
2015 ANNUAL REPORT
SECURE
energy services

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CORPORATE PROFILE

SECURE Energy Services Inc. ("SECURE" or the "Corporation") is a leading North American energy services company providing safe and environmentally responsible fluids and solids solutions to upstream oil and natural gas companies operating in the Western Canadian Sedimentary Basin ("WCSB") and North Dakota.

SECURE is dedicated to adding value to our clients' operations which drives continuous improvement in all aspects of the Corporation's services. As a result, our clients experience lower overall project costs and improved safety, while maintaining budgets and schedules which benefits all associated stakeholders. SECURE operates through three divisions: Processing, Recovery and Disposal ("PRD"), Drilling Services ("DS"), and OnSite Services ("OS"). Integrating the three divisions has created innovative synergies that service the overall needs of our clients.

SECURE's corporate success in 2015 has been based on the core operating principles of the Corporation that include employing the right people, building world class facilities, operating quality, state-of-the-art equipment and providing safe and innovative client solutions. Being financially strong and client focused allows the Corporation to develop and deliver progressive fluids and solids solutions through all stages of the energy life cycle, while partnering with clients to help reduce their operating costs. This approach has proven to be a competitive advantage, and the Corporation's growth and success demonstrates the industry response to SECURE's acheivements.

SECURE's head office is located in Calgary, Alberta.

NOTICE OF ANNUAL MEETING:

SECURE Energy Services Inc. is pleased to invite its shareholders and other interested parties to the Corporation's Annual General Meeting which will be held at the Hyatt Regency Hotel, 700 Centre Street SE, Calgary, AB on **Thursday, May 5th, 2016** at 2:00p.m.


YK
NWT
BC
AB
SK
MB
ND
Fort Liard
Fort Nelson
Fort St. John
Dawson Creek
Grande Prairie
Fort McMurray
Edmonton
Lloydminster
Calgary
Virden
Williston

WE GO WHERE OUR CLIENTS GO.

The growth of our geographic footprint is determined by the needs of our clients. Our OnSite and Drilling Services divisions go wherever clients have drilling operations or projects that need our help. Our Processing, Recovery and Disposal division operates facilities in locations ideally suited to our clients' needs:

Full Service Terminals

- Dawson Creek, BC
- Kotcho, BC
- Brazeau, AB
- Drayton Valley, AB
- Edson, AB
- Fox Creek, AB
- Judy Creek, AB
- La Glace, AB
- Nosehill, AB
- Obed, AB
- Rocky Mountain House, AB
- South Grande Prairie, AB
- Tulliby Lake, AB
- Kindersley, SK
- Silverdale, SK
- 13 Mile Corner, ND, USA
- Keene, ND, USA
- Stanley, ND, USA

Landfills

- Fox Creek, AB
- Pembina, AB
- Saddle Hills, AB
- South Grande Prairie, AB
- Tulliby Lake, AB
- Willesden Green, AB
- Virden, MB
- Williston, ND, USA

Full Service Rail Terminals

- Alliance, AB
- High Prairie, AB
- Mannville, AB
- Rycroft, AB
- Kindersley, SK

Stand-Alone Water Disposal Facilities

- Big Mountain Creek, BC
- Emerson, AB
- Kaybob, AB
- Wild River, AB
- Wonowon, AB
- Crosby, ND, USA
- Watford City, ND, USA

Why SECURE?

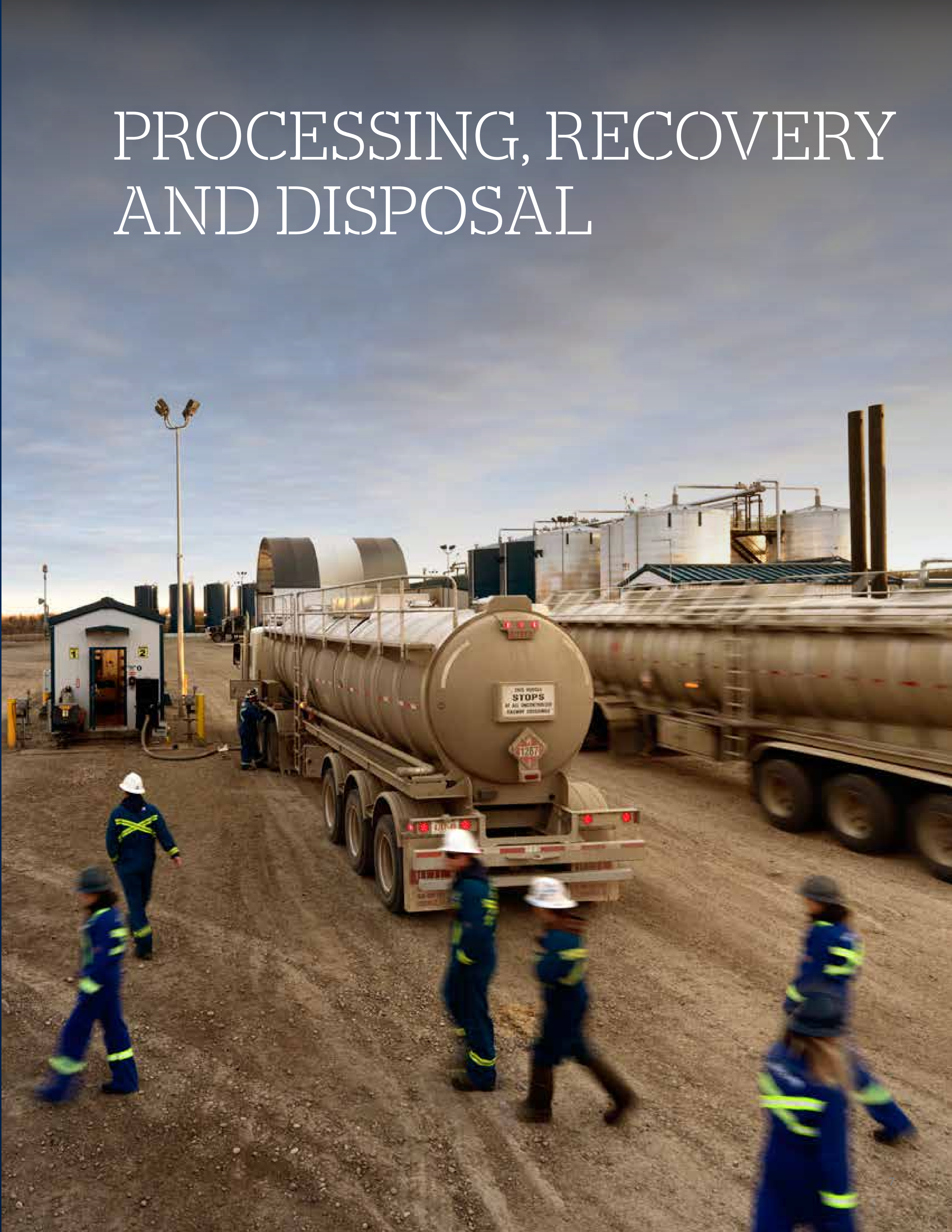
It started with a four letter word: Help.

And a question: How?

It's how we came to be, and it's
the reason why we do what we do.

3 divisions | 90+ services | 1 goal, yours.

PROCESSING, RECOVERY AND DISPOSAL



PROCESSING RECOVERY AND DISPOSAL

Throughout the full cycle of oil and gas exploration, production and final reclamation, several by-products and waste streams are generated by oil and gas producers. 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 our facilities with the environment and public health and safety in mind. SECURE applies best-in-class engineering and operations practices in developing processing, recovery and disposal facilities to ensure hydrocarbon recovery is maximized while waste volumes and overall environmental impact is minimized.

The Processing Recovery and Disposal ("PRD") division also provides services to help oil and gas producers deliver crude oil to market and manage the associated by-products. SECURE operates four types of facilities: Full Service Terminals ("FST"), Stand Alone Water Disposal ("SWD") wells, Class I & II landfills, and Full Service Rail Terminals ("FSR"). The PRD division has grown significantly since inception in 2007 and now operates 38 facilities in the WCSB and North Dakota.

In 2015, SECURE opened five new facilities in strategic areas to meet the needs of our clients.

In 2015, SECURE opened five new facilities in strategic areas to meet the needs of our clients:

- Wonowon SWD: a fit-for-purpose oilfield fluid processing and disposal facility in the Wonowon area, located near Fort St. John, British Columbia. The facility was designed to accommodate a future expansion in order to reduce truck wait times for our clients while managing products in an environmentally responsible and sustainable manner.

- Big Mountain Creek SWD: located close to Grande Prairie, Alberta, this facility is operated by SECURE to meet an increasing market demand for disposal services in the area. It was designed to accommodate an expansion and reduce truck wait times at SECURE's neighboring South Grande Prairie facility.

- Tulliby Lake FST: located northwest of Lloydminster, our first facility in the heavy oil corridor offers a full waste solution for heavy oil in Alberta.

- Rycroft FSR: SECURE`s first organically built FSR offers treating, storage, disposal and transloading services north of Grande Prairie.

- Kindersley FSR: Located near Kindersley, Saskatchewan, this facility transloads heavy and light crude via rail to end users which provides oil producers in the area an alternative shipping method to the Corporation`s pipeline connected Kindersley FST.

PRD Service Overview

- Processing oil and gas by-products
- Maximizing the recycling of oil
- Recycling and disposal of waste fluids
- Crude oil treatment with pipeline and rail access



In 2015, SECURE expanded the existing 13 Mile SWD facility in North Dakota into a full service terminal. As a result, SECURE now operates three full service terminals in North Dakota.

FLUID DISPOSAL FACILITIES

SWDs and FSTs include 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 targeted zone between impermeable layers of rock. SECURE's FSTs 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 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, seven of the Corporation's 18 FSTs are connected to an oil pipeline. These terminals also act as pipeline access points for oil and gas 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 for safe disposal. Residual fluids are treated to recover any crude oil content before disposal through deep well injection.

OILFIELD LANDFILLS

Disposal of solid waste from oil and gas operations is highly regulated in the regions where we operate. These wastes are produced from drilling operations through to final site clean-up, and are typically contaminated with chlorides/hydrocarbons. The PRD division currently operates eight landfills, including five Class II landfills, one Class I landfill, one combined Class I & II landfill, and one special waste 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 treated at SECURE's FST facilities. A 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.

FULL SERVICE RAIL TERMINALS

SECURE's full service rail terminals transport crude products via rail to end users on behalf of Canadian oil producers. At times when pipeline capacity is constrained, the Corporation's rail services provide an alternative solution to producers who are looking to get their product to market in a timely manner.

Producers can market their own barrels by utilizing SECURE's transloading services, which carry crude-by-rail to virtually all North American markets.

These facilities provide oil producers with two methods to get their crude to market. Crude can be aggregated with multiple supplies through a rail terminal and marketed through a single-sale transaction or producers can market their own barrels by utilizing SECURE's transloading services, which carry crude-by-rail to virtually all North American markets. Each method provides added flexibility and additional pricing options for the Corporation's clients. SECURE operates a total of five FSR facilities in Western Canada.

DRILLING SERVICES

DRILLING SERVICES

The Drilling Services ("DS") division consists of five service lines that provide SECURE's clients in Western Canada with drilling fluids, fluids and solids control equipment, completion fluids, production chemicals and chemical Enhanced Oil Recovery ("EOR") products and equipment. The DS division is committed to providing innovative products and services to enhance the performance and productivity of drilling, completions, and production operations.

Oil and gas drilling requires technologically advanced fluids to improve the integrity of the borehole, remove cuttings, control pressure and maximize the efficiency of the drilling process. SECURE's drilling services maximize the useful life of drilling fluids and provides safeguards for environmental compliance.

Production services provides equipment and product solutions that optimize production, provide flow assurance and help clients maintain the integrity of their production assets. All 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.

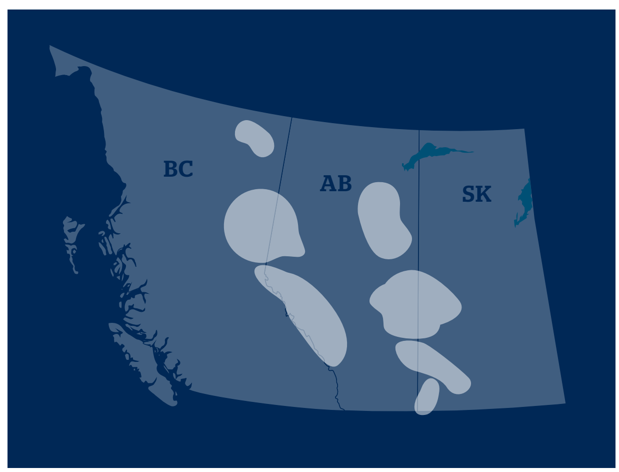
SECURE's DS division provides its clients with drilling fluids, fluids and solids control equipment, completion fluids, production chemicals and chemical enhanced oil recovery products and equipment.

SECURE's DS division also operates a 7,000 sq. ft. state-of-the art laboratory that is staffed by an experienced team of Ph.D. chemists. This facility assists clients with technical challenges through simulations and testing, development of new products, and education sessions.

DRILLING FLUIDS

The drilling fluids service line provides the majority of revenue for the DS division and delivers innovative products and drilling fluid systems that are designed for increasingly complex wells in the WCSB. These can be medium to deep wells, horizontal wells and SAGD wells drilled into the oil sands.

The Western Canadian Sedimentary Basin



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 improve drilling rates and protect potential production zones while conserving the environment in the surrounding surface and subsurface areas.

FLUIDS AND SOLIDS EQUIPMENT

The fluids and solids equipment service line provides equipment to support drilling operations. Solids control equipment removes unwanted solid particles from used drilling fluid to prevent drilling problems and reduce 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 between SECURE's Drilling Services and OnSite Services.

COMPLETION FLUIDS

Completion fluids provide clients with customized fluid systems that are used during well completion activities. These fluid systems contribute to the successful running of complex completion strings, optimize production and improve the performance of fracking operations.

PRODUCTION CHEMICALS

The production chemicals service line focuses on providing equipment and chemical solutions that optimize well production by treating problematic oil conditions including viscous oils, paraffin and asphaltines.

In addition, SECURE provides customized formulations that effectively separate oil and water emulsions prior to additional downstream treatment at refineries. A comprehensive line of corrosion and scale inhibitor products are offered that maintain the integrity of pipelines and other production assets.

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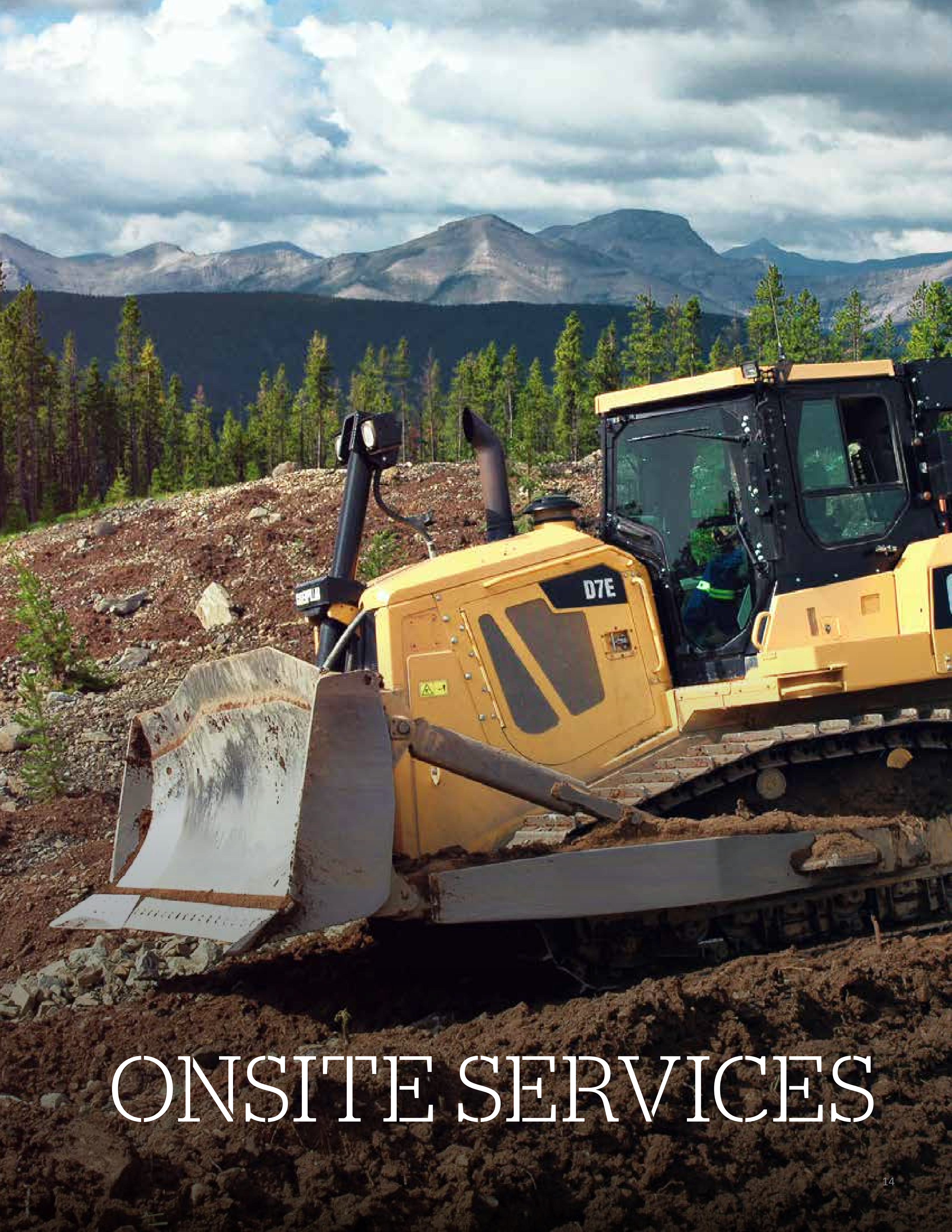
CHEMICAL EOR

Chemical EOR provides products and equipment that enhance production by improving the properties of water pumped into injection wells. These formulations enable the injected water to effectively sweep additional oil from the reservoir resulting in increased oil recovery and improved production rates.

Our laboratory has the **most advanced** equipment for the **most complex** drilling, completion and production conditions

- » 7,000 SQ FT
- » 24/7 Field Support
- » 15 Expert Chemists



ONSITE SERVICES

ONSITE SERVICES

The OnSite Services ("OS") division provides fully integrated services supporting the energy, resource, pipeline, industrial, and civil construction industries throughout the WCSB. The OS division offers a full spectrum of services which includes environmental services, Naturally Occurring Radioactive Material ("NORM") management, and waste container services; integrated fluid solutions which includes water management, recycling, pumping and storage solutions; and projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation), demolition and decommissioning, reclamation and remediation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

The OS division continues to expand and diversify with a growing client base from industry sectors outside of oil and gas and added service offerings in new geographic regions across Canada and the U.S.

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ENVIRONMENTAL SERVICES

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.

NORM MANAGEMENT

In many geographic areas, the oil and gas industry is challenged with the existence of NORM, which may include production waste, impacted equipment and materials, water treatment, residual waste, and spills. SECURE's full line of services for managing NORM include site assessments, remediation, waste collection and disposal, and NORM safety training and consulting.

SECURE has multiple, current radioactive materials licenses, and our radiation safety officers have numerous years of environmental experience. As subject matter experts, SECURE is actively involved with provincial and state agencies in helping shape regulatory guidance while consulting with clients in the U.S. and Canada.

WASTE CONTAINER SERVICES

SECURE provides engineered waste container, management and tracking services supplying clients with 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 for disposal. The container services team has optimized customer service response for bin management, ensuring the bins are maintained and picked up for disposal.

INTEGRATED FLUID SOLUTIONS

SECURE's integrated fluid solutions provide clients with full cycle water management services from sourcing of water and fluid resources to transportation and storage of fluids for hydraulic fracturing, to water recycling and disposal. SECURE offers a comprehensive fleet of pumps, temporary pipelines, filtration and heating equipment, raised-panel frac ponds and tanks to meet the water transfer needs of the client.

Services include identification of potential water sources, management of Temporary Diversion License applications, regulatory reporting, pumping and water logistics solutions, temporary high-volume frac fluid ponds, remote access and custom designed and constructed fluid storage pits.

PIPELINE INTEGRITY

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

SECURE's OS division provides an all-encompassing management system that helps mitigate risk and prevent pipeline failures by ensuring that our clients' assets are fulfilling their delivery obligations and operating efficiently.

DEMOLITION AND DECOMMISSIONING

When a company's assets reach the end of their useful life, a safe, cost-effective method to remove these assets is required. Decommissioning industrial facilities often presents a number of different challenges: from hazardous waste management and disposal to pond removal and remediation. The OS division provides complete decommissioning services from hazardous materials removal, through to facility demolition, asset recovery and recycling while maximizing asset value and returns through resale, reuse or recycling methods.

SECURE 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 AND 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. SECURE has extensive experience in all aspects of excavation, transportation, treatment and disposal of contaminated soils, and the capability of handling all remedial aspects of pond projects from sludge removal and remediation, to re-shaping and re-lining ponds.

ENVIRONMENTAL CONSTRUCTION

SECURE has the capability to complete all aspects of environmental construction from landfills, leachate collection system installation, pond construction, liner installation, sheet pile installation and bentonite slurry wall construction.

SECURE also provide long-term solutions for groundwater control and remediation issues 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, SECURE is able to seamlessly execute its client's project requirements.

A trusted PARTNER throughout the energy life cycle

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 2015 financial and operating results. Throughout 2015, oil and gas prices and corresponding activity levels declined considerably. SECURE has demonstrated diversity and resilience during this period which has enabled us to achieve adjusted EBITDA of $126.7 million for the year.

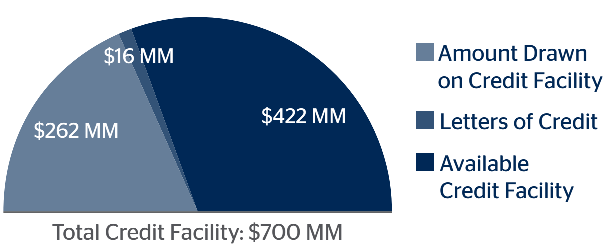
We have used 2015 as an opportunity to implement continuous improvement strategies that not only impact financial results, but that also improve our relationships with clients, increase the safety of our employees, and reduce our environmental footprint. Through our integrated service offerings, exceptional client service and ongoing dedication to safety, SECURE has demonstrated its ability to operate profitably in a low oil and gas price environment which will continue to benefit us in 2016 and for years to come. The prompt reaction and execution of our strategies in 2015 resulted in achievement of these results and has positioned us well for future challenges and growth opportunities. As an organization, we continue to live and breathe our values of leadership at all levels, having the right people in the right place, and operating with integrity and passion while still delivering results that exceed expectations.

FINANCIAL STRENGTH

SECURE's capital program in the last few years has been aggressive with a focus on midstream infrastructure development in key under-serviced markets and expansion of complementary and recycling services at existing facilities. 2015 was a year in which we were able to observe these capital investments generate returns and see our clients benefit from integrated services and an expanded geographic presence. While producer activity decreased in certain areas, we were able to realize the benefits of diversified service lines that generated overall returns and reliable cash flows.

SECURE has consistently supported its successful growth and sustainability by maintaining a strong financial position, as evidenced through completing a bought deal equity financing in March 2015 which raised $198 million. SECURE also extended the maturity date of its existing $700 million syndicated credit facility by one year to September 2019, with no modification to financial terms or covenants. This financial flexibility will allow us to optimize rates of return on organic capital versus potential accretive acquisition opportunities that may arise under current market conditions.

Credit Facility



Throughout 2015, SECURE maintained focus on its vision of growing shareholder value. While many in our industry have decreased dividends and reduced or eliminated reinvestment plans, SECURE has maintained its $0.24/share annual dividend and continued its Dividend Reinvestment Plan to enhance returns to shareholders.

CONTINUOUS IMPROVEMENT

Versatility and the ability to adapt to change quickly have been the key drivers to our strong sector performance in 2015. Throughout the year, various actions had to be taken to ensure that we were living and breathing SECURE's values. We started 2015 with the continuous improvement initiative of "1,000 Little Improvements". We knew that we needed to respond to the quickly changing economy and implement small changes in all areas of our business – changes that called for the right people to improve the way we function and eliminate areas of wasted opportunity, wasted time, and wasted money. Not only did this involve participation from employees at all levels, but it allowed for creative thinking and innovation which thrives in our culture and is the backbone of our business. We were able to reduce costs while creating a more engaged and efficient workforce. Costs to construct have been reduced by 20%, total recordable injuries have decreased by 30%, and the impact to our workforce reductions was mitigated.

DIVERSIFIED SERVICES

Throughout 2015, SECURE continued to evaluate its service lines and geographic areas and maintained its ability to support our clients through all stages of the energy life cycle — from drilling and completions to production and final abandonment.

SECURE now operates 38 facilities in the PRD division. In 2015 we added and expanded facilities in response to client demand. SECURE also completed the integration of its first full service rail facility, which will continue to expand our suite of services to meet the evolving needs of our clients. Crude-by-rail differentials narrowed in 2015 which reduced the demand for crude-by-rail services; however, with the political and environmental debates surrounding crude oil transport, SECURE remains confident that rail is a viable solution for Canadian producers to get their oil to market in times of reduced pipeline capacity.

The DS division faced the most challenges of our three divisions in 2015 as a result of the lowest average crude oil pricing in a decade, which resulted in curtailed drilling programs and created pricing pressures. However, the DS division was able to maintain a market share of over 30% in the WCSB and only experienced a slight decrease in its revenue per operating day. In the latter half of 2015, we evaluated the DS division's U.S. market share and economies of scale required to operate in this area and made the difficult decision to exit our Drilling Services from the U.S. as it was not generating the returns required to increase shareholder value and operate profitably.

The DS division has shifted its focus in 2015 to developing the Production Chemicals and Chemical EOR service lines leveraged by the acquisition of a production chemicals company in late 2014. We believe that the market for these services is developing exponentially and our state of the art laboratory and team of experienced chemists have the ability to provide cost effective and efficient solutions to enhance producer recoveries and create transport efficiencies. These service lines complement our existing suite of services and will further enhance our integrated service offerings to service the well from the "cradle to grave".

The OnSite Services division continued to grow in 2015 and generated strong earnings. Leveraged by four acquisitions in 2014, the division has established itself in 2015 with a slight annual increase in revenues generated through larger scale project work, diversified and integrated services, and expansion into new geographic areas. The success of this division in 2015 is evidence of the diversity of SECURE's services and the ability to execute its business strategies in a period of slower industry activity and low oil prices.

SAFE OPERATIONS

SECURE is committed to inspiring, motivating and supporting a corporate health and safety culture that aligns with our vision, mission and values. In 2015, SECURE continued to build upon our industry leading safety program by tracking proactive efforts and recognizing behavior based actions. SECURE realized the results of the safety efforts and actions in 2015 by the reduction in our Total Recordable Injury Frequency ("TRIF") by over 30% and our Motor Vehicle Incident Rate ("MVIR") by 56%.

> No other Shell contractor has received the "Goalie of the Month" award for individual workers more than SECURE's OS division.

The Corporation completed the Certification of Recognition Program ("COR") audit process again in 2015, which aims to ensure that health and safety related programs are implemented, effective, accessible and focused on continuous improvement. This improvement was clearly demonstrated by the OS division achieving a score that was significantly above the required threshold for recertification through a third party auditor. The OS division had individuals awarded the "Goalie of the Month" award from Shell Global for the 12^{th} time more than any other Shell contractor.

At the beginning of 2015 we also reviewed our Health, Safety and Enivronmental ("HSE") Strategic Plan. The three key 2014 initiatives, including the Corporate HSE Tracking System, the

Corporate Emergency Response Plan, and the Motor Vehicle Incident Reduction Program, were further augmented. In addition to these initiatives, a focus was placed on the reporting of safety performance indicators, on a recurrent basis, to our major clients in our OS and DS divisions.

ENVIRONMENT AND REGULATORY LEADERSHIP

SECURE is in the business of protecting the environment. We provide the solutions our clients need to manage their environmental responsibilities and reduce the environmental impact of their activities. We are passionate about this work, and earn trust with our clients and our communities by exceeding their expectations.

In 2015, we created further improvements in how we provide efficiencies and recover value for our clients. We added further specialization in our DS division in the area of chemical EOR. Research and investigation into newer EOR polymers allows for operations to be conducted using produced water from existing reservoirs at higher salt levels, thus reducing or eliminating the need to use external sources of freshwater.

We are also working closely between divisions to provide chemistries to recycle produced fluids. The goal is to treat and recycle the produced fluid thus eliminating the need to use freshwater sources for stimulation operations. Currently, we have successfully allowed clients to reuse produced fluids for various operations such as milling jobs and further work is being conducted to expand this to other stimulation operations which traditionally use large volumes of fresh water.

In our PRD division we recovered over 13 million liters of oil from upstream oil and gas waste. To further develop our ability to recover usable products from waste we completed two innovative pilot projects: one to recover base oil from invert drilling mud cuttings destined for a landfill, and another to repurpose oilfield waste fluids into fracturing fluids to reduce the reliance on freshwater for multi-stage hydraulic fracturing.

SECURE continued our collaborative research project with the University of Alberta to protect and enhance the Western Toad population. The study uncovered foraging, breeding and hibernation patterns that allowed us to protect and enhance the breeding population in their natural habitat. In 2015, we were able to share our findings with industry and government agencies to assist in the assessment of this species prior to development.

In 2015, SECURE also partnered with the University of Calgary, Southern Alberta Institute of Technology and Alberta Environment and Parks to pilot technology to treat soils contaminated with polychlorinated biphenyl ("PCB"). Results of this pilot will be used to promote innovative ways of reclaiming and treating PCB contaminated soils.

Regulatory initiatives included driving the change which permits the receipt of non-dangerous oilfield waste from out of province, work on water policy with Alberta Environment and Parks as well as initiating NORM Policy discussions with Alberta and British Columbia governments and regulators.

All of SECURE's services and products meet and often exceed the environmental requirements required by industry and regulators. As part of our 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 HSE Policy. We are committed to maintaining the highest standards and are proud of our environmental stewardship record to date.

PARTNERS IN THE COMMUNITY

"We're here to help" is a philosophy ingrained throughout the SECURE organization, and guides all that we do. Our "Help the Client" mentality was the spark that started the Corporation eight years ago, and continues to find its way into the thousand little things we do each day.

136 SECURE employees contributed 532 hours to volunteering with Calgary based charities in 2015.

Our commitment to give back and enrich the communities where we live and work takes many forms, including charitable giving, sponsorships and employee volunteerism. In 2015, our volunteer and donation efforts positively enriched over 40 communities through locally focused initiatives, contributing approximately $300,000 to local charities and organizations throughout our Canadian and U.S. operations.

SECURE's community involvement and charitable contributions support a broad range of facilities, programs, initiatives and events. These efforts aim to contribute to the communities in which we operate and include active involvement with youth, Aboriginal and community groups in the areas of education, athletics, community, healthcare, research, arts and culture.

In 2015, we launched GenC: Caring for our Communities. This campaign is focused on monthly giving opportunities to support our communities in need through volunteerism and sponsorship. GenC was pitched by a group of employees, keen to expand upon SECURE's annual United Way Campaign and ignite the do-gooder spirit all year long. GenC is focused on breaking the cycle of poverty for the next generation and bettering the lives of those in need.

Since its June 2015 launch, GenC participated in eight volunteer activities over the course of seven months. Through this initiative, 136 SECURE employees contributed 532 hours to volunteering with Calgary based charities.

In 2015, SECURE continued to partner with a number of charities in the communities where we live and work. We believe in the importance of supporting causes close to home, and take a special interest in our youth. We did this by sponsoring local youth teams, arenas and youth focused organizations such as Boys and Girls Club, Girl Guides, Between Friends, Nathan O'Brien Children's Foundation and KidSport. In addition to supporting our youth, we participated in and hosted annual events to raise money for the United Way of Calgary and Area, Inn from the Cold, ALS Canada and the Alberta Children's Hospital Foundation.

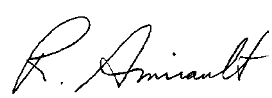
ACKNOWLEDGMENTS

Over the past eight years, SECURE has achieved tremendous growth and success through dedication and hard work. Our motivated and entrepreneurial culture has driven the ideas and strategies that make us SECURE. We have a motivated and entrepreneurial team with a passion for providing safe and innovative solutions that create value for our clients and shareholders. The shared values of our employees have 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, clients, vendors and other stakeholders who have supported the Corporation over the past eight 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.

OUTLOOK

2015 was a challenging year for the energy sector. The latter half of 2014 experienced significant volatility in oil prices, resulting from the world's oil supply exceeding demand, reaching seven year oil price lows in 2015. In the early months of 2016, we are still amid the global supply surplus and many factors will continue to influence supply and pricing for years to come. Instead of dwelling on the industry conditions, SECURE is proactively managing items within our control and we are confident that the Corporation is well positioned to generate sustainable returns throughout this period until oil prices inevitably recover. When, and at what price, commodity prices eventually stabilize is difficult to predict. Until that time we will remain focused on hard work, improving efficiencies and developing new products and service offerings that will enable our clients to also increase efficiencies.

This discipline will enable us to model our culture around operating lean and efficiently which will mitigate the impact in times of volatility and further enhance shareholder value as oil prices rise.



Rene Amirault
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Twelve Months ended December 31, 2015 and 2014

The following management's 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 1, 2016. The discussion and analysis is a review of the financial results of the Corporation prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.

The MD&A's primary focus is a comparison of the financial performance for the three and twelve months ended December 31, 2015 to the three and twelve months ended December 31, 2014 and should be read in conjunction with the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014 ("Consolidated Financial Statements").

All amounts are presented in Canadian dollars, unless otherwise stated and all tabular amounts are in thousands of Canadian dollars, except share amounts or as otherwise noted. Certain comparative figures have been reclassified to conform to the MD&A presentation adopted for the current year.

CORPORATE OVERVIEW

Secure is a TSX publicly traded energy services company that provides safe, innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry. The Corporation owns and operates midstream infrastructure and provides environmental services and innovative products to upstream oil and natural gas companies operating in Western Canada and certain regions in the United States ("U.S.").

The Corporation operates three divisions:

PROCESSING, RECOVERY AND DISPOSAL DIVISION ("PRD")

The PRD division owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. More specifically these services are clean oil terminalling and rail transloading, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. Secure currently operates a network of facilities throughout Western Canada and in North Dakota, providing these services at its full service terminals ("FST"), landfills, stand-alone water disposal facilities ("SWD") and full service rail facilities ("FSR").

DRILLING SERVICES DIVISION ("DS")

The DS division provides equipment and product solutions for drilling, completion and production operations for oil and gas producers in Western Canada. The drilling 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 drilling service line focuses on providing products and systems that are designed for more complex wells, such as medium to deep wells, horizontal wells and horizontal wells drilled into the oil sands. The production services line focuses on providing equipment and chemical solutions that optimize production, provide flow assurance and maintain the integrity of production assets.

ONSITE SERVICES DIVISION ("OS")

The operations of the OS division include Environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, Naturally Occurring Radioactive Material ("NORM") management, and waste container services; Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions; and Projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning, and reclamation and remediation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

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 for the year ended December 31, 2015 ("AIF").

ANNUAL OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the year ended December 31, 2015, Secure realized Adjusted EBITDA of $126.7 million, demonstrating diversity and resilience during a period of reduced oil and gas activity levels due to the low commodity prices. The PRD and OS divisions continued to show stable cash flows during 2015 on the back of production related volumes, ongoing project work, and integrated service offerings. The continued weakness in commodity pricing had the most significant impact on the DS divisional results as operations are tied directly to drilling activity.

Throughout 2015, Secure has implemented continuous improvement strategies to minimize future costs, including streamlining operations and appropriately managing general and administrative expenses in the current oil and gas price environment. As part of this initiative, Secure was also able to minimize the impact on margins in the divisions by working with customers in order to find more efficient ways to manage their fluids and solids through more integrated offerings, volume-based contracts and reducing costs where it did not impact safety, operations and environmental performance.

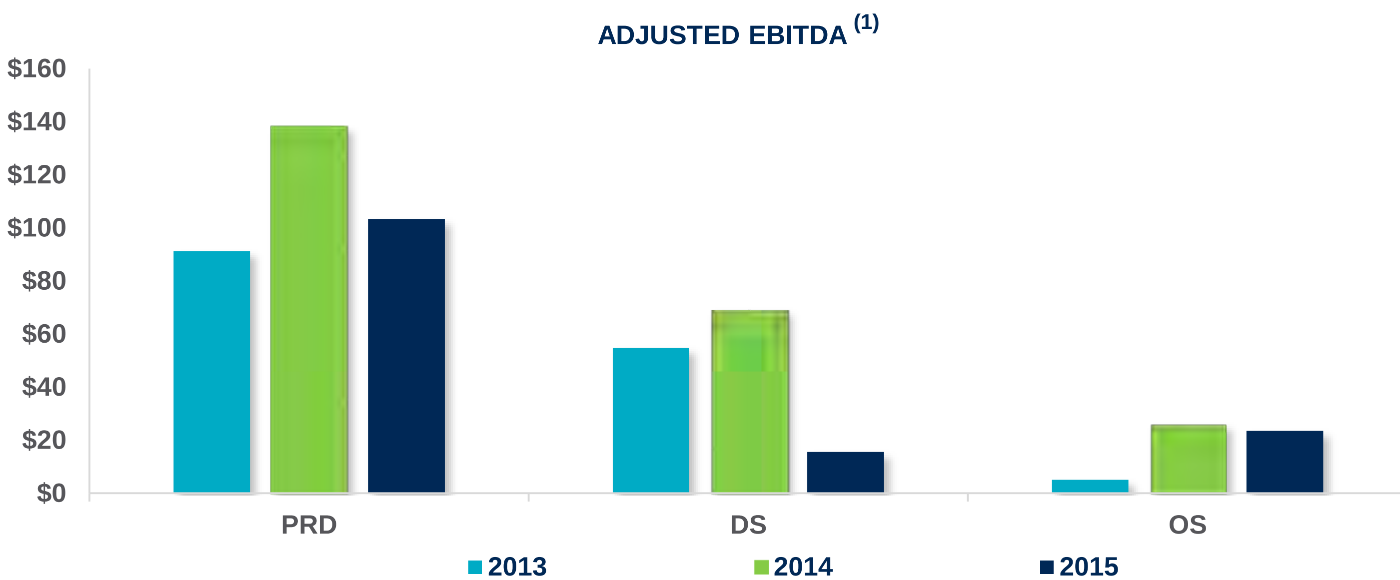
With the 2015 results, Secure has demonstrated with its current midstream infrastructure that positive cash flows are sustainable at the current oil and gas price and activity levels. Combined with a solid balance sheet and financial flexibility, the Corporation is well positioned to succeed in 2016 and beyond.

The operating and financial highlights for the year ending December 31, 2015 and each of the previous two years can be summarized as follows:

	Twelve months ended Dec 31,		
($000's except share and per share data)	**2015**	**2014**	**2013**
Revenue (excludes oil purchase and resale)	**560,898**	794,590	541,947
Oil purchase and resale	**785,527**	1,477,061	950,593
Total revenue	**1,346,425**	2,271,651	1,492,540
Adjusted EBITDA [(1)]	**126,652**	208,990	135,870
Per share ($), basic	**0.95**	1.75	1.26
Per share ($), diluted	**0.95**	1.71	1.23
Net (loss) earnings	**(159,870)**	30,651	38,963
Per share ($), basic	**(1.20)**	0.26	0.36
Per share ($), diluted	**(1.20)**	0.25	0.35
Adjusted net (loss) earnings [(1)]	**(30,166)**	59,246	37,086
Per share ($), basic	**(0.23)**	0.50	0.34
Per share ($), diluted	**(0.23)**	0.48	0.34
Funds from operations [(1)]	**112,061**	210,531	140,342
Per share ($), basic	**0.84**	1.77	1.30
Per share ($), diluted	**0.84**	1.72	1.27
Dividends per common share	**0.24**	0.19	0.10
Capital expenditures [(1)]	**130,455**	400,806	224,861
Total assets	**1,315,420**	1,496,117	1,039,725
Long-term liabilities	**393,774**	522,557	240,913
Net debt [(1)]	**153,263**	309,706	68,037
Common Shares - end of period	**137,708,127**	121,367,451	116,574,147
Weighted average common shares			
basic	**133,380,634**	119,272,994	107,747,722
diluted	**133,380,634**	122,364,419	110,586,896

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

- REVENUE OF $1,346.4 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015
  - Total processing, recovery and disposal volumes at PRD facilities for the year ended December 31, 2015 remained relatively consistent over 2014 due to production related volumes and the addition of ten new facilities in 2014 and 2015, offset by the decline in drilling activity. Average crude oil prices decreased 40% in 2015 which negatively impacted drilling and completion related activities, recovered oil revenue and activity at the Corporation's rail transloading facilities. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of $242.7 million in 2015, down 11% from 2014;
  - Oil purchase and resale revenue in the PRD division for the year ended December 31, 2015 decreased by 47% from 2014 to $785.5 million. The average price of crude oil declined by 40% which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the year;
  - Activity in the DS division is strongly correlated with oil and gas drilling activity in the Western Canadian Sedimentary Basin ("WCSB"), which experienced a 49% decline in active rig count in 2015 from 2014 levels. As a result, DS division revenue correspondingly decreased by 52% to $192.1 million in 2015;
  - OS division revenue has remained strong in 2015, increasing slightly from 2014 to $126.1 million. The overall increase in 2015 is significant considering approximately 25% of the OS division revenue relates to completion activities, where activity levels are substantially lower given the current oil price. The higher revenues that have offset this reduction relate to Projects service line work, and four acquisitions completed during 2014. The OS division continues to grow through larger scale project work, diversified and integrated services, and expansion into new geographic areas.
- ADJUSTED EBITDA OF $126.7 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015
  - Diversification and integration across Secure's three divisions has contributed to positive Adjusted EBITDA for the year ended December 31, 2015 as certain service lines are not as heavily impacted by drilling activity and commodity prices. Adjusted EBITDA totaled $126.7 million in 2015, a 39% decrease from 2014.
  - The following graph demonstrates the divisional impacts to Adjusted EBITDA, excluding Corporate costs, for the years ending December 31, 2015, 2014, and 2013 (shown in millions of dollars).



Notes:

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

- Overall, Adjusted EBITDA was in line with Secure's expectation given a reduction in drilling and completion activity throughout the WCSB which most heavily impacted the DS division as operations are tied directly to drilling operations. The decrease in the PRD division was partially offset by ongoing production related volumes, the construction of new facilities in 2014 and 2015 and expansions at certain of the Corporation's existing facilities. The impact to the OS division was mitigated by diversified service lines and integrated service offerings, combined with four strategic acquisitions completed in 2014.

- NET LOSS OF $159.9 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015
    - For the year ended December 31, 2015, Secure's net loss of $159.9 million, compared to net earnings of $30.7 million in 2014, is a result of the factors discussed above impacting Adjusted EBITDA, combined with non-cash impairments of non-current assets totaling $157.7 million (2014: $33.4 million) relating primarily to goodwill in the DS division and intangible assets and goodwill associated with the Corporation's rail facilities acquired in 2014. Partially offsetting the pre-tax net loss is a tax recovery of $24.1 million for the twelve months ended December 31, 2015 (2014: $20.6 million expense).
- ADJUSTED NET LOSS OF $30.2 MILLION FOR THE YEAR ENDED DECEMBER 31, 2015
    - For the year ended December 31, 2015, Secure's adjusted net loss of $30.2 million, compared to earnings of $59.2 million in 2014, is primarily the result of lower year over year Adjusted EBITDA.
- 2015 CAPITAL EXPENDITURES
    - Total capital expenditures for the year ended December 31, 2015 of $130.5 million includes:
        - Six facilities were completed and commissioned in the first half of 2015: Tulliby Lake FST, 13 Mile FST conversion, Rycroft FSR, Big Mountain and Wonowon SWDs, and Kindersley rail terminal;
        - Construction of additional landfill cells at the Willesden Green and Pembina Landfills;
        - Commencement of construction of the Kakwa FST which is expected to be completed and commissioned in the third quarter of 2016;
        - Various expansions at existing facilities to increase capacity including treaters, disposal wells and tanks; and
        - Sustaining capital expenditures at existing facilities required to maintain ongoing business operations;
        - Pre-design and engineering of future facility locations;
        - Specialized rental equipment for specific OS division projects.
- FINANCIAL FLEXIBILITY
    - Secure's net debt as at December 31, 2015 was $153.3 million compared to $309.7 million at December 31, 2014. The Corporation has strengthened its balance sheet and increased its financial flexibility to take advantage of opportunities during the current low commodity price environment.
    - Secure is in compliance with all covenants related to its credit facility at December 31, 2015. Secure's debt to trailing twelve month EBITDA ratio, where EBITDA is defined as earnings before interest, taxes, depreciation, depletion and amortization, and is adjusted for non-recurring losses, any non-cash impairment charges and any other non-cash charges, and acquisitions on a pro-forma basis, was 2.2 as at December 31, 2015 compared to 2.0 as at December 31, 2014.
    - As at December 31, 2015, the Corporation had $421.6 million available under its credit facility.

FOURTH QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three months ended Dec 31,		
($000's except share and per share data)	**2015**	**2014**	**% change**
Revenue (excludes oil purchase and resale)	**129,770**	224,523	(42)
Oil purchase and resale	**160,203**	353,561	(55)
Total revenue	**289,973**	578,084	(50)
Adjusted EBITDA [(1)]	**31,808**	55,597	(43)
Per share ($), basic	**0.23**	0.46	(50)
Per share ($), diluted	**0.23**	0.45	(49)
Net (loss) earnings	**(86,825)**	(13,659)	536
Per share ($), basic	**(0.63)**	(0.11)	473
Per share ($), diluted	**(0.63)**	(0.11)	473
Adjusted net (loss) earnings [(1)]	**(14,650)**	14,266	(203)
Per share ($), basic	**(0.11)**	0.12	(192)
Per share ($), diluted	**(0.11)**	0.12	(192)
Funds from operations [(1)]	**29,006**	54,471	(47)
Per share ($), basic	**0.21**	0.45	(53)
Per share ($), diluted	**0.21**	0.44	(52)
Dividends per common share	**0.06**	0.05	20
Capital expenditures [(1)]	**33,363**	101,853	(67)
Total assets	**1,315,420**	1,496,117	(12)
Long-term liabilities	**393,774**	522,557	(25)
Net debt [(1)]	**153,263**	309,706	(51)
Common Shares - end of period	**137,708,127**	121,367,451	13
Weighted average common shares			
basic	**137,500,242**	121,266,210	13
diluted	**137,500,242**	123,479,368	11

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

- REVENUE OF $290.0 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2015
  - Total processing, recovery and disposal volumes at PRD facilities for the three months ended December 31, 2015 decreased approximately 15% from the 2014 comparative period due to the prolonged decline in crude oil prices which has resulted in the Corporation facing a significant decrease in drilling and completion related volumes. This decrease was partially offset by the addition of five new facilities subsequent to December 31, 2014. In addition to lower volumes, recovered oil revenue has also been negatively impacted by the 33% decline in crude oil prices in the three months ended December 31, 2015 compared to the same period in 2014. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) for the three months ended December 31, 2015 of $55.2 million, down 23% from the 2014 comparative period;
  - Oil purchase and resale revenue in the PRD division for the three months ended December 31, 2015 decreased by 55% from the 2014 comparative period to $160.2 million. The price of crude oil declined by 33% in the three months ended December 31, 2015 from the 2014 comparative periods which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the period;

- Activity in the DS division is strongly correlated with oil and gas drilling activity in the WCSB which saw a decline in active rig count for the three months ended December 31, 2015 of 56% from the 2014 comparative period. As a result of this, combined with pricing pressures from customers, the DS division revenue for the three months ended December 31, 2015 decreased 61% from the 2014 comparative period to $42.2 million;
- OS division revenue of $32.4 million in the three months ended December 31, 2015 has decreased 26% from the 2014 comparative period. While the OS division continues to grow through larger scale project work, diversified and integrated services, and expansion into new geographic areas, certain services the division offers have been impacted by reduced oil and gas drilling and completion activity and pricing pressures from customers in the quarter. Additionally, the revenue generated by the Projects service line is dependent on the type and size of jobs which vary quarter to quarter, and the fourth quarter of 2014 included a significant demolition job.

- ADJUSTED EBITDA OF $31.8 MILLION FOR THE THREE MONTHS ENDED DECEMBER 31, 2015
  - Adjusted EBITDA for the three months ended December 31, 2015 was $31.8 million, a 43% decrease from the 2014 comparative period. Overall, this result was in line with Secure's expectation and previous guidance provided in the MD&A dated November 5, 2015 which projected Adjusted EBITDA for Q4 2015 in the range of $25 to $35 million. The decrease from the 2014 comparative period is a result of the reduction in drilling and completion activity, primarily affecting the DS division and the IFS service line, and reduced crude oil prices impacting both the PRD and DS divisions. These factors were partially offset by the addition of new facilities in the fourth quarter of 2014 and 2015 in the PRD division and the expansion of the OS division into new geographic areas.
- Q4 2015 CAPITAL EXPENDITURES
  - Total capital expenditures for the three months ended December 31, 2015 of $33.4 million relates primarily to various expansion and sustaining projects at existing PRD facilities and progressing construction of a new PRD full service terminal. In Secure's MD&A dated November 5, 2015, the Corporation projected total capital expenditures of approximately $15 million during the three months ended December 31, 2015. The variance is a result of expenditures on various long lead items related to projects scheduled to commence in 2016 and incurring certain costs related to the Kakwa FST earlier than expected.

OUTLOOK

Secure expects 2016 will be another challenging year for the oil and gas industry. The steep and rapid decline in commodity prices over the past year impacted industry cash flows, resulting in reduced capital investment and drilling activity across the WCSB. With oil prices reaching their lowest levels in over a decade at the beginning of 2016, industry activity levels are expected to remain negatively impacted throughout 2016. Based on current activity levels and commodity prices, Secure expects:

- A further decrease in drilling and completion activity in the first half of 2016 compared to 2015 and potentially the remainder of 2016 which will directly impact the Drilling Services division as results are tied to rig activity and meters drilled;
- The impact of reduced drilling and completion activity on revenues to be partially mitigated in the PRD and OS divisions. Most of Secure's 38 PRD facilities are strategically located in each of the high impact resource plays in Western Canada and North Dakota where production related volumes continue to support the required need for Secure's services. The overall impact to the OS division is expected to be mitigated by diversified service lines and integrated service offerings;
- A continued focus on cost control, including streamlining activities, consolidation and positioning the organization to align with current industry activity;
- To continue its prudent approach to organic capital spending by allocating funds to projects that generate the highest rates of return. Secure expects to spend approximately $50 million in 2016 on the following:
    - Kakwa Full Service Terminal;
    - Landfill expansion;
    - Two disposal well expansions;
    - Additional tanks and risers;
    - Maintenance expenditures;
- To continue to evaluate and assess potential merger and acquisition opportunities and/or partnership opportunities that provide strategic advantages. Secure remains patient to ensure the right acquisitions are executed to complement existing services and/or expand geographical presence in key operating areas, particularly in the current oil and gas environment.

Secure's key priorities for success in 2016 include:

- Working with partners to reduce the overall cost structure, gain efficiencies and provide new services;
- Maintaining financial resilience. At December 31, 2015, the Corporation has a solid balance sheet and $421.6 million available under its credit facility. However, Secure will continue to execute on its prudent approach to organic capital spending and implement further continuous improvement initiatives and operating efficiencies to maintain the strength of its balance sheet and increase its financial flexibility in response to the current market environment;
- Leveraging on all three operating divisions to gain efficiencies for customers for drilling, completion, production and remediation services;
- Gaining further traction on new services and products associated with production chemicals and chemical enhanced oil recovery ("EOR"). Strategically, both the production chemicals and drilling fluids service lines can be supported by the 7,000 square foot, fully equipped state of the art research laboratory facility to work directly with customers to enhance production and create drilling efficiencies;
- Working with customers on water recycling, storage and logistics. This market continues to expand as producers understand the need to access water sources and reuse fluids during completion activities.

Overall, Secure has a solid balance sheet and is well positioned to respond with solutions and the right people to the market's needs today. As industry activity increases the Corporation will be able to respond quickly and remain agile. Secure continues to work with its customers to support their needs relating to new facilities, disposal wells, landfill expansions and specialized equipment. Market share growth and new service lines will ensure that Secure is well positioned for future growth.

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.

Average crude oil prices

Average crude oil prices in the three and twelve months ended December 31, 2015 and 2014 are calculated using West Texas Intermediate benchmark oil prices, translated from U.S. to Canadian dollars.

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.

DS division market share

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

Operating margin

Operating margin is calculated as revenue less direct operating expenses, excluding oil purchase and resale services and any non-recurring items. Management analyzes operating margin as a percentage of revenue by division as a key indicator of cost control and operating efficiency.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before finance costs, taxes, depreciation, depletion, and amortization, non-cash impairments on the Corporation's non-financial assets, share-based compensation, other income/expenses, and any other items that are considered non-recurring in nature. In this MD&A, the Corporation has added back the following other items: certain one-time inventory impairments, severance payments to terminated employees, and Restructuring, as defined in this section. Adjusted EBITDA is not a recognized measure under IFRS.

Management believes that in addition to net earnings, Adjusted 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, how the results are taxed, non-cash charges, and charges that are non-recurring in nature or outside of the normal course of business. The following table reconciles the Corporation's net (loss) earnings to Adjusted EBITDA.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2015	2014	% Change	2015	2014	% Change
Net (loss) earnings	**(86,825)**	(13,659)	536	**(159,870)**	30,651	(622)
Add (deduct):						
Depreciation, depletion and amortization	**43,526**	28,781	51	**126,161**	100,964	25
Current tax (recovery) expense	**(3,766)**	3,874	(197)	**(10,110)**	17,779	(157)
Deferred tax (recovery) expense	**(6,334)**	(2,820)	125	**(13,950)**	2,862	(587)
Share-based compensation	**3,954**	4,532	(13)	**19,829**	15,422	29
Impairment	**81,013**	30,494	166	**139,752**	32,260	333
Other income	**(6,529)**	-	(100)	**(6,529)**	(515)	1,168
Interest, accretion and finance costs	**2,464**	3,358	(27)	**12,098**	10,450	16
Restructuring (Drilling Services U.S.)	**2,673**	(383)	(798)	**10,897**	(2,303)	(573)
Inventory impairment	**-**	1,420	(100)	**1,970**	1,420	39
Severance and related costs	**1,632**	-	100	**6,404**	-	100
Adjusted EBITDA	**31,808**	55,597	(43)	**126,652**	208,990	(39)

Adjusted net (loss) earnings

Adjusted net (loss) earnings is a measure of profitability. Adjusted net (loss) earnings provides an indication of the results generated by the principal business activities prior to recognizing charges that are non-recurring and non-cash impairments as these items are outside of the Corporation's normal course of business. Adjusted net (loss) earnings is not a recognized measure under IFRS. The following table outlines these non-recurring items, which have been tax effected accordingly.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2015	2014	% Change	2015	2014	% Change
Net (loss) earnings	(86,825)	(13,659)	536	(159,870)	30,651	(622)
Adjustments, net of estimated tax effect:						
Impairment on non-current assets	73,820	27,149	172	120,275	29,645	306
Restructuring (Drilling Services U.S.)	1,978	(287)	(789)	8,064	(1,727)	(567)
Inventory impairment	-	1,063	(100)	1,458	1,063	37
Other income	(4,831)	-	100	(4,831)	(386)	1,152
Severance and related costs	1,208	-	100	4,739	-	100
Adjusted net (loss) earnings	(14,650)	14,266	(203)	(30,166)	59,246	(151)

Net debt

Net debt is a measure of the Corporation's overall debt situation and is utilized by management as a key measure to assess the liquidity of the Corporation and monitor the availability under its credit facilities. Net debt is calculated as the sum of total debt, which includes the principal amount of long-term borrowings plus finance lease liabilities, less the working capital surplus. Working capital surplus is calculated as current assets less current liabilities.

($000's)	Dec 31, 2015	Dec 31, 2014	% Change
Long-term borrowings (principal amount)	262,000	398,500	(34)
Long-term finance lease liabilities	7,041	12,060	(42)
Current liabilities	97,134	211,265	(54)
Current assets	(212,912)	(312,119)	(32)
Net debt	153,263	309,706	(51)

Restructuring

Restructuring in the three and twelve months ended December 31, 2015 and 2014 includes all the operating losses (earnings) related to drilling services operations in the U.S., including costs associated with winding down these operations in 2015. Specifically, this includes sale of remaining inventory, decommissioning warehouses, re-deploying equipment, severance payments to terminated employees, relocation costs and all other associated costs.

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

The additional GAAP measures described below do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

Funds from operations

Funds from operations refer to cash flow from operations before changes in non-cash working capital, interest and income taxes paid, and asset retirement obligations incurred. Secure's management views funds from operations as a key measure of liquidity and believes that funds from operations is a metric used by many investors to assess the financial performance of the Corporation. The following table reconciles net cash flows from operating activities to funds from operations.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Net cash flows from operating activities	**39,767**	60,847	(35)	**131,018**	195,238	(33)
Add:						
Interest paid	**2,341**	3,390	(31)	**9,874**	9,666	2
Income taxes paid	**1,034**	3,182	(68)	**12,282**	16,241	(24)
Non-cash working capital changes	**(15,484)**	(14,512)	7	**(42,760)**	(12,178)	251
Asset retirement obligations incurred	**1,348**	1,564	(14)	**1,647**	1,564	5
Funds from operations	**29,006**	54,471	(47)	**112,061**	210,531	(47)

RESULTS OF OPERATIONS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2015

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, as outlined in the '*Corporate Overview*' above. Total general and administration expenses by division excludes share-based compensation and corporate expenses, as senior management looks at each division's earnings before corporate expenses and non-cash items such as share-based compensation as an important measure of performance. The table below outlines the results by operating segment for the three and twelve months ended December 31, 2015 and 2014:

($000's)					
Year ended December 31, 2015	**PRD division**	**DS division**	**OS division**	**Corporate**	**Total**
Revenue	1,028,261	192,076	126,088	-	1,346,425
Direct expenses	(904,042)	(165,981)	(93,961)	-	(1,163,984)
Operating margin	**124,219**	**26,095**	**32,127**	**-**	**182,441**
General and administrative expenses	(23,948)	(25,564)	(8,707)	(5,192)	(63,411)
Share-based compensation	-	-	-	(19,829)	(19,829)
Business development expenses	-	-	-	(11,649)	(11,649)
Depreciation, depletion and amortization	(81,379)	(30,621)	(13,616)	(545)	(126,161)
Interest, accretion and finance costs	(1,581)	-	-	(10,517)	(12,098)
Impairment	(65,098)	(74,654)	-	-	(139,752)
Other (expense) income	(3,680)	10,209	-	-	6,529
(Loss) earnings before tax	**(51,467)**	**(94,535)**	**9,804**	**(47,732)**	**(183,930)**
Three months ended December 31, 2015					
Revenue	215,374	42,153	32,446	-	289,973
Direct expenses	(186,058)	(36,248)	(23,614)	-	(245,920)
Operating margin	**29,316**	**5,905**	**8,832**	**-**	**44,053**
General and administrative expenses	(5,195)	(5,294)	(2,382)	(1,268)	(14,139)
Share-based compensation	-	-	-	(3,954)	(3,954)
Business development expenses	-	-	-	(2,411)	(2,411)
Depreciation, depletion and amortization	(27,884)	(11,954)	(3,538)	(150)	(43,526)
Interest, accretion and finance costs	(412)	-	-	(2,052)	(2,464)
Impairment	(10,888)	(70,125)	-	-	(81,013)
Other (expense) income	(3,680)	10,209	-	-	6,529
(Loss) earnings before tax	**(18,743)**	**(71,259)**	**2,912**	**(9,835)**	**(96,925)**

Year ended December 31, 2014	**PRD division**	**DS division**	**OS division**	**Corporate**	**Total**
Revenue	1,748,342	398,965	124,344	-	2,271,651
Direct expenses	(1,584,733)	(299,739)	(91,869)	-	(1,976,341)
Operating margin	**163,609**	**99,226**	**32,475**	**-**	**295,310**
General and administrative expenses	(25,505)	(29,093)	(6,458)	(8,389)	(69,445)
Share-based compensation	-	-	-	(15,422)	(15,422)
Business development expenses	-	-	-	(15,477)	(15,477)
Depreciation, depletion and amortization	(67,442)	(22,139)	(10,532)	(851)	(100,964)
Interest, accretion and finance costs	(1,154)	-	-	(9,296)	(10,450)
Impairment	(15,704)	(16,556)	-	-	(32,260)
Earnings (loss) before tax	**53,804**	**31,438**	**15,485**	**(49,435)**	**51,292**
Three months ended December 31, 2014					
Revenue	424,985	109,226	43,875	-	578,086
Direct expenses	(384,922)	(82,449)	(33,335)	-	(500,706)
Operating margin	**40,063**	**26,777**	**10,540**	**-**	**77,380**
General and administrative expenses	(7,014)	(8,030)	(1,224)	(2,156)	(18,424)
Share-based compensation	-	-	-	(4,535)	(4,535)
Business development expenses	-	-	-	(4,393)	(4,393)
Depreciation, depletion and amortization	(19,423)	(6,134)	(3,110)	(114)	(28,781)
Interest, accretion and finance costs	(214)	-	-	(3,144)	(3,358)
Impairment	(13,938)	(16,556)	-	-	(30,494)
(Loss) earnings before tax	**(526)**	**(3,943)**	**6,206**	**(14,342)**	**(12,605)**

PRD DIVISION OPERATIONS

The PRD division has two separate service lines: processing, recovery and disposal services; and oil purchase and resale services.

Processing, recovery and disposal:

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 or 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, transloading 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, and via transloading facilities. Disposal services include produced and waste water disposal services through a network of disposal wells and disposal of oilfield solid wastes at the Corporation's landfills.

Oil purchase and resale:

The purpose of providing this service is to enhance the service offering associated with Secure's business of produced water disposal, crude oil emulsion treating, terminalling, and marketing. By offering this service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline or via rail. At Secure FSTs, Secure will meter the crude oil volumes and purchase the crude oil directly from customers. The Corporation will then process, transport to a pipeline connected FST if necessary, and handle the shipment of crude oil down the pipeline. Secure's five rail terminals situated across Alberta and Saskatchewan, which carry crude by rail to virtually all North American markets, offer producers an alternative solution to get their product to market.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Revenue						
PRD services (a)	**55,171**	71,422	(23)	**242,734**	271,281	(11)
Oil purchase and resale service	**160,203**	353,561	(55)	**785,527**	1,477,061	(47)
Total PRD division revenue	**215,374**	424,983	(49)	**1,028,261**	1,748,342	(41)
Direct Operating Expenses						
PRD services	**25,855**	31,362	(18)	**118,515**	107,672	10
Deduct: non-recurring items						
Severance and related costs	**(917)**	-	100	**(1,224)**	-	100
PRD services less non-recurring items (b)	**24,938**	31,362	(20)	**117,291**	107,672	9
Oil purchase and resale service	**160,203**	353,561	(55)	**785,527**	1,477,061	(47)
Total PRD division direct operating expenses	**186,058**	384,923	(52)	**904,042**	1,584,733	(43)
Operating Margin [(1)] (a-b)	**30,233**	40,060	(25)	**125,443**	163,609	(23)
Operating Margin [(1)] as a % of revenue (a)	**55%**	56%		**52%**	60%	

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

Revenue (PRD division)

Revenue of $55.2 million and $242.7 million for the three and twelve months ended December 31, 2015, is down 23% and 11% from the 2014 comparative periods, primarily as a result of lower drilling and completion activity and lower recovered oil revenue caused by the decrease in oil prices during the period. The decrease in oil prices has resulted in a drop in industry rig counts and meters drilled from the 2014 comparative periods which has resulted in a significant decline in volumes associated with drilling and completion activities. However, ongoing production related volumes, the construction of new facilities in 2014 and 2015 and expansions at certain of the Corporation's existing facilities have all contributed to offsetting the decline in drilling and completion volumes. Accordingly, overall revenue for the year has only declined 11%.

Processing: Processing volumes for the three months ended December 31, 2015 decreased 13% from the 2014 comparative period primarily as a result of lower drilling and completion activities and lower production related volumes at certain facilities outside of core areas, including heavy oil facilities where current commodity prices are proving to be very challenging for producers in this area. These declines are offset by the addition of new facilities and expansions at existing facilities in the fourth quarter of 2014 and in 2015. Processing volumes for the twelve months ended December 31, 2015 remained relatively consistent with the 2014 comparative period due to increased volumes from the new facilities and expansions in 2014 and 2015, which more than offset the declines experienced from lower drilling and completion activities and the drop in production related volumes at certain facilities in the latter part of 2015.

Recovery: Recovered oil revenues have decreased approximately 40% for the three and twelve month periods ended December 31, 2015 over the 2014 comparative periods as a result of the decline in crude oil pricing of 33% and 40% from the 2014 comparative periods. In addition to lower recovered oil revenue, a continued compression of crude oil differentials has limited the Corporation's ability to significantly utilize its FSR network.

Disposal: Disposal volumes for the three months ended December 31, 2015 decreased 11% compared to the 2014 comparative period primarily due to a decrease in disposal of drilling waste in Secure's landfills and flow back water from completion activities as described above. Disposal volumes for the year ended December 31, 2015 have remained relatively consistent compared to the 2014 comparative period as the declines in drilling waste and flow back water have been offset by additional disposal capacity and produced water as the Corporation continues to see more water volumes on maturing producing wells.

Oil purchase and resale revenue: Oil purchase and resale revenue in the PRD division for the three and twelve months ended December 31, 2015 decreased by 55% and 47% from the 2014 comparative periods to $160.2 million and $785.5 million. The price of crude oil declined by 33% and 40% for the three and twelve months ended December 31, 2015 from the 2014 comparative periods which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the period.

Direct Operating Expenses (PRD division)

Direct operating expenses less non-recurring items from PRD services for the three months ended December 31, 2015 decreased 20% to $24.9 million from $31.4 million in the comparative period of 2014. The decrease in direct operating expenses relates primarily to fewer variable costs resulting from lower volumes in the fourth quarter, as well as a decrease in employee costs resulting from cost saving initiatives implemented by the Corporation in the latter part of the year. Direct operating expenses less non-recurring items from PRD services for the twelve months ended December 31, 2015 increased 9% to $117.3 million from $107.7 million in the comparative period of 2014. The increase in direct operating expenses relates primarily to the new facilities and expansions at existing facilities.

Operating margin as a percentage of revenue for the three months ended December 31, 2015 was 55%, a slight decrease from 56% in the comparative period of 2014. Operating margin as a percentage of revenue for the twelve months ended December 31, 2015 was 52% compared to 60% in 2014. The impact to the operating margin for the twelve months ended December 31, 2015 compared to 2014 is approximately 6% resulting from lower drilling and completion volumes, reduced recovered oil sales and costs associated with new facilities commissioned in the second quarter of 2015. The remaining margin impact relates to fixed costs associated with rail car leases as tightened differentials during the twelve months ended December 31, 2015 were not favorable to optimize the use of the rail transloading facilities. Overall, the operating margin continues to improve from the first half of 2015 as the Corporation continues to streamline and optimize operating efficiencies where possible.

Depreciation, Depletion and Amortization (PRD division)

Depreciation

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Depreciation and depletion	**27,678**	15,559	78	**72,258**	61,194	18
Amortization	**206**	3,864	(95)	**9,121**	6,248	46
Depreciation, depletion and amortization	**27,884**	19,423	44	**81,379**	67,442	21

Depreciation and depletion expense relates to the PRD division's facilities and landfills and includes non-cash impairment as well as any gains or losses on sale or disposal of equipment. The Corporation has incurred impairment losses on certain projects where the significant decline in commodity prices in the year have left uncertainty in the timing of their development plans. Additionally, the Corporation has impaired equipment withdrawn from active use in the year in instances where they cannot be repurposed or otherwise deployed.

For the three months ended December 31, 2015, depreciation and depletion expense increased 78% to $27.7 million compared to $15.6 million in the 2014 comparative period. The increase is a result of the impact of new facilities commissioned or other equipment put into use since the fourth quarter of 2014, and non-cash losses on impairment and disposals recorded in the fourth quarter of 2015. This increase was partially offset by a change in the estimated useful life of property, plant and equipment at PRD facilities effective January 1, 2015. Secure reassessed the useful lives of all its property, plant and equipment based on the current condition of the assets taking into consideration the operating history of the assets. Each significant component of property plant and equipment was assessed during the exercise. As a result of the change in estimated useful life, the depreciation expense for each quarter in 2015 decreased by approximately $5.9 million. The impact of the change in estimated useful life impacted the PRD division most significantly given the large capital investments made for PRD division facilities.

During the twelve months ended December 31, 2015 depreciation and depletion expense increased 18% from $61.2 million in 2014 to $72.3 million in 2015. This variance is a result of the factors discussed above. Secure reassessed the useful lives of all its property, plant and equipment based on the current condition of the assets taking into consideration the operating history of the assets. Each significant component of property plant and equipment was assessed during the exercise. As a result of the change in estimated useful life, the depreciation expense for the year ended December 31, 2015 decreased by approximately $23.6 million. The impact of the change in estimated useful life impacted the PRD division most significantly given the large capital investments made for PRD division facilities.

Amortization expense relates primarily to the PRD division's intangible assets resulting from the acquisition of a rail infrastructure business completed in August 2014. For the three months ended December 31, 2015, amortization expense decreased 95% to $0.2 million from $3.9 million in the comparative period of 2014 as these assets were impaired in the third quarter of 2015. For the twelve months ended December 31, 2015, amortization expense increased 46% to $9.1 million from $6.2 million in the comparative period of 2014 as a result of the timing of the acquisition in 2014.

General and Administrative (PRD division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
General and administrative [(1)]	**5,195**	7,014	(26)	**23,948**	25,505	(6)
Deduct: Non-recurring items						
Severance and related costs	**(412)**	-	100	**(1,898)**	-	100
General and administrative less non-recurring items	**4,783**	7,014	(32)	**22,050**	25,505	(14)
% of PRD services revenue	**9%**	**10%**		**9%**	**9%**	

[(1)] Amounts have been reclassified in the comparative period to exclude non-cash share-based compensation.

General and administrative ("G&A") expenses less non-recurring items for the three and twelve months ended December 31, 2015 decreased 32% and 14% from the 2014 comparative periods to $4.8 million and $22.1 million as a result of cost saving initiatives undertaken in 2015 as the Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. Non-recurring items relate to severance payments made to terminated employees.

DS DIVISION OPERATIONS

The DS division consists of five service lines that provide oil and gas producers with drilling fluids, fluids and solids control equipment, completion fluids, production chemicals and chemical EOR products and equipment.

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 personnel 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 fluids and solids equipment service line works with the drilling fluids service line 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. Fluids and solids equipment ensures the continual removal of drill cuttings and solids from the drilling fluid as well as provides a safe and more efficient way of storing oil based products in the "Target Tanks™", the Corporation's proprietary horizontal dual containment storage tanks. The current equipment fleet of high speed centrifuges, drying shakers, bead recovery units, "Target Tanks™", and ancillary equipment are offered as a stand-alone package or as part of an integrated drilling fluids and rentals package. The Corporation's production services provide equipment and chemical solutions that optimize production, provide flow assurance and maintain the integrity of production assets. Secure's production chemical solutions help solve customer production issues by providing tailored solutions at both the field level and at the Corporation's 7,000 sq. ft. fully equipped, state of the art research laboratory in Calgary, Alberta. The focus on testing, research and new product development conducted at the laboratory allows Secure to provide unique and tailored products to customers.

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Revenue						
Drilling services (a)	**42,153**	109,226	(61)	**192,076**	398,965	(52)
Direct Operating Expenses						
Drilling services	**36,248**	82,449	(56)	**165,981**	299,739	(45)
Deduct: non-recurring items						
Inventory impairment	**-**	(1,420)	(100)	**(1,970)**	(1,420)	39
Severance and related costs	**(38)**	-	100	**(945)**	-	100
Drilling services less non-recurring items (b)	**36,210**	81,029	(55)	**163,066**	298,319	(45)
Operating Margin (a-b)	**5,943**	28,197	(79)	**29,010**	100,646	(71)
Adjust for: non-recurring items						
Restructuring (Drilling Services U.S.)	**1,759**	(1,779)	(199)	**5,944**	(7,499)	(179)
Operating Margin after Restructuring [(1)]	**7,702**	26,418	(71)	**34,954**	93,147	(62)
Operating Margin after Restructuring [(1)] as a % of Canadian revenue	**19%**	27%		**20%**	26%	

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

Revenue (DS division)

Revenue in the DS division is directly correlated with oil and gas drilling activity in the WCSB, most notably active rig counts and meters drilled. As a result, the weakness in commodity pricing and the resulting drop off in activity levels from oil and gas producers had a significant impact on the DS division in the three and twelve months ended December 31, 2015. For the three and twelve months ended December 31, 2015, industry rig counts declined 56% and 49%, while meters drilled declined 53% and 44% respectively, from the 2014 comparative periods. As a result, revenue from the DS division for the three and twelve months ended December 31, 2015 decreased 61% and 52% to $42.2 million and $192.1 million from $109.2 million and $399.0 million in the comparative periods of 2014. This decrease in revenues for the three and twelve months ended December 31, 2015 was consistent with Secure's expectation given the decline in drilling activity, combined with pricing pressures on services and rental rates. Revenue in the DS division was also impacted by the decline in the price of oil which reduced revenue earned on oil based drilling fluids sold to customers.

Secure has continued to focus on providing customers with innovative solutions for deeper and more technically complex wells. This has enabled the division to achieve a Canadian market share of 31% and 30% for the three and twelve months ended December 31, 2015 compared to 30% and 32% in the three and twelve months ended December 31, 2014. As the rig count has dropped substantially over the 2014 comparative periods, the timing of when customers ramp-up or slow down drilling activities has a significant effect on market share at any point in time as one rig can change the percentage of market share held.

Drilling fluids revenue per operating day decreased slightly to $7,171 and $7,481 for the three and twelve months ended December 31, 2015 from $8,334 and $7,657 in the comparative periods of 2014. This decrease was driven by the decline in revenue earned on oil based drilling fluids and pricing pressures from customers, partially offset by a 9% (fourth quarter) and 6% (full year) increase in depth per well as customers continue to drill deeper, more complex wells which require greater amounts of specialized drilling fluids.

Direct Operating Expenses (DS division)

The DS division's direct operating expenses less non-recurring items for the three and twelve months ended December 31, 2015 decreased by 55% and 45% to $36.2 million and $163.1 million from $81.0 million and $298.3 million in the 2014 comparative periods. Overall, the decrease in direct operating expenses over the 2014 comparative periods was a direct result of a decrease in revenues, cost saving initiatives implemented in the first quarter of 2015, and a reduction in cost of goods sold for oil based drilling fluids. However, during the year the strengthening of the U.S. dollar did impact cost of goods purchased in the U.S., specifically for specialty chemicals which did increase direct operating expenses.

During the year, Secure significantly reduced the DS division cost structure after winding down operations in the U.S. so management can focus its efforts on continuing to grow the division's core operations in Western Canada. Secure will continue to adjust its cost structure based on industry activity and operating conditions. The operating margin after Restructuring was $7.7 million and $35.0 million for the three and twelve months ended December 31, 2015, down 71% and 62% compared to the same periods in 2014. The DS division's adjusted operating margin was impacted by a significant reduction in drilling activity resulting in under-utilized crews, price discounts given to customers to reflect the depressed price of crude oil, losses realized on oil based drilling fluids and the higher cost of specialty chemicals purchased from the U.S. due to foreign exchange movements. Further, the reduction in drilling activity resulted in lower revenues from higher margin complementary products which are used in various types of drilling activities.

Depreciation and Amortization (DS division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2015	2014	% Change	2015	2014	% Change
Depreciation	9,023	3,493	158	18,994	12,499	52
Amortization	2,931	2,641	11	11,627	9,640	21
Depreciation and amortization	11,954	6,134	95	30,621	22,139	38

Depreciation and amortization expense includes non-cash impairment as well as any gains or losses on sale or disposal of equipment. For the three and twelve months ended December 31, 2015, depreciation increased 158% and 52% from the 2014 comparative periods primarily as a result of an impairment loss recorded in the fourth quarter on projects where the current industry activity levels have left uncertainty in the timing of their development plans. This variance was partially offset by an increase in the estimated useful life of certain machinery and equipment effective January 1, 2015.

Amortization expense for the three and twelve months ended December 31, 2015 increased 11% and 21% to $2.9 million and $11.6 million from $2.6 million and $9.6 million in the 2014 comparative periods. Amortization expense relates to the DS division's intangible assets acquired through acquisitions. The increase in amortization expense for the quarter and year ended December 31, 2015 over 2014 was a direct result of recent acquisitions, including two acquisitions completed during the second quarter of 2014, one acquisition in the fourth quarter of 2014, and one acquisition in the third quarter of 2015.

General and Administrative (DS division)

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
General and administrative [(1)]	**5,294**	8,030	(34)	**25,564**	29,093	(12)
Deduct: Non-recurring items						
Restructuring (Drilling Services U.S.)	**(914)**	(1,396)	(35)	**(4,953)**	(5,196)	(5)
Severance and related costs	**(234)**	-	100	**(1,237)**	-	100
General and administrative less non-recurring items	**4,146**	6,634	(38)	**19,374**	23,897	(19)
% of Drilling services Canadian revenue	**10%**	**7%**		**11%**	**7%**	

(1) **Amounts have been reclassified in the comparative period to exclude non-cash share-based compensation.**

G&A expense less non-recurring items for the three and twelve months ended December 31, 2015 decreased 38% and 19% from the comparative periods of 2014 as a result of cost saving initiatives undertaken during 2015 as the Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. Non-recurring items relate to the wind-down of the DS operations in the U.S. and severance costs incurred in Canada as the Corporation eliminated positions significantly impacted by the decline in activity.

OS DIVISION OPERATIONS

The OS division has three main service lines: Projects; Environmental services; and Integrated Fluids Solutions.

Projects:

Projects provide pipeline integrity (inspection, excavation, repair, replacement and rehabilitation), demolition and decommissioning, and remediation and reclamation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

Environmental services:

Environmental services provides pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, NORM management, and waste container services.

Integrated fluid solutions:

Integrated fluid solutions include fluid management, recycling, pumping and storage solutions.

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
Revenue						
OnSite services (a)	**32,446**	43,875	(26)	**126,088**	124,344	1
Direct Operating Expenses						
OnSite services	**23,614**	33,335	(29)	**93,961**	91,869	2
Deduct: non-recurring items						
Severance and related costs	**-**	-	-	**(116)**	-	100
OnSite services less non-recurring items (b)	**23,614**	33,335	(29)	**93,845**	91,869	2
Operating Margin [(1)] **(a-b)**	**8,832**	10,540	(16)	**32,243**	32,475	(1)
Operating Margin [(1)] **as a % of revenue (a)**	**27%**	24%		**26%**	26%	

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

Revenue (OS division)

Diversified service lines and integrated service offerings, combined with the four strategic acquisitions completed in 2014, delivered a slight increase in revenue from $124.3 million in the twelve months ended December 31, 2014 to $126.1 million in the twelve months ended December 31, 2015. However, reduced customer activity, specifically related to the IFS business line, resulted in a 26% decrease in revenue in the three months ended December 31, 2015 compared to the same period in 2014.

Projects: Projects revenue decreased 10% in the three months ended December 31, 2015 from the 2014 comparative period. Projects revenue is dependent on the type and size of jobs which vary quarter to quarter. In the comparative period, Projects revenue included a significant demolition job in northern Alberta which continued into the first quarter of 2015. Projects revenue for the twelve months ended December 31, 2015 increased 27% due to an acquisition completed in April 2014 which added a new geographic area and an increased customer base. In addition, there was an increase in large scale demolition and remediation projects that contributed to increased revenues over the 2014 comparative period. During the year, Secure also began a multi-year contract to manage a landfill in northern Alberta and diversified its offerings to sectors outside of the oil and gas industry.

Environmental services: Environmental services revenue for the three and twelve months ended December 31, 2015 decreased 20% and 3%, respectively, from the 2014 comparative periods. Canadian and U.S. environmental remediation job volumes increased year over year and CleanSite bins were added to the rental fleet during 2014 and 2015, increasing revenues from the 2014 comparative periods. In addition, integrated service offerings with the Projects service line has resulted in the award of larger scale projects during the three and twelve months ended December 31, 2015. These increases were, however, more than offset by reduced drilling waste revenue as this business line is tied directly to drilling activity.

Integrated fluids solutions: IFS revenue for the three and twelve months ended December 31, 2015 decreased 54% and 31% from the 2014 comparative periods as a result of decreased completion activity resulting in lower equipment utilization, and pricing pressures resulting from the current economic environment. The decrease was partially offset by one acquisition completed subsequent to the second quarter of 2014 and increased offering of complementary services.

Direct Operating Expenses (OS division)

Direct operating expenses less non-recurring items for the three months ended December 31, 2015 decreased 29% to $23.6 million from $33.3 million in the 2014 comparative period. Direct operating expenses less non-recurring items for the twelve months ended December 31, 2015 increased slightly to $93.8 million from $91.9 million in the 2014 comparative period. Overall, the variance in direct operating expenses was a direct result of the change in activity and revenues from the 2014 comparative periods.

The operating margin in the OS division of $8.8 million in the fourth quarter was lower compared to the prior year due to muted drilling activity levels and low commodity pricing impacting certain service lines. The operating margin for the twelve months ended December 31, 2015 of $32.2 million was 1% lower than the 2014 comparative period. The operating margin as a percentage of revenue for the OS division in the three and twelve months ended December 31, 2015 was 27% and 26%, respectively, compared to 24% and 26% in the comparative 2014 periods. Operating margin as a percentage of revenue fluctuates 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. Larger scale and more technically challenging demolition and remediation projects undertaken in the twelve months ended December 31, 2015 contributed a higher margin, which was offset by the impact of decreased industry activity and pricing pressures in the drilling waste and IFS service lines.

Depreciation and Amortization (OS division)

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2015	2014	% Change	2015	2014	% Change
Depreciation	2,199	1,770	24	8,257	5,614	47
Amortization	1,339	1,340	-	5,359	4,918	9
Depreciation and amortization	3,538	3,110	14	13,616	10,532	29

Depreciation expense relates primarily to heavy duty equipment required to execute the OS division's services, and rental equipment. Depreciation expense for the three and twelve months ended December 31, 2015 increased 24% and 47% from the 2014 comparative periods. The increase in depreciation expense over the 2014 comparative periods is due to equipment and property additions from four acquisitions completed during 2014, and organic capital additions of various types of equipment for customer specific jobs.

Amortization expense for the three and twelve months ended December 31, 2015 was relatively consistent and 9% higher than the comparative periods of 2014 as a result of the timing of the four acquisitions completed in the OS division during 2014.

General and Administrative (OS division)

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
General and administrative [1]	2,382	1,224	95	8,707	6,458	35
% of OnSite services revenue	7%	3%		7%	5%	

[1] Amounts have been reclassified in the comparative period to exclude non-cash share-based compensation.

G&A expenses for the three and twelve months ended December 31, 2015 increased 95% and 35% to $2.4 million and $8.7 million from $1.2 million and $6.5 million in the comparative periods of 2014. G&A expenses in the three months ended December 31, 2015 increased due to higher volumes of activity and expansion into the U.S. G&A expenses in the twelve months ended December 31, 2015 increased due to four acquisitions completed in 2014, an increase in activity and operations in the division and costs associated with moving to a new OS division office in the second quarter of 2014, partially offset by cost saving initiatives taken across the organization. G&A is expected to fluctuate based on the growth and activity of the division.

CORPORATE INCOME AND EXPENSES

Corporate General and Administrative Expenses

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
Corporate general and administrative	1,268	2,156	(41)	5,192	8,389	(38)

Included in corporate expenses are all public company costs, salaries, and office costs relating to corporate employees and officers. Compared to the same periods in 2014, corporate G&A expenses decreased 41% and 38% in the three and twelve months ended December 31, 2015. The decrease is attributed to cost reduction measures taken in 2015 as a response to the reduction in oil and gas activity levels, which included reducing the corporate head count, salary reductions taken by executives and various levels of employees, and reduced fees paid to the Board of Directors.

Share-based Compensation

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
Share-based compensation	3,954	4,535	(13)	19,829	15,422	29

Share-based compensation for the three and twelve months ended December 31, 2015 was $4.0 million and $19.8 million compared to $4.5 million and $15.4 million in the prior year. Share-based compensation fluctuates based on timing of grants and any forfeitures of share-based awards, the effects of vesting, and changes in share price.

The decrease in share-based compensation for the three months ended December 31, 2015 was primarily due to forfeitures which result in a reversal of previously recognized share-based compensation on unvested awards. The annual grant of share-based awards was completed in January of the current year, compared to May of the previous year, therefore increasing the share-based compensation expense for the twelve months ended December 31, 2015.

Business Development Expenses

($000's)	Three months ended Dec 31, 2015	2014	% Change	Twelve months ended Dec 31, 2015	2014	% Change
Business development	2,411	4,393	(45)	11,649	15,477	(25)
Deduct: Non-recurring items						
Severance and related costs	(31)	-	100	(984)	-	100
Business development less non-recurring items	2,380	4,393	(46)	10,665	15,477	(31)

Business development expenses less non-recurring items for the three and twelve months ended December 31, 2015 decreased to $2.4 million and $10.7 million from $4.4 million and $15.5 million in the comparative periods of 2014. Business development expenses include prospect costs associated with organic growth and acquisition opportunities in Canada and the U.S. and research and development costs. Business development expenses decreased for the three and twelve months ended December 31, 2015 due to cost reduction measures taken in 2015 as a response to the reduction in oil and gas activity levels, and fewer acquisitions completed during the three and twelve months ended December 31, 2015 compared to the comparative periods of 2014.

Secure's business development team has continued to advance certain organic projects and regulatory approvals to ensure they are project ready to position Secure for continued market share growth and an expanded geographical presence. Secure continues to actively pursue various merger and acquisition opportunities as the current economic environment has enabled Secure to identify prospects that would complement Secure's existing service lines, increase market share, and expand geographical presence. Secure also continues to focus on research and development projects to expand the value chain of services offered to customers, and to provide innovative and cost effective solutions to reduce waste in the drilling and production processes.

Interest and Finance Costs

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Interest and finance costs	**2,052**	3,144	(35)	**10,517**	9,296	13

Interest and finance costs for the three and twelve months ended December 31, 2015 was $2.1 million and $10.5 million compared to $3.1 million and $9.3 million in the 2014 comparative periods. The average long-term borrowings balance decreased 29% in the three months ended December 31, 2015 compared to the prior year, and increased 18% in the twelve months ended December 31, 2015 compared to the prior period. The variance in interest and finance costs in the three and twelve months ended December 31, 2015 compared to the same periods in 2014 is a direct result of the fluctuation in the average balance drawn on the credit facility.

Impairment

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Impairment	**81,013**	30,494	166	**139,752**	32,260	333

With the significant decline in oil and natural gas prices and the resulting decrease in industry activity, Secure has reviewed the impact on its cash generating units ("CGUs"). Additionally, in accordance with IFRS, at December 31, 2015, the Corporation completed its annual impairment assessment for any CGU, or group of CGUs, whose net carrying value includes goodwill, irrespective of whether indications of impairment were present. Impairment is recognized when the carrying value of an asset or CGU exceeds its estimated recoverable amount, defined as the higher of its value in use or fair value less cost to sell.

As a result of the impairment tests performed, the Corporation realized impairment in the three months ended December 31, 2015 on the goodwill carried in the DS division ($70.1 million) and related to the acquisition of two U.S. PRD facilities in 2012 ($10.9 million).

For the year ended December 31, 2015, Secure recorded total impairment related to intangible assets and goodwill of $139.8 million. In addition to the above, this included impairment recorded in the third quarter of 2015 on the goodwill ($21.2 million) and intangible assets ($33.0 million) originally recorded on the acquisition of a crude by rail company in 2014. Management is of the opinion that the rail facilities remain as a key alternative for pipelines. However, the current uncertainty surrounding oil and gas prices and activity has created an environment where these assets are considered impaired for accounting purposes. During the year ended December 31, 2015, the Corporation also recorded impairment on intangible assets related to winding down the drilling service operations in the U.S. A summary of the total impairment recorded in the twelve months ended December 31, 2015 is as follows:

	Twelve months ended Dec 31, 2015		
($000's)	**Goodwill**	**Intangibles**	**Total**
DS	70,125	4,529	**74,654**
PRD	32,075	33,023	**65,098**
Total impairment	**102,200**	**37,552**	**139,752**

The Corporation used the value in use method to determine the recoverable amount of its CGUs determined by using discounted cash flows. The Corporation used a pre-tax discount rate range of 16.5% to 18.4% and a terminal growth rate of 4%. The estimated cash flows were based on the 2015 run rate with revenue and margins changing in correlation with the anticipated oil and gas industry activity based on oil price projections over the following five years, and a terminal value thereafter was applied.

The commodity price environment in 2015 has created considerable uncertainty as to the level of exploration and development activity that will be undertaken by several of the Corporation's customers and considerably increases the estimation uncertainty associated with the future cash flows used in the impairment tests. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available.

In the fourth quarter of 2014, the Corporation recorded goodwill impairment of $32.3 million related to DS ($16.6 million) and PRD ($15.7 million).

Foreign Currency Translation Adjustment

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Foreign currency translation adjustment, net of tax	(837)	5,918	(114)	21,774	10,205	113

Included in other comprehensive (loss) income is a $0.8 million loss and $21.8 million income for the three and twelve months ended December 31, 2015 related to foreign currency translation adjustments resulting from the conversion of the financial results of the continuing U.S. operations as at December 31, 2015 and revaluing U.S. dollar loans from the Canadian parent to the PRD and OS U.S. operating companies. The foreign currency translation adjustment included in the consolidated statements of comprehensive (loss) income does not impact net (loss) earnings for the period. All foreign currency related to the DS U.S. operations were included in the net loss in the three and twelve months ended December 31, 2015 as these operations were substantively liquidated by year end. In the prior year, these are included in other comprehensive income.

Other Income

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Other income	6,529	-	100	6,529	-	100

Other income for the three and twelve months ended December 31, 2015 of $6.5 million is comprised of a $12.3 million gain related to the transfer of cumulative foreign exchange differences from accumulated other comprehensive loss to net loss upon substantial liquidation of the Drilling Services U.S. operations in the fourth quarter, partially offset by a provision of $5.8 million recorded for onerous office lease contracts.

Income Taxes

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Income taxes						
Current tax (recovery) expense	(3,766)	3,874	(197)	(10,110)	17,779	(157)
Deferred tax (recovery) expense	(6,334)	(2,820)	125	(13,950)	2,862	(587)
Total income taxes	(10,100)	1,054	(1,058)	(24,060)	20,641	(217)

Income taxes for the three and twelve months ended December 31, 2015 were a recovery of $10.1 million and $24.1 million compared to an expense of $1.1 million and $20.6 million in the 2014 comparative periods. The change in the current income tax (recovery) expense is due to the Corporation's net loss in 2015 compared to earnings in the 2014 comparative periods. The decrease in deferred income tax (recovery) expense from prior periods relates to operating losses in the U.S. and a combination of changes in the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes compared to the amounts used for taxation purposes, primarily resulting from non-cash impairments recognized in the second half of the year. Tax instalments of $1.0 million and $6.6 million have been paid in Canada in the three and twelve months ended December 31, 2015.

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 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)	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (excluding oil purchase and resale)	129,770	148,943	112,533	169,652	224,523	208,743	155,690	205,632
Oil purchase and resale	160,203	184,393	244,036	196,895	353,561	390,671	412,249	320,580
Total Revenue	289,973	333,336	356,569	366,547	578,084	599,414	567,939	526,212
Net (loss) earnings for the period	(86,825)	(53,042)	(16,780)	(3,223)	(13,659)	14,756	6,564	22,989
(Loss) earnings per share - basic	(0.63)	(0.39)	(0.12)	(0.03)	(0.11)	0.12	0.06	0.20
(Loss) earnings per share - diluted	(0.63)	(0.39)	(0.12)	(0.03)	(0.11)	0.12	0.05	0.19
Adjusted net (loss) earnings (1)	(14,650)	(1,563)	(14,809)	856	14,266	16,275	6,035	22,670
Earnings (loss) per share adjusted - basic	(0.11)	(0.01)	(0.11)	0.01	0.12	0.14	0.05	0.19
Earnings (loss) per share adjusted - diluted	(0.11)	(0.01)	(0.11)	0.01	0.12	0.13	0.05	0.19
Weighted average shares - basic	137,500,242	136,944,300	136,186,284	122,689,850	121,266,210	120,048,665	118,489,217	117,235,063
Weighted average shares - diluted	137,500,242	136,944,300	136,186,284	122,689,850	123,479,368	123,736,572	121,757,066	120,436,149
Adjusted EBITDA (1)	31,808	35,362	19,446	40,036	55,597	57,438	39,690	56,265

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

Quarterly Review Summary

As illustrated above, quarterly performance is affected by seasonal variation; however, with Secure's significant growth and acquisitions, variations in quarterly results extend beyond seasonal factors. While Secure has experienced increased demand for its services over most of the last eight quarters, the most significant impact relates to new facilities, expansions of existing facilities and acquisitions. However, the significant decrease in the price of crude oil and natural gas in the past year and the continued volatility in pricing has significantly reduced the outlook for oil and gas industry activity. In 2015, the Corporation's customers have significantly reduced capital budgets in response to uncertainty in the price of crude oil and natural gas. The reductions have impacted the results for the first twelve months of 2015 which are explained in the commentary provided under '*Results of operations for the three and twelve months ended December 31, 2015*'.

As noted above, each previous quarter was impacted by the date at which an acquisition occurred or any one of the constructed or acquired FSTs, SWDs or landfills commenced operations. For a complete description of Secure's PRD, DS, and OS division business assets and operations, please refer to the headings '*Secure Energy Services Inc.*', and '*Description of Business*' in the AIF which includes a description of the date of acquisitions or on which each of Secure's facilities commenced operations.

The following summarizes the facilities commissioned and acquisitions completed since December 31, 2014 that have impacted the 2015 quarterly results: In the fourth quarter of 2014, the Corporation opened the Tulliby Lake landfill and completed the acquisition of an oilfield service company that has proprietary technology products that provide high impact solutions for production, drilling and completion fluids. In the first quarter of 2015, the Corporation commissioned the Tulliby Lake FST, the 13 Mile FST conversion and the Rycroft FSR. In the second quarter of 2015, the Corporation commissioned the Big Mountain and Wonowon SWDs, and expanded the Rycroft FSR to include water disposal services. During the third quarter of 2015, the Corporation acquired the assets of a private drilling fluids company.

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 waste. This process is conducted at all landfills, FSTs and SWDs before the producer will begin sending waste. Depending on the producer, this process can take several months.

By offering the oil purchase and resale service, Secure's customers gain efficiencies in transportation and handling of their crude oil to the pipeline. Revenue from this service has been directly impacted by the decrease in oil prices and resulting decrease in volumes purchased and sold.

LIQUIDITY AND CAPITAL RESOURCES

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 stable cash flow so as to sustain future development of the business.

Management considers capital to be the Corporation's net debt and shareholders' equity. The Corporation's overall capital management strategy remains unchanged from prior periods. 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, Adjusted EBITDA on all of its operations, and return on investment.

Secure's net debt decreased 51% to $153.3 million at December 31, 2015 compared to $309.7 million at December 31, 2014. The decrease is primarily related to a bought deal financing completed in the first quarter of 2015 for gross proceeds of $198.0 million. Refer to the '*Financing Activities*' section below for further information with regards to net debt.

Issued capital increased 35% to $851.5 million at December 31, 2015 compared to $631.2 million at December 31, 2014, primarily as a result of the bought deal financing discussed above.

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 intends to fund its operations, working capital requirements, dividends and capital program primarily with cash flow from operations and its credit facility. At December 31, 2015, the Corporation had $421.6 million available under its credit facility.

The Corporation's credit facility requires that Secure maintain certain coverage ratios, as described in Note 11 of the Consolidated Financial Statements. Management expects that the Corporation has sufficient liquidity and capital resources to meet the Corporation's obligations and commitments while managing within these covenants. However, current oil and gas prices and low industry activity have created a significant level of uncertainty in our industry which may challenge the assumptions and estimates used in the Corporation's 2016 forecasts. In light of this uncertainty, Secure will continue its prudent approach to capital spending in 2016 and reduce operating costs where it does not impact safety, operations and environmental performance. To meet financial obligations, the Corporation may also adjust its dividends, draw on its existing credit facility up to the covenant restrictions, divest assets, issue subordinated debt, or obtain equity financing. While the Corporation has had success in obtaining financing in the past, access to capital may be more difficult in the current economic and operating environment. Refer to the '*Access to Capital*' discussion in the '*Business Risks*' section of this MD&A.

The following provides a summary and comparative of the Corporation's operating, investing and financing cash flows for the three and twelve months ended December 31, 2015 and 2014.

Cash Provided by Operations

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	2015	2014	% Change	2015	2014	% Change
Funds from operations [1]	29,006	54,471	(47)	112,061	210,531	(47)

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

Funds from operations for the three and twelve months ended December 31, 2015 decreased to $29.0 million and $112.1 million from $54.5 million and $210.5 million in the 2014 comparative periods. Funds from operations for the three and twelve month periods ended December 31, 2015 were negatively impacted by lower revenues resulting from decreased activity in the oil and gas sector resulting from the current commodity price environment.

Investing Activities

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Capital expenditures [(1)]						
Growth and expansion capital expenditures	**29,089**	91,165	(68)	**116,117**	295,977	(61)
Acquisitions	**-**	6,805	(100)	**3,272**	97,839	(97)
Sustaining capital expenditures	**4,274**	3,883	10	**11,066**	6,990	58
Total capital expenditures	**33,363**	101,853	(67)	**130,455**	400,806	(67)

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

The Corporation's growth and expansion capital expenditures for the three months ended December 31, 2015 decreased 68% to $29.1 million from $91.2 million in the comparative period of 2014. Secure employs a prudent approach to capital spending and will continue to evaluate and allocate capital to projects which will generate the highest rates of return. The decrease in growth and expansion capital expenditures compared to the previous period is a result of Secure's careful management of capital expenditures and maintenance of prudent debt levels in response to the current oil and gas price environment.

Growth and expansion capital expenditures for the three months ended December 31, 2015 related primarily to expansions at existing PRD facilities to increase capacity and progressing construction of Kakwa FST.

The Corporation's growth and expansion capital expenditures for the twelve months ended December 31, 2015 decreased 61% to $116.1 million from $296.0 million in the comparative period of 2014. Growth and expansion capital expenditures for the twelve months ended December 31, 2015 related primarily to the following within the PRD division:

- 2014 carry over projects which were completed and commissioned in the first quarter of 2015: Tulliby Lake FST, 13 Mile FST conversion, and the Rycroft FSR;
- Big Mountain and Wonowon SWDs were completed and commissioned in the second quarter;
- Expansion of the Rycroft FSR to include water disposal services was completed and commissioned in the second quarter;
- Progress of construction of a new full service terminal which is expected to be completed and commissioned in the third quarter of 2016;
- Pre-development for new facility locations and long-lead equipment and pre-spend for engineering and design for 2016 capital projects;
- Various expansions at existing facilities to increase capacity, including an additional well at Big Mountain, and increased landfill capacity at Willesden Green and Pembina;

The Corporation completed one acquisition during the twelve months ended December 31, 2015 for cash consideration of $3.3 million, compared to one and eight acquisitions for aggregate cash consideration of $6.8 million and $97.8 million in the three and twelve months ended December 31, 2014.

During the three and twelve month periods ended December 31, 2015, sustaining capital was $4.3 million and $11.1 million compared to $3.9 million and $7.0 million for the 2014 comparative periods. Sustaining capital is typically minimal in the first two years of operation of a facility because each facility is constructed with new or refurbished equipment. Sustaining capital typically relates to pump and riser replacements or upgrades, and disposal well maintenance. As a facility matures, the amount of sustaining capital required increases.

Financing Activities

	Three months ended Dec 31,			Twelve months ended Dec 31,		
($000's)	**2015**	**2014**	**% Change**	**2015**	**2014**	**% Change**
Shares issued, net of share issue costs	**615**	294	109	**198,501**	10,727	1,750
Draw (repayment) on credit facility	**4,000**	63,500	(94)	**(136,500)**	238,000	(157)
Financing costs	**-**	(122)	(100)	**(525)**	(1,210)	(57)
Dividends paid	**(5,903)**	(5,263)	12	**(24,810)**	(19,434)	28
Net cash flow (used in) from financing activities	**(1,288)**	58,409	(102)	**36,666**	228,083	(84)

On March 24, 2015, the Corporation closed a bought deal financing with a syndicate of underwriters for the purchase of 13,515,370 common shares (including overallotment) of the Corporation at a price of $14.65 per common share for gross proceeds of $198.0 million. In connection with the offering, the Corporation incurred approximately $8.5 million in transaction costs and underwriter fees.

In addition, the Corporation has issued common shares related to the exercise of stock options and vesting of Restricted Share Units issued by the Corporation. Refer to Note 14 in the Consolidated Financial Statements for more information on these share-based awards.

As at December 31, 2015, the Corporation had drawn $262.0 million on its credit facility compared to $398.5 million as at December 31, 2014. The decrease in the amount drawn primarily relates to funds generated from operations and the bought deal equity financing completed in the first quarter of 2015 over funds required for acquisitions, capital expenditures, working capital requirements, tax installments and dividends. The Corporation had $421.6 million available under its credit facility as at December 31, 2015. The Corporation is well positioned, based on the available amount of its credit facility and expected funds from operations, to execute on the 2016 capital program. At December 31, 2015, the Corporation was in compliance with all covenants.

During the three and twelve months ended December 31, 2015, the Corporation declared dividends of $8.2 million and $31.9 million to holders of common shares. Of the dividends declared for the three and twelve months ended December 31, 2015, $2.3 million and $7.1 million were reinvested in additional common shares through the Corporation's Dividend Reinvestment Plan. Management and the Board of Directors of the Corporation will monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, total and net debt, capital expenditures and other investment opportunities.

Subsequent to December 31, 2015, the Corporation declared dividends to holders of common shares in the amount of $0.02 per common share payable on January 15, February 16, and March 15, 2016, for shareholders of record on January 1, February 1, and March 1, 2016, respectively.

Contractual Obligations

Refer to Note 22 of the Consolidated Financial Statements for disclosure related to contractual obligations.

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.

Volatility of Industry Activity and Oil and Natural Gas Prices

The demand, pricing and terms for midstream infrastructure, oilfield waste disposal services, drilling fluids, oilfield rentals, and construction and demolition 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 U.S. 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 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 U.S. 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.

Market Conditions

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

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, state 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.

Transportation of Dangerous Goods

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

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

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 and Newalta Corporation. 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.

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.

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 and invert (oil based mud) inventory at this time.

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 and at its rail transloading facilities. 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 versus 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 and rail transloading 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; unauthorized trading; and counterparty performance as a result of disagreements over terms of deals and/or contracts. 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.

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. 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 may 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.

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

Oil and Natural Gas Market

Fuel conservation measures, alternative fuel requirements, government subsidies promoting renewable energy sources, 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.

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 and completions fluids, production chemicals, and solids control equipment and technological and regulatory changes. If the Corporation fails to do so, this could have a material adverse effect on its business, financial condition, results of operations and cash flows.

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 U.S. 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 U.S. 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 and has entered into fixed price and quantity purchase contracts for various raw materials. 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. Further, in periods of low activity, the Corporation could be subject to a loss on fixed price and quantity contracts that could have a material adverse effect on the Corporation's results of operations and cash flows. Additionally, a portion of the Corporation's raw materials are sourced from the U.S. and are denominated in U.S. dollars; a weakening Canadian dollar relative to the U.S. dollar will have a negative impact on these input costs.

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, rendering many secondary roads incapable of legally supporting heavy loads and, as a result, road bans are implemented prohibiting such loads from being transported in certain areas. As a result, the movement of the heavy equipment required for drilling and well servicing activities is restricted and the level of activity of our customers is consequently reduced. In addition, the transportation of heavy waste loads is restricted resulting in smaller loads and a general reduction in the volume of waste delivered to Secure's facilities. Accordingly, while the Corporation's facilities are open and accessible year-round, spring break-up reduces the Corporation's activity levels. In the areas in which Secure operates, the second quarter has generally been the slowest quarter as a result of spring break-up.

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 U.S. 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. The Corporation is exposed to foreign currency fluctuations as revenues, expenses and working capital derived from its foreign operations are denominated in U.S. dollars. In addition, the Corporation's U.S. subsidiaries are 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 ongoing foreign operations are included in the foreign currency translation reserve.

Some of the Corporation's current operations and related assets are located in the U.S. 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.

Key Personnel

The Corporation's success depends to a significant extent on a number of its officers and key employees. The Corporation does not typically 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.

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 U.S., Canada, or other countries may adversely affect the U.S., 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 34% of revenue for fiscal 2015, of which no single customer accounted for more than 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 costs, cause its profit to decline, and reduce the amount of funds available to be borrowed under the Corporation's Credit Facility.

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 U.S. 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 Corporation and/or the oil and gas customers of the Corporation. The Corporation's and/or 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. Various levels of government are implementing climate change measures, including carbon taxes and limitations over the emissions of greenhouse gases. 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 climate change legislation and regulation on the Corporation and it is possible that it could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

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

The Corporation may incur substantial costs, including fines, damages, criminal or civil sanctions, and remediation costs, or experience interruptions in the Corporation's operations for violations or liabilities arising under these laws and regulations. The Corporation may have the benefit of insurance maintained by the Corporation, its customers or others, but such insurance may be subject to coverage limits and exclusions and may not be available. In addition, 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 effect 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.

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 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 preferred 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 Credit Facility contains covenants that restrict the Corporation's ability to take various actions. In addition, the credit agreement requires the Corporation to comply with specified financial ratios. 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. If the Corporation's financial performance results in a breach of any existing or future financial covenants, access to financing could be restricted and/or all or a portion of the Corporation's debt could become due on demand.

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.

First Nations Consultation and Claims

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of lands in the WCSB. The interpretation of aboriginal and treaty rights is evolutionary and government policy (including the requirements that are imposed on industry) continues to change. In many circumstances in Alberta, aboriginal people are entitled to be consulted prior to resource development on Crown lands. The consultation processes and expectations of parties involved can vary considerably from project to project (and from first nation to first nation), which can contribute to process uncertainty, increased costs, delay in receiving required approvals, and potentially, an inability to secure the required approvals for some projects. Additionally, some types of claims may affect or limit Secure's ability to secure locations for capital projects.

Volatility of Market Price of Common Shares

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

Dividend Payout

The decision to implement dividends and the amount paid 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 0.45% to 2.00% above the prime rate or 1.45% to 3.00% above the Bankers' Acceptance rate depending on the Corporation's prevailing consolidated senior 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. See "*Legal Proceedings and Regulatory Actions*". While management of Secure does not believe that this action will have a material effect on the business or financial condition of the Corporation, no assurance can be given as to the final outcome of this or any other legal proceedings or that the ultimate resolution of this or any other legal proceedings will not have a material adverse effect on the Corporation.

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

Information Security

The efficient operation of Secure's business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. Secure has implemented security measures to maintain confidential and proprietary information stored on the Corporation's information systems. However, there is a risk these measures may not adequately prevent security breaches which could result in business disruption, decreased performance, or increased costs, and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

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 AIF under the heading "*Forward-Looking Statements*".

OUTSTANDING SHARE CAPITAL

As at March 1, 2016, there were 138,160,959 Common Shares issued and outstanding. In addition, as at March 1, 2016, there were 8,248,415 share options outstanding, of which 3,758,840 were exercisable, 2,572,739 Restricted Shares Units outstanding, of which nil were redeemable, and 758,014 Performance Shares Units outstanding, of which nil were redeemable.

Options granted in 2015 of 3,558,968 include 1,482,000 options that are part of 2016 long term incentives and will be earned in 2016. These options were granted in 2015 as a result of the uncertainty regarding the tax treatment of options and vest one third on each January 2, 2017, 2018 and 2019.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2015 and 2014, the Corporation did not have any off-balance sheet arrangements.

ACCOUNTING POLICIES

Secure's significant accounting policies are set out in Note 2 of the Consolidated Financial Statements.

FINANCIAL AND OTHER INSTRUMENTS

As at December 31, 2015, 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, long-term borrowings and derivative financial instruments. The fair values of these financial instruments approximate their carrying amount due to the short term maturity of these instruments except long-term borrowings. Long-term borrowings approximate their fair values due to the variable interest rates applied, which approximate market interest rates. The Corporation utilizes derivative financial instruments to manage its exposure to market risks relating to foreign currency exchange rates or crude oil differentials. Fair values of derivative contracts fluctuate depending on the underlying estimates of future foreign currency exchange rates or the underlying estimates of crude oil differentials. The estimated fair value of all derivative financial instruments are based on observable market data. The use of financial instruments exposes the Corporation to credit, liquidity, foreign currency, and market risk. A discussion of how these and other risks are managed can be found in the AIF under the heading '*Business Risks*'. Further information on how the fair value of financial instruments is determined is included in the '*Critical Accounting Estimates and Judgments*' section of this MD&A.

Of the Corporation's financial instruments, only cash and accounts receivable contain credit risk. The credit risk associated with cash is minimized as all cash is held at a major Canadian financial institution. The Corporation provides credit to customers in the normal course of operations. The Corporation's credit risk policy includes performing credit evaluations of 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. Given the policies and procedures in place, 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the Corporation's Consolidated Financial Statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the condensed consolidated financial statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Corporation's Consolidated Financial Statements have been set out in Note 3 of the Corporation's Consolidated Financial Statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

For the year ended December 31, 2015, there were no revised standards or amendments to IFRS issued. Refer to Note 4 of the Corporation's Consolidated Financial Statements for a description of IFRS standards issued but not yet effective that are expected to have an impact on the Corporation's consolidated financial statements in the years adopted.

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. The Corporation follows the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework.

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, 2015. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2015. 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Refer to Note 22 of the Corporation's Consolidated Financial Statements for disclosure related to legal proceedings and regulatory actions.

RELATED PARTIES

Refer to Note 21 of the Corporation's Consolidated Financial Statements for disclosure related to related parties.

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 or implies 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 and the impact to each division on revenue and operating margins, drilling levels, commodity prices for oil, natural gas liquids ("NGLs") and natural gas; industry fundamentals for the first quarter of 2016; capital forecasts and spending by producers; demand for the Corporation's services and products; expansion strategy; the impact of the reduction in oil and gas activity on 2016 activity levels; revenue and operating margin for the PRD, DS and OS divisions; the range of the Corporation's proposed 2016 capital expenditure program and the intended use thereof; debt service; completion of facilities (including the new PRD FST); the impact of new facilities on the Corporation's financial and operational performance; future capital needs; access to capital; and acquisition strategy.

Forward-looking statements concerning expected operating and economic conditions are based upon prior year results as well as the assumption that levels of market activity and growth will be consistent with industry activity in Canada and the U.S. and 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 and foreign exchange 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 AIF for the year ended December 31, 2015. 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 the AIF, is available on available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Corporation's website at www.secure-energy.com.

Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

KPMG LLP
3100 205 - 5th Avenue SW
Calgary AB T2P 4B9

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Secure Energy Services Inc.

We have audited the accompanying consolidated financial statements of Secure Energy Services Inc. ("the Corporation"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of comprehensive (loss) income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 is 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 audit. We conducted our audit 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 our 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, we consider internal control relevant to the corporation'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 that the audit evidence we have obtained 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 consolidated financial position of the Corporation as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 3, 2015.

KPMG LLP

Chartered Professional Accountants

March 1, 2016

Calgary, Canada

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

($000's)	Notes	2015	2014
Assets			
Current assets			
Cash		4,863	4,882
Accounts receivable and accrued receivables	19	125,358	228,642
Current tax assets		15,416	-
Prepaid expenses and deposits		8,427	8,396
Inventories	6	58,848	70,199
		212,912	312,119
Property, plant and equipment	7	1,007,626	945,335
Intangible assets	8	70,323	124,102
Goodwill	9	11,127	111,650
Deferred tax assets	16	13,432	-
Other assets		-	2,911
Total Assets		1,315,420	1,496,117
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		86,785	193,121
Asset retirement obligations	12	1,476	1,800
Current tax liabilities		-	5,886
Finance lease liabilities		8,873	10,458
		97,134	211,265
Long-term borrowings	11	260,683	397,385
Asset retirement obligations	12	84,511	70,639
Finance lease liabilities		7,041	12,060
Onerous lease liabilities	18	3,644	-
Deferred tax liabilities	16	37,895	42,473
Total Liabilities		490,908	733,822
Shareholders' Equity			
Issued capital	13	851,490	631,229
Share-based compensation reserve	14	37,194	25,227
Foreign currency translation reserve		36,403	14,629
(Deficit) retained earnings		(100,575)	91,210
Total Shareholders' Equity		824,512	762,295
Total Liabilities and Shareholders' Equity		1,315,420	1,496,117

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 (Loss) Income
For the years ended December 31,

($000's except per share and share data)	**Notes**	**2015**	**2014**
Revenue		**1,346,425**	2,271,651
Operating expenses:			
Direct expenses	**17**	**1,163,984**	1,976,341
Depreciation, depletion and amortization		**126,161**	100,964
		1,290,145	2,077,305
General and administrative expenses		**63,411**	69,445
Share-based compensation		**19,829**	15,422
Business development expenses		**11,649**	15,477
		94,889	100,344
Operating (loss) earnings		**(38,609)**	94,002
Interest, accretion and finance costs		**12,098**	10,450
Impairment	**10**	**139,752**	32,260
Other income	**18**	**(6,529)**	-
(Loss) earnings for the year before tax		**(183,930)**	51,292
Current tax (recovery) expense	**16**	**(10,110)**	17,779
Deferred tax (recovery) expense	**16**	**(13,950)**	2,862
		(24,060)	20,641
Net (loss) earnings for the year		**(159,870)**	30,651
Other comprehensive income			
Foreign currency translation adjustment, net of tax		**21,774**	10,205
Total comprehensive (loss) income for the year		**(138,096)**	40,856
(Loss) earnings per share			
Basic, (loss) earnings for the year per common share	**15**	**(1.20)**	0.26
Diluted, (loss) earnings for the year per common share	**15**	**(1.20)**	0.25
Weighted average shares outstanding - basic	**15**	**133,380,634**	119,272,994
Weighted average shares outstanding - diluted	**15**	**133,380,634**	122,364,419

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

SECURE ENERGY SERVICES INC.
Consolidated Statements of Changes in Shareholders' Equity

($000's)	Notes	Issued capital	Share-based compensation reserve	Foreign currency translation reserve	(Deficit) retained earnings	Total Shareholders' Equity
Balance at January 1, 2015		**631,229**	**25,227**	**14,629**	**91,210**	**762,295**
Net loss for the year		-	-	-	(159,870)	**(159,870)**
Dividends declared	**13**	-	-	-	(31,915)	**(31,915)**
Shares issued through dividend reinvestment plan ("DRIP")	**13**	7,105	-	-	-	**7,105**
Foreign currency translation adjustment, net of tax		-	-	21,774	-	**21,774**
Issue of share capital for business combination	**13**	3,957	-	-	-	**3,957**
Bought deal equity financing	**13**	198,000	-	-	-	**198,000**
Exercise of options and Restricted Share Units ("RSUs")	**13**	17,675	(8,527)	-	-	**9,148**
Share issue costs, net of tax	**13**	(6,476)	-	-	-	**(6,476)**
Share-based compensation		-	20,494	-	-	**20,494**
Balance at December 31, 2015		**851,490**	**37,194**	**36,403**	**(100,575)**	**824,512**
Balance at January 1, 2014		**562,306**	**14,659**	**4,424**	**82,945**	**664,334**
Net earnings for the year		-	-	-	30,651	30,651
Dividends declared		-	-	-	(22,386)	(22,386)
Shares issued through DRIP		2,952	-	-	-	2,952
Foreign currency translation adjustment, net of tax		-	-	10,205	-	10,205
Issue of share capital for business combination		50,808	-	-	-	50,808
Exercise of options and RSUs		15,483	(4,436)	-	-	11,047
Share issue costs, net of tax		(320)	-	-	-	(320)
Share-based compensation		-	15,004	-	-	15,004
Balance at December 31, 2014		**631,229**	**25,227**	**14,629**	**91,210**	**762,295**

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	2015	2014
Cash flows from operating activities			
Net (loss) earnings for the year		**(159,870)**	30,651
Adjustments for non-cash items:			
Depreciation, depletion and amortization		**126,161**	100,964
Interest, accretion and finance costs	**12**	**12,098**	10,450
Other income	**18**	**(6,529)**	-
Current and deferred tax (recovery) expense		**(24,060)**	20,641
Other non-cash expense		**708**	143
Impairment of inventory	**6**	**3,972**	-
Impairment	**10**	**139,752**	32,260
Share-based compensation		**19,829**	15,422
Funds from operations		**112,061**	210,531
Change in non-cash w orking capital		**42,760**	12,178
Asset retirement obligations incurred	**12**	**(1,647)**	(1,564)
Cash generated from operations		**153,174**	221,145
Interest paid		**(9,874)**	(9,666)
Income taxes paid		**(12,282)**	(16,241)
Net cash flows from operating activities		**131,018**	195,238
Cash flows (used in) investing activities			
Purchase of property, plant and equipment		**(127,183)**	(302,967)
Business combinations	**5**	**(3,272)**	(97,839)
Change in non-cash w orking capital		**(37,975)**	(29,825)
Net cash flows (used in) investing activities		**(168,430)**	(430,631)
Cash flows from (used in) financing activities			
Shares issued, net of share issue costs	**13**	**198,501**	10,727
(Repayment) draw on credit facility		**(136,500)**	238,000
Financing fees	**11**	**(525)**	(1,210)
Dividends paid	**13**	**(24,810)**	(19,434)
Net cash flows from financing activities		**36,666**	228,083
Effect of foreign exchange on cash		**727**	173
Decrease in cash		**(19)**	(7,137)
Cash, beginning of year		**4,882**	12,019
Cash, end of year		**4,863**	4,882

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 which provide innovative, efficient and environmentally responsible fluids and solids solutions to the oil and gas industry. The fluids and solids solutions are provided through an integrated service and product offering that includes midstream services, environmental services, systems and products for drilling, production and completion fluids, and other specialized services and products. The Corporation also owns and operates midstream infrastructure and provides services and products to upstream oil and natural gas companies operating in Western Canada and in certain regions in the United States ("U.S.").

The processing, recovery and disposal services division ("PRD") owns and operates midstream infrastructure that provides processing, storing, shipping and marketing of crude oil, oilfield waste disposal and recycling. More specifically these services are clean oil terminalling and rail transloading, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing, landfill disposal, and oil purchase/resale service. The drilling services division ("DS") provides equipment and product solutions for drilling, completion and production operations for oil and gas producers in Western Canada. The OnSite division ("OS") includes Environmental services which provide pre-drilling assessment planning, drilling waste management, remediation and reclamation assessment services, Naturally Occurring Radioactive Material ("NORM") management, and waste container services; Integrated Fluid Solutions ("IFS") which include water management, recycling, pumping and storage solutions; and Projects which include pipeline integrity (inspection, excavation, repair, replacement and rehabilitation); demolition and decommissioning, and reclamation and remediation of former wellsites, facilities, commercial and industrial properties, and environmental construction projects (landfills, containment ponds, subsurface containment walls, etc.).

The following entities have been consolidated within Secure's consolidated financial statements for the year ended December 31, 2015:

Subsidiaries	Country	Functional Currency	Segment	% Interest Dec 31, 2015 and 2014
Secure Energy Services Inc. (parent company)	Canada	Canadian Dollar	PRD/CORP	
True West Energy Ltd.	Canada	Canadian Dollar	PRD	100%
Chaleur Terminals Inc.	Canada	Canadian Dollar	PRD	100%
Secure Energy (Drilling Services) Inc.	Canada	Canadian Dollar	DS	100%
Alliance Energy Services International Ltd.	Canada	Canadian Dollar	DS	100%
Secure Minerals Inc.	Canada	Canadian Dollar	DS	100%
Secure Energy (OnSite Services) Inc.	Canada	Canadian Dollar	OS	100%
Secure Energy (Logistics Services) Inc.	Canada	Canadian Dollar	DS	100%
SES USA Holdings Inc.	USA	US Dollar	PRD/DS/OS	100%
Secure Energy Services USA LLC	USA	US Dollar	PRD	100%
Secure Drilling Services USA LLC	USA	US Dollar	DS	100%
Secure Minerals USA LLC	USA	US Dollar	DS	100%
Secure OnSite Services USA LLC	USA	US Dollar	OS	100%

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

Basis of Presentation

The consolidated financial statements of Secure 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") in effect at the closing date of December 31, 2015.

These consolidated financial statements are recorded and presented in Canadian dollars ($), which is Secure's functional currency, and have been prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions that have been measured at fair value. All values are rounded to the nearest thousand dollars ($000's), except where otherwise indicated. The accounting policies described in Note 2 have been applied consistently to all periods presented in these consolidated financial statements, except as noted herein. Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

The timely preparation of financial statements requires that management make estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. See Note 3 for a description of significant estimates and judgments used in the preparation of the consolidated financial statements.

These consolidated financial statements were approved by Secure's Board of Directors on March 1, 2016. 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. All inter-company balances and transactions are eliminated on consolidation.

b) Investments in joint operations

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. Two of the Corporation's facilities are operated jointly with others and therefore, the Corporation as a joint operator recognizes its share of assets and liabilities jointly owned and incurred, and its share of revenue and expenses of the joint operation.

c) Business combinations and goodwill

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 acquired and liabilities assumed 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. Goodwill is measured at the acquisition date 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. The measurement of goodwill is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities.

Transaction costs associated with business combinations, other than those related to issuing debt or equity securities, are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Changes to liability classified contingent consideration is recognized in net (loss) earnings. If the contingent consideration is classified in equity, it is not be re-measured and its final settlement is accounted for within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition

The Corporation has many different business lines offering services, products and integrated solutions to meet customer needs. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Corporation and the amount of revenue can be measured with reliability.

- Revenue associated with services provided in the PRD division such as processing, disposal, transportation, terminalling and rail transloading are recognized when the services are rendered.
- Revenue from the sale of crude oil and natural gas liquids is recorded when title to the product and risk of loss transfers to the customer.
- Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used.
- Revenue from drilling services is recognized when services are provided and materials are utilized. Materials that are delivered and not utilized are shown as drilling fluids inventory.
- Revenue from rentals is recognized once the equipment is delivered, over the term of the rental agreement at pre-determined rates.
- Revenue from the sale of production chemicals and minerals inventories is recognized at the point of sale, when the customer takes ownership of the products.
- Revenue from OnSite services is recognized when services are provided. For longer-term projects where costs can be measured reliably, revenue is recognized based on stage of completion of the contract, determined by the physical portion of work performed.
- Revenue is measured net of trade discounts and volume rebates.

e) Inventories

Inventories are comprised of crude oil, natural gas liquids, drilling fluids, minerals, speciality chemicals, production chemicals and spare parts. Inventories 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 value of the crude oil and natural gas liquids in inventory will fluctuate based on the market price of crude oil and natural gas liquids in any given month. The cost of drilling fluids is determined on a weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventory in transit is recognized at the point of shipment. Any inventory write-downs are included in operating expenses. The reversal of previous net realizable value write-downs to inventories is permitted when there is a subsequent increase to the value of inventories.

f) Property, plant and equipment

Land is measured at cost, net of accumulated impairment losses, if any. 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 net (loss) earnings 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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

criteria for a provision are met. Refer to Note 12 for further information about the recognition and measurement of the asset retirement obligation.

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 manner intended by management. When this occurs, the asset is transferred to property, plant and equipment and classified by the nature of the asset.

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.

An item of property, plant and equipment and any significant part 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 net (loss) earnings when the asset is derecognized.

g) 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.

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets resulting from a business combination are initially 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 at least annually.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Depreciation, depletion and amortization

Capital expenditures are not depreciated until assets are substantially complete and ready for their intended use. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation and depletion

Depreciation of property, plant and equipment, other than landfill cells, 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
Plant equipment and disposal wells	2 to 25 years
Rental and mobile equipment	2 to 25 years
Office and computer equipment	3 to 10 years

Landfill cells are depleted based on units of total capacity utilized in the period.

Amortization

Amortization of intangible assets is recorded on a straight line basis 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 and patents	10 to 13 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets

The non-financial assets of the Corporation are comprised of property, plant and equipment, goodwill and intangible assets.

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 CGU's recoverable amount. An asset or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. In determining fair value less costs to sell, recent market transactions are taken into account, if available. 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in net (loss) earnings.

Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. 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 CGUs compared to the individual CGU or group of CGUs' respective carrying amount(s).

For non-financial assets other than goodwill and intangible assets with an indefinite useful life, 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 CGU's recoverable amount. 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 net (loss) earnings.

Impairment losses related to assets under construction and property, plant and equipment are included with depreciation, depletion and amortization expense on the consolidated statements of comprehensive (loss) income. Impairment losses related to goodwill and intangible assets are recorded on the impairment line on the consolidated statements of comprehensive (loss) income.

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 net (loss) earnings.

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 net (loss) earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

Recognition and Measurement

Financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified upon initial recognition into one of the following categories: fair value through profit or loss ("FVTPL"), available for sale, held-to-maturity investments, loans and receivables, derivatives designated as hedging instruments in an effective hedge, and other financial liabilities. All financial instruments are recognized initially at fair value, net of any transaction costs except for financial instruments classified as FVTPL where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification.

The Corporation has classified cash, and accounts receivable and accrued receivables as loans and receivables, accounts payable and accrued liabilities, and long-term borrowings as other financial liabilities, and derivative financial instruments as FVTPL.

The Corporation may enter into forward currency contracts to manage the foreign currency risk that arises from the purchase and sale of crude oil in the PRD division. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net (loss) earnings.

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 the comprehensive statements of (loss) income over the term of the contracts as they occur.

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.

Fair value measurement

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For loans and receivables, 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 net (loss) earnings. 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 net (loss) earnings. 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.

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 net (loss) earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) 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 (loss) 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 in interest, accretion and finance costs in net (loss) earnings.

m) Asset retirement obligations

Asset retirement obligations associated with well sites, facilities and landfills 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 (loss) 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.

n) 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.

o) (Loss) earnings per share

The Corporation calculates basic (loss) earnings per share by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share reflects the potential dilution that would occur if in-the-money stock options were exercised. Diluted (loss) earnings per share is calculated by dividing net (loss) 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. The treasury method for outstanding options 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Share-based compensation

Equity-settled transactions

The Corporation has a share option plan for eligible employees and consultants of the Corporation. The Corporation follows the fair-value method to record share-based compensation expense with respect to share options granted. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based compensation expense over the vesting period of those grants, with a corresponding increase to share-based compensation 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 the share-based compensation reserve. Forfeitures are estimated based on historical information for each reporting period, and adjusted as required to reflect actual forfeitures that have occurred in the period.

The Corporation has a performance share unit ("PSU") plan for eligible employees and consultants. 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. Assuming the PSUs are equity settled, the fair value of the PSUs are 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. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The Corporation also has a restricted share unit ("RSU") plan for eligible employees and consultants. 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. 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 and there is no history of the Corporation making cash payments under the PSU and RSU plans and, as such, the PSUs and RSUs are accounted for within shareholders' equity.

Cash-settled transactions

The Corporation has a deferred share unit ("DSU") plan for its non-employee directors. The DSUs vest immediately and the fair value of the liability and the corresponding expense is recognised in the consolidated statements of comprehensive (loss) 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 net (loss) earnings for the period. 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 statements of financial position and the expense is included in the share-based compensation expense in the consolidated statements of comprehensive (loss) income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxes

Current income tax

Current income tax assets and liabilities 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 the consolidated statement of changes in shareholders' equity is recognized in the consolidated statement of changes in shareholders' equity and not in the consolidated statements of comprehensive (loss) 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 (loss) income or directly in shareholders' equity.

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.

r) Foreign currency translation and transactions

Entities who transact in currencies that are not their functional currency translate 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 net (loss) 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 in effect during the period. Adjustments resulting from these translations are reflected in total comprehensive (loss) income as foreign currency translation adjustments.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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 Chief Executive Officer 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses, gains, losses, and the disclosure of contingent liabilities. 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, with any adjustments recognized in the period in which the estimate is revised.

The key estimates and judgments 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 judgments.

Significant judgments

Determining CGUs

For the purpose of assessing impairment of non-financial assets, the Corporation must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Management has determined that the appropriate CGUs for the Corporation is each service line in the DS division and OS division, and each facility that comprises the PRD division (each rail transloading facility in the PRD division is aggregated as a single CGU to test for impairment). The Corporation aggregates each service line in the DS division to test for goodwill impairment.

Significant estimates and assumptions

Depreciation, depletion and amortization

Determination of which components of an item of property, plant and equipment represent a significant cost to the asset as a whole and identifying the consumption patterns along with the useful lives and residual values of these significant parts involve management judgment and estimates. 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Effective January 1, 2015, Secure reassessed the useful lives of property, plant and equipment based on the current condition of the assets and taking into consideration the operating history of the assets. As a result of this change, there was an estimated decrease in depreciation and depletion expense of $27.2 million for the year ended December 31, 2015. Secure could not determine the effect of the change in estimate for future periods beyond 2015 as the information will not be meaningful as capital expenditures for future periods and timing of new facilities being commissioned are subject to a high level of uncertainty.

Recoverability of assets

The Corporation assesses impairment on its non-financial assets when it has determined that a potential indicator of impairment exists. The assessment of the existence of impairment indicators is based on various internal and external factors and involves management's judgment. Goodwill is tested annually for impairment or when an indicator is present. 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 required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. The key estimates the Corporation normally applies in determining the recoverable amount of an individual asset, CGU or group of CGUs include expected levels of activity within the oil and gas industry, future sustaining capital costs, discount rates, tax rates, and operating margins. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available. Changes to these estimates may affect the recoverable amounts of an individual asset, CGU or group of CGUs which may then require a material adjustment to their related carrying value.

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, facilities and landfills, and the estimated time period in which these costs are expected to be incurred in the future. In determining 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.

Other provisions and contingent liabilities

The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates on timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Inventories

The Corporation evaluates its inventory to ensure it is carried at the lower of cost and net realizable value. Allowances are made against slow moving, obsolete, and damaged inventories and are charged to direct expenses. These allowances are assessed at each reporting date for adequacy. The reversal of any write-down of inventory arising from an increase in net realizable value is recognized as a reduction in direct expenses in the period in which the reversal occurred.

Share-based compensation

The Corporation provides share-based awards to certain employees in the form of share options, restricted share units, and performance share units (the "Awards"). The Corporation follows the fair-value method to record share-based compensation expense with respect to the Awards granted. In order to record share-based compensation 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. The accounting for PSUs and RSUs within shareholders' equity requires management's judgment with respect to the future settlement of these awards. Management has assumed these awards will be settled in equity based on past practice and current intentions.

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 estimates are 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. 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 equations

The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Net investments in foreign subsidiaries

Determination of whether an advance to a foreign subsidiary constitutes a net investment involves judgments about the outcomes of future events, specifically related to the timing and amount of repayment of the advance by the foreign subsidiary. Unrealized foreign gains and losses from advances classified as net investments are recorded as foreign currency translation adjustments in other comprehensive (loss) income. The accumulated foreign currency translation adjustments are reclassified to net (loss) income when the foreign subsidiary is disposed of, or the loan is repaid.

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.

On July 24, 2014, 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. The IASB has determined the mandatory effective date of IFRS 9 to be January 1, 2018. The full impact of the standard on the Corporation's consolidated financial statements is still being assessed at this time.

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard replaces the two main recognition standards IAS 18 Revenue, and IAS 11 Construction Contracts. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Corporation is currently assessing the potential impact of the adoption of IFRS 15 on the Corporation's consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. The full impact of the standard on the Corporation's consolidated financial statements is still being assessed at this time.

5. BUSINESS COMBINATIONS

a) The Corporation did not complete any significant acquisitions in the year ended December 31, 2015.

b) Predator Midstream Ltd. – 2014

On August 15, 2014, the Corporation completed the acquisition of the assets of Predator Midstream Ltd. ("Predator") for total cash consideration of $59.3 million, and 1,824,580 common shares of the Corporation issued at a closing price of $24.84 for total consideration of $104.6 million. The consideration was adjusted to fair value for accounting purposes to $97.3 million which was determined using a discounted cash flow analysis taking into consideration the escrow period.

Predator was a private midstream company that owned and operated three rail transloading terminals in Alberta that transload crude oil from truck to rail, where rail cars are aggregated and subsequently sold to refineries.

The following summarizes the allocation of the consideration for the acquisition:

Balance, August 15, 2014	Amount ($000's)
Cash paid	59,313
Shares issued	37,940
	97,253

The following summarizes the allocation of the aggregate consideration for the acquisition:

Balance, August 15, 2014	Amount ($000's)
Property and equipment	29,603
Intangible assets	43,269
Goodwill	32,197
Deferred revenue	(5,187)
Deferred tax liability	(2,629)
	97,253

The goodwill arises as a result of the synergies existing within the acquired businesses and also the synergies expected to be achieved as a result of combining the acquisitions with the rest of the Corporation. $24.1 million of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition to December 31, 2014, the assets of Predator contributed an estimated $4.6 million of revenue and $0.4 million of earnings before tax for the Corporation. If the business combination had been completed on January 1, 2014, the estimated revenue and earnings before income tax for the year ending December 31, 2014 would have been $12.1 million and $2.7 million, respectively.

The Corporation incurred costs related to the acquisition 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 (loss) income.

c) Other Acquisitions - 2014

During 2014, the Corporation acquire the assets of six private oilfield services companies and the shares of one private oilfield services company (collectively, the "2014 Acquisitions") for total cash consideration of $38.5 million, assumption of $0.9 million of debt and the issuance of 987,596 common shares of the Corporation based on the closing price for total consideration of $54.6 million. The consideration was adjusted to fair value for accounting purposes to $52.3 million which was determined using a discounted cash flow analysis taking into consideration the escrow period.

5. BUSINESS COMBINATIONS (continued)

Four of the acquisitions are included in the OS division including two water management and pumping businesses, an environmental contracting business, and a business that specializes in analysis, containment, and management of naturally occurring radioactive materials within the U.S. market.

The other three acquisitions are included in the DS division: a mineral products plant that mainly processes barite which is a product used in drilling fluids and allows Secure to vertically integrate the operations in the DS division to improve supply logistics and quality; a drilling fluids company that provides drilling fluids systems for highly complex wells; and a private company that adds proprietary technology products that provide high impact solutions for production, drilling, and completion fluids.

The following summarizes the allocation of the consideration for the 2014 Acquisitions:

Balance 2014	Amount ($000's)
Cash paid	38,526
Shares issued	12,868
Assumption of debt	922
	52,316

The following summarizes the allocation of the aggregate consideration for the 2014 Acquisitions:

Balance 2014	Amount ($000's)
Property and equipment	20,722
Inventory	2,831
Net w orking capital	(1,496)
Intangible assets	21,100
Goodw ill	9,026
Deferred tax asset	133
	52,316

The 2014 Acquisitions are a continuation of the Corporation's strategy to add complementary services along the energy services value chain. The goodwill arises as a result of the synergies existing within the acquired businesses and also the synergies expected to be achieved as a result of combining the acquisitions with the rest of the Corporation. $6.9 million of the goodwill recognized is expected to be deductible for income tax purposes.

The Corporation incurred costs related to the acquisitions of $0.7 million relating to due diligence and external legal fees. These costs have been included in business development costs on the consolidated statements of comprehensive (loss) income.

The assets of the 2014 Acquisitions were acquired and integrated with the Corporation's existing operations and therefore specific income information in respect of these asset acquisitions are not included in these consolidated financial statements.

6. INVENTORIES

($000's)	Dec 31, 2015	Dec 31, 2014
Drilling fluids	30,034	54,755
Minerals and specialty chemicals	25,989	11,374
Crude oil and natural gas liquids	1,715	2,539
Spare parts and supplies	1,110	1,531
Total inventories	58,848	70,199

Inventories are recorded at the lower of cost and net realizable value. Drilling fluids, minerals and specialty chemical inventories recognized as operating expenses in the consolidated statements of comprehensive (loss) income for the for the year ended December 31, 2015 were $126.2 million (2014: $243.0 million). Included in the expense for the year ended December 31, 2015 is $3.9 million to write-down oil-based inventory and slow moving and obsolete inventory relating to the wind down of U.S. Drilling Services to net realizable value (2014: $1.4 million).

Inventories are included in the general security agreements held by the banks as security for the Corporation's credit facility (Note 11).

7. PROPERTY, PLANT AND EQUIPMENT

Included in property, plant and equipment is assets under construction of $60.3 million (2014: $210.1 million). The amounts included in assets under construction consist of assets associated with a variety of ongoing projects. During the year ended December 31, 2015, $13.4 million (2014: $11.8 million) of directly attributable capitalized salaries and overhead were added to property, plant and equipment. The amount of borrowing costs capitalized to property, plant and equipment for the year ended December 31, 2015 was $0.4 million (2014: $1.0 million) based on a capitalized borrowing rate of 2.6% (2014: 3.1%) incurred only on facilities that are generally longer to construct.

During the year ended December 31, 2015, $266.7 million (2014: $185.6 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 $21.7 million at December 31, 2015 (2014: $24.5 million). The finance lease commitments over the next five years are disclosed in Note 22.

Included in depreciation, depletion and amortization expense in the consolidated statements of comprehensive (loss) income for the year ended December 31, 2015 is $18.0 million (2014: $1.1 million) relating to impairment of property, plant and equipment and $4.4 million (2014: $2.6 million) relating to the loss on disposal of assets. The Corporation has incurred impairment losses on certain projects where the significant decline in commodity prices in the year have left their development plans uncertain. Additionally, the Corporation has impaired equipment withdrawn from active use in the year in instances where they cannot be repurposed or otherwise deployed.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

($000's)	Assets Under Construction	Land and Buildings	Plant Equipment, Landfill Cells and Disposal Wells	Rental and Mobile Equipment	Office and Computer Equipment	Total
Cost:						
December 31, 2013	109,586	48,775	490,481	84,107	16,511	**749,460**
Additions from business combinations (Note 5b)	-	1,450	25,753	2,400	-	**29,603**
Additions from business combinations (Note 5c)	-	2,600	15,426	2,587	109	**20,722**
Additions	284,394	18,615	157,983	35,057	11,576	**507,625**
Change in asset retirement cost	-	-	33,461	-	-	**33,461**
Disposals	-	(980)	(4,970)	(7,861)	(542)	**(14,353)**
Transfers [(1)]	(185,600)	-	-	-	-	**(185,600)**
Foreign exchange effect	1,759	968	3,772	283	83	**6,865**
December 31, 2014	210,139	71,428	721,906	116,573	27,737	**1,147,783**
Additions	113,818	31,539	224,272	21,614	5,974	**397,217**
Change in asset retirement cost	-	-	10,127	-	-	**10,127**
Disposals	-	(2,316)	(5,611)	(10,713)	(1,383)	**(20,023)**
Transfers [(1)]	(266,702)	-	-	-	-	**(266,702)**
Foreign exchange effect	3,002	3,233	23,367	3,864	263	**33,729**
December 31, 2015	**60,257**	**103,884**	**974,061**	**131,338**	**32,591**	**1,302,131**
Accumulated depreciation and depletion:						
December 31, 2013	-	(6,081)	(105,263)	(11,653)	(4,693)	**(127,690)**
Depreciation and depletion	-	(3,446)	(55,647)	(15,795)	(3,643)	**(78,531)**
Disposals	-	385	1,499	1,787	121	**3,792**
Foreign exchange effect	-	(62)	(13)	78	(22)	**(19)**
December 31, 2014	-	(9,204)	(159,424)	(25,583)	(8,237)	**(202,448)**
Depreciation and depletion [(2)]	-	(10,964)	(61,540)	(16,821)	(6,284)	**(95,609)**
Disposals	-	156	809	5,943	764	**7,672**
Foreign exchange effect	-	(289)	(2,848)	(1,089)	106	**(4,120)**
December 31, 2015	**-**	**(20,301)**	**(223,003)**	**(37,550)**	**(13,651)**	**(294,505)**
Net book value:						
December 31, 2015	**60,257**	**83,583**	**751,058**	**93,788**	**18,940**	**1,007,626**
December 31, 2014	**210,139**	**62,224**	**562,482**	**90,990**	**19,500**	**945,335**

[(1)] Costs related to assets under construction are transferred to property, plant and equipment and classified by nature of the asset w hen available for use in the manner intended by management.

[(2)] Depreciation and depletion includes amounts relating to impairment of assets under construction and property, plant and equipment.

8. INTANGIBLE ASSETS

($000's)	Non-competition agreements	Customer relationships	Licenses & Patents	Total
Cost:				
December 31, 2013	**27,622**	**67,367**	**10,638**	**105,627**
Additions through business combinations (Note 5b)	24,950	17,750	569	**43,269**
Additions through business combinations (Note 5c)	9,648	5,629	5,823	**21,100**
Foreign exchange effect	847	409	42	**1,298**
December 31, 2014	**63,067**	**91,155**	**17,072**	**171,294**
Additions	2,308	6,245	-	**8,553**
Foreign exchange effect	1,201	1,437	147	**2,785**
December 31, 2015	**66,576**	**98,837**	**17,219**	**182,632**
Accumulated amortization:				
December 31, 2013	**(11,625)**	**(11,770)**	**(2,510)**	**(25,905)**
Amortization	(12,182)	(7,098)	(1,526)	**(20,806)**
Foreign exchange effect	(401)	(80)	-	**(481)**
December 31, 2014	**(24,208)**	**(18,948)**	**(4,036)**	**(47,192)**
Amortization	(14,130)	(9,827)	(2,151)	**(26,108)**
Impairment	(17,705)	(18,825)	(1,022)	**(37,552)**
Foreign exchange effect	(1,032)	(425)	-	**(1,457)**
December 31, 2015	**(57,075)**	**(48,025)**	**(7,209)**	**(112,309)**
Net book value:				
December 31, 2015	**9,501**	**50,812**	**10,010**	**70,323**
December 31, 2014	**38,859**	**72,207**	**13,036**	**124,102**

Refer to Note 10 for discussion of impairment charges.

9. GOODWILL

($000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	**111,650**	101,924
Additions through business combination (Note 5b)	**-**	32,197
Additions through business combination (Note 5c)	**-**	9,026
Impairment of goodwill	**(102,200)**	(32,260)
Foreign exchange effect	**1,677**	763
Balance - end of year	**11,127**	**111,650**

The remaining carrying amount of goodwill at December 31, 2015 is allocated to the OS division (2014: $70.1 million to the DS division, $30.4 million to the PRD division and $11.1 million to the OS division).

Refer to Note 10 for discussion of impairment charges.

10. IMPAIRMENT

The Corporation's non-current assets are tested for impairment in accordance with the accounting policy stated in note 2(i). The Corporation assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. As a result of the significant decline in commodity prices in the year and the corresponding decrease in oil and gas industry activity, the Corporation performed impairment tests on its rail transloading facilities and Drilling Services CGUs in 2015.

As a result of the impairment tests performed in the year, the Corporation is recognizing impairment of $54.2 million (2014: $11.0 million) against the goodwill and intangible assets recorded on the acquisition of three rail transloading facilities in 2014 (refer to Note 5(b)). The Corporation's rail transloading facilities have been significantly impacted by lower levels of activity as a result of the severe weakening in crude oil prices and the narrowing of oil price differentials. The Corporation also recorded impairment of $74.7 million related to goodwill and intangible assets in its DS division for the year ended December 31, 2015 (2014: $16.6 million). The continued weakness in commodity pricing has had a significant impact on the DS divisional results as operations are tied directly to drilling activity.

Regardless if any indicators of impairment are present, the Corporation must complete an annual impairment assessment for any CGU, or group of CGUs, whose net carrying value includes indefinite-life intangible assets or an allocation of goodwill. Secure completed this review as at December 31, 2015 and as a result recorded impairment equal to the full $10.9 million carrying value of the goodwill related to two PRD facilities located in North Dakota (2014: $4.7 million). No impairment was recorded as a result of the year-end impairment tests performed on the OS CGUs.

The Corporation used the value in use method to determine the recoverable amount of its CGUs determined by using discounted cash flows. The cash flow projections included specific estimates for five years and a terminal valuation. The estimated cash flows were based on the 2015 run rate with revenue and margins changing in correlation with the anticipated oil and gas industry activity based on oil price projections over the following five years, and a terminal value thereafter was applied. 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 compensation expense, interest, and taxes ("EBITDA"), consistent with the assumption that a market participant would make. The Corporation used a terminal growth rate of 4%. 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, taking into account the nature of the assets being valued and their specific risk profile. The Corporation used a pre-tax discount rate range of 16.5% to 18.4%. Changes in the general economic environment could result in significant changes to this estimate.

The commodity price environment in 2015 has created considerable uncertainty as to the level of exploration and development activity that will be undertaken by the majority of the Corporation's customers and considerably increases the estimation uncertainty associated with the future cash flows used in the impairment tests. Assumptions that are valid at the time of preparing the cash flow models may change significantly when new information becomes available.

The estimated value in use for the CGUs that were tested are particularly sensitive to the following estimates:

- For the rail transloading facilities CGU, an increase of 1% in the pre-tax discount rate and a 1% decrease in the terminal growth rate would have increased the impairment by approximately $2.6 million and $1.5 million, respectively.

10. IMPAIRMENT (continued)

- For the Drilling Services CGUs, an increase of 1% in the pre-tax discount rate and a 1% decrease in the terminal growth rate would have increased the impairment by approximately $11.1 million and $7.6 million, respectively.

The impairment of goodwill and intangible assets is recorded in the impairment line on the consolidated statements of comprehensive (loss) income.

11. LONG-TERM BORROWINGS

($000's)	Dec 31, 2015	Dec 31, 2014
Amount drawn on credit facility	262,000	398,500
Unamortized transaction costs	(1,317)	(1,115)
Total long-term borrowings	**260,683**	**397,385**

The Corporation has a $700.0 million syndicated credit facility (the "Credit Facility"). The Credit Facility consists of a $675.0 million extendible revolving term credit facility and a $25.0 million revolving operating facility. The Credit Facility includes an accordion feature which, if exercised and approved by the Corporation's lenders, would increase the Credit Facility by $100.0 million.

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

During the year, the maturity date of the Credit Facility was extended by one year, to September 26, 2019 (the "maturity date"). The Credit Facility includes an option for the Corporation to extend the maturity date (once per annum) to a maximum of four years from the extension request date, subject to the approval of the Corporation's lenders. Repayment of any amounts drawn on the facility would therefore be repayable on the maturity date if the Credit Facility was not extended.

The following covenants apply to the existing Credit Facility:

- The Senior Debt to EBITDA Ratio shall not exceed 3.5:1;
- The Total Debt to EBITDA Ratio shall not exceed 5.0:1; and
- The Interest Coverage Ratio, defined as EBITDA divided by interest expense on Total Debt, shall not be less than 2.5:1.

At December 31, 2015 and December 31, 2014, 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.

11. LONG-TERM BORROWINGS (continued)

The amount available under the Credit Facility is reduced by any outstanding letters of credit. As at December 31, 2015, the Corporation has $16.4 million (2014: $22.4 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 12) and crude oil marketing contracts.

($000's)	Dec 31, 2015	Dec 31, 2014
Credit facility	700,000	700,000
Amount drawn on credit facility	(262,000)	(398,500)
Letters of credit	(16,371)	(22,439)
Available amount	**421,629**	**279,061**

12. ASSET RETIREMENT OBLIGATIONS

($000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	72,439	38,791
Arising during the period through development activities	8,800	15,243
Revisions during the period	1,612	12,029
Accretion	1,581	1,154
Change in discount rate	(285)	6,189
Asset retirement obligations incurred	(1,647)	(1,564)
Foreign exchange effect	3,487	597
Balance - end of year	**85,987**	**72,439**

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, 2015 to be $86.0 million (December 31, 2014: $72.4 million) based on a total future liability of $136.0 million as at December 31, 2015 (December 31, 2014: $93.9 million). The Corporation used its risk-free interest rates of 0.5% to 2.8% (December 31, 2014: 1.0% to 2.5%) and an inflation rate of 3.0% to calculate the net present value of its asset retirement obligations at December 31, 2015 (December 31, 2014: 3.0%).

The Corporation expects to incur the majority of the costs over the next 25 years. The amount expected to be incurred within the next 12 months is related to the capping of a number of the Corporation's landfill cells and retirement of wells.

($000's)	Dec 31, 2015	Dec 31, 2014
Current	1,476	1,800
Non-current	84,511	70,639
Total asset retirement obligations	**85,987**	**72,439**

The Corporation has issued $17.2 million (December 31, 2014: $16.0 million) of performance bonds and $13.4 million (December 31, 2014: $12.7 million) for letters of credit issued by the Corporation's lenders in relation to the Corporation's asset retirement obligations.

13. SHAREHOLDERS' EQUITY

Authorized

Unlimited number of common voting shares of no par value.

Unlimited number of preferred shares of no par value, none of which have been issued.

	Number of Shares	Amount ($000's)
Balance, December 31, 2013	116,574,147	562,306
Options exercised	1,775,400	11,047
Restricted Share Units ("RSUs") exercised	50,357	676
Transfer from reserves in equity	-	3,760
Shares issued through Dividend Reinvestment Plan ("DRIP")	155,371	2,952
Shares issued as consideration for business combination (Note 5)	2,812,176	50,808
Share issue costs, net of tax	-	(320)
Balance, December 31, 2014	121,367,451	631,229
Options exercised	1,502,471	9,148
RSUs exercised	270,895	3,428
Transfer from reserves in equity	-	5,099
Bought deal equity financing	13,515,370	198,000
Shares issued through DRIP	686,598	7,105
Shares issued as consideration for business combination	365,342	3,957
Share issue costs, net of tax	-	(6,476)
Balance, December 31, 2015	**137,708,127**	**851,490**

As at December 31, 2015, there were 5,959,456 common shares of the Corporation held in escrow in conjunction with the Corporation's business combinations (2014: 9,528,483).

On March 24, 2015, the Corporation closed a bought deal financing (the "Offering") with a syndicate of underwriters, pursuant to which the underwriters agreed to purchase for resale to the public 13,515,370 common shares (including overallotment) of the Corporation at a price of $14.65 per common share for gross proceeds of $198.0 million. In connection with the Offering, the Corporation incurred approximately $8.5 million in transaction costs which included $7.9 million in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital.

The Corporation has 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.

13. SHAREHOLDERS' EQUITY (continued)

The Corporation declared dividends to holders of common shares for the year ended December 31, 2015, as follows:

	Dividend record date	Dividend payment date	Per common share ($)	Amount ($000's)
January	Jan 1, 2015	Jan 15, 2015	0.02	2,429
February	Feb 1, 2015	Feb 16, 2015	0.02	2,429
March	Mar 1, 2015	Mar 16, 2015	0.02	2,433
April	April 1, 2015	April 15, 2015	0.02	2,715
May	May 1, 2015	May 15, 2015	0.02	2,721
June	June 1, 2015	June 15, 2015	0.02	2,727
July	July 1, 2015	July 15, 2015	0.02	2,729
August	Aug 1, 2015	Aug 17, 2015	0.02	2,740
September	Sept 1, 2015	Sept 15, 2015	0.02	2,744
October	Oct 1, 2015	Oct 15, 2015	0.02	2,747
November	Nov 1, 2015	Nov 16, 2015	0.02	2,750
December	Dec 1, 2015	Dec 15, 2015	0.02	2,751
Total dividends declared during the year				**31,915**

Of the dividends declared, $7.1 million were reinvested in additional common shares through the DRIP for the year ended December 31, 2015 (2014: $3.0 million). The Corporation has 415,668 common shares reserved for issue under the DRIP as at December 31, 2015 (2014: 402,266).

Subsequent to December 31, 2015, the Corporation declared dividends to holders of common shares in the amount of $0.02 per common share payable on January 15, February 16, and March 15, 2016, for shareholders of record on January 1, February 1, and March 1, 2016, respectively.

14. SHARE-BASED COMPENSATION PLANS

The Corporation has share-based compensation plans (the "Plans") under which the Corporation may grant share options, RSUs and PSUs to its employees and consultants. In addition the Corporation has a DSU plan for non-employee directors of the Corporation.

The aggregate number of common shares issuable pursuant to the exercise of options, RSUs, and PSUs 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.

14. SHARE-BASED COMPENSATION PLANS (continued)

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

	Dec 31, 2015		Dec 31, 2014	
	Outstanding options	Weighted average exercise price ($)	Outstanding options	Weighted average exercise price ($)
Balance - beginning of year	7,665,806	12.45	7,519,300	9.03
Granted	3,558,968	11.59	2,211,571	19.29
Exercised	(1,502,471)	6.08	(1,775,400)	6.22
Forfeited	(1,113,433)	15.13	(289,665)	13.92
Balance - end of year	**8,608,870**	**12.88**	**7,665,806**	**12.45**
Exercisable - end of year	**3,516,903**	**12.06**	**3,210,619**	**8.34**

The following table summarizes information about share options outstanding as at December 31, 2015:

	Options outstanding			Options exercisable	
Exercise price ($)	Outstanding options	Weighted average exercise price ($)	average remaining term (years)	Outstanding options	Weighted average exercise price ($)
5.80 - 7.80	670,128	7.72	1.3	670,128	7.72
7.81 - 8.00	1,711,693	7.82	4.9	38,311	7.88
8.01 - 11.00	1,173,510	9.25	1.6	1,043,066	9.13
11.01 - 15.00	1,691,760	13.20	2.5	977,103	13.09
15.01 - 17.00	1,632,726	15.68	3.8	211,314	16.28
17.01 - 25.51	1,729,053	19.39	3.4	576,981	19.39
	8,608,870	**12.88**	**3.2**	**3,516,903**	**12.06**

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

For the years ended	Dec 31, 2015	Dec 31, 2014
Volatility factor of expected market price (%)	40.8	38.0
Weighted average risk-free interest rate (%)	0.8	1.3
Weighted average expected life in years	4.0	4.0
Weighted average expected annual dividends per share (%)	2.3	1.1
Weighted average fair value per option ($)	3.15	5.54
Weighted average forfeiture rate (%)	6.5	5.5

14. SHARE-BASED COMPENSATION PLANS (continued)

RSU plan

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

Unless otherwise directed by the Board of Directors, one third of each RSU grant vests and is redeemed on each of the first, second, and third anniversaries of the date of grant. RSUs terminate and cease to be redeemable on December 31st 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, 2015	Dec 31, 2014
Balance - beginning of year	843,913	171,932
Granted	1,226,134	783,010
Redeemed for common shares	(270,895)	(50,357)
Forfeited	(450,273)	(60,672)
Balance - end of year	**1,348,879**	**843,913**

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, using the following weighted average assumptions:

For the years ended	Dec 31, 2015	Dec 31, 2014
Weighted average expected life in years	2.1	2.0
Weighted average expected annual dividends per share (%)	1.7	1.0
Weighted average fair value per RSU ($)	13.80	20.11
Weighted average forfeiture rate (%)	14.3	7.7

PSU plan

The Corporation has a PSU plan which allows the Corporation to issue PSUs to senior management that are redeemable for the issuance of common shares. 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.

The following table summarizes the PSUs outstanding:

	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	21,620	-
Granted	133,088	21,620
Balance - end of year	**154,708**	**21,620**

The fair value of the PSUs issued is determined on the grant date based on the market price of the common shares on the grant date, using the following weighted average assumptions:

For the years ended	Dec 31, 2015	Dec 31, 2014
Weighted average expected life in years	3.0	2.0
Weighted average expected annual dividends per share (%)	1.6	0.9
Weighted average fair value per PSU ($)	14.79	18.12
Weighted average forfeiture rate (%)	-	-

14. SHARE-BASED COMPENSATION PLANS (continued)

DSU Plan

The Corporation has a 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 holder resigning from the Board of Directors. A summary of the status of the Corporation's DSU plan is as follows:

	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	79,427	52,220
Granted	33,583	27,207
Balance - end of year	**113,010**	**79,427**
Exercisable - end of year	**113,010**	**79,427**

As at December 31, 2015, $0.7 million (2014: $1.3 million) was included in accounts payable and accrued liabilities for outstanding DSUs and share-based compensation included in the statements of consolidated (loss) income was a recovery of $0.7 million for the year ended December 31, 2015 (2014: expense of $0.4 million).

Employee Share Ownership Plan

The Employee Share Ownership Plan ("ESOP") allows employees to contribute up to 20% of their base salaries to purchase common shares of Secure. The Corporation suspended its matching of employee contributions in March 2015. Prior to the suspension of the employer matching program, the Corporation incurred expense of $0.5 million for 2015 (2014: $2.2 million) which is recognized in either direct expenses or general and administrative expenses on the consolidated statements of comprehensive (loss) income.

Prior to the suspension of the employer matching program, the Corporation matched 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.

15. EARNINGS PER COMMON SHARE

The following reflects the share data used in the basic and diluted (loss) earnings per share computations:

	For the years ended	
	Dec 31, 2015	Dec 31, 2014
Weighted average number of shares for basic (loss) earnings per share	133,380,634	119,272,994
Effect of dilution:		
Options, RSUs and PSUs	-	3,091,425
Weighted average number of shares for diluted (loss) earnings per share	**133,380,634**	**122,364,419**

The above table excludes all options, RSUs and PSUs for the year ended December 31, 2015, (2014: 90,343 options, RSUs, and PSUs) as they are considered to be anti-dilutive.

16. INCOME TAXES

($000's)	Dec 31, 2015	Dec 31, 2014
Current tax (recovery) expense		
Current year	(10,452)	17,701
Adjustments related to prior years	342	78
	(10,110)	17,779
Deferred tax (recovery) expense		
Current year	(13,950)	4,901
Adjustments related to prior years	-	(2,039)
	(13,950)	2,862
Total tax (recovery) expense	(24,060)	**20,641**

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rates of 26.1% (2014: 25.00%) to (loss) earnings before income taxes for the following reasons:

($000's)	Dec 31, 2015	Dec 31, 2014
(Loss) earnings for the year before tax	(183,930)	51,292
Combined federal and provincial income tax rate	26.10%	25.00%
Expected combined federal and provincial income tax (recovery) expense	(48,006)	12,823
Foreign and other statutory rate differentials	(2,030)	1,286
Non-deductible impairments	18,321	4,152
Share-based compensation	5,238	3,850
Non-deductible expenses	2,075	491
Adjustments related to prior years	342	(1,961)
Total income tax (recovery) expense	(24,060)	**20,641**

16. INCOME TAXES (continued)

The components of the net deferred tax liabilities as at December 31, 2015 and 2014 are as follows:

($000's)	Dec 31, 2015	Dec 31, 2014
Deferred tax assets:		
Non-capital loss carry forwards	36,190	19,977
Property, plant and equipment	18,740	361
Share issue costs	2,721	1,558
Asset retirement obligations	3,294	10,506
Goodwill and intangible assets	7,129	-
Other	6,075	10,492
	74,149	42,894
Deferred tax liabilities:		
Property, plant and equipment	(85,064)	(67,563)
Goodwill and intangible assets	(12,706)	(17,524)
Other	(842)	(280)
	(98,612)	(85,367)
Net deferred tax liabilities	(24,463)	(42,473)
Deferred tax assets by jurisdiction:		
Canada	29,062	11,104
U.S.	44,607	27,638
	73,669	38,742
Deferred tax liabilities by jurisdiction:		
Canada	(66,957)	(54,232)
U.S.	(31,175)	(26,983)
	(98,132)	(81,215)
Net deferred tax liabilities	(24,463)	(42,473)

Included above in deferred tax assets is $93.5 million (2014: $52.9 million) of gross non-capital losses that can be carried forward to reduce taxable income in future years. The gross non-capital losses in the U.S. are $89.0 million (2014: $48.0 million) and expire between 2029 and 2035. The gross non-capital losses in Canada are $4.5 million (2014: $4.9 million) and expire between 2028 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.

16. INCOME TAXES (continued)

The movements in the Corporation's temporary differences are as follows:

($000's)	Dec 31, 2015	Dec 31, 2014
Movement in net deferred tax assets and liabilities		
Net deferred tax liabilities at beginning of year	(42,473)	(35,630)
Recovery (expense) for the year in net (loss) earnings	13,950	(2,168)
Deferred tax liabilities from acquisitions	(577)	(1,980)
Foreign exchange adjustments and other	4,637	(2,695)
Net deferred tax liabilities	(24,463)	(42,473)

17. DIRECT EXPENSES

Included in direct expenses for the year ended December 31, 2015 is employee compensation and benefits of $101.2 million (2014: $107.5 million).

18. OTHER INCOME

($000's)	Dec 31, 2015	Dec 31, 2014
Realized foreign exchange (gain)	(12,280)	-
Onerous lease expense	5,751	-
Other (income)	(6,529)	-

Included in other income is recognition of foreign exchange gains on the translation of the Corporation's interest in its foreign subsidiary and cumulative operating losses of the DS U.S. division that was included in the foreign currency translation reserve in equity. These operations were substantively liquidated by December 31, 2015.

Onerous lease expense relates to a provision for unused office space as a result of reduced staff levels within the Corporation during the year ended December 31, 2015.

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, derivative liability, and long-term borrowings. The fair values of the Corporation's financial instruments are as follows:

	December 31, 2015				
($000's)	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Carrying amount	Fair value amount
Financial assets:					
Cash	4,863	-	-	4,863	4,863
Accounts receivable and accrued receivables	125,358	-	-	125,358	125,358
	130,221	-	-	130,221	130,221
Financial liabilities:					
Accounts payable and accrued liabilities	-	-	86,710	86,710	86,710
Derivative liability	-	75	-	75	75
Long-term borrowings	-	-	260,683	260,683	262,000
	-	75	347,393	347,468	348,785

	December 31, 2014				
($000's)	Loans and receivables	Fair value through profit and loss	Other financial liabilities	Carrying amount	Fair value amount
Financial assets:					
Cash	4,882	-	-	4,882	4,882
Accounts receivable and accrued receivables	228,642	-	-	228,642	228,642
	233,524	-	-	233,524	233,524
Financial liabilities:					
Accounts payable and accrued liabilities	-	-	193,046	193,046	193,046
Derivative liability	-	75	-	75	75
Long-term borrowings	-	-	397,385	397,385	398,500
	-	75	590,431	590,506	591,621

The carrying value of cash, accounts receivable and accrued receivables, and accounts payable and accrued liabilities is estimated to be their fair value. This is due to the fact that transactions which give rise to these balances arise in the normal course of trade, have industry standard payment terms and are of a short-term nature. Derivative liabilities are stated at fair value as they are revalued at each reporting period based on observable inputs from foreign currency curves.

The Corporation's long term-borrowings are recorded at amortized cost using the effective interest rate method ("EIR"). 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 interest, accretion and finance costs on the consolidated statements of comprehensive (loss) income. The carrying 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 by fair value hierarchy. The different levels have been defined in Note 2 (k):

	December 31, 2015			
($000's)	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term borrowings	-	262,000	-	262,000
Forward currency contracts	-	75	-	75
Total financial liabilities	-	262,075	-	262,075

	December 31, 2014			
($000's)	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term borrowings	-	398,500	-	398,500
Forward currency contracts	-	75	-	75
Total financial liabilities	-	398,575	-	398,575

There were no transfers between levels in the hierarchy in the year ended December 31, 2015 (2014: 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 hedge commodity price risk associated with crude oil and drilling fluids inventory at this time.

19. FINANCIAL INSTRUMENTS (continued)

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.

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. At December 31, 2015, the Corporation's open position was not significant.

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.

19. FINANCIAL INSTRUMENTS (continued)

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

($000's)	Dec 31, 2015	Dec 31, 2014
Less than 30 days	67,130	105,189
31 to 60 days	18,336	42,128
61 to 90 days	5,377	11,311
Greater than 90 days	2,507	5,809
	93,350	164,437
Allowance for doubtful accounts	1,673	908

The balance of $67.1 million under 30 days includes $25.2 million of crude oil contracts settled as part of the trading activities for December 2015. The entire amount of $25.2 million is due from 21 counterparties and relates to crude oil payments, which as part of industry practice, are settled within 30 days of the production month. The remainder of accounts receivable and accrued receivables relates to accrued and non-trade receivables.

The counterparties noted above 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 87% of the counter parties have a credit rating of B or higher.

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

($000's)	Dec 31, 2015	Dec 31, 2014
Balance - beginning of year	908	489
Additional allowance	1,547	1,694
Amounts used	(807)	(1,284)
Foreign exchange effect	25	9
Balance - end of year	1,673	908

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, 2015, $2.5 million (2014: $5.8 million) of accounts receivable are past due and a provision of $1.7 million (2014: $0.9 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.

19. FINANCIAL INSTRUMENTS (continued)

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 (loss) earnings before income taxes for the year would be approximately $2.7 million lower/higher for the year ended December 31, 2015 (2014: $2.5 million).

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

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, 2015, the Corporation has $4.9 million in cash and $421.6 million available on its revolving credit facility (Note 11). 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 1-5 years	Greater than 5 years
Accounts payable and accrued liabilities	86,710	-	-
Derivative liability	75	-	-
Finance and operating lease obligations	22,332	50,056	8,888
Long-term borrowings	7,820	284,144	-
	116,937	**334,200**	**8,888**

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 Corporation also has loans that are considered to form part of the net investment and foreign exchange gains and losses are therefore recognized in the foreign currency translation reserve. The Corporation manages and mitigates foreign currency risk by monitoring exchange rate trends, forecasted economic conditions, and forward currency contracts.

19. FINANCIAL INSTRUMENTS (continued)

The Corporation entered into forward currency contracts during the year to manage the foreign currency risk that arises from the purchase and sale of crude oil in the PRD division. Derivative financial instruments are measured at fair value through profit and loss. Derivative instruments are recorded on the consolidated statement of financial position at fair value. Changes in the fair value of these financial instruments are recognized in net (loss) earnings in the period in which they arise.

The fair values and carrying values of the derivative instruments are listed below and represent an estimate of the amount that the Corporation would receive (pay) if these instruments were settled at the end of the year:

As at December 31, 2015	Notional Volume[1] ($US)	Weighted Average Price ($US)	Fair Value Hierchy Level	Fair Value $000's	Carrying Value $000's
Currency:					
Seller of forward contracts					
(matured Jan 25, 2016)	5,045,000	1.38	Level 2	(75)	(75)

[1]All notional amounts represent actual volumes or actual prices and are not expressed in thousands.

The unrealized loss related to the financial instruments for the year ended December 31, 2015 of $0.1 million (2014: $0.1 million) has been included in interest, accretion, and finance costs in the consolidated statements of comprehensive (loss) income. The associated derivative liability has been recorded in accounts payable as at December 31, 2015. The Corporation also has USD payables related to crude oil marketing activities which offset the loss on forward contracts to a nominal amount.

A 10% increase or decrease in foreign exchange rates would result in a $1.6 million decrease or increase in the Corporation's consolidated (loss) earnings before income taxes for the year ended December 31, 2015 (2014: $0.5 million).

20. CAPITAL MANAGEMENT

The capital structure of the Corporation consists of the following:

($000's)	Dec 31, 2015	Dec 31, 2014
Current assets	**212,912**	312,119
Current liabilities	**(97,134)**	(211,265)
Long-term borrowings	**262,000**	398,500
Shareholders' equity	**824,512**	762,295
	1,202,290	**1,261,649**

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, payment of dividends 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 amounts drawn on debt facilities and shareholders' equity as the components of capital to be managed.

20. CAPITAL MANAGEMENT (continued)

The Corporation's overall capital management strategy remains unchanged in 2015. 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 11).

21. RELATED PARTY DISCLOSURES

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 14) to its executive officers. In addition, the Corporation provides compensation to both its executive officers and directors under its share-based compensation plans (Note 14).

The compensation related to key management personnel is as follows:

($000's)	Dec 31, 2015	Dec 31, 2014
Salaries and short-term employee benefits	2,549	4,754
Share-based compensation	3,696	2,973
	6,245	7,727

22. COMMITMENTS AND CONTINGENCIES

As at December 31, 2015

($000's)	Payments due by period 1 year or less	1-5 years	5 years and thereafter	Total
Finance leases	9,174	7,302	-	16,476
Operating leases	13,158	42,754	8,888	64,800
Crude oil transportation	20,734	84,490	51,008	156,232
Inventory purchases	11,533	34,600	-	46,133
Capital commitments	5,736	-	-	5,736
Total commitments	**60,335**	**169,146**	**59,896**	**289,377**

Finance lease commitments

The Corporation has entered into finance lease agreements for computer equipment, vehicles, and mobile equipment. The average lease term is three years (2014: 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 rates ranging from 0.0% to 6.4% (2014: 0.0% to 6.4%) per annum.

Operating lease commitments

The Corporation has entered into operating land lease agreements for the Corporation's facilities. In addition, the Corporation has entered into operating leases for office and warehouse spaces.

Crude oil transportation commitments

Included in this number are committed crude oil volumes for pipeline throughput at certain of the Corporation's pipeline connected Full Service Terminals (FSTs). This amount reflects the total payment that would have to be made should the Corporation not fulfill the committed pipeline volumes. Additionally, the Corporation has certain rail car operating lease commitments.

Inventory purchase commitments

The Corporation has inventory purchase commitments related to its minerals product plant in order to meet expected operating requirements.

Capital commitments

The amounts relate 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 addition to the items in the table above, the Corporation is committed to purchasing commodities for use in its normal course of operations.

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.

22. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

On December 21, 2007, Tervita Corporation ("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 $97.8 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, including conduct related to Tervita's acquisition of Complete Environmental Inc., the previous owner of the Babkirk landfill in northeast British Columbia.

The Corporation is a defendant and plaintiff in various other 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.

23. OPERATING SEGMENTS

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 three reportable operating segments, as described in Note 1. The Corporation also reports activities not directly attributable to an operating segment under Corporate. 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 and officers.

($000's)

Year ended December 31, 2015	PRD division	DS division	OS division	Corporate	Total
Revenue	1,028,261	192,076	126,088	-	1,346,425
Direct expenses	(904,042)	(165,981)	(93,961)	-	(1,163,984)
Operating margin	**124,219**	**26,095**	**32,127**	**-**	**182,441**
General and administrative expenses	(23,948)	(25,564)	(8,707)	(5,192)	(63,411)
Share-based compensation	-	-	-	(19,829)	(19,829)
Business development expenses	-	-	-	(11,649)	(11,649)
Depreciation, depletion and amortization	(81,379)	(30,621)	(13,616)	(545)	(126,161)
Interest, accretion and finance costs	(1,581)	-	-	(10,517)	(12,098)
Impairment	(65,098)	(74,654)	-	-	(139,752)
Other (expense) income	(3,680)	10,209	-	-	6,529
(Loss) earnings before tax	**(51,467)**	**(94,535)**	**9,804**	**(47,732)**	**(183,930)**

Year ended December 31, 2014	PRD division	DS division	OS division	Corporate	Total
Revenue	1,748,342	398,965	124,344	-	2,271,651
Direct expenses	(1,584,733)	(299,739)	(91,869)	-	(1,976,341)
Operating margin	**163,609**	**99,226**	**32,475**	**-**	**295,310**
General and administrative expenses	(25,505)	(29,093)	(6,458)	(8,389)	(69,445)
Share-based compensation	-	-	-	(15,422)	(15,422)
Business development expenses	-	-	-	(15,477)	(15,477)
Depreciation, depletion and amortization	(67,442)	(22,139)	(10,532)	(851)	(100,964)
Interest, accretion and finance costs	(1,154)	-	-	(9,296)	(10,450)
Impairment	(15,704)	(16,556)	-	-	(32,260)
Earnings (loss) before tax	**53,804**	**31,438**	**15,485**	**(49,435)**	**51,292**

($000's)

As at December 31, 2015	PRD division	DS division	OS division	Corporate	Total
Current assets	90,200	92,720	29,992	-	212,912
Total assets	944,915	273,457	88,030	9,018	1,315,420
Goodwill	-	-	11,127	-	11,127
Intangible assets	4,222	55,556	10,545	-	70,323
Property, plant and equipment	850,493	111,750	36,365	9,018	1,007,626
Current liabilities	60,905	22,078	14,151	-	97,134
Total liabilities	168,710	44,829	16,686	260,683	490,908

As at December 31, 2014	PRD division	DS division	OS division	Corporate	Total
Current assets	104,874	169,084	38,161	-	312,119
Total assets	959,980	426,002	100,183	9,952	1,496,117
Goodwill	30,397	70,125	11,128	-	111,650
Intangible assets	45,809	62,536	15,757	-	124,102
Property, plant and equipment	778,899	121,347	35,137	9,952	945,335
Current liabilities	141,569	45,628	24,068	-	211,265
Total liabilities	239,102	68,778	28,557	397,385	733,822

23. OPERATING SEGMENTS (continued)

Geographical Financial Information

($000's)	Canada		US		Total	
Year ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Revenue	**1,273,383**	2,185,645	**73,042**	86,006	**1,346,425**	2,271,651
As at December 31,						
Total non-current assets	**930,713**	1,006,518	**171,795**	177,480	**1,102,508**	1,183,998

Corporate Information

DIRECTORS

Rene Amirault - Chairman
Brad Munro [(1) (2) (3)]
David Johnson [(2) (3) (4)]
Daniel Steinke [(4)]
Kevin Nugent [(1) (3)]
Murray Cobbe [(1) (2)]
Shaun Paterson [(1) (4)]

OFFICERS

Rene Amirault
President & Chief Executive Officer

Allen Gransch
Executive Vice President & Chief Financial Officer

Brian McGurk
Executive Vice President, Human Resources & Strategy

Corey Higham
Executive Vice President, Midstream

Daniel Steinke
Executive Vice President, Operations, PRD

David Mattinson
Executive Vice President, OnSite Services

George Wadsworth
Executive Vice President, Drilling Services & USA Operations

STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SES

AUDITORS

KPMG LLP
Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP
Calgary, Alberta

BANKERS

Alberta Treasury Branches

TRANSFER AGENT AND REGISTRAR

Computershare
Calgary, Alberta

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

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