec 31, 2013	Dec 31, 2012
Current income tax expense		
Current year	11,586	7,286
Adjustment for prior years	1,038	-
	12,624	7,286
Deferred income tax expense		
Current year	4,604	5,855
Adjustment for prior years	(1,006)	-
	3,598	5,855
Total income tax expense	**16,222**	**13,141**

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 25.00% (2012 – 25.25%) to earnings before income taxes for the following reasons:

($000's)	Dec 31, 2013	Dec 31, 2012
Earnings before income taxes	55,185	46,193
Combined federal and provincial income tax rate	25.00%	25.25%
Expected combined federal and provincial income tax	13,796	11,664
Statutory rate differences and other	(390)	(311)
Share-based payment	2,112	1,357
Non-deductible expenses	486	431
Adjustments related to prior years	218	-
	16,222	**13,141**

18. INCOME TAXES (continued)

The components of the net deferred income tax liability as at December 31, 2013 are as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Deferred income tax assets:		
Non-capital loss carry forwards	14,178	4,018
Property, plant and equipment	3,356	1,745
Share issue costs	2,498	2,203
Asset retirement obligations	2,155	1,591
Intangible assets	16	239
	22,203	9,796
Deferred income tax liabilities:		
Property, plant and equipment	(43,646)	(25,131)
Intangible assets	(13,200)	(12,232)
Other	(542)	(50)
Goodwill	(445)	(143)
	(57,833)	(37,556)
Net deferred income tax liabilities	(35,630)	(27,660)
Deferred income tax assets by jurisdiction:		
Canada	8,025	5,539
U.S.	14,178	4,257
	22,203	9,796
Deferred income tax liabilities by jurisdiction:		
Canada	(42,314)	(31,159)
U.S.	(15,519)	(6,397)
	(57,833)	(37,556)
Net deferred income tax liabilities	(35,630)	(27,660)

Included above in deferred tax assets is $40.5 million (2012 - $11.5 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. These losses are in the United States and expire between 2029 and 2033. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. The recognition involves the Corporation assessing when the deferred tax assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available in the future to offset these tax assets when they do reverse. This assessment requires assumptions and assessments regarding future taxable income, and is therefore inherently uncertain.

19. FINANCIAL INSTRUMENTS

Carrying values and fair values

The Corporation's financial instruments consist of cash, accounts receivable and accrued receivables, accounts payable and accrued liabilities, and long term borrowings. The fair values of the Corporation's financial instruments are as follows:

	Dec 31, 2013			
($000's)	**Loans and receivables**	**Other financial liabilities**	**Carrying amount**	**Fair value amount**
Financial assets:				
Cash	12,019	-	12,019	12,019
Accounts receivable and accrued receivables	167,476	-	167,476	167,476
	179,495	-	179,495	179,495
Financial liabilities:				
Accounts payable and accrued liabilities	-	120,145	120,145	120,145
Long term borrowings	-	159,931	159,931	160,500
	-	280,076	280,076	280,645

	Dec 31, 2012			
($000's)	**Loans and receivables**	**Other financial liabilities**	**Carrying amount**	**Fair value amount**
Financial assets:				
Cash	7,506	-	7,506	7,506
Accounts receivable and accrued receivables	125,006	-	125,006	125,006
	132,512	-	132,512	132,512
Financial liabilities:				
Accounts payable and accrued liabilities	-	106,233	106,233	106,233
Long term borrowings	-	122,810	122,810	123,500
	-	229,043	229,043	229,733

The nominal value of cash, accounts receivable and accrued receivables, and accounts payable and accrued liabilities is deemed to reflect the fair value. This is due to the fact that transactions which give rise to these balances arise in the normal course of trade with industry standard payment terms.

The nominal value of long term borrowings (excluding transaction costs) approximate their fair values due to the variable interest rates applied to these facilities, which approximate market interest rates.

19. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below analyses financial instruments, other than those already carried at fair value, by valuation method. The different levels have been defined in Note 2 (g):

	Dec 31, 2013			
($000's)	Level 1	Level 2	Level 3	Total
Long term borrowings	-	159,931	-	159,931
Total financial liabilities	-	159,931	-	159,931

	Dec 31, 2012			
($000's)	Level 1	Level 2	Level 3	Total
Long term borrowings	-	122,810	-	**122,810**
Total financial liabilities	-	122,810	-	**122,810**

There were no transfers between levels in the hierarchy in the year ended December 31, 2013 (2012: nil).

Risks

Commodity price risk – non-trading

The value of the Corporation's crude oil inventory, including oil inventory purchased as base stock for drilling fluids, is impacted by the commodity price of crude oil. Crude oil prices have historically fluctuated widely and are affected by numerous factors outside of the Corporation's control. Crude oil prices are primarily based on West Texas Intermediate ("WTI") plus or minus a differential to WTI based on the crude oil type and other contributing market conditions. As part of normal operating activities, the Corporation is required to hold a certain amount of inventory in any given month. In addition, changes in the prices of crude oil and natural gas can impact overall drilling activity and demand for the Corporation's products and services. In the DS division, the Corporation purchases various minerals, chemicals, and oil-based products and is directly exposed to changes in the prices of these items. The Corporation has elected not to actively manage commodity price risk associated with crude oil and drilling fluids 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 contracts. The physical trading activities related to the contracts exposes the Corporation to the risk of profit or loss depending on a variety of factors including: changes in the prices of commodities; foreign exchange rates; changes in value of different qualities of a commodity; changes in the relationships between commodity prices and the contracts; physical loss of product through operational activities; disagreements over terms of deals and/or contracts; and pipeline apportionment. These risks are mitigated by the fact that the Corporation only trades physical volumes, the volumes are traded over a short period, and the Corporation does not currently participate in the long term storage of the commodities. The oil and gas producer forecasts or nominates crude oil volumes expected to be delivered to the Corporation's facilities in advance of the production month as part of normal oil and gas operations. As part of the Corporation's processing, and facility operations, Secure will use net buy and net sell crude oil contracts for marketing and trading of crude oil.

19. FINANCIAL INSTRUMENTS (continued)

In addition, the Corporation has developed detailed policies, procedures and controls over the trading activities, which include oversight by experienced management.

The Corporation defines an "open position" as the difference between physical deliveries of all net buy crude oil contracts offset against physical delivery of all net sell crude oil contracts. The open position is subject to commodity price risk. As a result, the Corporation's strategy is to reduce all open positions for any given month. The Corporation does hold open positions however, these positions are closed within a relatively short period after the production month and therefore the overall exposure to the Corporation is significantly reduced. The Corporation's risk policy allows a maximum aggregate open position of 155,000 barrels of crude oil into a subsequent period, the exposure to the Corporation on a 10% increase or decrease in the price of crude oil per barrel would be an increase or decrease in revenue of approximately $1.4 million, respectively.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty fails to meets its contractual obligations. 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. 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.

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.

The following is a schedule of the Corporation's trade accounts receivable:

($000's)	Dec 31, 2013	Dec 31, 2012
Less than 30 days	69,674	68,787
31 to 60 days	34,599	10,936
61 to 90 days	12,063	2,649
Greater than 90 days	4,599	2,130
	120,935	84,502
Allowance for doubtful accounts	489	315

The balance of $69.7 million under 30 days includes crude oil contracts settled as part of the trading activities for December 2013. Of the $69.7 million, 20% of the receivable balance less than 30 days is due from twelve counter parties. The entire amount due from the twelve counterparties relate to crude oil payments, which as part of industry practice, are settled within 30 days of the production month.

19. FINANCIAL INSTRUMENTS (continued)

These specific counterparties are approved by the Corporation's risk management committee in accordance with the Corporation's credit policy relating to crude oil payments. The Corporation's credit exposure to any crude oil contracts settled is limited to transactions occurring over a 60 day period. Of the receivables relating to crude oil payments, approximately 85% of the counter parties have a credit rating of B or higher.

Included within accrued receivable is $1.9 million of accrued insurance proceeds relating to the Drayton Valley spill that occurred during the year ended December 31, 2013. The Corporation considers reimbursement of this amount virtually certain.

The change in the allowance for doubtful accounts is as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Balance - beginning of year	315	374
Additional allowance	224	386
Amounts used	(58)	(442)
Foreign exchange effect	8	(3)
Balance - end of year	489	315

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. The Corporation considers all amounts greater than 90 days to be past due. As at December 31, 2013, $4.6 million (2012: $2.1 million) of accounts receivable are past due and a provision of $0.5 million (2012: $0.3 million) has been established as an allowance for doubtful accounts. All other amounts past due are considered to be collectable.

The Corporation is also exposed to credit risk with respect to its cash. However, the risk is minimized as cash is held at major financial institutions.

Maximum credit risk is calculated as the total recorded value of cash, and accounts receivable and accrued receivables as at the date of the consolidated statement of financial position.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk as it has borrowed funds at variable interest rates on its credit facility. A 1% increase or decrease is used when management assesses changes in interest rate risk internally. If interest rates had been 1% higher/lower, and all other variables were held constant, the Corporation's consolidated earnings before income taxes for the year would be approximately $1.6 million lower/higher for the year ended December 31, 2013.

The Corporation currently does not use interest rate hedges or fixed interest rate contracts to mitigate the Corporation's exposure to interest rate fluctuations.

19. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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. As at December 31, 2013, the Corporation has $12.0 million in cash and $220.3 million of available room on its revolving credit facility (Note 13). The timing of cash outflows relating to financial liabilities, including estimated interest payments, are outlined in the table below:

($000's)	Due within 1 year	Between 1-3 years	Between 4-5 years	Greater than 5 years
Accounts payable and accrued liabilities	120,145	-	-	-
Current income tax liability	5,277	-	-	-
Financing and operating lease obligations	12,359	16,547	1,739	1,638
Long term borrowings	5,549	169,286	-	-
	143,330	**185,833**	**1,739**	**1,638**

For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its debt repayments and obligations and will provide sufficient funding for anticipated capital expenditures.

Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from its purchase and sale of crude oil, working capital balances denominated in foreign currencies and on the translation of its foreign operations. Foreign currency risk on the purchase and sale of crude oil 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 also has foreign currency risk arising from the translation of amounts receivable from and payable to its foreign subsidiary. The amounts are considered to form part of the net investment and are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends and forecasted economic conditions. The Corporation does not maintain an active hedge program to mitigate the risks associated with its foreign operations as the exposure is limited and insignificant at this time given the revenue generated from foreign operations is approximately 3% of total revenue. A 1% increase or decrease in foreign exchange rates would result in a $0.1 million decrease or increase in the Corporation's consolidated earnings before income taxes for the year ended December 31, 2013.

20. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

($000's)	Dec 31, 2013	Dec 31, 2012
Current assets	236,309	179,127
Current liabilities	(134,478)	(110,610)
Long term borrowings	160,500	123,500
Shareholders' equity	664,334	478,399
	926,665	670,416

The Corporation's objective in capital management is to ensure adequate sources of capital are available to carry out its planned capital program, while maintaining operational growth and increased cash flow so as to sustain future development of the business and to maintain creditor and shareholder confidence. Management considers capital to be the Corporation's current assets less current liabilities, total debt facilities and shareholders' equity as the components of capital to be managed.

During the year ended December 31, 2013, the Corporation's Board of Directors approved a monthly dividend to be paid to holders of common shares of the Corporation (Note 15). With the exception of the monthly dividend, the Corporation's overall capital management strategy remains unchanged from 2012. Management controls its capital structure through detailed forecasting and budgeting, as well as established policies and processes over monitoring planned capital and operating expenditures. This includes the Board of Directors, reviewing the Corporation's results on a monthly basis, and capital costs to budget and approved authorizations for expenditures on a quarterly basis. The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized budgets, EBITDA on all of its operations, and return on investment. The Corporation is subject to certain financial covenants in its credit facility. The Corporation is in compliance with all financial covenants.

Management will manage its debt to maintain compliance with the various financial covenants contained within its long term borrowings (Note 13).

21. RELATED PARTY DISCLOSURES

These consolidated financial statements include the Corporation's 50% share of two Full Service Terminals that are jointly controlled operations with Pembina Pipeline Corporation ("Pembina"). Management has determined that the arrangement is a joint operation based on the following assumption:

- the operation is jointly managed by the Corporation and Pembina; and
- the operation is not a separate legal entity.

The Corporation's 50% share of total comprehensive income from jointly controlled operations for the year ended December 31, 2013 is \$2.5 million (2012: \$4.0 million).

21. RELATED PARTY DISCLOSURES (continued)

Significant transactions

The following table provides the total amount of transactions that have been entered into with related parties:

(000's)		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related parties	December 31, 2013	669	1,293	50	2
	December 31, 2012	11,448	1,520	2,444	596

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are in the normal course of business and are at terms agreed to by the related parties. Related parties include companies that have common directors, officers, employees and shareholders. The nature of the expenses relate to operating and general and administrative expenses for use in the Corporation's activities. Amounts are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2013, the Corporation has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

Entity with significant influence over the Corporation

The shares of the Corporation are widely held. No entity has significant influence over the Corporation.

Transactions with key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its executive officers and the board of directors. In addition to the salaries and short-term benefits paid to the executive officers and directors fees paid to the directors, the Corporation also provides compensation under the Corporation's ESOP (Note 16) to its executive officers. In addition, the Corporation provides compensation to both its executive officers and directors under its share-based payment plans (Note 16).

The compensation related to key management personnel is as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Salaries and short-term employee benefits	3,821	2,961
Share-based payments	1,958	681
	5,779	3,642

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Operating lease commitments

The Corporation has entered into operating land lease agreements at the Corporation's facilities. In addition, the Corporation has entered into operating leases for office and warehouse spaces. The leases require future minimum lease payments as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Within one year	5,984	2,693
After one year but not more than five years	8,617	6,926
More than five years	1,238	888
	15,839	10,507

Finance lease commitments

The Corporation has entered into finance lease agreements for computer equipment, vehicles, and mobile equipment. The leases require future minimum lease payments as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Within one year	6,249	4,114
After one year but not more than five years	9,368	4,158
More than five years	-	-
	15,617	8,272

The average lease term is three years (2012: three years). The Corporation's obligations under finance leases are secured by the related assets. Interest rates underlying finance lease obligations are fixed at respective contract dates ranging from 0.0% to 16.7% (2012: 0.0% to 16.7%) per annum.

Earn out commitment

Pursuant to the Imperial Drilling Fluids Engineering Inc. ("IDF") acquisition, the Corporation is obligated to pay additional consideration consisting of a series of three annual earn out payments beginning in September 2013 to certain selling shareholders or employees, based on the achievement of a certain gross margin percentage. The remaining potential annual earn out payments range from US$0.9 million to US$2.7 million for total earn out payments over the remaining two year period ranging from US$1.8 million to US$5.4 million and will be recorded in operating expenses on the consolidated statements of comprehensive income. The estimated future payments are as follows:

($000's)	Dec 31, 2013	Dec 31, 2012
Within one year	2,274	2,210
After one year but not more than five years	1,709	4,371
More than five years	-	-
	3,983	6,581

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

Capital commitments

As at December 31, 2013, the Corporation had committed $12.7 million (2012: $25.6 million) relating to various capital purchases for use in the Corporation's current and future capital projects. All amounts are current and due within one year.

Commodity contract purchase commitments

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

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

Fixed price contracts

In the normal course of operations, the Corporation enters into contracts that contain fixed selling prices within its OS division and therefore the Corporation is exposed to variability in input costs.

Litigation

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

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

A statement of defence was filed by the Secure Defendants on November 10, 2008, after the Court ordered Tervita to provide further particulars of its claim. The Secure Defendants then filed an Amended Statement of Defence (the "Defence"), and the Corporation filed an Amended Counterclaim (the "Counterclaim"), on October 9, 2009. In their Defence, the Secure Defendants deny all of the allegations made against them. In its Counterclaim, the Corporation claims damages in the amount of $37.9 million against Tervita, alleging that Tervita has engaged in conduct constituting a breach of the *Competition Act* (Canada) and unlawful interference with the economic relations of the Corporation with the intent of causing injury to the Corporation. As a result of the Corporations application to the Chief Justice of the Alberta Queen's Bench, the Corporation has received permission of the Court to increase the Counterclaim to $97.8 million. The amended counterclaim will now include damages related to Tervita's acquisition of Complete Environmental Inc, the previous owner of the Babkirk landfill in northeast British Columbia. The Corporation contends that Tervita purchased the landfill with the intention of maintaining its geographic monopoly and conspiring to cause injury to the Corporation. On February 25, 2013, the Federal Court of Appeal released its decision upholding the Competition Tribunals Order requiring that Tervita divest the Babkirk landfill site following its acquisition of Complete Environmental.

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

Guarantees

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation, and maintains liability insurance for its directors and officers. The Corporation may also provide indemnifications in the normal course of business that are often standard contractual terms to counterparties in certain transactions.

Letters of Credit

As at December 31, 2013, the Corporation has approximately $19.2 million in letters of credit issued by the Corporation's bankers (2012: $19.6 million). All letters of credit are not cash secured and have been deducted from the Corporation's available long term borrowings (Note 13). The letters of credit relate to security for the Corporation's facilities and are held with provincial regulatory bodies (Note 14) and under certain crude oil marketing contracts.

23. OPERATING SEGMENTS

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

The Corporation has three reportable operating segments as follows:

- PRD division provides services relating to clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal and oil purchase/resale service;
- DS division provides services relating to drilling fluids and supplying drilling equipment;
- OS division provides services that include the full life cycle of pipeline and facility operations, waste management and environmental sciences, asset management and recovery, civil, remediation and reclamation earthworks, and integrated water solution services; and
- The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

23. OPERATING SEGMENTS (continued)

($000's)	PRD division	DS division	OS division	Corporate	Total
	Year ended December 31, 2013				
Revenue	1,129,936	308,160	54,444	-	1,492,540
Operating expenses	(1,063,585)	(248,162)	(48,172)	(1,011)	(1,360,930)
General and administrative	(23,247)	(23,549)	(5,784)	(7,792)	(60,372)
Business development	-	-	-	(9,482)	(9,482)
Depreciation, depletion and amortization	(44,607)	(17,762)	(4,020)	(956)	(67,345)
Interest, accretion and finance costs	(739)	-	-	(6,694)	(7,433)
Other income	862	-	-	-	862
Earnings (loss) before income taxes	43,227	36,449	488	(24,979)	55,185

($000's)	PRD division	DS division	OS division	Corporate	Total
	Year ended December 31, 2012				
Revenue	763,081	242,812	23,547	-	1,029,440
Operating expenses	(714,963)	(197,493)	(16,076)	(516)	(929,048)
General and administrative	(12,392)	(23,011)	(3,857)	(5,258)	(44,518)
Business development	-	-	-	(3,916)	(3,916)
Depreciation, depletion and amortization	(29,114)	(12,308)	(346)	(515)	(42,283)
Interest, accretion and finance costs	(364)	-	-	(5,401)	(5,765)
Earnings (loss) before income taxes	35,361	22,308	3,614	(15,090)	46,193

	PRD division	DS division	OS division	Corporate	Total
	As at Decmeber 31, 2013				
Current assets	74,556	140,841	20,912	-	236,309
Total assets	606,907	380,807	45,379	6,632	1,039,725
Goodwill	12,805	85,205	3,914	-	101,924
Intangible assets	8,420	64,516	6,786	-	79,722
Property, plant and equipment and assets under construction	511,209	90,244	13,685	6,632	621,770
Current liabilities	84,813	41,335	8,330	-	134,478
Total liabilities	139,125	63,630	12,705	159,931	375,391
	As at December 31, 2012				
Current assets	59,258	110,878	8,991	-	179,127
Total assets	443,621	305,705	14,851	3,734	767,911
Goodwill	11,984	80,532	-	-	92,516
Intangible assets	10,484	69,179	-	-	79,663
Property, plant and equipment and assets under	362,254	45,116	5,501	3,734	416,605
Current liabilities	75,445	33,749	1,416	-	110,610
Total liabilities	113,844	52,488	370	122,810	289,512

Geographical Financial Information

	Canada		USA		Total	
($000's)	2013	2012	2013	2012	2013	2012
Year ended December 31						
Revenue	**1,442,281**	986,801	**50,259**	42,639	**1,492,540**	1,029,440
As at December 31						
Total non-current assets	**686,536**	517,892	**116,880**	70,892	**803,416**	588,784

24. SUBSEQUENT EVENTS

Subsequent to year end, Secure executed two strategic acquisitions for an aggregate purchase price of approximately $28.7 million, paid in cash and shares of the Corporation. These acquisitions fall into the OS division with assets that will grow the Corporation's integrated water solutions and establish an onsite market presence in the US. This is a continuation of the Corporation's strategy to add complementary services along the energy services value chain.

In January of 2014, Secure entered into a purchase agreement for a mineral products plant in Alberta for total consideration of $12.0 million. The mineral product plant mainly processes barite which is a product used in drilling fluids. The mineral product plant allows Secure to vertically integrate the operations into the DS division to reduce operating costs, improve margins, and improve supply logistics and quality. The transaction is pending and is anticipated to close in April of 2014.

Corporate Information

DIRECTORS

Rene Amirault - Chairman
Brad Munro (1) (2) (3)
David Johnson (2) (3) (4)
George Wadsworth (4)
Kevin Nugent (1) (3)
Murray Cobbe (1) (2)
Shaun Paterson (1) (4)

OFFICERS

Rene Amirault
President and Chief Executive Officer

Allen Gransch
Executive Vice President & Chief Financial Officer

Brian McGurk
Executive Vice President, Human Resources & Strategy

Dan Steinke
Executive Vice President, Operations, PRD

David Mattinson
Executive Vice President, On Site Services

George Wadsworth
Executive Vice President, Drilling Services & USA Operations

Nick Wieler
Executive Vice President, Crude Oil Marketing & Information Systems

[1] Audit Committee
[2] Compensation Committee
[3] Corporate Governance Committee
[4] Health, Safety & Environment Committee

STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SES

AUDITORS

MNP LLP
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

BANKERS

Alberta Treasury Branches

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company
Calgary, Alberta