MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Months ended March 31, 2016 and 2015

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 May 2, 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 months ended March 31, 2016 to the three months ended March 31, 2015 and should be read in conjunction with the Corporation's condensed consolidated financial statements and notes thereto for the three month periods ended March 31, 2016 and 2015 ("Interim Financial Statements") and the Corporation's annual audited consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014 ("Annual 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 AND PRODUCTION SERVICES DIVISION ("DPS")

The DPS division, formerly referred to as the Drilling Services or 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 currently 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 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.); 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; and 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, DPS 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").

OPERATIONAL AND FINANCIAL HIGHLIGHTS

During the first quarter of 2016, oil and gas producers continued to reduce capital spending and activity levels in response to the persistent low crude oil and natural gas prices, which decreased compared to the end of 2015. In addition, spring break-up conditions commenced at the end of February, significantly shortening the typical length of the winter drilling season. The impact of these factors to Secure's operating and financial results in the quarter were partially mitigated by ongoing production related volumes in the PRD division and diversification of services offered across the Corporation. As a result, Secure realized Adjusted EBITDA of $25.1 million, demonstrating resilience during a period of reduced oil and gas activity levels. The continued weakness in commodity pricing continues to have the most significant impact on the DPS divisional results as the majority of operations are currently tied to drilling activity.

During the quarter, Secure strengthened its financial position by completing a bought deal equity financing raising gross proceeds of $149.6 million, consistent with the Corporation's disciplined approach to maintaining a strong balance sheet to effectively manage the business through a period of lower commodity pricing and industry activity.

On May 2, 2016, the Corporation entered into an agreement to acquire all of the operating assets (excluding working capital) of PetroLama Energy Canada Inc. ("PetroLama") for an aggregate purchase price of approximately $53.5 million, subject to certain customary closing conditions ("the Acquisition"). PetroLama is a privately owned Calgary-based midstream company specializing in the physical trade, storage, terminalling and transport of crude oil from western Canada to the North American market. PetroLama's main asset is a crude oil terminal in Alida, Saskatchewan which is connected to the Enbridge Pipelines (Saskatchewan) Inc. pipeline system and includes truck unload risers and storage tanks. Under the terms of the Acquisition, Secure will also acquire various marketing contracts relating to the purchase, sale and transportation of propane, butane and condensate, including access to crude oil storage at Cushing, Oklahoma.

The Acquisition provides Secure with an attractive entry point into the southeast Saskatchewan midstream market. Secure will be able to expand its market presence and enhance its current service offering for continued midstream growth. The Alida terminal, a facility constructed in 2013, is uniquely positioned for sustainable cash flow generation in a new market area. Secure expects to leverage PetroLama's existing business into further growth opportunities and build upon PetroLama's strong relationships with oil producers, marketers and refiners with its breadth of oil and gas services. Secure expects its size and strong history of operational expertise in the PRD division will allow the Corporation to achieve certain operating efficiencies.

In addition to the foregoing, Secure is continuing to seek out and evaluate opportunities that will provide meaningful growth for the remainder of 2016, into 2017 and beyond.

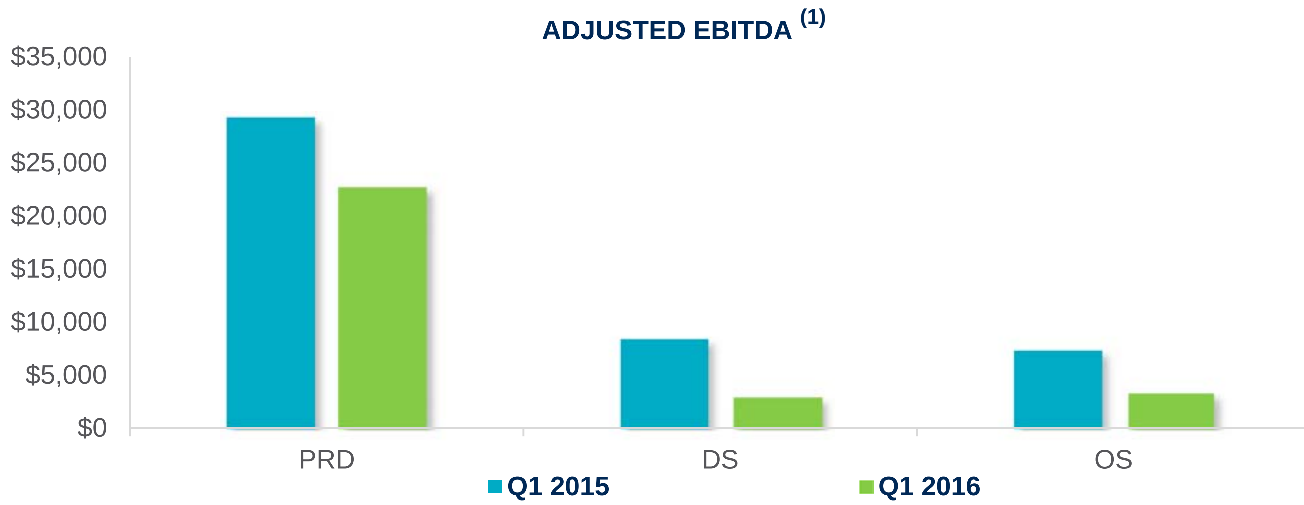
The operating and financial highlights for the three months periods ending March 31, 2016 and 2015 can be summarized as follows:

($000's except share and per share data)	Three months ended Mar 31, 2016	2015	% change
Revenue (excludes oil purchase and resale)	**102,267**	169,652	(40)
Oil purchase and resale	**106,865**	196,895	(46)
Total revenue	**209,132**	366,547	(43)
Adjusted EBITDA (1)	**25,083**	40,036	(37)
Per share ($), basic	**0.18**	0.33	(45)
Net (loss) earnings	**(10,066)**	(3,223)	212
Per share ($), basic	**(0.07)**	(0.03)	133
Per share ($), diluted	**(0.07)**	(0.03)	133
Adjusted net (loss) earnings (1)	**(8,598)**	856	(1,104)
Per share ($), basic	**(0.06)**	0.01	(700)
Funds from operations (1)	**22,559**	36,225	(38)
Per share ($), basic	**0.16**	0.30	(47)
Dividends per common share	**0.06**	0.06	-
Capital expenditures (1)	**21,489**	42,084	(49)
Total assets	**1,267,835**	1,465,364	(13)
Net debt (1)	**16,723**	133,140	(87)
Common Shares - end of period	**157,932,560**	135,824,597	16
Weighted average common shares - basic and diluted	**140,015,143**	122,689,850	14

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

- REVENUE OF $209.1 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2016
  - Total processing, recovery and disposal volumes at PRD facilities for the three months ended March 31, 2016 decreased over the 2015 comparative period as low oil prices and early spring break-up conditions negatively impacted volumes at PRD facilities from drilling and completion related activities. Additionally, average crude oil prices decreased 24% in the first quarter of 2016 compared to the same period in 2015, which directly impacted recovered oil revenue. The impact of the above to the PRD division's revenue was partially mitigated by ongoing production related volumes and the addition of facilities in 2015, which included the construction and commissioning of Tulliby Lake FST, Big Mountain SWD, and Wonowon SWD, and the conversion of the Rycroft FSR and 13 Mile FST. Overall, this resulted in the PRD division achieving revenue (excluding oil purchase and resale) of $48.7 million in the three months ended March 31, 2016, down 30% from the same period in 2015;
  - Oil purchase and resale revenue in the PRD division for the three months ended March 31, 2016 decreased by 46% from 2015 to $106.9 million. The average price of crude oil declined by 24% compared to the three months ended March 31, 2015, 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 DPS division is strongly correlated with oil and gas drilling activity in the Western Canadian Sedimentary Basin ("WCSB"), where the rig count in the quarter was nearly half the 2015 first quarter levels. As a result, DPS division revenue correspondingly decreased by 43% to $35.2 million in the three months ended March 31, 2016;
  - OS division revenue decreased 41% from the first quarter of 2015 to $18.4 million. The decrease is primarily due to reduced Projects revenue resulting from the completion of a major demolition job in the first quarter of 2015 for which there was no equivalent in the three months ending March 31, 2016, and lower completion activities given the current oil price and early spring break-up conditions primarily impacting both the Environmental and IFS service lines.

- ADJUSTED EBITDA OF $25.1 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2016
  - Diversification and integration across Secure's three divisions has contributed to positive Adjusted EBITDA for the three months ended March 31, 2016 as certain service lines are not as heavily impacted by drilling activity and commodity prices. Adjusted EBITDA totaled $25.1 million in the first quarter of 2016, a 37% decrease from the same period in 2015.
  - The following graph demonstrates the divisional impacts to Adjusted EBITDA, excluding Corporate costs, for the three months ending March 31, 2016 and 2015.



Notes:
(1) Refer to "Non-GAAP measures and operational definitions" 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 DPS division as the majority of operations are currently tied to drilling operations. The decrease in the PRD division was partially offset by ongoing production related volumes, the construction of new facilities in 2015 and expansions at certain of the Corporation's existing facilities in the past year, and cost saving initiatives implemented in 2015 which both improved operating margin and reduced general and administrative costs. The impact to the OS division was somewhat mitigated by geographic expansion, diversified service lines and integrated service offerings.

- NET LOSS OF $10.1 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2016
  - For the three months ended March 31, 2016, Secure's net loss of $10.1 million, compared to net loss of $3.2 million in the three months ended March 31, 2015, is primarily a result of the factors discussed above impacting Adjusted EBITDA, offset partially by lower general and administrative expenses, business development expenses and share-based compensation as the Corporation is realizing the cost saving initiatives implemented in 2015. Secure has significantly reduced personnel levels to match current industry activity levels, as well as reduced discretionary spending and streamlined and consolidated support functions where possible.

- CAPITAL EXPENDITURES OF $21.5 MILLION FOR THE THREE MONTHS ENDED MARCH 31, 2016
  - Total capital expenditures for the three months ended March 31, 2016 of $21.5 million includes:
    - Progress of construction of the Kakwa FST which is expected to be completed and commissioned in the third quarter of 2016;
    - Disposal well expansions at the Kaybob and Big Mountain SWD facilities;
    - Sustaining capital expenditures at existing facilities required to maintain ongoing business operations.

- STRATEGIC ACQUISITION
  - Subsequent to quarter end, Secure entered into an agreement to acquire the operating assets (excluding working capital) of PetroLama Energy Canada Inc. for an aggregate purchase price of approximately $53.5 million, subject to certain customary closing conditions. The purchase price will be paid with approximately $47.7 million in cash and the balance of approximately $5.8 million through the issuance of common shares of the Corporation ("Common Shares"). Secure has also agreed to purchase PetroLama's inventory on hand at closing. The expected range for PetroLama's contribution to consolidated Adjusted EBITDA for the next twelve months is anticipated to be approximately $8.0 to $9.0 million. The Acquisition will have an effective date of May 1, 2016 and is expected to close on or about June 1, 2016, subject to all necessary approvals being obtained.
- FINANCIAL FLEXIBILITY
  - On March 22, 2016, the Corporation completed a bought deal common share financing (the "offering"), issuing a total of 19,550,000 Common Shares at a price of $7.65 per Common Share for gross proceeds of $149.6 million. In the short term, the proceeds of the offering will be used to repay outstanding debt and fund the cash portion of the PetroLama acquisition, and eventually will be used to fund capital expenditures, for strategic acquisition opportunities, and/or general working capital purposes.
  - Secure's total long-term borrowings as at March 31, 2016 were $119.0 million compared to $262.0 million at December 31, 2015. 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 March 31, 2016. Secure's debt to trailing twelve month EBITDA ratio, where EBITDA is defined in the lending agreement 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 1.2 as at March 31, 2016 compared to 2.2 as at December 31, 2015. The Corporation is required under its credit facility to maintain a debt to EBITDA ratio of 3.5 to 1.0.
  - As at March 31, 2016, the Corporation had $549.9 million available under its credit facility, subject to maintaining the debt to EBITDA ratio described above.

OUTLOOK

The Corporation remains well positioned in the current industry environment. The offering completed during the first quarter further strengthened the Corporation's balance sheet and has provided Secure with significant flexibility to seek out and evaluate opportunities that will provide accretive growth to the Corporation in 2016 and beyond. The acquisition of PetroLama's assets will provide a solid platform for further midstream growth.

While crude oil prices have begun trending upwards in recent weeks, on average crude oil prices declined 24% in the first quarter of 2016 compared to the first quarter of 2015, and currently remain lower than the average price in 2015. Based on current activity levels and commodity prices, Secure anticipates an extended spring break-up period as customers delay drilling and completion activities in the current commodity price environment, including a slower ramp up of activity into the third quarter. For the second quarter specifically, Secure anticipates oil and gas producers will be unwilling to incur additional costs due to weather related issues if the oil and gas activity can be delayed into the summer months.

Secure will continue to evaluate and assess further 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. The Corporation expects to close the transaction to acquire all of the operating assets (excluding working capital) of PetroLama in the second quarter, which Secure believes will provide further opportunities to execute on the Corporation's midstream growth strategy.

During the remainder of the year, the Corporation will 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 $30 million in the remainder of 2016 on the following:

- Kakwa Full Service Terminal;
- Landfill expansions;
- Disposal well expansions;
- Additional tanks and risers;
- Maintenance expenditures.

Secure's key priorities for success in the remainder of 2016 include:

- Working with partners to reduce the overall cost structure, gain efficiencies and provide new services;
- Maintaining financial flexibility;
- 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");
- 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 gains 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 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 DPS division provides drilling fluids services by the number of days in the period.

DPS division market share

The DPS division market share is calculated by comparing active rigs the DPS division provides drilling fluids services to 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-current 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 non-recurring items: 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 Mar 31,		
($000's)	**2016**	**2015**	**% Change**
Net (loss) earnings	**(10,066)**	(3,223)	212
Add (deduct):			
Depreciation, depletion and amortization	**26,059**	26,897	(3)
Current tax (recovery) expense	**(2,690)**	(451)	496
Deferred tax (recovery) expense	**1,025**	1,230	(17)
Share-based compensation	**4,894**	6,118	(20)
Interest, accretion and finance costs	**3,850**	3,953	(3)
Restructuring (Drilling Services U.S.)	**-**	880	(100)
Inventory impairment	**-**	1,970	(100)
Severance and related costs	**2,011**	2,662	(24)
Adjusted EBITDA	**25,083**	40,036	(37)

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 on non-current assets 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 Mar 31,		
($000's)	**2016**	**2015**	**% Change**
Net (loss) earnings	**(10,066)**	(3,223)	212
Adjustments, net of estimated tax effect:			
Restructuring (Drilling Services U.S.)	**-**	651	(100)
Inventory impairment	**-**	1,458	(100)
Severance and related costs	**1,468**	1,970	(25)
Adjusted net (loss) earnings	**(8,598)**	856	(1,104)

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 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)	Mar 31, 2016	Dec 31, 2015	% Change
Long-term borrowings (principal amount)	**119,000**	262,000	(55)
Long-term finance lease liabilities	**5,695**	7,041	(19)
Current liabilities	**76,837**	97,134	(21)
Current assets	**(184,809)**	(212,912)	(13)
Net debt	**16,723**	153,263	(89)

Restructuring

Restructuring in the comparative period includes the operating results related to drilling services operations in the U.S. as these operations were wound down in the latter part of 2015.

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 SUBTOTALS

The additional subtotals described below do not have a standardized meaning 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.

($000's)	Three months ended Mar 31, 2016	2015	% Change
Net cash flow s from (used in) operating activities	**38,746**	(16,161)	(340)
Add:			
Interest paid	**2,075**	3,559	(42)
Income taxes paid	**1,784**	8,870	(80)
Non-cash w orking capital changes	**(20,094)**	39,885	(150)
Asset retirement obligations incurred	**48**	72	(33)
Funds from (used in) operations	**22,559**	36,225	(38)

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016

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 months ended March 31, 2016:

($000's)

Three months ended March 31, 2016	PRD division	DPS division	OS division	Corporate	Total
Revenue	155,571	35,207	18,354	-	209,132
Direct expenses	(129,688)	(29,727)	(13,767)	-	(173,182)
Operating margin	**25,883**	**5,480**	**4,587**	**-**	**35,950**
General and administrative expenses	(3,959)	(3,323)	(1,316)	(2,632)	(11,230)
Share-based compensation	-	-	-	(4,894)	(4,894)
Business development expenses	-	-	-	(1,648)	(1,648)
Depreciation, depletion and amortization	(16,200)	(5,851)	(3,683)	(325)	(26,059)
Interest, accretion and finance costs	(575)	-	-	(3,275)	(3,850)
(Loss) earnings before tax	**5,149**	**(3,694)**	**(412)**	**(12,774)**	**(11,731)**

Three months ended March 31, 2015	PRD division	DPS division	OS division	Corporate	Total
Revenue	266,389	68,864	31,294	-	366,547
Direct expenses	(230,725)	(57,164)	(21,825)	-	(309,714)
Operating margin	**35,664**	**11,700**	**9,469**	**-**	**56,833**
General and administrative expenses	(7,249)	(7,103)	(2,197)	(1,487)	(18,036)
Share-based compensation	-	-	-	(6,118)	(6,118)
Business development expenses	-	-	-	(4,273)	(4,273)
Depreciation, depletion and amortization	(17,482)	(6,048)	(3,241)	(126)	(26,897)
Interest, accretion and finance costs	(383)	-	-	(3,570)	(3,953)
(Loss) earnings before tax	**10,550**	**(1,451)**	**4,031**	**(15,574)**	**(2,444)**

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 Mar 31,		
($000's)	**2016**	**2015**	**% Change**
Revenue			
PRD services (a)	**48,706**	69,494	(30)
Oil purchase and resale service	**106,865**	196,895	(46)
Total PRD division revenue	**155,571**	266,389	(42)
Direct Operating Expenses			
PRD services	**22,823**	33,830	(33)
Deduct: non-recurring items			
Severance and related costs	**(535)**	(188)	185
PRD services less non-recurring items (b)	**22,288**	33,642	(34)
Oil purchase and resale service	**106,865**	196,895	(46)
Total PRD division direct operating expenses	**129,688**	230,725	(44)
Operating Margin [1] (a-b)	**26,418**	35,852	(26)
Operating Margin [1] as a % of revenue (a)	**54%**	52%	

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

Revenue (PRD division)

Processing, recovery and disposal revenue: Revenue of $48.7 million for the three months ended March 31, 2016, is down 30% from the 2015 comparative period, primarily as a result of lower drilling and completion activity impacting volumes and lower recovered oil revenue caused by the decrease in oil prices during the period. The decrease in oil prices since the first quarter of 2015, combined with an early spring break-up, has resulted in a 49% and 69% drop in industry rig counts in the WCSB and North Dakota, respectively, from the 2015 comparative period, which has resulted in a significant decline in volumes associated with drilling and completion activities in the Corporation's service areas. Production related services have been impacted to a lesser extent in the three months ended March 31, 2016 compared to the same period in 2015 due to ongoing production related volumes, the construction of new facilities in 2015 and expansions at certain of the Corporation's existing facilities in the past year. Accordingly, overall volumes in the period have only declined approximately 20%. In addition to the decrease in volumes, a 24% decrease in crude oil prices over the 2015 comparative period, primarily impacting recovered oil sales, have compounded the impact on revenue.

Oil purchase and resale revenue: Oil purchase and resale revenue in the PRD division for the three months ended March 31, 2016 decreased by 46% from the 2015 comparative period to $106.9 million. The price of crude oil declined by 24% for the three months ended March 31, 2016 from the 2015 comparative period which directly reduced revenues from oil sales and also resulted in lower volumes of oil being purchased and resold during the period. Oil purchase and resale service has no net impact on Secure's financial results as it has a nil operating margin.

Direct Operating Expenses (PRD division)

Direct operating expenses less non-recurring items from PRD services for the three months ended March 31, 2016 decreased 34% to $22.3 million from $33.6 million in the comparative period of 2015. The decrease in direct operating expenses relates primarily to fewer variable costs resulting from lower volumes in the quarter, fewer fixed costs associated with Secure's rail operations as the Corporation has reduced the cost structure associated with the rail transloading facilities to match current activity levels, upfront commissioning costs incurred in the first quarter of 2015 associated with the 13 Mile and Tulliby Lake FSTs and the Rycroft FSR (none in the three months ended March 31, 2016), and a decrease in employee and other costs resulting from cost saving initiatives implemented by the Corporation in 2015.

Operating margin as a percentage of revenue for the three months ended March 31, 2016 was 54%, a 2% increase from 52% in the comparative period of 2015. The impact to the operating margin for the three months ended March 31, 2016 compared to 2015 is due to operating efficiencies achieved as a result of cost saving initiatives implemented in 2015, including reducing employee costs, reduced costs associated with the Corporation's rail transloading facilities, and the elimination of start-up costs associated with new facilities commissioned in the first quarter of 2015. The favourable impact to operating margin was partially offset by lower drilling and completion volumes and reduced recovered oil sales.

Depreciation, Depletion and Amortization (PRD division)

	Three months ended Mar 31,		
($000's)	**2016**	**2015**	**% Change**
Depreciation, depletion and amortization	**16,200**	17,482	(7)

Depreciation, depletion and amortization expense relates primarily to the PRD division's facilities and landfills and includes any gains or losses on sale or disposal of equipment. For the three months ended March 31, 2016, depreciation, depletion and amortization expense decreased 7% to $16.2 million as a result of a reduction in the intangible asset balance due to impairments recorded in the second half of 2015, partially offset by new facilities commissioned or other equipment put into use since the first quarter of 2015.

General and Administrative (PRD division)

($000's)	Three months ended Mar 31, 2016	2015	% Change
General and administrative	**3,959**	7,249	(45)
Deduct: Non-recurring items			
Severance and related costs	**(296)**	(728)	(59)
General and administrative less non-recurring items	**3,663**	6,521	(44)
% of PRD services revenue	**8%**	**9%**	

General and administrative ("G&A") expenses less non-recurring items for the three months ended March 31, 2016 decreased 44% from the 2015 comparative period to $3.7 million as cost saving initiatives undertaken during 2015 are being realized. The Corporation continues to minimize future costs by streamlining operations in the current oil and gas price environment. As part of these initiatives, certain costs in the current year have been moved to the Corporate division. Non-recurring items relate to employee severance payments.

DPS DIVISION OPERATIONS

The DPS division consists of five complementary 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.

($000's)	Three months ended Mar 31, 2016	2015 [1]	% Change
Revenue			
Drilling and production services (a)	**35,207**	62,098	(43)
Direct Operating Expenses			
Drilling and production services	**29,727**	50,969	(42)
Deduct: non-recurring items			
Inventory impairment	**-**	(1,970)	(100)
Severance and related costs	**(661)**	(597)	11
Drilling and production services less non-recurring items (b)	**29,066**	48,402	(40)
Operating Margin [2] (a-b)	**6,141**	13,696	(55)
Operating Margin [2] as a % of revenue (a)	**17%**	22%	

[1] **Excludes the results from the U.S. operations. Refer to *Restructuring* in the "Non-GAAP measures and operational definitions".**
[2] **Refer to "Non-GAAP measures and operational definitions" for further information.**

Revenue (DPS division)

Revenue in the DPS division correlates 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 DPS division in the three months ended March 31, 2016. For the three months ended March 31, 2016, industry rig counts in the WCSB declined 49%, while meters drilled declined 40% from the 2015 comparative period. As a result, revenue from the DPS division for the three months ended March 31, 2016 decreased 43% to $35.2 million from $62.1 million in the comparative period of 2015. This decrease in revenues was consistent with Secure's expectation given the decline in drilling activity, combined with pricing pressures on services and rental rates. Revenue in the DPS 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 market share of 31% for the three months ended March 31, 2016 compared to 29% in the three months ended March 31, 2015. As the rig count has dropped over the 2015 comparative period, 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.

Secure continues diversification efforts in the DPS division through production chemicals expansion and ancillary offerings which should benefit the Corporation in the medium to long-term.

Direct Operating Expenses (DPS division)

The DPS division's direct operating expenses less non-recurring items for the three months ended March 31, 2016 decreased by 40% to $29.1 million from $48.4 million in the 2015 comparative period. Overall, the decrease in direct operating expenses over the 2015 comparative period was primarily due to decreased activity levels, the realization of cost saving initiatives implemented in 2015, and a reduction in cost of goods sold for oil based drilling fluids. However, the stronger U.S. dollar in the period impacted the cost of goods sourced from the U.S., specifically for specialty chemicals, which increased direct operating expenses.

The DPS division's operating margin for the three months ending March 31, 2016 was $6.1 million, down 55% compared to the same period in 2015. The DPS division's operating margin decreased as a result of the factors discussed above, combined with price discounts given to customers to reflect the depressed price of crude oil, a higher cost associated with specialty chemicals purchased from the U.S. due to foreign exchange movements, and a higher proportion of lower margin products sold when compared to the same period in 2015. As a result, operating margin as a percentage of revenue declined from 22% in the three months ended March 31, 2015 to 17% in the first quarter of 2016.

Depreciation and Amortization (DPS division)

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Depreciation and amortization	5,851	6,048	(3)

Depreciation and amortization expense relates primarily to rental equipment, and includes any gains or losses on sale or disposal of such equipment, and intangible assets resulting from acquisitions. For the three months ended March 31, 2016, depreciation and amortization expense decreased 3% from the 2015 comparative period primarily as a result of asset disposals from the U.S. operations in 2015 which has reduced the asset carrying balance, partially offset by increased amortization expense resulting from an acquisition completed in the third quarter of 2015, and a change to the useful life of certain customer relationship intangible assets at January 1, 2016 in light of the current economic environment. Refer to Note 2 of the Interim Financial Statements.

General and Administrative (DPS division)

($000's)	Three months ended Mar 31, 2016	2015 [1]	% Change
General and administrative	3,323	5,651	(41)
Deduct: Non-recurring items			
Severance and related costs	(165)	(410)	(60)
General and administrative less non-recurring items	3,158	5,241	(40)
% of Drilling and production services revenue	9%	8%	

[1] Excludes the results from the U.S. operations. Refer to *Restructuring* in the "Non-GAAP measures and operational definitions".

G&A expense less non-recurring items for the three months ended March 31, 2016 decreased 40% from the comparative period of 2015 as a result of cost saving initiatives undertaken during 2015 and reduced shared service allocations from Corporate. Non-recurring items relate to severance costs incurred as the Corporation eliminated positions in order to properly align staff with activity levels.

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 and treatment, recycling, pumping and storage solutions.

($000's)	Three months ended Mar 31, 2016	2015	% Change
Revenue			
OnSite services (a)	18,354	31,294	(41)
Direct Operating Expenses			
OnSite services	13,767	21,825	(37)
Deduct: non-recurring items			
Severance and related costs	(77)	(116)	(34)
OnSite services less non-recurring items (b)	13,690	21,709	(37)
Operating Margin [1] (a-b)	4,664	9,585	(51)
Operating Margin [1] as a % of revenue (a)	25%	31%	

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

Revenue (OS division)

Diversified service lines and integrated service offerings and organic growth partially mitigated reduced customer activity, which resulted in a 41% decrease in revenue from $31.3 million in the three months ended March 31, 2015 to $18.4 million in the three months ended March 31, 2016.

Projects revenue decreased 45% in the three months ended March 31, 2016 from the 2015 comparative period. Projects revenue is dependent on the type and size of jobs which vary quarter to quarter. The comparative period included a significant demolition job in northern Alberta. Excluding this job, Projects revenue increased 7% from the 2015 comparative period due primarily to a multi-year contract to manage a landfill in northern Alberta and diversified offerings to new geographic regions and sectors outside of the oil and gas industry.

Environmental services revenue for the three months ended March 31, 2016 decreased 29% from the 2015 comparative period as a result of reduced reclamation and remediation revenue resulting from deferred customer spending, and due to lower drilling waste revenue from decreases in drilling activity quarter over quarter. The decreases noted above were partially offset by increased bin revenue resulting from geographic expansion and growth in NORM related solution services.

Integrated fluids solutions revenue for the three months ended March 31, 2016 decreased 49% from the 2015 comparative period as a result of decreased completion and drilling activity. As well, an earlier than usual spring break-up reduced customer field activity therefore decreasing equipment utilization. Rental unit pricing decreased from prior quarters due to the competitive pressures from the current depressed industry environment.

Direct Operating Expenses (OS division)

Direct operating expenses less non-recurring items for the three months ended March 31, 2016 decreased 37% to $13.7 million from $21.7 million in the 2015 comparative period. Overall, the variance in direct operating expenses was a direct result of the change in activity and revenues from the 2015 comparative period.

The first quarter operating margin in the OS division of $4.7 million was lower than the prior year quarter due primarily to decreased revenues. Operating expenses generally correspond to revenue changes. As well, the quarter had a higher proportion of smaller projects which typically have lower associated operating margin when compared to the same period in 2015. The Onsite division's 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. The operating margin as a percentage of revenue for the OS division in the three months ended March 31, 2016 was 25% versus 31% in the comparative 2015 period. The margin percentage decrease was due to a significant higher margin demolition job completed in the first quarter of 2015. The operating margin as a percentage of revenue during the first quarter of 2016 was in line with the average margin for the year ended December 31, 2015 of 25%.

Depreciation and Amortization (OS division)

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Depreciation and amortization	**3,683**	3,241	14

Depreciation and amortization expense relates primarily to heavy duty field and rental equipment required to execute the OS division's services, and intangible assets arising from acquisitions. Depreciation and amortization expense for the three months ended March 31, 2016 increased 14% from the 2015 comparative period. The increase in depreciation expense is due to organic capital additions of various types of equipment for customer specific jobs.

General and Administrative (OS division)

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
General and administrative	**1,316**	2,197	(40)
Deduct: Non-recurring items			
Severance and related costs	**(6)**	-	100
General and administrative less non-recurring items	**1,310**	2,197	(40)
% of OnSite services revenue	**7%**	**7%**	

G&A expenses less non-recurring items for the three months ended March 31, 2016 decreased 40% to $1.3 million from $2.2 million in the comparative period of 2015. G&A expenses in the three months ended March 31, 2016 decreased due to lower volumes of activity, reduced shared service allocations from Corporate, and cost saving initiatives taken across the organization.

CORPORATE INCOME AND EXPENSES

Corporate General and Administrative Expenses

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Corporate general and administrative	2,632	1,487	77
Severance and related costs	(80)	-	100
General and administrative less non-recurring items	2,552	1,487	72

Included in corporate G&A expenses are all public company costs, salaries, and office costs relating to corporate employees and officers. Compared to the same period in 2015, corporate G&A expenses less non-recurring items increased 72% in the three months ended March 31, 2016 as a result of restructuring efforts in response to the reduction in oil and gas activity levels to reduce costs across the organization, which involved consolidating certain support functions from the divisions to Corporate. Overall, the Corporation's G&A expense has been reduced significantly as a result of reducing the head count, salary reductions taken by executives and various levels of employees, reduced fees paid to the Board of Directors, and reduced spending on non-essential expenses.

Share-based Compensation

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Share-based compensation	4,894	6,118	(20)

Share-based compensation for the three months ended March 31, 2016 was $4.9 million compared to $6.1 million in the comparative period of 2015. 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 March 31, 2016 was primarily due to forfeitures resulting from employee lay-offs which resulted in a reversal of previously recognized share-based compensation on unvested awards.

Business Development Expenses

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Business development	1,648	4,273	(61)
Deduct: Non-recurring items			
Severance and related costs	(191)	(623)	(69)
Business development less non-recurring items	1,457	3,650	(60)

Business development expenses less non-recurring items for the three months ended March 31, 2016 decreased to $1.5 million from $3.7 million in the comparative period of 2015. 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 months ended March 31, 2016 due to the realization of cost reduction measures taken in 2015 as a response to the reduction in oil and gas activity levels.

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. As discussed in the '*Operational and Financial Highlights*', Secure continues to actively pursue various 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 Mar 31,		
($000's)	2016	2015	% Change
Interest and finance costs	3,275	3,570	(8)

Interest and finance costs includes all realized and unrealized foreign exchange differences arising from translation gains and losses that are not recorded to other comprehensive (loss) income. For the three months ended March 31, 2016, this included a loss resulting from the translation of a US$ denominated loan to DPS U.S. As the DPS U.S. entity was substantially liquidated at the end of 2015, inclusion of the translation difference for the loan is prohibited from being included in other comprehensive (loss) income. Excluding the foreign exchange impact, the variance in interest and finance costs in the three months ended March 31, 2016 compared to the same period in 2015 is a direct result of the fluctuation in the average balance drawn on the credit facility. The average long-term borrowings balance decreased 41% in the three months ended March 31, 2016 compared to the 2015 comparative period.

Foreign Currency Translation Adjustment

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Foreign currency translation adjustment, net of tax	(9,883)	13,469	(173)

Included in other comprehensive (loss) income is a loss of $9.9 million for the three months ended March 31, 2016 related to foreign currency translation adjustments resulting from the conversion of the assets, liabilities and financial results of the Corporation's ongoing U.S. operations as at March 31, 2016. 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 translation gains or losses related to the DPS U.S. operations were included in the net loss in the three months ended March 31, 2016 as these operations were substantively liquidated in 2015. In the prior year, these are included in other comprehensive income.

Income Taxes

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Income taxes			
Current tax (recovery) expense	(2,690)	3,874	(169)
Deferred tax (recovery) expense	1,025	(2,820)	(136)
Total income taxes	(1,665)	1,054	(258)

Income taxes for the three months ended March 31, 2016 were an overall recovery of $1.7 million compared to an expense of $1.1 million in the 2015 comparative period. The change in overall income taxes is due primarily to a larger net loss before tax adjusted for non-deductible expenses such as share-based compensation in the first quarter of 2016 compared to the 2015 comparative period, and an increase in the provincial tax rate of 2% effective July 1, 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)	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue (excluding oil purchase and resale)	102,267	129,770	148,943	112,533	169,652	224,523	208,743	155,690
Oil purchase and resale	106,865	160,203	184,393	244,036	196,895	353,561	390,671	412,249
Total Revenue	209,132	289,973	333,336	356,569	366,547	578,084	599,414	567,939
Net (loss) earnings for the period	(10,066)	(86,825)	(53,042)	(16,780)	(3,223)	(13,659)	14,756	6,564
(Loss) earnings per share - basic	(0.07)	(0.63)	(0.39)	(0.12)	(0.03)	(0.11)	0.12	0.06
(Loss) earnings per share - diluted	(0.07)	(0.63)	(0.39)	(0.12)	(0.03)	(0.11)	0.12	0.05
Adjusted net (loss) earnings (1)	(8,598)	(14,650)	(1,563)	(14,809)	856	14,266	16,275	6,035
Earnings (loss) per share adjusted - basic	(0.06)	(0.11)	(0.01)	(0.11)	0.01	0.12	0.14	0.05
Weighted average shares - basic	140,015,143	137,500,242	136,944,300	136,186,284	122,689,850	121,266,210	120,048,665	118,489,217
Weighted average shares - diluted	140,218,407	137,500,242	136,944,300	136,186,284	122,689,850	123,479,368	123,736,572	121,757,066
Adjusted EBITDA (2)	25,083	31,808	35,362	19,446	40,036	55,597	57,438	39,690

(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 commencing in the fourth quarter of 2014 and the continued volatility in pricing has significantly reduced oil and gas industry activity. During 2015 and 2016, 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 in 2015 and the first quarter of 2016 which are further explained in the commentary provided under '*Results of operations for the three months ended March 31, 2016*'.

Each previous quarter was also 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, DPS, 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 the first quarter of 2014 that have impacted the quarterly results for the past two years: In the third quarter of 2014, the Corporation commissioned the Edson FST and acquired the assets of a rail infrastructure business. 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 long-term borrowings decreased 55% to $119.0 million at March 31, 2016 compared to $262.0 million at December 31, 2015. The decrease is primarily related to the bought deal offering completed during the quarter for gross proceeds of $149.6 million. Refer to the '*Financing Activities*' section below for further information with regards to net debt.

Issued capital increased 18% to $1.0 billion at March 31, 2016 compared to $851.5 million at December 31, 2015, primarily as a result of the bought deal offering 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 March 31, 2016, the Corporation had $549.9 million available under its credit facility, subject to covenant restrictions.

The Corporation's credit facility requires that Secure maintain certain coverage ratios, as described in Note 11 of the Annual 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 the AIF.

The following provides a summary and comparative of the Corporation's operating, investing and financing cash flows for the three months ended March 31, 2016 and 2015.

Cash Provided by Operations

	Three months ended Mar 31,		
($000's)	2016	2015	% Change
Funds from (used in) operations (1)	22,559	36,225	(38)

(1) **Refer to "Additional subtotals" for further information.**

Funds from operations for the three months ended March 31, 2016 decreased to $22.6 million from $36.2 million in the 2015 comparative period. Funds from operations for the three months ended March 31, 2016 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 Mar 31,		
($000's)	2016	2015	% Change
Capital expenditures (1)			
Growth and expansion capital expenditures	17,457	40,770	(57)
Sustaining capital expenditures	4,032	1,314	207
Total capital expenditures	21,489	42,084	(49)

(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 March 31, 2016 decreased 57% to $17.5 million from $40.8 million in the comparative period of 2015. 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 March 31, 2016 related primarily to expansions at existing PRD facilities to increase capacity, which included adding wells at the Big Mountain and Kaybob SWDs, and progressing construction of the Kakwa FST. In the comparative period, the Corporation completed and commissioned the Tulliby Lake FST, 13 Mile FST conversion, and the Rycroft FST, progressed pre-development for new facilities, expanded certain existing facilities, drilled two disposal wells, and acquired rental equipment for specific OS division projects.

The Corporation did not complete any acquisitions during the three months ended March 31, 2016 and 2015.

During the three months ended March 31, 2016, sustaining capital was $4.0 million compared to $1.3 million for the 2015 comparative period. Sustaining capital in the period related primarily to maintenance on Secure's disposal wells. 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 Mar 31,		
($000's)	2016	2015	% Change
Shares issued, net of share issue costs	143,739	193,775	(26)
Draw (repayment) on credit facility	(143,000)	(151,000)	(5)
Capital lease payments	(3,519)	(3,589)	(2)
Dividends paid	(5,730)	(6,336)	(10)
Net cash flow (used in) from financing activities	(8,510)	32,850	(126)

On March 22, 2016, the Corporation closed a bought deal financing with a syndicate of underwriters for the purchase of 19,550,000 Common Shares (including overallotment) at a price of $7.65 per Common Share for gross proceeds of $149.6 million. In connection with the offering, the Corporation incurred approximately $6.3 million in underwriter fees and transaction costs.

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 6 in the Interim Financial Statements for more information on these share-based awards.

As at March 31, 2016, the Corporation had drawn $119.0 million on its credit facility compared to $262.0 million as at December 31, 2015. The decrease in the amount drawn primarily relates to the bought deal offering completed in the quarter and funds generated from operations over funds required for capital expenditures, working capital requirements, and dividends. As at March 31, 2016, the Corporation had $549.9 million available under its credit facility, subject to covenant restrictions. The Corporation is well positioned, based on the available amount of its credit facility and expected funds from operations, to close the PetroLama acquisition, seek further accretive acquisition opportunities, and execute on the 2016 capital program. At March 31, 2016, the Corporation was in compliance with all covenants.

During the three months ended March 31, 2016, the Corporation declared dividends of $8.3 million to holders of Common Shares. Of the dividends declared for the three months ended March 31, 2016, $2.5 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 March 31, 2016, the Corporation declared dividends to holders of Common Shares in the amount of $0.02 per Common Share payable on April 15 and May 15 for shareholders of record on April 1 and May 1, 2016, respectively.

CONTRACTUAL OBLIGATIONS

Refer to Note 7 of the Interim Financial Statements for disclosure related to contractual obligations.

BUSINESS RISKS

A comprehensive listing of the Corporation's business risks are set out in the Corporation's AIF under the heading '*Business Risks*'. 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.

OUTSTANDING SHARE CAPITAL

As at May 2, 2016, there were 158,084,839 Common Shares issued and outstanding. In addition, as at May 2, 2016, there were 8,050,342 share options outstanding, of which 3,982,194 were exercisable, 2,454,667 Restricted Shares Units outstanding, of which nil were redeemable, and 761,633 Performance Shares Units outstanding, of which nil were redeemable.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2015 and December 31, 2015, 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 Annual Financial Statements other than as described in Note 2 of the Interim Financial Statements.

FINANCIAL AND OTHER INSTRUMENTS

As at March 31, 2016, 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. Fair values of derivative contracts fluctuate depending on the underlying estimates of future foreign currency exchange rates. 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 Interim 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 Interim Financial Statements have been set out in Note 3 of the Corporation's Annual Financial Statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

For the three months ended March 31, 2016, there were no revised standards or amendments to IFRS issued. Refer to Note 4 of the Corporation's Annual 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

RELATED PARTIES

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

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 and interim 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 March 31, 2016. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at March 31, 2016. 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.

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 second and third quarters 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, DPS and OS divisions; the Corporation's proposed 2016 capital expenditure program and the intended use thereof; debt service; completion of facilities (including the new PRD FST); acquisition strategy and timing of potential acquisitions, including the expected closing of the Acquisition; the impact of new facilities and potential acquisitions, including the Acquisition, on the Corporation's financial and operational performance and growth opportunities, the expected range for PetroLama's contribution to consolidated Adjusted EBITDA in the next twelve months; future capital needs; and access to capital.

Forward-looking statements concerning expected operating and economic conditions and the Acquisition 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 industry may change the demand for the Corporation's services and its subsidiaries' 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 and also includes the risks associated with the possible failure to realize the anticipated synergies in integrating the assets acquired in the Acquisition with the operations of Secure. Any "financial outlook" in this document, as defined by applicable securities legislation, has been approved by management of Secure and is included for the purpose of illustrating the materiality of the Acquisition, and for no other purpose. 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.