Seaway Energy Services Inc.
Management Discussion and Analysis
For the year ended September 30, 2011

January 19, 2012

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Seaway Energy Services Inc. (the "Company" or "Seaway") for the years ended September 30, 2011 and 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are in Canadian dollars. Additional information relating to Seaway is available on SEDAR at www.sedar.com or the Company's website at www.seawayenergy.com.

Forward-Looking Statements

The Company cautions that the forward-looking statements in the following Management Discussion and Analysis are based on certain assumptions made by the Company that may prove to be inaccurate. Forward-looking statements include those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent that they relate to the Company or its management. In particular, forward-looking information and statements include:

- Seaway's future revenue as our business depends significantly on the level of spending by oil and gas companies for exploration, and development and abandonment activities. Sustained increases or decreases in the price of natural gas or oil could materially impact such activities, and thereby materially affect its financial position, results of operations and cash flows. Due to extreme fluctuations in the commodity prices for both oil and natural gas, the oil and gas industry is subject to significant volatility. Natural gas prices have significantly weakened recently resulting in reduced budgeted exploration programs for the junior through to senior exploration companies.

- Recently, significant economic uncertainty has also surfaced. The short term effects of this crisis may affect both our and our customers' ability to access capital and hence fund their operations, as well as have a negative impact on overall economic activity and the demand for oil and gas.

All of the aforementioned statements and information can be found in the "Outlook" and "Results of Operations" sections of this MD&A.

These forward-looking statements are not historical facts, but reflect the Company's current expectations and assumptions regarding future results or events. Particularly, these forward-looking statements are based on management's estimate of revenues based on business volumes and commitments at the date hereof. Readers are cautioned, as provided herein, that actual revenue results may vary materially from estimates and, in particular, are subject to risks including delivery, competition and management of growth. Additional assumptions made include customer demand for the Company's services and the Company's ability to maintain and enhance customer relationships. Please also see the "Risk Factors" section for risk factors that may affect the Company.

Go Private Transaction

On January 6, 2012, Seaway entered into a support agreement in respect of a management-sponsored going-private transaction, pursuant to which the company proposes to redeem all of its common shares held by the shareholders of the Company, other than those common shares held by Jerry J. Budziak, president, chief executive officer and a director of the Company, David A. Burroughs, a director of the Company, and Elias Foscolos, a director of the Company, and their associates, affiliates and joint actors (two other shareholders), who, in aggregate, control, directly or

indirectly, approximately 40.5% of the total issued and outstanding common shares of the Company. Upon completion of the redemption of the common shares of the Company, the majority shareholders will be the only shareholders of the company.

Pursuant to the transaction, minority shareholders will be entitled to receive a cash payment of $0.04 (four cents) for each common share redeemed. The cash payment for each redeemed common share represents a premium of approximately 20 per cent over the 30-day volume-weighted average trading price of the common shares on the TSX Venture Exchange on the last trading day prior to this announcement of the transaction. Assuming completion of the transaction, the company will proceed to apply to delist its common shares from the TSX Venture Exchange and apply to cease to be a reporting issuer in those jurisdictions in which it currently holds such status.

The Board of Directors of the Company established a Special Committee composed of Michael Windle, the sole independent director for the purposes of the transaction, which retained an independent financial adviser to obtain both a formal valuation and a fairness opinion in respect of the transaction. Following its deliberations, including its review of the formal valuation and the fairness opinion and the receipt of advice from independent financial and legal advisers, the Special Committee determined that the transaction was in the best interest of the company and that the consideration to be received by the minority shareholders pursuant to the transaction is fair, from a financial point of view, to the minority shareholders and unanimously recommended that the Board approve the transaction and recommend to the shareholders that they vote in favour of a special resolution to approve an amendment to the articles of the company to add the redemption feature to the attributes of the common shares. All directors of the company entitled to vote unanimously recommend that shareholders of the company vote in favour of the redemption resolution.

The information circular inclusive of the valuation report and fairness opinion relating to the go private transaction is available on SEDAR at www.sedar.com.

Key Performance Indicators

Seaway evaluates the Company's overall performance and the performance of its business units using key financial indicators, particularly revenues, operating margins, earnings, total assets and total debt.

Results of Operations

Gross revenue from environmental consulting services decreased 9.6% from $1,117,221 to $1,009,997 for the fourth quarter of 2011 compared to the comparative 2010 quarter and decreased from $4,415,145 to $3,117,282 about 29.4% from the comparative 2010 fiscal year. The decrease in revenue is predominately due to the mix of services provided (field operations versus engineering and reclamation work), the completion of a significant long term contract in the fourth quarter of 2010 and also reflective of downward pricing pressure in a competitive market. The Company is pursuing opportunities to increase its market share as revenue is critical to increase net income.

Direct operating expenses consist of those expenses directly attributable to the provision of environmental consulting and related services to customers. These include field supervision fees and travel costs, field fees paid on behalf of clients, environmental assessment analyses, the cost of preparing recommendations for site remediation and conformance, site history tracking costs and costs associated with the submission of necessary applications. Direct operating expenses decreased 31.5% from $3,315,609 to $2,272,997 for the fiscal year ending September 2011 and decreased by approximately 8.1% from $768,097 to $705,743 for the three month period ending September 30, 2011. The fluctuation in operating costs is consistent with the fluctuations in revenues as our costs vary due to the mix of services (field operations versus engineering and reclamation work).

Gross profit, which is gross revenue less direct costs, decreased from 31.2% in the fourth quarter of 2010 to 30.1% in the current quarter and increased to 27.1% for the 2011 fiscal year from 24.9%.

The fluctuation in the margins is primarily due to the mix of services provided (field operations versus engineering and reclamation work).

For the fiscal year ended September 30, 2010, the amortization of intangibles represented the normal amortization expense attributed to the purchase of Southern Consulting Ltd. (acquired effective November 23, 2007) plus $230,551 related to an impairment charge. The decision to record an impairment charge was made as a result of the customer ceasing its current Canadian operations.

General and administrative expenses consist of all expenses other than those directly attributable to the provision of environmental consulting services to customers. These include professional liability insurance, advertising and promotion, office salaries and benefits, professional fees, office supplies, training, office costs, rent and public company costs. General and administrative costs in increased 14.7% in fiscal 2011 to $680,627 from $593,224 in the comparative 2010 period and increased to $183,926 in the fourth quarter of 2011 as compared to $141,342 in the comparative quarter, a increase of 30.1%. The increase in general and administrative costs is a directly related to an increase in office rent expenses, legal costs with respect to claims commenced against a former employee and consultant and bonuses of $20,000 related to the prior year's performance and wages as the voluntary salary rollbacks in 2009 were reinstated.

Included in general and administrative costs during the period, the Company incurred $23,539 in management fees, which is included in general and administrative expenses, to a company controlled by an Officer of which $Nil is included in accounts payable and accrued liabilities at September 30, 2011. The related party transaction occurred in the normal course of operations and has been measured at the agreed to exchange amount.

Income taxes

Presently the Company does not expect to pay current taxes in 2012 based on existing tax pools and current forecasts of taxable income. However, the current tax horizon will ultimately depend on several factors including commodity prices which affect the Western Canadian drilling and service activity levels and corporate expenses in future reporting periods.

Stock-based Compensation

The Company has a stock option plan whereby certain officers, directors, employees, and consultants are granted options to purchase common shares. Options granted under the plan have a maximum term of five years.

Seaway utilizes the fair value method of accounting for stock options granted. In determining the fair value of the stock options granted, the Black-Scholes model is used and assumptions regarding interest rates, underlying volatility of the Company's stock and expected life of the options are made. No options were granted during the three and twelve month period ending September 30, 2010. The future expense will vary as it is dependent on the number and vesting provisions of future stock option grants.

Summary of Quarterly Results

The quarterly results of Seaway are markedly affected by weather patterns throughout its operating area in Western Canada. Historically, the first and fourth quarters of the fiscal years are very active, followed by a much slower second and third quarter. As a result of this, the variation on a quarterly basis, particularly in the second and third quarters, can be dramatic year-over-year independent of other demand factors. The following is a summary of selected financial information of the Company for the last eight completed quarters.

($ thousands, except per share amounts)	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011	Three months ended December 31, 2010
Gross revenue	1,010	519	712	877
Net income (loss)	79	(18)	0	33
Per share – basic and diluted	$0.001	$(0.001)	0.000	0.001
Working capital	794	714	771	774
Total assets	1,520	1,329	1,428	1,594

($ thousands, except per share amounts)	Three months ended September 30, 2010	Three months ended June 30, 2010	Three months ended March 31, 2010	Three months ended December 31, 2009
Gross revenue	1,117	1,539	911	848
Net income (loss)	(53)	78	10	28
Per share – basic and diluted	(.003)	0.003	0.001	0.001
Working capital	731	535	409	365
Total assets	1,440	1,822	2,059	1,577

The Company's revenues have decreased in the current quarter due to an extended break-up and abnormally wet weather delaying field operations. The net loss in the fourth quarter of 2010 related to the impairment provision of a customer list acquired in fiscal 2008. Prior thereto the operations been fairly consistent but revenue can vary significantly based upon the level of drilling activity in Western Canada.

Liquidity and Capital Resources

At September 30, 2011, the Company has positive working capital of $793,886 compared to a positive working capital balance of $731,135 as of September 30, 2010. The working capital increase is due to funds generated in operations offset by the shares acquired pursuant to the Normal Course Issuer Bid as discussed below. Included in the Company's working Capital is $275,000 of convertible debentures. In April 2011, the Debenture holder agreed to extend the maturity date to April 4, 2012 with all other terms remaining the same.

The Company has an undrawn $600,000 (September 30, 2010 - $600,000) revolving demand loan facility with a chartered bank. The Company at January 19, 2012 has not drawn on the demand loan facility. The loan bears interest at bank prime plus 1.5% with an effective rate of 3.75 percent. A general assignment of book debts, and a first floating charge debenture over all the assets of the Company has been pledged as collateral. The availability under the facility is subject to periodic review. The Company is currently not in violation of any financial covenants.

Seaway's requirement for capital assets is generally limited to personal computers, network applications, telephone systems, servers, furniture, and fixtures for leased space. The Company made $4,503 of investments in capital assets in fiscal 2011 (2010 - $574).

The Company has entered into a lease for its operating premises. The following table discloses Seaway's current contractual obligations as of September 30, 2011:

Contractual Obligations	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Premise lease	$ 54,308	46,550	7,758	-	-

In February 2011, the Company has filed and received notice that the TSX Venture Exchange has accepted a notice with the intention to make a normal course issuer bid. During the 12-month period commencing February 17, 2011, and ending February 17, 2012, Seaway can purchase on the TSX Venture Exchange up to 3,098,847 common shares. The price which Seaway will pay for any such shares will be the market price at the time of acquisition. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by Seaway.

During the year, the Company repurchased 1,511,000 common shares at an average price of $0.044 per Common share. Subsequent to September 30, 2011, the Company acquired a further 600,000 Common shares at an average price of $0.035.

Financial Instruments

Our principal financial instruments are cash and cash equivalents, accounts receivable, accounts payable, accounts payable and accrued liabilities and convertible debentures. We currently do not have any long term debt.

Counterparty Credit Risk Management
The Company is subject to a concentration of credit risk in its accounts receivable as all of the Company's customers are in the oil and gas sector. Management is of the opinion that any risk of loss is reduced due to the financial strength of its customers. Concentration of credit risk is mitigated by having concentrations with credit worthy clients and broadening the Company's customer base. As at September 30, 2011 the total trade accounts receivable with four customers accounted for 61% (2010 – four customers accounted for 57%) of the Company's current accounts receivable. Of the revenue earned, two companies represented greater than 10% (2010 – two companies represented greater than 10%) of the revenue.

		September 30, 2011		September 30, 2010
1-30 days	**$**	**874,027**	$	989,785
31-60 days		**149,098**		72,950
61 + days		**223,656**		75,448
Total trade receivables		**1,246,781**		1,138,183
Allowance for doubtful accounts		**(18,756)**		(21,061)
Total accounts receivable	**$**	**1,228,025**	$	1,117,122

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2011, a difference in the interest rate of one percent would change net earnings by approximately $Nil (2010 - $Nil) assuming all other variables are constant.

Fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates. As at September 30, 2011, the Company has fixed interest rates on approximately 100% of its interest bearing obligations. As the interest rates approximate the prevailing market rates, the fair value of these debt instruments approximate its carrying values.

Liquidity risk
Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

Seaway expects that cash flows from operations commencing, together with its credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital expenditures and scheduled debt repayment. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain additional debt financing.

Outstanding Share Data

The Company has authorized an unlimited number of preferred shares and an unlimited number of voting common shares. At January 19, 2012 there are 28,877,470 common shares outstanding and nil stock options outstanding. The convertible debentures are convertible into 1,833,333 shares at the option of the holder with an exercise price of $0.15.

Critical Accounting Estimates

Certain accounting policies require management to make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those accounting policies, please refer to the management's discussion and analysis and Note 2 of the corresponding audited financial statements for the year ended September 30, 2011 available at www.sedar.com.

Recent Accounting Pronouncements

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2009:

a) Effective October 1, 2009, the Company prospectively adopted CICA Section 1582, *Business Combinations*, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The adoption of this standard did not have a material impact on the financial statements of the Company.

b) Effective October 1, 2009, the Company prospectively adopted CICA Sections 1601, *Financial Statements*, and 1602, *Non-controlling Interests*, which replaces existing guidance. Section 1601 establishes standards for the preparation of financial statements. Section1602 provides guidance on accounting for a non-controlling interest in a subsidiary in financial statements subsequent to a business combination. The adoption of this standard did not have a material impact on the financial statements of the Company.

c) Effective October 1, 2009, the Company prospectively adopted CICA Section 3862 to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

d) Effective October 1, 2009, the Company prospectively adopted the amended CICA Section 3855, "Financial Instruments – Recognition and Measurement", in relation to the impairment of financial assets. Amendments to this section have revised the definition of "loans and receivables" and provided that certain conditions have been met, permits reclassification of financial assets from the held-for trading and available-for-sale categories into the loans and receivables category. The amendments also provide one method of assessing impairment for all financial assets regardless of classification. The adoption of the amendments of this standard will not have a material impact on the financial statements of the Company.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board (AcSB) has confirmed that accounting standards in Canada will converge with IFRS. Entities will be required to adopt IFRS for years beginning on or after January 1, 2011 with a restatement of the comparative periods including an opening balance

sheet. Seaway is required to adopt IFRS commencing on October 1, 2011 with a restatement of the fiscal 2010 results. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies and increased note disclosures which must be addressed.

The International Accounting Standards Board (IASB) has a number on ongoing projects that may result in changes to IFRS prior to the Company's conversion in 2011. IFRS developments will be monitored throughout the Company's changeover project and may result in changes to the project activities.

The Company has commenced a process to transition from current Canadian GAAP to IFRS. It will be established a project plan and a project team. The project team will be led by the CFO and will include representatives from operations to plan for and achieve an efficient transition to IFRS. The project plan currently consists of three phases: initiation, detailed assessment and design, and implementation. The Company has completed the first phase, initiation, which involved the development of a detailed timeline for assessing resources and training and the completion of a high level review of the major differences between current Canadian GAAP and IFRS. Education and training sessions for employees within accounting, the Audit Committee and discussions with the Company's external auditors have commenced and will continue throughout the subsequent phases. Regular reporting will be provided to the Company's Audit Committee.

On a qualitative basis, the Company has identified the key areas where changes are anticipated as follows:

IFRS 1 – First-time Adoption of IFRS

IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions, and a limited number of optional exemptions. A preliminary assessment of the available exemptions is being completed. The Company intends to finalize this assessment and disclose the options selected once its IFRS opening balance sheet has been audited. Quantifiable information, if any, about the impact of IFRS on key line items should be available on completion of the fiscal 2011 audit.

International Accounting Standard (IAS) 36 – Impairment of Assets

This standard deals with the impairment of a variety of non-financial assets, including property and equipment, intangible assets and goodwill. The standard contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs), the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof. This Standard ensures that assets are carried at no more than their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of the future cash flows expected to arise.

Under this standard, all assets are to be reviewed at each balance sheet date to look for any indication of impairment, based on a list of external and internal indicators of impairment. This standard may result in more frequent write-downs in the carrying value of assets as the carrying values that were previously supported under Canadian GAAP, based on undiscounted cash flows, may not be supportable under the discounted cash flows basis. However, under this standard reversal of impairment is allowed.

The Company will be assessing the impairment charges made prior to October 1, 2009 to assess if they are required to be reversed. The Company intends to finalize this assessment once its IFRS opening balance sheet has been completed.

International Financial Reporting Standards (IFRS) 2 – Share-Based Payments

A share-based payment is a transaction in which the entity receives goods or services as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity. Stock options issued to directors, officers, employees and consultants would fall under the purview of this standard.

Under Canadian GAAP, the Company currently accrues compensation costs as if all instruments granted were expected to vest and recognizes the effect of actual forfeitures as they occur. Under IFRS 2 the entity is required to estimate the forfeiture rate based on the best available information and adjust the forfeiture rate prospectively if required. In addition, IFRS 2 requires that each tranche of options be treated as a separate arrangement as graded vesting is utilized. The Company already uses the graded vesting method to expense option compensation. As a result of the forfeiture rate adjustment a difference between Canadian GAAP and IFRS there is potential for adjustment.

International Accounting Standard (IAS) 1 – Presentation of Financial Statements

Significant differences between IFRS and Canadian GAAP exist for financial statement presentation and disclosure, which only impact the presentation on the face of the balance sheet, statement of comprehensive income, cash flow statement or within classes of shareholders' equity. The presentation differences between Canadian GAAP and IFRS will have no impact on reported earnings (loss) or total equity.

International Financial Reporting Standards (IFRS) 3 – Business Combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. IFRS 3 does not apply to the formation of a joint venture, combinations of entities or businesses under common control. IFRS 3 also does not apply to the acquisition of an asset or a group of assets that do not constitute a business.

IFRS 1 provides an exemption from restating past business combinations for periods prior to the IFRS transition date, thereby grandfathering the accounting treatment under Canadian GAAP. The Company has adopted CICA will likely to elect to apply the exemption available to first time IFRS adopters without having to retroactively restate the accounting for those business combinations that occurred prior to October 1, 2010. There have been no business combinations in fiscal 2011 to date.

Risks and Uncertainties

Seaway Energy strives to ensure its operations are conducted in an efficient and cost-effective manner and that all applicable environmental regulations and guidelines are adhered to. As oil and gas companies continue to drill wells and develop properties, a greater emphasis is being placed on the environmental consulting services provided by companies such as Seaway to assist them in complying with increasingly stringent regulations. The demand for the services provided by Seaway Energy is dependent on the level of activity in the industry, which in turn is subject to a number of risk factors. The demand, price and terms of our services are dependent on the level of activity in this industry, which in turn depends on several factors, including:

- Crude oil, natural gas and other commodity prices, markets and storage levels;
- Expected rates of production and production declines;
- Discovery of new oil and natural gas reserves;
- Availability of capital and financing;
- Exploration and production costs;
- Pipeline capacity and availability;
- Manufacturing capacity and availability of supplies for rig construction; and
- Government imposed royalties and taxes.

The following is a detailed description of the risk factors that affect the oil and gas industry and in turn the Company:

- Commodity Pricing – Both oil and gas prices are unstable and are subject to fluctuation. The prices determine the economic feasibility of exploration and drilling activity in the oil and gas industry, to which the Company provides its services. High commodity prices increase demand for the Company's services, while adverse prices impact the Company's ability to generate revenues.

- Weather – The Company provides supervisory services on projects involving the use of heavy equipment, the movement of which requires reasonable weather and road conditions. Adverse weather conditions can significantly delay or bring into question the economic viability of projects. The weather also introduces a seasonality aspect to the Company's business. This is especially true in the spring season, with spring breakup making many secondary roads impassable.

- Available workforce – The ability of the Company to provide services is contingent upon qualified and sufficient staff being available. Obtaining and retaining qualified personnel is crucial to the Company being able to provide cost-effective quality service to its clients.

- Competition – The Company competes with numerous other participants in the provision of environmental consulting services. The Company needs to continue to provide cost-effective quality service to mitigate the business risk of competition.