Seaway Energy Services Inc.
Management Discussion and Analysis
For the three month period ended December 31, 2010

March 1, 2011

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements of Seaway Energy Services Inc. (the "Company" or "Seaway Energy") for the three months ended December 31, 2010 and the audited financial statements for the year ended September 30, 2010 and the corresponding MD&A. 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.

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.

Outlook

Oilfield service activity in the Western Canadian Sedimentary Basin in calendar year 2010 proved to be higher than originally projected by industry associations. Activity levels were driven by favorable economics for crude oil and liquids rich natural gas plays. Exploration and production companies are expected to continue their focus on these plays in 2011 and the industry associations are projecting drilling activity levels similar to 2010. Low natural gas prices, however, continue to be a concern. No significant gas price turnaround is expected in the short term and with the current levels of natural gas over-supply in the United States conventional natural gas drilling activity in western Canada will continue to languish. A full recovery of the Canadian oilfield services industry cannot occur until the fundamentals regarding natural gas development improve dramatically.

Seaway concurs with the industry association projections for drilling activity in 2011 and is optimistic that it can capture some of the increased construction activity associated with oil and natural gas

liquid plays. Environmental and lease reclamation project work is expected, as in the past, to contribute significantly to Seaway's revenue stream.

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 increased 3.4% to $876,767 from $847,645 for the first quarter of 2011 compared to the comparative 2010. The increase in revenue is consistent with the steady activity levels associated with the low price of natural gas offset by increased oil prices.

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 increased 9.4% from $626,987 to $686,058 for the three month period ending December 31, 2010 compared to the comparative 2009 period. The fluctuation in the direct operating costs is due to the mix of services provided (field operations versus engineering and reclamation work).

Gross profit, which is gross revenue less direct costs, decreased from 26.0% in the first quarter of 2010 to 21.8% in the current quarter. The fluctuations in the margins are due to the mix of services provided (field operations versus engineering and reclamation work) and also reflective of downwar pricing pressure in a competitive market.

For the three months ended December 31, 2010 the Company incurred no intangible asset amortization expense due to the impairment provision recorded in the fourth quarter of fiscal 2010.

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 were $139,034 in the current quarter as compared to $130,546 in the comparative quarter. Management continues to maintain strict cost controls measures. During the quarter the Company did not encounter any uncollectable accounts.

Included in general and administrative costs are the following related party transactions:

- During the period, the Company paid $5,186 in management fees for administrative services to a company by an Officer.

All related party transactions occurred in the normal course of operations and have been measured at the agreed to exchange amount.

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 Energy 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 month period ending December 31, 2010. The future expense will vary as it is dependent on the number and vesting provisions of future stock option grants.

Income taxes

Presently the Company does not expect to pay current taxes in 2011 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 affects the Western Canadian drilling and service activity levels and corporate expenses in future reporting periods.

Liquidity and Capital Resources

At December 31, 2010 the Company has positive working capital of $773,664 compared to a positive working capital balance of $731,135 as of September 30, 2010. Included in the Company's working Capital is $275,000 of convertible debentures due in April. The Company will endeavor to repay the $275,000 in debentures by utilizing the current working surplus and cash flows. As the debenture is subordinated to the senior credit facility management is required to get approval from the senior lender prior to the repayment.

The Company has a $600,000 (September 30, 2010 - $600,000) undrawn revolving demand loan facility with a chartered bank. 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 $2,410 of investments in capital assets in the current quarter.

The Company has entered into a lease for its operating premises. The following table discloses Seaway's current contractual obligations:

Contractual Obligations	Total	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Premise lease	$ 128,010	38,790	89,220	-	-

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, purchase on the TSX Venture Exchange up to 3,098,847 common shares, being approximately 10 per cent of the "public float" of the common shares of Seaway. 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.

Seaway believes that its common shares have historically been trading in a price range which may not adequately reflect their value in relation to Seaway's business and its future business prospects. As a result, depending upon future price movements and other factors, Seaway believes that its outstanding common shares may represent an attractive investment and a desirable use of a portion of its available funds.

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 December 31, 2010 the total trade accounts receivable with five customers accounted for 78% (2010 – four customers accounted for 57%) of the Company's current accounts receivable.

		December 31, 2010		September 30, 2010
1-30 days	**$**	**666,064**	$	989,785
31-60 days		**196,324**		72,950
61 + days		**491,299**		75,448
Total trade receivables		**1,353,687**		1,138,183
Allowance for doubtful accounts		**(21,061)**		(21,061)
Total accounts receivable	**$**	**1,332,626**	$	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. Currently all the Company's debt subject to interest is fixed rate debt.

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 December 31, 2010, the Company has fixed interest rates on 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 December 31, 2010 and March 1, 2011 there are 30,988,470 common shares outstanding.

There are 5,000,000 warrants outstanding at December 31, 2010 that expire on March 25, 2011 and May 21, 2011. The convertible debentures are convertible into 1,833,333 shares at the option of the holder with an exercise price of $0.15.

The number of common share options granted to officers, employees, directors and consultants outstanding at December 31, 2009 and March 1, 2010 is detailed as follows:

Number of Options	Exercise Price	Expiry Date
540,000	$ 0.24	October 17, 2011

All the options are currently exercisable.

Summary of Quarterly Results

The quarterly results of Seaway are markedly affected by weather patterns throughout its operating area in Western Canada. 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 December 31, 2010	Three months ended September 30, 2010	Three months ended June 30, 2010	Three months ended March 31, 2010
Gross revenue	877	1,117	1,539	911
Net income (loss)	33	(53)	78	10
Per share – basic and diluted	0.001	(.003)	0.003	0.001
Working capital	774	731	535	409
Total assets	1,594	1,440	1,822	2,059

($ thousands, except per share amounts)	Three months ended December 31, 2009	Three months ended September 30, 2009	Three months ended June 30, 2009	Three months ended March 31, 2009
Gross revenue	848	894	653	1,038
Net income (loss)	28	37	(109)	18
Per share – basic and diluted	0.001	0.002	(0.004)	0.001
Working capital	365	297	635	591
Total assets	1,577	1,576	1,614	1,597

The Company's revenues have decreased in the current quarter as opposed to the previous quarter due to the completion of a significant reclamation project in the fourth quarter of fiscal 2010. 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.

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 consolidated financial statements for the year ended September 30, 2010 available at www.sedar.com.

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.

The Company's detailed assessment and design phase of the project will be expected to be completed by June 30, 2011. In addition, an initial evaluation of IFRS 1, First-time Adoption of IFRS, transition exemptions and the analysis of financial systems is also expected to be completed by June 30, 2011.

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 2010 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 audited.

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.