

HSE Integrated Ltd.
Management Discussion and Analysis
For the three months ended March 31, 2006

The following discussion and analysis is a review of HSE Integrated Ltd.'s ("HSE" or the "Company") financial results for the three months ended March 31, 2006, and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three month period ended March 31, 2006 together with the Company's annual audited consolidated financial information for the fiscal year ending December 31, 2005. All public filings, including this information, are filed on SEDAR at www.sedar.com. Unless otherwise disclosed, the financial information presented in this section has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and considers information available to management up to May 18, 2006. Unless otherwise stated, dollar figures presented are expressed in thousands of Canadian dollars and per share figures are in dollars per weighted average common share.

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenue	\$ 27,465	\$ 17,306
Operating expense	19,734	11,250
Gross profit	7,731	6,056
Gross profit %	28%	35%
Sales, general & administrative expense	2,183	1,339
Net income	2,353	2,588
- per share basic	\$0.07	\$0.11
- per share diluted	\$0.07	\$0.11
Operating cash flow	4,339	4,252
Shares outstanding at end of period	32,982	22,529
Weighted average shares – basic	30,277	22,525
Weighted average shares – diluted	33,504	22,570
	As at March 31 2006	As at December 31, 2005
Working capital	\$ 14,173	\$ 9,831
Total assets	94,115	51,332
Long-term debt	17,830	752

Overview

The Company's operating results for the quarter ended March 31, 2006, reflect the impact of not only continued high levels of activity in the upstream oil and gas sector which is being fuelled by ongoing high commodity prices but, more significantly, the acquisition of the shares of Key Safety Services Inc. and Key Monitoring Solutions Corp. (the "Key Group") by the Company as of January 10, 2006. This acquisition provided the Company with an increased productive capacity that enabled it to capitalize on the high levels of activity associated with the winter drilling season.

Industry activity was up significantly over 2006, with the average number of rigs drilling up 17% over 2005. The acquisition of the Key Group in the quarter provided the Company with the capacity to take advantage of this increase in activity. Revenues increased 59% over 2005, with the Key group contributing \$6,859 or 25% of the Company's revenue for the quarter. Revenue

excluding acquisitions increased 19% over 2005.

EBITDA increased 17.6% to \$5,548 from \$4,717 in 2005. EBITDA was 20.2% of revenues in 2006, down from 27.3% in 2005, as 2005 activities included a large well control job that provided above average margins. Field margins decreased from 35% in 2005 to 28% in 2006, reflecting the absence of the high-margin well control work. The Company was unable to implement price increases for some major customers until their master service agreements came up for renewal, although wage increases had been given. Further, in the first quarter the Company had new industrial safety services locations in Fort McMurray, Central Canada and Eastern Canada that it did not have in the prior year. The Fort McMurray location does not yet generate sufficient revenue to contribute to profitability and the first quarter of the year is the slowest for the new business units in Central and Eastern Canada.

The Company continues to increase its operating capacity, both in its core wellhead safety services business and in the industrial safety sector. The Company completed the Key Group acquisition early in the quarter, and entered into Letters of Intent to acquire companies that will increase the Company's access to the industrial safety sector in Central Canada, and to the offshore drilling and production sector of Canada's East Coast.

The Company has maintained its strong balance sheet. Working capital, excluding the portion of term debt due beyond one year, increased by \$4,150 during the quarter. The Company used treasury shares to pay for a portion of the Key group acquisition, reducing the amount of cash and debt required. As well, the Company completed private placements in February, 2006 for gross proceeds of \$1.375 million, and in April, 2006 for gross proceeds of \$11.7 million in order to minimize the amount of debt needed for capital expenditures and acquisitions.

Industry economics for the Company's core customers in the oil and gas production industry continue to be strong. High commodity prices continue to drive a demand for the Company's services. Industry analysts expect this trend to continue for the foreseeable future.

Overall Performance and Selected Financial Information

Revenue

In the business model in place during the quarter, the Company's business is driven largely by the level of drilling, completion and well servicing activities within the upstream oil and gas sector, and to a lesser extent by the level of maintenance activity in the industrial plant and facilities sector. The Company earns its revenue by providing a variety of worker safety and equipment protection services including on-site safety supervision, gas detection and breathing equipment rentals and services, firefighting and fire protection, worker shower deluge services, on-site medical services, and safety training.

Gross revenue increased 59% from \$17,306 in 2005 to \$27,465 in 2006. Of the increase, \$6,859, or 40%, is related to the capacity increase created by the acquisition of the Key Group effective January 10, \$3,300, or 19%, is related to increases from existing capacity.

The Company increased its base prices in the third quarter of 2005. These prices have been implemented for many customers, and will be fully implemented as existing pricing agreements come up for renewal. The higher prices have been generally accepted by HSE's customers because the primary cost increases to the Company have been in the areas of labor, fuel and field worker subsistence, factors that affect all industries operating in Western Canada. An important element of the increase has been a surcharge to offset the rising cost of fuel. Although HSE's customers anticipate supplier's costs rising in these areas, we believe that HSE's growing capacity and ability to service more of its customers' needs in more regions with wider breadth of services, is giving HSE a competitive advantage which has helped mitigate potential customer

losses that might otherwise have occurred with the price increases.

Operating Expenses

Operating expense consists of costs directly attributable to the provision of safety and related services to customers. These include wages and benefits for field employees and contractors, equipment rentals and leases, transportation, fuel, consumables, equipment repairs and maintenance and field office administration including field sales.

Operating expenses for the three months ended March 31, 2006 totaled \$19,734 or 71.9% of revenues as compared to \$11,250 or 65.0% of revenues for comparable period in 2005. Operating expenses reflect wage increases implemented in the third quarter of 2005, as well as increases in other costs such as fuel and field worker subsistence. As discussed above, the price increases to reflect these cost changes have not been fully implemented for some major customers.

The Company's business mix changed in 2006 relative to that of the prior year. In the third quarter of 2005 HSE acquired an industrial safety services company with operations in Ontario, Atlantic Canada and the mid-western United States. For this business, the first quarter is the slowest of the year. In the third quarter of 2005, the Company opened a field service location in Fort McMurray, an area plagued by very high operating cost. Revenue from Fort McMurray is not yet sufficient that this location is a positive contributor to consolidated profitability. The combination of these factors resulted in increased direct operating expense as a percentage of total revenue.

Operating expenses as a percentage of revenues were unusually low in the prior year because a significant portion of that quarter's revenue was derived from one large and several small well control operations which generated higher margins. There was only nominal activity of this type in 2006 to date.

Sales, General and Administrative Expense

Sales, general and administrative ("SG&A") expense consists of costs not directly attributable to the provision of services for customers. These include costs generally associated with corporate head office functions and services, administrative personnel, corporate sales and marketing costs, liability insurance, professional fees and investor relations. Many of these costs are relatively fixed in nature and do not vary directly with activity. The main exception to this are revenue-based commissions paid to corporate sales staff.

SG&A for the three months ended March 31, 2006 amounted to \$2,183 or 7.9% of revenue, versus \$1,339 or 7.7% of revenue in 2005. The increase reflects costs related to the Key Group acquisition, increased business development and corporate costs necessary to support the increased size of the Company, improved financial reporting through new computer system implementation, and to targeted future growth. Two new corporate support units existed in 2006 that were not in place in the prior year. These included the Human Resources department and Asset and Materials Management. The Company believes both of these are important to the Company as it grows.

Amortization

Amortization for the first quarter of 2006 was \$1,428. This compares to \$789 for the same period

in 2005. The increase in amortization expense reflects the impact of the significantly larger asset base owned by the Company at the end of the quarter, as the cost of fixed assets owned by the Company has increased 91% over the balance at the end of March, 2005.

Interest Expense

Interest and bank charges reflect the cost incurred by the Company for short-term credit, primarily in relation to the bank term debt and operating lines of credit. Interest and bank charges increased from \$80 in 2005 to \$222 in 2006. The change was caused by term debt loans used to fund the Key Group acquisition, higher operating line balances due to higher activity levels, and higher interest rates. The Company's short term credit lines bear interest at the bank's prime rate.

The increase in long term debt interest costs relates to additional capital leases over 2005, offset by the removal of interest on debentures outstanding at March 31, 2005.

Summary of Quarterly Results

	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$27,465	\$17,280	\$15,080	\$9,410	\$17,306	\$9,086	\$4,719	\$2,681
Net Income (loss)	2,353	(59)	786	(1,482)	2,588	360	(227)	(289)
EBITDA	5,548	1,501	2,224	(845)	4,717	1,120	109	(193)
Income (loss) per share - basic and diluted	\$ 0.07	\$ 0.0	\$ 0.02	\$ (0.06)	\$ 0.11	\$ 0.02	\$(0.02)	\$(0.03)

Like all companies providing field services in the oil and gas industry, the Company's business has a seasonal component. The Company's safety service business provides services primarily to the drilling, completions and well servicing sector. Because this sector uses equipment that can only access well locations during certain times of the year and because of the effects of weather on field activity, the industry can experience unexpected activity fluctuations. As well, the Company provides emergency response services which, by their nature, are unpredictable and non-recurring. These services, depending on their nature and extent, can have a material impact on the financial results for the periods in which they occur.

The first quarter is generally the busiest quarter for HSE. During the winter, HSE's customers are able to drill in locations (primarily in Northern Alberta and British Columbia) which can only be accessed economically by heavy equipment while the ground is frozen. Spring break-up causes a reduction in activity since rigs cannot move between locations due to wet conditions and public road usage bans. Because transportation is so expensive and problematic through April and May, many drilling and completion companies use this as a maintenance period. Service companies use this opportunity to undertake major maintenance tasks. As a result, operating results are depressed for most service companies during these months.

During the second and third quarters, most of the Company's business is generated from activities in less remote producing areas such as Central and Southern Alberta where the road network is better established. Also during these months HSE experiences increased demand for worker training.

The oil and gas industry uses the second and third quarters to perform major plant maintenance procedures called "plant turnarounds". These turnarounds require specialized safety procedures and equipment which HSE provides. HSE is actively developing its industrial safety services business so that in the future, the financial impact of having the Company's business thrust shift from well-site safety (drilling, completions and work-overs) to industrial safety (plant shutdowns, turnarounds and maintenance) will be less severe and the quarterly revenue fluctuations less

significant. Significant progress was made in this area through two acquisitions completed in April 2006.

The final quarter of the year is generally HSE's second busiest in the year. Once the ground freezes, northern locations are once again accessible, and companies try to complete work that was planned in their annual drilling budgets. However, because of the variability of weather during this time and the impact of the holiday period, fourth quarter results tend to be the most difficult to predict.

Liquidity and Capital Resources

The Company's principal sources of capital are cash flows from operations, borrowings under an established credit facility with its senior lenders, and equity financing. The Company, through the conduct of its operations, has undertaken certain contractual obligations as noted in the table below:

Payments due by Period (year periods ended March 31)

(\$'000)	2007	2008	2009	2010	2011	Total
Capital lease obligations	1,003	1,024	964	609	–	3,600
Operating leases	3,328	2,749	2,308	1,662	784	10,831
Purchase obligations	–	–	–	–	–	–
Total contractual obligations	4,331	3,773	3,272	2,271	784	14,431

Cash flow from operations

During the first quarter of 2006, operations used \$2,946 of cash flow compared with generating \$1,381 of cash flow in the first quarter of 2005. This change reflects the funding of increased accounts receivable resulting from substantially higher activity levels and extended collection times.

Cash flow from financing

During the quarter, the Company:

- Drew on its operating lines of credit to fund working capital and fixed asset acquisitions,
- Drew on its \$20 million dollar non-revolving term debt facility to fund the Key Group acquisition,
- Added a net of \$2,692 to its outstanding capital lease obligations to fund fixed asset acquisitions, and
- Issued shares for net proceeds of \$1,549, primarily through a private placement with the Company's employees.

As at March 31, 2006, all companies within the consolidated HSE group were in full compliance with their debt covenants.

Cash flow from investing

During the quarter, the Company invested \$3,091 primarily into infrastructure and field safety equipment as part of a capital expenditure program. In addition, \$16,334 of cash, promissory notes and debt was used to finance the Key Group acquisition. This compares to \$322 invested in capital equipment for the first quarter of 2005.

Liquidity

The Company operates using a relatively conservative capital structure limiting the amount of debt outstanding to reasonable levels reflecting the historic cyclical nature of its industry. As at March 31, 2006, the Company had \$23.0 million of total long term debt outstanding and \$5.0 million of its operating line drawn leaving approximately \$5.0 million of un-drawn revolving term loan and \$5.0 million of un-drawn operating facility after drawing on the \$20.0 million dollar non-revolving term loan to finance the acquisition of the Key group. The Company has announced plans for an \$8.0 million capital expenditure program in 2006 and early 2007 and anticipates a number of small to mid-sized acquisitions in addition to the acquisitions already completed in 2006 and described below. The Company believes that operating cash flows, bank credit facilities and equity financing will be available to finance its capital expenditure and acquisition program.

In January 2006 the Company renegotiated its credit facilities (see note 16a of the audited consolidated financial statements). The new facility provides a \$20.0 million non-revolving term loan amortizing equally over five years, a revolving \$5.0 million term loan amortizing equally over five years, and an operating line of \$10.0 million (seasonally reduced to \$8.0 million) margined to accounts receivable. In February, 2006 the Company completed a private placement of 550,000 common shares at \$2.50 per share for gross proceeds of \$1.375 million and in April, 2006, the Company completed a private placement of 3,300,000 common shares at \$3.55 per share for gross proceeds of \$11.7 million.

Off Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements other than typical operating leases for equipment entered into in the normal course of business.

Related Party Transactions

During the quarter ended March 31, 2006, the Company had the following transactions with related parties. These transactions are measured at exchange amounts, which approximate an arm's length equivalent:

A company controlled by a director of HSE subcontracted the provision of certain goods and services to HSE. During the quarter, HSE billed this company \$473 in respect of the goods and services provided. These products and services were sold at rates agreed to as part of the acquisition of the assets of the company. A total of \$877 remained in receivables at March 31, 2006, in respect of this and prior period billings. During the quarter, HSE purchased consumables at a cost of \$10 from this company. There was no amount payable at March 31, 2006.

During the quarter, the Company paid rent for shop facilities in the amount of \$62 to a company controlled by an officer and director of the company. Included in accounts receivable is \$54 which is due from the same officer and director.

Acquisitions

a) On January 10, 2006, the Company completed the acquisition of Key Safety Services Inc. ("KSS") and Key Monitoring Solutions Corp. ("KMS") (the "Key Group"), in a business combination accounted for as a purchase. KSS performs oilfield safety services in Western Canada. KMS provides air quality monitoring services for hydrocarbon drilling and industrial projects. The results of operations are included in the accounts from the date of acquisition. Consideration for the acquisition was comprised of 2.4 million common shares of the Company valued at \$2.64 per share, \$8,250 cash, \$3,390 in promissory notes issued to the vendors, the assumption of debt and acquisition costs. The purchase price allocation is preliminary and certain items, such as fair value of assets and liabilities as of the acquisition date, have not been finalized.

The following table summarizes the purchase price allocation:

Net assets acquired:	
Non cash working capital	\$ 1,351
Property, plant and equipment	11,456
Intangible assets (no tax basis)	2,264
Goodwill (no tax basis)	10,594
Future income taxes	(2,374)
Long term debt	<u>(621)</u>
 Net Assets Acquired	 \$ <u><u>22,670</u></u>
Consideration:	
Cash, net of cash acquired	\$ 8,250
Issuance of promissory notes	3,390
Treasury shares issued	6,336
Debt assumed	<u>4,694</u>
	\$ <u><u>22,670</u></u>

Acquisitions Announced Subsequent to Quarter End

a) On April 5, 2006, the Company completed the acquisition of Sentry Fire Equipment Ltd. ("Sentry") in a business combination accounted for as a purchase. Sentry performs fire suppression services for the industrial and commercial markets in Southern Ontario. The results of operations will be included in the accounts from the date of acquisition. Consideration for the acquisition was \$3,600 cash. The purchase price allocation has not been completed and certain items, such as fair value of assets and liabilities as of the acquisition date, have not yet been finalized.

b) On April 21, 2006 the Company completed the acquisition of Front Line Safety Limited. ("Front Line") in a business combination accounted for as a purchase. Front Line performs industrial safety services for the petrochemical and mining industries in Atlantic Canada and offshore Canada. The results of operations will be included in the accounts from the date of acquisition. Consideration for the acquisition was comprised of 667 thousand common shares of the Company at \$3.69 per share, \$750 of cash and additional contingent consideration to be determined upon Front Line's operating results for the fiscal year ending August 31, 2006. The purchase price allocation has not been completed and certain items, such as fair value of assets

and liabilities as of the acquisition date have not yet been finalized.

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on historical experience and on other various assumptions that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed periodically, and actual results may differ from those estimates under different assumptions or conditions. Management must use its judgment related to uncertainties in order to make these estimates and assumptions.

The accounting policies and estimates believed to require the most difficult, subjective or complex judgments and which are material to the Company's financial reporting results are:

Allowance for doubtful accounts receivable

The Company assesses its accounts receivable through a continuous process of reviewing its receivables both on an individual customer basis and on an overall basis. The review includes assessment of current aging status of customers, historical collection experience, financial condition of customers, industry economic trends, and other factors. Based on the review, allowances for specific customers are determined. The process involves a high degree of judgment and can frequently involve significant dollar amounts. Accordingly, the Company's financial position, results of operations, and cash flows can be affected by adjustments to the allowance due to actual write-offs that differ from estimates.

Goodwill impairment

Goodwill represents the excess of purchase price for acquisitions over the fair market value of the acquired Company's net assets. Goodwill is tested for impairment at least annually. This impairment test is a two step process. In the first step, the carrying amount of the Company's assets is compared with their fair value. When fair value exceeds the carrying amount, goodwill is not considered to be impaired and the second step of the impairment test is not required. The second step compares the implied fair value of goodwill with its carrying amount to measure the impairment loss, if any. Assumptions used to determine fair market values include estimates as to future operating performance as well as various earnings multiples. These assumptions and estimates are subject to risks and uncertainties, and changes in estimates could occur that may affect the existence or quantum of goodwill impairment. Based on management's judgment regarding continued strong demand for its services, the calculated estimates resulted in no indication of impairment in the carrying value of goodwill.

Impairment of long-lived assets

The Company evaluates potential impairment of long-lived assets and intangibles when indicators of impairment are present. Estimates of undiscounted future net cash flows to be derived from the long-lived assets over their remaining estimated useful lives, as well as any salvage value are calculated and compared to the carrying value of the long-lived assets to determine whether the assets are deemed to be impaired. The industry which the Company's core customers operate in is highly cyclical and the estimate of future cash flows requires the use of assumptions and judgment. Periods of prolonged down cycles in the industry could have a significant impact on the carrying value of these assets and may result in impairment charges. Based on management's judgment

regarding continued strong demand for its services, the calculated estimates resulted in no indication of impairment in the carrying value of long-lived assets.

Depreciation and amortization of property and equipment

Property and equipment is recorded at cost less accumulated depreciation. The useful lives of the depreciable assets is based on historical experience and judgment of management. This judgment includes an assessment of expected utilization, job mix assumptions and preventative maintenance programs. Although management believes that the estimated useful lives and salvage values are reasonable there can be no certainty that the reduction in depreciable asset values over time matches depreciation expense using estimated useful lives. If depreciation estimates are not correct, the Company may record a disproportionate amount of gains or losses on disposition of these assets. Management believes their estimates of useful lives to be materially correct.

Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recorded for the affect of any differences between the accounting and income tax basis of an asset or liability using the substantively enacted tax rates. The Company will establish valuation allowances to reduce future income tax assets when it is more likely than not that some or all of a future tax asset will not be realized. Estimates of future taxable income are considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to valuation allowances associated with the Company's future tax assets.

Accounting Changes

There were no new accounting standards or pronouncements enacted during the first quarter of 2006 or to the date of this report that had a material affect on the Company's financial position, results of operations or cash flows for the quarter or are anticipated to have a material affect on the Company's financial position, results of operations or cash flows for the remainder of 2006.

Business Risks

Oil and natural gas prices

The demand for HSE's services is highly dependent upon the level of expenditures made by oil and gas production companies and, to a lesser extent, by petrochemical refining customers. The price received by our customers for oil and natural gas directly impacts their cash flow available to purchase our services.

Cyclical or seasonal nature of industry

Like most companies providing field services in the Canadian oil and gas industry, the Company's business has a seasonal component. The Company's safety service business provides services primarily to the drilling, completions and well servicing sector. Because this sector uses equipment that can only access well locations during certain times of the year and because of the effects of weather on field activity, the industry can experience unexpected activity fluctuations. Additionally the Company provides emergency response services which, by their nature, are unpredictable and non-recurring and can cause unusual changes in activity.

The first calendar quarter is the most active in the oil field services industry, the second quarter the least active and the third and fourth quarters typically reflect increasing activity. The impacts of low activity levels among the Company's oilfield service customers is somewhat reduced by activity in industrial services when major plant maintenance procedures called "plant turnarounds" tend to occur.

Furthermore, fluctuations in oil and natural gas prices can produce periods of high and low demand for the Company's services. These fluctuations in commodity prices can cause both seasonal and cyclical demand swings in the Company's activity levels and operating results.

Merger and acquisition activity

Acquisitions are a key component of the Company's growth strategy. The ability or inability to identify, acquire and integrate acceptable acquisition candidates on favourable terms will impact growth and operating results.

Availability of qualified staff

The Company's ability to provide reliable service is dependent upon attracting and retaining skilled workers. Competition for the services of the limited supply of skilled workers is high.

Availability of financing

Historically, the Company has funded the growth of its operations and its acquisitions from bank debt and share issuances in addition to cash generated from operations. There is no certainty that the Company will continue to be able to obtain sufficient financing at competitive rates. The Company's ability to grow as planned may be limited if sources of competitive financing are unavailable.

Financial Instruments and Other Instruments

The Company has estimated the fair value of its financial instruments, which include cash and cash equivalents, receivables, operating line of credit, payables and accruals, demand loans, and long-term debt. The Company used valuation methodologies and market information available as at year-end and has determined that the carrying amounts of such financial instruments approximate fair value in all cases. The Company is exposed to interest rate risk to the extent that it has an operating line of credit and demand loans that carry a variable rate of interest. The Company is exposed to currency risk to the extent that one of its subsidiaries operates in the United States and bills its customers in US funds. Notwithstanding this, unless otherwise indicated, it is management's opinion that the Company's exposure to interest rate, currency or credit risk arising from these financial instruments is not significant.

Outlook

Because of high oil and natural gas prices, demand for HSE's services remains very robust. The outlook for drilling and completion activity in western Canada in 2006 appears to be as strong as 2005. In the first three months of 2006, drilling activity, as measured by the weekly average number of rigs drilling, was 17% higher than in the first quarter of 2005. The Company expects these activity levels to persist so long as commodity prices remain strong.

Since the Company was refinanced and restructured in October of 2003, its objective was to become the largest and most respected supplier of industrial safety and related services to petroleum and other resource industries. It intended to pursue a multi-faceted strategy to increase capacity, expand its market to upstream and non-petroleum industry applications including environmental services, to stabilize revenues and earnings on a quarterly basis by diversifying its industry exposure and customer base, and to build on its expertise by providing its customers with a broader suite of safety services and solutions. Management believes that its intended plan continues to succeed and that the financial impact of its strategy as measured by earnings will continue to be realized in 2006 and beyond.

Forward Looking Statements

This report contains forward-looking statements as required under OSC Form 51-102F1 concerning, among other things, the Company's prospects, expected revenues, expenses, profits, financial position, strategic direction, and growth initiatives, all of which are subject to risks, uncertainties and assumptions. These forward looking statements are identified by their use of terms and phrases such as "expect", "anticipate", "estimate", "believe", "may", "will", "intend", "plan" and other similar terms and phrases. These statements are based on certain assumptions and analysis made by the Company based on its experience and assessment of current conditions, known trends, expected future developments and other factors it believes are appropriate under the circumstances. Such statements are subject to numerous external variables both known and unknown such as changes in commodity prices for natural gas and oil, changes in drilling activity, weather conditions, industry specific and general economic conditions and exchange rate fluctuations. If any of these risks and uncertainties materialize or if assumptions are incorrect, actual results may differ materially from those expressed or implied in the forward-looking statements.

Non GAAP Measures

This report contains the following measures which are not standardized under GAAP and therefore may not be comparable with similar measures presented by other companies:

- (1) EBITDA is defined as net income before provisions for interest, taxes, stock-based compensation, amortization and gains or losses on the sale of property and equipment.