

**SECURE ENERGY SERVICES INC.**

Interim Consolidated Financial Statements (unaudited)

**As at and for the three and nine months ended September 30, 2010**

**SECURE ENERGY SERVICES INC.**  
**Interim Consolidated Balance Sheets**

<i>(\$000's)</i>	<b>September 30, 2010</b> <i>(unaudited)</i>	December 31, 2009 <i>(audited)</i>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	33,131	235
Accounts receivable and accruals	9,347	5,694
Prepaid expenses and deposits	649	320
Inventories	783	682
Other assets	-	38
	<b>43,910</b>	6,969
Notes receivable	476	459
Future income tax asset	1,219	1,645
Assets under construction	25,117	7,345
Property, plant and equipment (note 3)	94,731	78,383
Intangible assets (note 3)	3,330	272
Goodwill	1,906	1,906
<b>Total Assets</b>	<b>170,689</b>	96,979
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	11,323	3,326
Current portion of capital lease obligations	637	347
	<b>11,960</b>	3,673
Long term debt (note 4)	-	4,788
Capital lease obligations (note 11)	780	217
Asset retirement obligation (note 5)	6,636	3,145
	<b>19,376</b>	11,823
Guarantees (note 4)		
Commitments & Contingencies (note 11)		
<b>Shareholders' Equity</b>		
Share capital (note 6)	152,849	89,992
Contributed surplus (note 6)	1,472	694
Deficit	(3,008)	(5,530)
	<b>151,313</b>	85,156
<b>Total Liabilities and Shareholders' Equity</b>	<b>170,689</b>	96,979

*See accompanying notes to interim consolidated financial statements*

**SECURE ENERGY SERVICES INC.**  
**Interim Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit**

	Three Months Ended September 30		Nine months ended September 30	
<i>(\$000's except per share data) (unaudited)</i>	2010	2009	2010	2009
<b>Revenue</b>	<b>16,524</b>	4,954	<b>39,901</b>	14,856
<b>Operating expenses</b>	<b>8,776</b>	2,508	<b>19,402</b>	6,605
	<b>7,748</b>	2,446	<b>20,499</b>	8,251
<b>Expenses</b>				
General and administrative	1,429	954	3,836	2,878
Stock-based compensation (note 6)	358	119	780	338
Business development	76	11	442	43
Interest and financing (note 4)	74	133	388	280
Depreciation, depletion and accretion	4,109	2,934	10,964	6,944
	<b>6,046</b>	4,151	<b>16,410</b>	10,483
<b>Other Revenue</b>				
Interest	84	6	161	63
<b>Income (loss) for the period before taxes</b>	<b>1,786</b>	(1,699)	<b>4,250</b>	(2,169)
<b>Future income tax expense (recovery)</b>	<b>555</b>	(357)	<b>1,728</b>	(382)
<b>Net income (loss) and comprehensive income (loss)</b>	<b>1,231</b>	(1,342)	<b>2,522</b>	(1,787)
<b>Deficit, beginning of period</b>	<b>(4,239)</b>	(3,217)	<b>(5,530)</b>	(2,772)
<b>Deficit, end of period</b>	<b>(3,008)</b>	(4,559)	<b>(3,008)</b>	(4,559)
<b>Earnings (loss) per share (note 7)</b>				
Basic and diluted	<b>0.02</b>	(0.03)	<b>0.05</b>	(0.04)

*See accompanying notes to interim consolidated financial statements*

**SECURE ENERGY SERVICES INC.**  
**Interim Consolidated Statements of Cash Flows**

	Three Months Ended September 30		Nine months ended September 30	
<i>(\$000's) (unaudited)</i>	2010	2009	2010	2009
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net Income (loss) for the period	1,231	(1,342)	2,522	(1,787)
Items not affecting cash:				
Depletion, depreciation and accretion	4,109	2,934	10,964	6,944
Future income tax expense (recovery)	555	(357)	1,728	(382)
Stock-based compensation (note 6)	358	119	780	338
Amortization of financing fees	-	51	113	154
Loss on disposal of property, plant and equipment	5	-	48	-
	<b>6,258</b>	1,405	<b>16,155</b>	5,267
Change in non-cash working capital	<b>(2,618)</b>	(958)	<b>(2,487)</b>	1,204
	<b>3,640</b>	447	<b>13,668</b>	6,471
<b>Financing activities</b>				
Issue of common shares, net of issuance costs (note 6)	19	127	61,553	4,461
Increase (decrease) in long term debt	-	-	(4,900)	5,000
Net change in non-cash financing activities working capital	(7)	(6)	(18)	(17)
	<b>12</b>	121	<b>56,635</b>	9,444
<b>Investing activities</b>				
Purchase of property, plant and equipment	(16,084)	(2,530)	(32,099)	(19,409)
Acquisition (note 3)	-	-	(11,750)	-
Proceeds from the sale of property, plant and equipment	3	-	5	-
Net change in non-cash investing activities working capital	1,332	(1,175)	6,437	(9,606)
	<b>(14,749)</b>	(3,705)	<b>(37,407)</b>	(29,015)
Increase (decrease) in cash and cash equivalents	<b>(11,097)</b>	(3,137)	<b>32,896</b>	(13,100)
Cash and cash equivalents, beginning of period	44,228	4,929	235	14,892
Cash and cash equivalents, end of period	<b>33,131</b>	1,792	<b>33,131</b>	1,792
Taxes paid	-	-	-	-
Interest paid	4	45	55	48

*See accompanying notes to interim consolidated financial statements*

# **SECURE ENERGY SERVICES INC.**

## **Notes to the Interim Consolidated Financial Statements**

**As at and for the three and nine months ended September 30, 2010 and 2009**

**(unaudited)**

*(Expressed in 000's except for share and per share information)*

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### **1. DESCRIPTION OF THE BUSINESS**

Secure Energy Services Inc. (the "Corporation") is incorporated under the Business Corporations Act (Alberta) and is primarily engaged in clean oil terminalling, custom treating of crude oil, crude oil marketing, produced and waste water disposal, oilfield waste processing and landfill disposal. The Corporation provides a range of these services in each of its eleven operating facilities throughout Alberta and British Columbia.

In March 2010, the Corporation filed a long form prospectus (the "Prospectus") which constituted the Corporation's initial public offering ("IPO") of common shares. In connection with the filing of the Prospectus and the IPO, the Corporation offered 19,166,667 common shares at a price of \$3.00 per common share. On March 23, 2010, the Corporation received approval to list its common shares on the Toronto Stock Exchange ("TSX") and commenced trading under the symbol "SES" on March 30, 2010.

#### **Seasonality of Operations**

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Presentation**

The unaudited interim consolidated financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") following the same accounting policies and methods of computation as the annual audited consolidated financial statements for the year ended December 31, 2009, excepted as noted under 2(b). The consolidated financial statements (which are included in the Corporation's prospectus) are accessible on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). The disclosures provided herein are incremental to those included with the annual consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto.

## **SECURE ENERGY SERVICES INC.**

### **Notes to the Interim Consolidated Financial Statements**

**As at and for the three and nine months ended September 30, 2010 and 2009**

**(unaudited)**

*(Expressed in 000's except for share and per share information)*

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#### **2. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Certain comparative figures have been reclassified where necessary to conform with the current period's presentation.

##### **b) Accounting Standards and Policies**

The accounting principles applied are consistent with those as set out in the annual audited consolidated financial statements of Secure Energy Services Inc. for the year ended December 31, 2009 except as noted in the following paragraphs:

##### **Business combinations, Consolidated financial statements and Non-controlling interests:**

Effective January 1, 2010 the Corporation has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests. The new Business Combinations standard provides guidance as to what an acquirer must measure when it obtains control, the basis of valuation and the date at which the valuation should be determined. The majority of acquisition-related costs must be expensed in the periods they are incurred. Section 1582 will be applicable for acquisitions that are completed on or after November 1, 2011 although early adoption in 2010 is permitted to facilitate the transition to International Financial Reporting Standards ("IFRS") in 2011. The Corporation has elected to early adopt Handbook Section 1582. The Consolidated Financial Statements standard provides clarification for preparing consolidated financial statements after the acquisition date. The Non-controlling Interests standard provides guidance on the accounting and presentation of non-controlling interest. All of these new standards must all be adopted concurrently. The adoption of these new standards has impacted the financial statements in relation to transaction costs association with the Pembina Area Landfill Ltd. acquisition. Under the previous accounting standard, transaction costs were capitalized as part of the purchase price, however under the new standard all transaction costs are expensed as incurred.

##### **c) Future Accounting and Reporting Changes**

##### **International Financial Reporting Standards**

The Corporation will be required to report its results in accordance with IFRS beginning in 2011. The Corporation is currently assessing the impact of the convergence of Canadian GAAP with IFRS on the Corporation's financial results of operations, financial position and disclosures.

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

### 3. BUSINESS ACQUISITION

On May 1, 2010, the Corporation acquired the operating assets of Pembina Area Landfill Ltd. (the "landfill") for cash consideration of \$11.8 million, excluding transaction costs of \$0.2 million. The landfill is located in the Pembina oilfield, near Drayton Valley, Alberta.

<b>Consideration:</b>	<b>(\$000's)</b>
Cash	11,750
<b>Total consideration</b>	<b>11,750</b>

<b>Assets acquired:</b>	
Property, plant and equipment	10,830
Intangibles	3,245
<b>Total assets</b>	<b>14,075</b>

<b>Liabilities acquired:</b>	
Asset retirement obligations	(2,325)
<b>Total liabilities</b>	<b>(2,325)</b>

<b>Net assets acquired</b>	<b>11,750</b>
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### 4. LONG TERM DEBT

(000's)	Sept 30, 2010	Dec 31, 2009
	\$	\$
Amount drawn on the secured credit facility	-	4,900
Financing fees	-	(112)
<b>Total</b>	<b>-</b>	<b>4,788</b>

The secured credit facility (the "credit facility") consists of a \$35.0 million committed revolving term facility, bearing interest at 1.5% to 2.5% above the Bank Prime rate, depending on certain minimum financial ratios to be maintained by the Corporation. The credit facility is a multi-use facility to provide capital project financing, working capital requirements and letters of guarantee in support of financial security requirements and is secured by a \$200.0 million debenture providing a first fixed charge over the Corporation's real properties and a floating charge over all present and after acquired property not subject to the fixed charge. The credit facility remains available for use by the Corporation under its original terms.

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

#### 4. LONG TERM DEBT (continued)

The credit facility has an extendible revolving period, followed by a one year non-revolving term period. The initial revolving period is renewable on May 31, 2011. If the credit facility is not renewed prior to May 31, 2011, then a non-revolving term period shall commence immediately thereafter and shall end one year later on May 31, 2012.

The available credit facility is reduced by any outstanding letters of guarantee. The following table outlines the available amount under the credit facility:

(000's)	Sept 30, 2010 \$	Dec 31, 2009 \$
Committed secured credit facility	35,000	35,000
Letters of guarantee issued	(8,494)	(8,380)
<b>Available amount</b>	<b>26,506</b>	<b>26,620</b>

As at September 30, 2010, the Corporation has approximately \$8.5 million in letters of guarantee issued by the Corporation's banker. The current fee for the issued guarantees is 1.5%. All guarantees reduce the Corporation's available secured credit facility. The guarantees are issued to various government authorities for potential reclamation obligations in accordance with applicable regulations (note 5).

#### 5. ASSET RETIREMENT OBLIGATIONS

The future asset retirement obligations were estimated by 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 total asset retirement obligation to be \$6.6 million at September 30, 2010 (December 31, 2009: \$3.1 million) based on a total future liability of \$12.8 million (December 31, 2009: \$7.3 million). These costs are expected to be incurred over the next two to twenty-five years. The Corporation's credit adjusted risk free interest rate of 5% and an inflation rate of 3% were used to calculate the net present value of the asset retirement obligations.

The following table provides a reconciliation of the Corporation's asset retirement obligations:

(000's)	Sept 30, 2010 \$	Dec 31, 2009 \$
Asset retirement obligations, beginning of period	3,145	2,370
Obligations added through development activities	951	991
Obligations added through acquisition	2,325	-
Revisions to estimates	-	(406)
Accretion expense	215	190
Asset retirement obligations, end of period	<b>6,636</b>	<b>3,145</b>



**SECURE ENERGY SERVICES INC.****Notes to the Interim Consolidated Financial Statements****As at and for the three and nine months ended September 30, 2010 and 2009****(unaudited)***(Expressed in 000's except for share and per share information)***6. SHARE CAPITAL****a) Authorized**

Unlimited number of common voting shares of no par value

Unlimited number of preferred shares of no par value

**b) Issued and outstanding**

	<b>Number of Shares</b>	<b>Amount (\$000's)</b>
<b>Balance, December 31, 2008</b>	39,962,075	85,493
Private placement	1,658,217	4,510
Employee share ownership plan	11,699	32
Share issue costs	-	(60)
Future tax effect of share issue costs	-	17
<b>Balance, December 31, 2009</b>	41,631,991	89,992
Initial public offering	19,166,667	57,500
Agent's exercise of over-allotment	2,875,000	8,625
Employee share ownership plan	15,990	44
Options exercised	13,500	34
Transfer from contributed surplus	-	2
Share issue costs	-	(4,649)
Future tax effect of share issue costs	-	1,301
<b>Balance, September 30, 2010</b>	63,703,148	152,849

On March 23, 2010, the Corporation completed an IPO of its common shares. 19,166,667 common shares were issued through a prospectus at a price of \$3.00 per common share, resulting in gross proceeds of \$57.5 million. On April 16, 2010, the Agents exercised the over-allotment option to purchase an additional 2,875,000 common shares at a price of \$3.00 per common share for gross proceeds of approximately \$8.6 million. In connection with these offerings, the Corporation incurred approximately \$4.6 million in transaction costs which included \$3.7 million in agent fees. These costs, net of tax, were applied against the proceeds in share capital during the nine months ended September 30, 2010.

**SECURE ENERGY SERVICES INC.**

**Notes to the Interim Consolidated Financial Statements**

**As at and for the three and nine months ended September 30, 2010 and 2009**

**(unaudited)**

*(Expressed in 000's except for share and per share information)*

**6. SHARE CAPITAL (continued)**

**c) Stock Option Plan**

In conjunction with the Corporation's IPO and in order to comply with the rules and policies of the TSX and other applicable laws, the Corporation adopted a new stock option plan (the "Plan") effective as of March 23, 2010. All options under the previous plan prior to March 23, 2010 were transferred to the new Plan on the effective date. Under the new Plan, the Corporation may grant options to its employees, officers, directors and consultants up to 10% of the issued and outstanding common shares of the Corporation calculated on a non-diluted basis at the time of grant. The exercise price of options granted under the Plan is calculated as the five-day weighted average trading price of the common shares for the five trading days immediately preceding the date the options are granted. Options issued under the plan have a term of five years to expiry and vest over a three year period starting one year from the date of the grant. A summary of the status of the Corporation's stock option plan is as follows:

	September 30, 2010		December 31, 2009	
	Outstanding Options	Weighted Average Exercise Price \$	Outstanding Options	Weighted Average Exercise Price \$
Balance - beginning of period	3,447,900	1.98	2,288,500	1.67
Granted	2,101,975	3.10	1,159,400	2.59
Exercised	13,500	2.50	-	-
Forfeitures	51,950	3.04	-	-
<b>Balance - end of period</b>	<b>5,484,425</b>	<b>2.40</b>	<b>3,447,900</b>	<b>1.98</b>
<b>Exercisable - end of period</b>	<b>2,156,331</b>	<b>1.71</b>	<b>1,266,333</b>	<b>1.53</b>

Exercise price \$	Options outstanding			Options exercisable	
	Outstanding Options	Weighted Average Exercise Price \$	Weighted average remaining term (years)	Exercisable Options	Weighted Average Exercise Price \$
1.00 - 1.50	1,611,000	1.28	1.9	1,417,831	1.25
2.00 - 2.60	1,497,500	2.55	3.2	678,666	2.56
2.72 - 3.40	2,044,975	2.95	4.4	59,834	2.79
3.50 - 4.00	330,950	3.74	4.7	-	-
	<b>5,484,425</b>	<b>2.40</b>	<b>3.3</b>	<b>2,156,331</b>	<b>1.71</b>

**SECURE ENERGY SERVICES INC.****Notes to the Interim Consolidated Financial Statements****As at and for the three and nine months ended September 30, 2010 and 2009****(unaudited)***(Expressed in 000's except for share and per share information)***6. SHARE CAPITAL (continued)**

On March 23, 2010 the Corporation, as part of the IPO, granted 1,771,025 options to employees, officers and directors. Subsequent to March 23, 2010, the Corporation granted 330,950 additional options to employees of the Corporation. The fair value of options granted prior to January 1, 2010 was estimated at the date of grant using the minimum value method in the Black-Scholes Option Pricing Model. Subsequent to December 31, 2009, the Corporation has incorporated a volatility factor of 52% in the Black-Scholes Option Pricing Model, including the following assumptions:

	<b>2010</b>	<b>2009</b>
Weighted average risk-free interest rate (%)	2.24	2.13
Weighted average expected life in years	5.0	5.0
Weighted average expected annual dividends per share	Nil	Nil
Weighted average fair value per option (\$)	1.46	0.21

**d) Performance Warrants**

The Corporation has a performance warrant plan, under which the Corporation may grant performance warrants to its employees, officers, directors and consultants to a maximum of the amount of 1,075,994 performance warrants available and outstanding at the time of the grant. The number of warrants issued is approved by the Board of Directors at the time of grant. There are currently no remaining performance warrants to be granted. Performance warrants issued under the plan have a term of five years to expiry from the date of the grant and vest 1/3, 1/3, 1/3 based on predetermined threshold amounts of \$3.00, \$3.50 and \$4.25, respectively. The threshold amounts are determined using the weighted average trading price of the common shares of the Corporation for a period of 45 consecutive days. As at September 30, 2010, warrants under the predetermined threshold of \$3.00 and \$3.50 have vested, resulting in 717,328 exercisable warrants.

A summary of the status of the Corporation's performance warrants is shown below:

	<b>September 30, 2010</b>		<b>December 31, 2009</b>	
	<b>Outstanding Warrants</b>	<b>Weighted Average Exercise Price \$</b>	<b>Outstanding Warrants</b>	<b>Weighted Average Exercise Price \$</b>
Balance - beginning and end of period	1,075,994	1.50	1,075,994	1.50
<b>Exercisable - end of period</b>	<b>717,328</b>	<b>1.50</b>	<b>358,664</b>	<b>1.50</b>

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

#### 6. SHARE CAPITAL (continued)

Warrants outstanding				Warrants exercisable	
Exercise price \$	Outstanding Warrants #	Weighted Average Exercise Price \$	Weighted average remaining contractual life in years	Exercisable Warrants	Weighted Average Exercise Price \$
1.50	1,075,994	1.50	1.72	717,328	1.50

During the three months ended September 30, 2010 compensation cost of \$0.4 million has been recognized for stock options and warrants granted (three months ended September 30, 2009: \$0.1 million). Compensation cost of \$0.8 million has been recognized during the nine months ended September 30, 2010 for stock options and warrants granted (nine months ended September 30, 2009: \$0.3 million). These costs are recorded as stock based compensation expense with the offsetting amount being credited to contributed surplus. The amount transferred to share capital due to the exercise of stock options was de minimis for the nine months ended September 30, 2010 (September 30, 2009: nil).

#### e) Contributed surplus

The following table outlines the changes in the contributed surplus balance:

(000's)	Sept 30, 2010 \$	Dec 31, 2009 \$
Balance - beginning of period	694	235
Stock-based compensation	780	459
Transfer to share capital	(2)	-
Balance - end of period	1,472	694

#### 7. PER SHARE INFORMATION

Basic earnings per share calculations for the three and nine months ended September 30, 2010 and 2009 were based on the weighted average number of common shares outstanding for the periods. Diluted earnings per share include the potential dilutive effect of the outstanding warrants and options to acquire shares.

The calculation of dilutive earnings per share does not include any options that are deemed anti-dilutive. These options would not be exercised during the period as the exercise price of the warrants and options exceeds the average market price of the Corporation's shares for the period. Inclusion of these warrants and options would cause the diluted earnings per share to be overstated for the period.

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

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(unaudited)

(Expressed in 000's except for share and per share information)

#### 7. PER SHARE INFORMATION (continued)

For the three months ended September 30, 2010, the weighted average number of common shares outstanding was 63,701,941 (three months ended September 30, 2009: 41,620,292). For the nine months ended September 30, 2010, the weighted average number of common shares outstanding was 56,818,047 (nine months ended September 30, 2009: 40,449,933).

The diluted weighted average number of common shares outstanding during the three months ended September 30, 2010 was 65,859,648 (three months ended September 30, 2009: 42,568,727). The diluted weighted average number of common shares outstanding during the nine months ended September 30, 2010 was 58,352,073 (nine months ended September 30, 2009: 41,365,612).

#### 8. FINANCIAL INSTRUMENTS

##### Financial instruments – carrying values and fair values

The fair values of financial assets and liabilities, together with the carrying amounts included in the consolidated interim balance sheets, are as follows:

(000's)	Sept 30, 2010		December 31, 2009	
	Carrying amount \$	Fair value amount \$	Carrying amount \$	Fair value amount \$
<b>Financial Assets:</b>				
<b>Held for trading:</b>				
Cash and cash equivalents	33,131	33,131	235	235
<b>Loans and receivables:</b>				
Accounts receivable	9,347	9,347	5,694	5,694
Notes receivable	476	476	459	459
<b>Financial Liabilities:</b>				
<b>Loans and receivables:</b>				
Accounts payable	11,323	11,323	3,326	3,326
Long term debt	-	-	4,788	4,900

##### Financial instruments – nature and extent of risks

The Corporation is exposed to various risks resulting from its financial assets and liabilities. The following analysis provides a measure of the risks as at September 30, 2010:

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

#### 8. 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 was exposed to interest rate risk during 2010 as it had borrowed funds at variable interest rates, however the balance of the credit facility was re-paid prior to March 31, 2010, therefore the Corporation is currently not exposed to interest rate risk on its credit facility. The Corporation currently does not use interest rate hedges or fixed interest rate contracts to mitigate the Corporation's exposure to interest rate fluctuations.

The Corporation is also exposed to interest rate risk on its cash held in a corporate treasury bill savings account at a financial institution. A 0.5% increase or decrease in interest rates on the Corporation's term deposit would result in a \$0.04 million increase or decrease in net income for the year.

##### Commodity Price Risk

The value of the Corporation's oil inventory is impacted by the market price of oil. Oil prices have historically fluctuated widely and are affected by numerous factors outside of the Corporation's control. The Corporation has elected not to actively manage commodity risk associated with inventory at this time as the exposure to these fluctuations is not considered significant.

##### Credit risk

The Corporation provides credit to its customers in the normal course of operations. The Corporation's credit risk policy includes performing credit evaluations of its customers. A significant portion of the Corporation's trade accounts receivable are due from companies in the oil and gas industry and are subject to the normal industry credit risks. The carrying value of trade accounts receivable reflects management assessment of the associated risks.

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

(000's)	Sept 30, 2010 \$	Dec 31, 2009 \$
Under 30 days	4,230	1,959
31-60 days	603	583
61-90 days	163	476
Over 90 days	187	213
<b>Trade accounts receivable</b>	<b>5,183</b>	<b>3,231</b>
<b>Provision for doubtful accounts</b>	<b>44</b>	<b>44</b>

The Corporation is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as cash is held at a major Canadian financial institution.

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

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## 8. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

(000's)	Less than 1 year \$	1 year to less than 3 years \$	4 years to less than 6 years \$
Accounts payable and accrued liabilities	11,323	-	-
Capital and operating lease obligations	1,704	2,247	1,367
Long term debt	-	-	-
<b>Total</b>	<b>13,027</b>	<b>2,247</b>	<b>1,367</b>

There are no amounts greater than six years.

## 9. CAPITAL MANAGEMENT

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

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 on a monthly basis, the Corporation's monthly results, capital costs to budget and approved authorizations for expenditure. The key measures management uses to monitor its capital structure are actual capital expenditures compared to authorized budgets, and earnings before interest, taxes, and depreciation ("EBITDA") on all of its operations. The Corporation is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

## SECURE ENERGY SERVICES INC.

### Notes to the Interim Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2010 and 2009

(unaudited)

(Expressed in 000's except for share and per share information)

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#### 10. RELATED PARTY TRANSACTIONS

In March 2007, the Corporation entered into an interest bearing promissory note and pledge agreement with three of its shareholders, who are also officers and/or employees of the Corporation. The notes bear interest at a rate of 5% per annum. The proceeds of the loan were used to purchase shares in the Corporation. As security for the loan, the shareholders have pledged a representative portion of their shares of the Corporation. The notes are repayable on demand and are due on March 23, 2012. As at September 30, 2010, the aggregate amount outstanding under the loans is \$0.5 million.

In addition, during the three months ended September 30, 2010 the Corporation incurred approximately \$0.1 million of expenses with companies that have common directors, officers, employees and shareholders. For the nine months ending September 30, 2010, the total expenses are \$0.5 million compared to \$0.2 million in 2009. \$0.1 million of related party transactions are included in accounts payable at September 30, 2010 (December 31, 2009: nil). These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The nature of the expenses relate to service work on the Corporation's disposal wells and for promotional items.

#### 11. COMMITMENTS & CONTINGENCIES

The Corporation has both capital and operating lease commitments. The future minimum lease payments are as follows:

Year	(000's)	
	Capital \$	Operating \$
2010	166	421
2011	589	854
2012	453	758
2013	208	644
Thereafter	1	1,223
<b>Total</b>	<b>1,417</b>	<b>3,901</b>

In December 2007, the Corporation was named as a co-defendant in a lawsuit on behalf of CCS Inc., seeking to recover damages in the aggregate of \$110 million allegedly sustained by them pertaining to actions by former employees who are now employees of the Corporation. During 2008, the Defendants filed their Statements of Defence and counter claim. 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.



# Corporate Information

## DIRECTORS

Rene Amirault  
Murray Cobbe <sup>(1) (2)</sup>  
David Johnson <sup>(2) (3)</sup>  
Kevin Nugent <sup>(1) (3)</sup>  
Brad Munro <sup>(1) (2) (3)</sup>

## OFFICERS

Rene Amirault  
President and Chief Executive Officer

Nick Wieler  
Chief Financial Officer

Allen Gransch  
Vice President, Finance

Gary Perras  
Vice President, Operations

Daniel Steinke  
Vice President, Business Development

Karen Myrheim  
Vice President, Sales and Marketing

## STOCK EXCHANGE

Toronto Stock Exchange  
Symbol: SES

## AUDITORS

Meyers Norris Penny LLP  
Calgary, Alberta

## LEGAL COUNSEL

Bennett Jones LLP  
Calgary, Alberta

## BANKERS

Alberta Treasury Branches

## TRANSFER AGENT AND REGISTRAR

Olympia Trust Company  
Calgary, Alberta

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Corporate Governance Committee