

HSE Integrated Ltd.
Management Discussion and Analysis (“MD&A”)
For the years ended December 31, 2008 and 2007

The following management discussion and analysis is dated March 26, 2009, and is a review of the financial results of HSE Integrated Ltd. (“HSE”, “We”, “Our”, or the “Company”) for the fiscal years ended December 31, 2008 and 2007. This MD&A should be read in conjunction with HSE’s other documents filed on SEDAR at www.sedar.com. Unless otherwise disclosed, the financial information presented in this discussion has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and takes into consideration information available to management up to March 26, 2009. Unless otherwise stated, dollar figures presented are expressed in thousands of Canadian dollars and per-share figures in dollars per weighted-average common share. The following MD&A contains forward-looking information and statements. We refer you to the end of the MD&A for the disclaimer on forward looking statements.

Selected Financial Information

	Year ended Dec. 31, 2008	Year-over- year % change	Year ended Dec. 31, 2007	Year-over- year % change	Year ended Dec. 31, 2006
Revenue	\$113,763	16.9%	\$97,342	-3.2%	\$100,539
Operating and materials	92,673	14.7%	80,829	6.8%	75,655
Operating margin	21,090	27.7%	16,513	-33.6%	24,884
Operating margin %	18.5%		17.0%		24.8%
Selling, general & administrative	10,699	12.3%	9,524	-0.5%	9,572
Net earnings (loss)	248	100.9%	(27,302)	-888.9%	3,461
- per share basic	0.01	101.4%	(0.73)	-830.0%	0.10
- per share diluted	0.01	101.4%	(0.73)	-830.0%	0.10
EBITDA ⁽¹⁾	10,391	48.7%	6,989	-54.4%	15,312
EBITDA %	9.1%		7.2%		15.2%
Total assets	68,934	-6.0%	73,372	-31.4%	106,938
Total long-term liabilities	\$17,731	-20.1%	\$22,196	-4.9%	\$23,327

See Non-GAAP Measures for ⁽¹⁾

Financial Review

Overview

HSE operates in a single industry segment: the industrial health and safety industry. This involves providing a variety of asset, worker and community safety protection services including: on-site safety supervision; gas detection; fixed and mobile air quality monitoring; breathing equipment rentals and services; fixed and mobile firefighting and fire protection services and equipment; worker shower (decontamination) services; on-site medical services; worker safety training; industrial hygiene services; and safety management and consulting services.

For the current year, total revenues increased by 16.9% from the prior year to \$113.8 million, up from \$97.3 million in 2007. This represents the highest annual revenue in the Company’s history. Operating margin of \$21.1 million was 18.5% of revenues, up from 17.0% in 2007. SG&A increased to \$10.7 million from \$9.5 million in the prior year, but as a percentage of revenue SG&A declined from 9.8% of revenue in fiscal 2007 to 9.4% in 2008. HSE reported a profit of \$0.25 million or \$0.01 per share compared to a loss of \$27.3 million or (\$0.73) per share in the prior year. A significant portion of the loss in 2007 related to a \$25.5 million impairment charge with respect to goodwill and intangible assets. Excluding the effect

of these charges, the loss in 2007 was \$1.8 million (\$0.05 per share). HSE generated EBITDA of \$10.4 million or 9.1% of revenue in 2008, up 48.7% from \$7.0 million or 7.2% of revenue in 2007.

Revenue

For the years ended December 31, 2008 and 2007, the Company had no customers representing more than 10% of revenue.

The Company currently provides services to its customers in two main business areas: Oilfield Services (“Oilfield”) and Industrial Services (“Industrial”). Oilfield services are provided to customers who operate within the conventional upstream, or “wellhead”, sector of the oil and gas industry. This includes oil and gas well exploration, drilling, completion and workover operations. Industrial services are provided to customers operating in a wide variety of other industries, including: non-conventional upstream oil development and production (including oilsands extraction); oil and gas processing and refining; petrochemicals; pulp and paper; utilities; power generation; and diverse manufacturing industries. It also includes worker safety training and safety management and consulting services provided to customers operating in a variety of industries. The Company had previously separately disclosed revenue for air quality monitoring (“Environment”), but has now grouped these services into either the Industrial or Oilfield market in which these services are deployed. The Company tracks billings to customers by industrial group, but uses a common pool of resources, both equipment and personnel, to provide these services.

The revenue for these services is shown below:

	Year ended Dec. 31, 2008	Year ended Dec. 31, 2007	Year over year % change
Oilfield	\$51,264	\$53,886	(4.9)%
Industrial	62,499	43,456	43.8 %
Total Revenue	\$113,763	\$97,342	16.9 %

As a % of Revenue:

Oilfield	45.1%	55.4%
Industrial	54.9%	44.6%
Total Revenue	100.0%	100.0%

Oilfield

Oilfield revenues in the year decreased by 4.9% in 2008 compared to 2007. The year-over-year decline is due to lower overall activity levels in Western Canada in 2008 in the conventional upstream, or “wellhead”, sector of the oil and gas industry: oil and natural gas well drilling, completion and workover (repair and maintenance) operations in the Western Canadian Sedimentary Basin.

Services provided in the Oilfield sector are primarily oriented towards supporting the development of sour gas – reserves of natural gas containing hydrogen sulphide. The primary driver of revenue fluctuations in comparative reporting periods relates to changes in natural gas drilling and work-over activity caused by fluctuations in natural gas prices and external factors such as interest rates, currency exchange rates, equity and debt markets, and federal and provincial taxation and royalty policies. In the past three years, new conventional oil and gas well drilling activity levels have continued to decline. There were measureable year-over-year activity improvements in the second and third quarters of 2008 caused by record high commodity prices. However, once commodity prices began to decline sharply in the third quarter – combined with the rising uncertainty in global debt and equity markets – activity began to decline again.

To meet growing industry demand in British Columbia and Saskatchewan, equipment and personnel were

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redeployed from Alberta, generating a 58.4% increase in Oilfield revenue in both provinces from \$8.4 million in 2007 to \$13.3 million in 2008. The growth in Saskatchewan was built upon the acquisition of Prairie Wide Safety Ltd. in Weyburn, Saskatchewan, effective July 1, 2007 and attractive investment economics for our customers when compared to Alberta. The growth in British Columbia was based upon significant activity in that province caused by new natural gas developments and more attractive exploration and production investment economics than were available in Alberta.

In the first half of the year, HSE experienced a limited amount of pricing pressure caused primarily by additional capacity added by competitors and an overall industry reduction in demand. During this period the pricing pressure was limited primarily to mobile fire protection and shower activity, mostly in Northwest Alberta. However, as commodity prices declined and capital markets tightened in the latter half of 2008, customer pressure on pricing increased in all areas.

Activity in 2008 related to the Company's venture with Boots & Coots International Well Control, Inc. – Boots & Coots HSE Services LLC ("BCHSE") – focused on logistics such as asset transfers, recruitment of personnel, securing of operating facilities and other activities associated with setting up a new business operation. The first safety equipment was transferred from HSE to BCHSE in the United States and management and field personnel were recruited and hired. The rest of the equipment was in place early in 2009. A location was opened in Odessa, Texas and another in Oklahoma City, Oklahoma. BCHSE contributed nominal revenue in 2008. Operating expenses associated with the new venture were approximately \$0.5 million in the 2008 fiscal year.

Industrial

The Company continued its successful business diversification strategy, and reported a 43.8% or \$19.0 million increase in Industrial revenues in fiscal 2008 to \$62.5 million from \$43.5 million in the prior year. Industrial health and safety services comprised 54.9% of total revenues, up from 44.6% in the prior year. Fiscal 2008 was the third consecutive year with significant growth in the Company's Industrial sector. Going forward, it is likely that Industrial revenues will continue to be greater than Oilfield revenues.

The continuing growth in Industrial revenues is from increased demand for safety equipment and services from oil and gas processing facilities, thermal heavy oil recovery, and oilsands extraction and construction projects in Alberta; safety services, fire suppression, gas detection and breathing air equipment rental services to diverse industrial and commercial markets in British Columbia, Alberta, and Ontario; safety services for the power generation, refining, mining, offshore drilling and production and other industries in Atlantic Canada; and worker safety training and safety consulting services in all markets.

The 2008 fiscal year was characterized by steady revenue growth in all service locations for HSE's expanding Industrial safety services. The increase came from a combination of repeat sales to clients from prior years, new business generated by a more focused marketing effort, increased expertise through the addition of experienced operations and marketing personnel, more service contracts for services on a continuous basis, and growing customer acceptance of HSE as a viable provider of these services. HSE offered Industrial Hygiene consulting and advisory services to its clients for the first time. Based on favourable customer response, this essential but highly specialized worker protection service will be an important element of the HSE Industrial health, safety and environment services suite going forward.

HSE had notable growth in two specific Industrial markets in 2008.

In the oilsands regions of northeast Alberta – serviced from Fort McMurray and Bonnyville – Industrial safety services revenue increased 60.7% to \$22.6 million from \$14.0 million in the prior year. This is a result of the marketing of the Company as a single source of a diverse package of quality services and growing acceptance by developers of having core safety services provided by an expert third-party vendor as an alternative to internal initiatives. A new operations and training facility in Bonnyville, opened in the first quarter, has increased this location's capacity to service the local market. Bonnyville's new mobile safety equipment service unit contributed significant revenues for the first time.

Revenue from Central and Atlantic Canada in 2008 was \$22.8 million, a 77.5% increase from \$12.8 million in 2007. The area of largest growth was Saint John, New Brunswick, where HSE provided safety support services to the nuclear power sector, major construction projects, pulp and paper, and other diverse industries. Other business sectors serviced in the Central and Atlantic regions included refinery, offshore oil and gas, manufacturing, food and beverage, automotive and mining. New locations in Sudbury, Ontario and Hamilton, Ontario opened in the second quarter of 2008. These locations contributed revenue of \$1.2 million during 2008, primarily in the third and fourth quarters.

Operating and Materials Expense and Operating Margin

Operating and materials expense consists of costs directly attributable to the delivery of health and safety services to customers. These include: wages and benefits for field employees and contractors; equipment rentals and leases; field service center property costs; transportation; fuel; consumables; equipment repairs and maintenance; and field office administration including field sales.

Operating and materials expense for the year ended December 31, 2008 totaled \$92.7 million or 81.5% of revenue as compared to \$80.8 million or 83.0% of revenue in 2007. Operating margin for the year increased from \$16.5 million (17.0% of revenue) in 2007, to \$21.1 million (18.5% of revenue) in 2008.

The improvement in operating margins is due to a number of factors. In November of 2007 the Company undertook a series of initiatives to reduce fixed costs at the operations level. The full impact was evident in the 2008 fiscal year. In addition, in 2008 management continued to improve operating processes and financial reporting which gave operations personnel better tools with which to manage their business and improve operating margins. Partially offsetting this, vehicle operating costs were higher in 2008 reflecting increased fuel costs for much of the year. Also, the 2008 operations included costs for the company's US operations that commenced in the third quarter of 2008.

Included in the year is an addition to the provision for doubtful accounts of \$0.25 million to reflect the major negative changes in the general business environment. The majority of this increase took place in the fourth quarter of the 2008 fiscal year. This is in addition to the provision of \$0.73 million in 2007.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expense consists of costs not directly attributable to the delivery of services to customers. These include costs generally associated with the following: corporate head-office functions and services; administrative personnel; corporate sales and marketing costs; liability insurance; professional fees; and investor relations expenses.

SG&A for the year ended December 31, 2008 totaled \$10.7 million (9.4% of revenue), up from \$9.5 million (9.8% of revenue) in the prior year. The largest increase in SG&A resulted from higher accrued performance bonuses under HSE's existing executive bonus plan based upon the improved financial performance of the Company. As well, SG&A in 2008 includes a provision of \$0.25 million relating to the settlement of a legal claim. A portion of the change also relates to additional personnel costs related to the transition to new payroll and billing systems. The remainder of the increase is related to the substantial growth of the business in the 2008 fiscal year.

EBITDA and Net Earnings (Loss)

EBITDA (see "Non-GAAP Measures") in the year increased 48.7% to \$10.4 million from \$7.0 million in the prior year. EBITDA increased because of higher revenue, higher operating margin, and the controlled growth of SG&A relative to the significant increase in total revenues.

Total amortization for the year was \$7.3 million, down from \$8.1 million in 2007. Property and equipment amortization was relatively unchanged when compared to the prior year at \$6.5 million (down from \$6.8 million). Intangible assets amortization declined to \$0.8 million from \$1.3 million in 2007 due in part to the

effect of the impairment recognized in 2007 as well as to the completion of the amortization period for non-competition amounts during the year.

Stock-based compensation for the year was \$0.4 million (2007 – \$1.1 million). The decrease is primarily due to a reduction in the number of outstanding unvested options.

Interest on long term debt and other interest and bank charges decreased from \$1.3 million in 2007 to \$1.1 million in 2008. Interest on the Company's prime-based bank debt decreased as interest rates dropped. On average, the prime lending rate was approximately 1.25% lower in 2008 than in 2007. This saved the company approximately \$0.2 million in interest charges. As well, the Company had significantly lower levels of overall debt at the end of 2008 compared to 2007. Capital lease obligations reduced by approximately \$1.5 million. Long-term bank debt was reduced by \$3.0 million. This significant debt reduction took place late in the fourth quarter, and therefore did not have a significant impact on total interest expense for 2008.

For 2008, the loss on disposal of property and equipment was \$0.6 million with proceeds on sale of \$2.1 million. Partially offsetting the loss is the amortization of a deferred gain on sale / leaseback of assets. In the second quarter of the year the Company, as part of an ongoing review of property and equipment to ensure optimal utilization of funds, sold certain non-essential assets in a sale / leaseback arrangement. This resulted in a deferred gain of \$0.7 million that is being amortized over the five year life of the related leases. The remainder of asset divestitures consisted of retirement of vehicles replaced through the Company's fleet management program.

HSE had a \$0.6 million income tax expense versus an income tax recovery of \$2.7 million for 2007. The change can be attributed primarily to an increase in taxable income in the year together with the effect of income tax rate reductions recognized in 2007.

Net income for the year was \$0.25 million or \$0.01 per share, a significant improvement over a loss of \$27.3 million or (\$0.73) per share in the 2007 fiscal year. Included in the 2007 loss is a goodwill and intangible asset impairment charge of \$25.5 million. Excluding the effect of this impairment, the loss in 2007 was \$1.8 million or (\$0.05) per share. The year-over-year improvement excluding this item was primarily due to the increase in EBITDA as described above.

Other Comprehensive Income

The consolidated statements of other comprehensive income for the year ended December 31, 2008 includes \$124 of unrealized gains on the translation of HSE's self-sustaining foreign operations. The change related to translating the net assets of our US subsidiaries using the current rate method. During 2008, the Canadian dollar weakened 19% against the US dollar, increasing the value of our US dollar denominated net assets.

Fourth Quarter 2008 Results Versus Fourth Quarter 2007

In the fourth quarter of 2008, total revenues were \$29.9 million, a 13.0% improvement over revenues of \$26.5 million for the same period in 2007. Slightly lower revenue from Oilfield health and safety services was more than offset by a substantial increase in revenue from Industrial health and safety services.

Operating costs increased to \$24.3 million in the fourth quarter of 2008 (81.2% of revenue) from \$21.5 million (81.4% of revenue) in 2007. Personnel costs increased versus 2007, since Industrial work tends to be heavily weighted to the provision of manpower. As well, fuel costs rose because fuel prices did not drop significantly until midway through the reporting period. Offsetting this, supply costs, which are more typically associated with Oilfield work, declined. Property costs also declined, a benefit of expense reduction initiatives undertaken in the prior year. This includes the closure of redundant facilities in Western Canada in 2007, but was partially offset by the addition of locations in Hamilton and Sudbury during 2008.

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SG&A increased to \$2.9 million (9.8% of revenue) in the fourth quarter of 2008 from \$2.3 million (8.8% of revenue) in 2007. The change was due to the accrual of a lawsuit settlement, SG&A costs related to setup of BCHSE, and personnel costs related to completion of internal control testing and various finance and computer system projects.

EBITDA increased by 4.3% from \$2.6 million to \$2.7 million. The increase in EBITDA was due to higher overall revenue, improved operating margin and controlled SG&A. The Company had net earnings of \$0.4 million in the fourth quarter of 2008 versus a net loss of \$9.2 million in the fourth quarter of 2007. The 2007 loss included write-downs of goodwill and intangible assets totaling \$10.5 million.

Fourth Quarter 2008 Results versus Third Quarter 2008

Revenue for the fourth quarter increased 6.0% to \$29.9 million from \$28.2 million in the third quarter, as increases in Oilfield revenue offset a drop in Industrial work as turnarounds wound up. Oilfield revenue increased \$2.6 million from \$12.0 million in the third quarter to \$14.6 million in the fourth quarter primarily due to a significant well control job in November. Industrial revenue declined by \$0.9 million from \$16.2 million to \$15.3 million.

Operating expenses increased by \$1.9 million from \$22.4 million (79.5% of revenue) to \$24.3 million (81.1% of revenue). Personnel costs increased, reflecting higher wages. As well, operations related travel and supplies costs increased.

SG&A was virtually unchanged from the third quarter at \$2.9 million. An accrual for the settlement of a lawsuit and an increase in consulting costs related to internal control testing and payroll processes in the fourth quarter offset a reduction in personnel costs related to the payment of severance amounts and the accrual of management bonuses in the third quarter.

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 lender and equity financing.

The Company, through the conduct of its operations, has undertaken certain contractual obligations as noted in the following table:

Years ended December 31,	2009	2010	2011	2012	2013	Total
Capital lease obligations	\$ 993	283	111	6	–	\$1,393
Vehicle operating leases	1,858	1,775	1,049	45	–	4,727
Property & other leases	2,831	2,269	1,372	951	688	8,111
Long-term debt	98	10,854	818	–	–	11,770
Total contractual obligations	\$5,780	15,181	3,350	1,002	688	\$26,001

Liquidity

In the quarter ended June 30, 2007, HSE entered into an agreement with its current lender (a Canadian Chartered Bank) for credit facilities that provide the Company with increased financial flexibility to pursue strategic opportunities as they arise. The credit facilities include a \$25 million three-year interest-only revolving facility and a \$7.5 million operating facility. The revolving facility may be drawn upon by way of Canadian dollar prime based loans, US dollar base rate based loans, bankers' acceptances, LIBOR loans or letters of credit.

Depending upon the ratio of HSE's consolidated senior debt to 12-month trailing EBITDA (as defined in the agreement), the facilities bear interest at the bank's prime rate (or U.S. base rate) plus a margin varying between 0.25% and 1.50%, or at bankers' acceptance rates with a stamping fee of 1.75% to 3.00%. An

additional standby fee ranging from 0.35% to 0.65% per annum is also required on any unused portion of the credit facilities. Based on the results to December 31, 2008, the margin on the Company's prime based debt for the first quarter of 2009 is 0.75%.

The revolving facility matures on June 25, 2010, with an ability to extend the term at the lender's option. The operating facility is renewable annually and is margined to accounts receivable. The credit facilities are collateralized under a general security agreement. They are also subject to a senior debt to EBITDA ratio covenant, a current ratio covenant, an interest coverage covenant, and various positive and negative covenants that are typical for this type of facility. At December 31, 2008, the Company was in compliance with all of these covenants.

At the end of the fourth quarter, the draw against the revolving facility was \$10.8 million, and there was no draw against the operating facility. At December 31 the Company had cash on hand of \$1.1 million.

Cash Provided by (Used in) Operations

Cash provided by operations in the year was \$8.1 million in 2008 compared to \$1.5 million for 2007. This was due to improved overall financial performance and improved collection procedures on accounts receivable resulting in lower levels of accounts receivable as measured by days outstanding. Management reviewed the individual accounts that were past due and, based on account aging and historical write-off experience, increased the provision for doubtful accounts by \$0.25 million to \$1.4 million (approximately 5% of outstanding accounts receivables).

Cash Provided by (Used in) Financing and Investing

During 2008, the Company made significant reductions in its outstanding debt, including payments of \$1.5 million for its capital leases, and \$3.9 million towards repayment of long-term debt and bank indebtedness.

Purchases of property and equipment for the year amounted to \$3.3 million, the majority of which was revenue generating health safety services rental equipment. Proceeds from disposal of property and equipment were \$2.1 million.

Working Capital

At December 31, 2008, the Company had working capital (not including current portion of long-term debt obligations) of \$20.5 million. This compares to \$18.7 million on December 31, 2007. Non-cash working capital was virtually unchanged, but the Company's cash position improved from a draw of \$0.6 million in 2007 to cash on hand of \$1.1 million in 2008.

Acquisition

On July 1, 2007, the Company acquired the outstanding shares of Prairie Wide Safety Ltd. ("PWS") of Weyburn, Saskatchewan in a business combination accounted for using the purchase method. PWS serves the hydrocarbon producing region of southeast Saskatchewan by providing complete oilfield and industrial safety services to drilling, completion, well servicing and field processing operations. The final purchase consideration was determined based upon a predetermined formula, not to exceed \$2.2 million plus the assumption of debt, based upon historical results with additional consideration contingent upon performance measures achieved in the first year from the acquisition date. The results of operations are included in the accounts from the date of acquisition. Consideration and acquisition costs originally included 100,000 common shares of the Company valued at \$1.64 per share, \$1.9 million cash, and the assumption of debt.

On July 1, 2008, the Company paid additional consideration of \$100 based upon performance measures achieved during the first year after acquisition. This amount was recorded as an increase to goodwill, which has been recorded as goodwill impairment during the year.

Outlook

In the last half of the 2008 fiscal year, the world economy entered a period of unprecedented financial turmoil resulting in recessionary business conditions in most markets in which the Company operates. In addition, commodity prices that determine the financial health of many of HSE's main clients (petroleum, natural gas, minerals, wood products, pulp and paper) declined sharply, particularly in the fourth quarter. The combination of these two events has made it difficult for the Company to accurately forecast overall business activity in 2009. HSE has strengths and weaknesses, summarized below.

Because of reduced activity in the first quarter of 2009, the area of HSE's business which will likely suffer the largest revenue declines in 2009 will be in Oilfield health and safety services in western Canada. Although this group of customers continues to decline as a percentage of the Company's total revenue mix, it is still a major component of total revenues. Based on commodity prices and fiscal regimes, the overall forecast for 2009 is for significantly reduced spending on conventional oil and gas exploration and development. However, should commodity prices improve it is likely spending will improve as well because of the necessity for exploration and production ("E&P") companies to replace reserves. Further, the Government of Alberta has introduced a set of short term incentive programs to increase drilling and well servicing activity in 2009 and the first quarter of 2010. Because of these factors, activity in the third and fourth quarters in the Oilfield customer group could be higher than it appears at this time.

It should be noted that HSE's Oilfield business does not rise or fall in direct proportion to the number of wells drilled. Deeper, more complex natural gas wells are more safety intensive than shallow gas wells or gas wells that use conventional technology because these are more likely to contain hydrogen sulphide gas and are subjected to major production stimulation programs that require enhanced safety protection. We expect our activity in this area of our business to decline less than the overall decline in drilling activity, particularly in our British Columbia location. As well, the increases in oil prices in March of 2009 to above US\$ 50 per barrel from the low \$30 range in late 2008 has provided some optimism for renewed crude oil exploration and development, particularly in markets like southeast Saskatchewan.

On the production side, business will likely remain steady as customers will undertake the work necessary to keep existing oil and gas wells on stream so long as investments to sustain production remain economic relative to current commodity prices. In 2008, HSE introduced a new billing system which allows us to, among other things, capture more detailed information about revenues by industry or sub-industry (for example, Oilfield revenues related to existing wells or newly drilled wells). In 2008, only 37.4% of Oilfield revenues were coded as service supplied to new wells. The remainder was health and safety services related to existing production. We expect our 2009 activity to follow similar lines.

In the United States, Boots & Coots HSE Services, LLC is a startup with only two service locations and limited capacity. However, in early 2009 the first stimulation service protection and training services were delivered. While customer response to this new service is positive, there is a similar oil and gas upstream activity spending downturn in the United States. Therefore, this new business is unlikely to make a material contribution to revenue or earnings in 2009.

Reduced commodity prices and investment economics caused by the Alberta government's increase in royalties through the implementation of the New Royalty Framework on January 1, 2009 have caused E&P company clients to seek lower prices from their vendors. Although HSE will likely be able to retain higher prices than other suppliers on a percentage basis, significant pricing reductions for major input costs like drillings rigs and pumping services have clients expecting financial concessions from all vendors. Therefore, HSE has already begun targeted price reductions for particular services and is developing commensurate internal cost reductions to sustain overall operating margins.

Cost reductions implemented since year-end include wage and salary reductions across the Company, elimination of various non-revenue generating support positions and reductions in the use of contractors and consultants.

Most energy market analysts and forecasters believe that current low crude oil and natural gas prices are temporary. A look at forward spot market prices for both commodities (NYMEX crude, NYMEX Henry Hub gas) for the next five years indicates that the lowest price in the next 60 months is the current month. The current North American and worldwide slowdown in expenditures on oil and gas exploration and development will put pressure on future supplies, since production continues to decline without substantial ongoing investment. We believe it is likely that there will be commodity price recovery in this sector resulting in resumed investment. Because of declines in production and reduced investment in replacement of reserves, recovery in commodity prices may be driven more by reductions in supply than by an increase in demand by energy consumers caused by a broad economic recovery.

The Industrial health and safety services business of HSE has enjoyed significant growth in the past two years. This has been a result of aggressive marketing, new service locations and clear acceptance by clients of the HSE business model and diversified services package as superior to services offered by competitors or existing in-house programs. New services offered in 2008, such as industrial hygiene and mobile safety equipment servicing, have been well received. We expect that they will likely enjoy continued growth in 2009 because we provide a cost-effective method for customers to perform an essential activity.

In western Canada, the major Industrial market that may level off in terms of growth in 2009 is oilsands from locations in Bonnyville and Fort McMurray. Although most of HSE's work is in safety related to existing production operations, the Company has had some exposure to construction projects. According to one of the world's largest energy focused private equity firms, Canada produces 1.3 million barrels per day of synthetic crude and bitumen. This results in a significant production operation and revenue base. In terms of total clients, the Company still has opportunities to expand its client base in the oilsands. The current squeezed economic environment for production of this type of oil will cause clients to examine all ways of reducing costs without compromising safety or quality. To this end, HSE believes it has an economically attractive service package and believes that it will be able to at least sustain revenue in this important market even if it cannot maintain historic levels of growth.

Other Industrial safety work in western Canada – primarily plant shutdown and turnaround services – appears relatively stable. Based on quality work in the past two years, HSE has established itself as a major player in this market. We believe that the level of repair and maintenance work on gas plants, refineries and petrochemical plants will not be affected to any great degree by the recession or changes in commodity prices. Therefore, we expect this component of HSE's business mix to remain stable through 2009.

HSE's Ontario client base is diverse and is affected by the recession in different ways. The automobile manufacturing and auto parts industries already experienced their extended seasonal shutdown, so we remain cautiously optimistic that HSE's revenues from these sectors will remain stable in 2009. The shutdown of mines and steel plants because of low mineral and product prices will have a negative impact on the Company, but the energy processing plants such as refineries and petrochemical plants will continue to operate and thus require ongoing health and safety services. HSE's total market presence in Ontario relative to the opportunity remains quite small. Therefore, the Company believes aggressive marketing to new clients will replace and possibly augment business lost as a result of the recession or plant slowdowns.

The Atlantic region of Canada appears to be a bright spot for HSE in 2009. The Company is opening a new service location in St. John's, Newfoundland-Labrador ("NL") to serve the offshore oil and gas industry and to serve as a regional base for large industrial projects in industries like hydro-electric construction projects, mining and mineral processing. At the time of writing, the Hebron project offshore

Newfoundland and the Deep Panuke project offshore Nova Scotia are both proceeding and HSE believes it has the opportunity to participate in one or both of these projects. HSE provided safety services for the retrofit of a nuclear power plant in New Brunswick during 2008 and continues to provide services on this project in 2009. This was a major development for HSE, and our proven expertise in providing safety services to the nuclear power sector may be a platform for additional work at other nuclear facilities.

Because of the recession it may be impossible for HSE to continue to grow its Industrial health and safety services in 2009. However, the Company provides a diversity of services that it has not made available to all markets and has the ability to use the expertise it develops in one market to generate opportunities in other markets.

Quarterly Results

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$29,905	\$28,202	\$28,087	\$27,569	\$26,464	\$23,578	\$19,352	\$27,948
Net earnings (loss)	431	396	(568)	(11)	(9,173)	(15,920)	(3,113)	904
EBITDA ⁽¹⁾	2,713	2,858	2,187	2,633	2,601	1,376	(1,790)	4,802
Income (loss) per share – basic and diluted	\$0.01	\$0.01	\$(0.02)	\$0.00	\$(0.25)	\$(0.42)	\$(0.08)	\$ 0.02

See Non-GAAP Measures for ⁽¹⁾

HSE's business has two offsetting seasonal components. Revenue for Oilfield health and safety services is historically highest in first and fourth quarters and lowest in the second quarter 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. Industrial revenue includes a mix of year-round contracts and "turnarounds" – scheduled major maintenance projects and repair activities on client facilities. These turnarounds tend to be scheduled during the second and third quarters to avoid the possibility of adverse effects from freezing weather. As a result, Industrial revenue tends to be highest in the second and third quarters.

Revenue by quarter for the last eight quarters is as follows

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Oilfield	\$14,597	\$12,039	\$8,667	\$15,961	\$15,879	\$11,722	\$6,486	\$19,799
Industrial	15,308	16,163	19,420	11,608	10,585	11,856	12,866	8,149
Total revenue	\$29,905	\$28,202	\$28,087	\$27,569	\$26,464	\$23,578	\$19,352	\$27,948

Related Party Transactions

During the year, the Company had the following transactions with related parties all of which are measured at exchange amounts, which approximate an arm's-length equivalent at fair market value:

- In 2008, the Company paid rent and property taxes for a regional office of \$273 (2007 – \$284) to a corporation related to a Director of the Company. Also in 2008, a non-interest bearing promissory note of \$49 (2007 – \$49) was foregiven.
- In 2008, the Company also paid rent and property taxes of \$344 (2007 - \$371) for a regional office to a corporation controlled by a Senior Manager of the Company.

Critical Accounting Policies and Estimates

HSE 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, liabilities, revenues and expenses, as well as the disclosure of

commitments and contingencies. Management bases its estimates and judgments on historical experience and on various other 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 as follows:

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 at least monthly. 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 when actual write-offs differ from estimates.

Impairment of long-lived assets

The Company evaluates potential impairment of long-lived assets and intangible assets with finite lives 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 values are calculated and compared to the carrying value of the long-lived assets to determine whether the assets are deemed to be impaired. Parts of our business are cyclical in nature 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.

Amortization of property and equipment

Property and equipment is recorded at cost less accumulated amortization. The useful lives of the depreciable assets are 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 amortization expense using estimated useful lives. If amortization 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 tax liabilities

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recorded for the effect of any differences between the accounting and income tax basis of an asset or liability using the substantively enacted tax rates. The Company establishes valuation allowances to reduce future income tax assets when management believes 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 Pronouncements

Effective January 1, 2008, the Company prospectively adopted two new accounting standards that changed the level of disclosure required in the financial statements. The first standard provided additional standards regarding disclosure and presentation of financial instruments. These recommendations provide for incremental disclosure, particularly with respect to risks associated with both recognized and unrecognized

financial instruments to which the Company is exposed during the year and at the balance sheet date, and how the Company manages those risks. The second standard provided for an increase in disclosure regarding the Company's objectives, policies and processes for managing its capital structure.

As well, effective January 1, 2008, the Company adopted new recommendations issued by the CICA regarding the recognition, measurement and disclosure of inventories. These changes require the reversal of any previously recorded write-downs to net realizable value when there is a subsequent increase in the value of inventories and require that, in certain circumstances, spare parts and servicing equipment be accounted for as property and equipment rather than as inventory. The change did not have a material effect on the Company's reported results.

Future Accounting Pronouncements

In February 2008, new accounting standards were issued with regard to goodwill and intangible assets to clarify the criteria for recognition of assets, intangible assets and internally developed intangible assets. These changes are effective for fiscal years beginning on or after October 1, 2008. The Company does not expect these recommendations to have a material effect on our financial position or the results of our operations.

In January 2009, the CICA issued new recommendations regarding business combinations, consolidated financial statements and non-controlling interests. These recommendations provide standards equivalent to the current equivalent International Financial Reporting Standards ("IFRS") requirements. While the standards are effective January 1, 2011 in conjunction with the changeover to IFRS, early adoption of these standards is permitted provided that all three standards are adopted simultaneously. The Company is currently reviewing the changes required by the standards and assessing whether to adopt the new standards prior to 2011.

International Financial Reporting Standards

The CICA's Accounting Standards Board has confirmed that IFRS will be adopted as Canadian GAAP for publicly accountable entities in Canada for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Company must be in a position to report its results, including its comparative results for the 2010 fiscal year, in accordance with IFRS beginning January 1, 2011.

With the assistance of external consultants, the Company has started an IFRS conversion project and is currently in the process of evaluating the impact of the change to IFRS on the results of our operations, financial position and disclosures. The Company expects to complete its assessment of the major differences between existing Canadian GAAP and IFRS as they apply to our particular circumstances, and to establish a project plan for the conversion by the end of the second quarter of 2009.

Financial and Other Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, obligations under capital leases and long-term debt. The carrying value of these instruments approximates their fair value either because of their short maturities or because the interest rates to which they are subject approximate market rates.

The Company is exposed to the following risks as a result of its use of financial instruments:

- credit risk
- liquidity risk
- market risk

These risks, and the Company's method of mitigating the risks, are described below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The maximum credit exposure associated with trade accounts receivable is the carrying value.

The Company's accounts receivable are due from customers in a variety of industries including a significant proportion with customers operating in the energy and manufacturing industries. The ability of customers within the energy industry to pay us is partially affected by fluctuations in the price they receive for various hydrocarbon products. Customers in both these industries may also face particular challenges in their ability to secure debt and equity financing.

The Company follows a credit policy under which the Company reviews each new customer individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and trade references. Customers that fail to meet the Company's credit worthiness criteria may transact with the Company only on a prepayment basis. On an on going basis, the Company also reviews the payment patterns of its existing customers and the customers' continued credit worthiness.

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Standard payment terms are net 30. However, these may be varied by agreements with particular customers. As well, industry practices, particularly within the upstream oil and gas industry, allow for payment terms of up to 60 days.

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance by reviewing individual accounts past due for collectability, historical write-off experience adjusted for changes in both general and industry-specific economic conditions and overall account aging. The Company reviews its allowance for doubtful accounts on an ongoing basis, but at least monthly.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company requires liquidity to meet financial obligations as they come due and to fund our operating and investing activities. Our financial obligations include trade and other payables, income tax liabilities and interest and principal payments on our debt obligations including capital leases, equipment loans and revolving and operating credit lines.

HSE manages its liquidity risk by ensuring to the extent possible that it has access to funding sources at competitive rates. The Company generally uses operating cash flow to provide liquidity to meet its financial obligations. As a result, the Company is exposed to a loss of liquidity if its customers delay their payments beyond the levels that they have in the past. To mitigate this, the Company has projected its operating cash flows under different scenarios with respect to receivables aging to determine the effect on operating cash inflows. The Company monitors its receivables collections to ensure that, if collections are delayed, there are sufficient operating funds available to meet our financial obligations. As well, the Company has access to undrawn operating lines of credit of \$7.5 million to fund operations, and to undrawn revolving term debt of \$14.2 million to fund capital expenditures. HSE believes it has sufficient funding through these sources to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices of financial assets and liabilities, including foreign exchange rates, interest rates and equity prices, will affect the Company's financial position, results of operations and cash flows.

HSE is exposed to currency risk on US dollar denominated financial assets and liabilities. The Company adjusts the reported amounts of foreign currency denominated financial assets and liabilities to their Canadian dollar equivalent at each balance sheet date. For amounts held directly by the Company, any related foreign exchange gains and/or losses are recognized in the consolidated statement of earnings. For amounts held by the Company's self-sustaining foreign operations, the amount is included in other comprehensive income. At December 31, 2008, the extent of this exposure was not material.

HSE is exposed to interest rate risk on its prime-based operating facility and revolving credit facility. Based on amounts outstanding at December 31, 2008, a 1% increase in the average prime interest rate for the year would cost the Company \$108 in additional interest expense.

Business Risks

The activities the Company undertakes involve a number of risks and uncertainties, some of which are summarized below. Additional risks and uncertainties that the Company may be unaware of, or that were determined to be immaterial may also become important factors that affect the Company.

Economic and market events, including disruptions in international credit markets and other financial systems and a significant deterioration in global economic conditions, have caused a loss of confidence in global financial and credit markets. This has resulted in the collapse of, and government intervention in, major banks and insurers. This has created a climate of increased volatility, lowered liquidity, increased credit losses, widened credit spreads and tighter credit conditions. Despite actions by governments and central banks, concerns about general financial conditions and the financial capacity of banks, investment houses, and insurers have caused further deterioration in credit and stock markets.

The global credit crisis and the current recession within Canada and, to a lesser extent, within the United States are creating a noticeable impact on the Company's activity levels. Our customers have less access to debt and equity finance sources and have reduced their spending, which, in turn, reduces our activity. As discussed above, management has focused its attention on cost control and on ensuring that the Company has the financial resources and liquidity available to respond to changes in our economic environment. Further details regarding specific risks that may affect the Company are provided below.

Business cyclicity

The demand for HSE's Oilfield services is highly dependent upon the level of expenditures made by oil and gas companies on exploration, development and production activities. These expenditures are in turn affected by a number of factors:

- The price received by our customers for crude oil and natural gas directly impacts their cash flow available to purchase our services. Fluctuations in crude oil and natural gas prices can produce periods of high and low demand for the Company's services. Alternatively, a number of factors that are beyond our customers' control, including weather, geopolitical conditions and the strength of the global economy may reduce demand for their products, which, in turn, will reduce the price they receive.
- Since crude oil and natural gas prices are normally denominated in US currency, fluctuations in the Canadian dollar exchange rate relative to the US dollar can also affect the cash flow available to our customers to purchase our services.
- Exploration, development and production activity levels within particular markets are influenced by factors including royalty, regulatory and taxation changes, weather and access to pipeline capacity.

- Changes in equity and debt financing markets independent of any individual company's circumstances may reduce access to capital which is used to fund exploration, development and production activities

These fluctuations in activity can cause cyclical demand swings in the Company's activity levels and operating results.

The demand for HSE's Industrial services are exposed to business cycles and contraction risks in the oil and gas industry and other industrial sectors such as forestry, pulp and paper, automotive, manufacturing, mineral extraction and other segments of the economy that could experience reduced demand or significant fluctuations of the market value of their finished goods. As well, a significant portion of our Industrial services are provided to customers in the non-conventional upstream oil and gas industry, including oilsands extraction. These customers are exposed to similar risks with respect to crude oil pricing as customers for whom we provide Oilfield services.

Availability of qualified staff

The Company's ability to provide reliable service is dependent upon attracting and retaining skilled employees. While the overall downturn in the economy and rising unemployment levels have improved the Company's access to qualified staff, the demand for workers with particular skills used by the Company is high and the supply remains limited.

Competitive conditions

While no one competitor provides the full suite of services that the Company provides, HSE has competitors in each area of service that we provide. These competitors may provide pricing pressure that may affect our margins and market position within particular lines of business. The Company attempts to mitigate this risk by providing an integrated suite of services that our competitors can not provide, and by distinguishing ourselves through higher levels of service and expertise.

Customer credit

We generally invoice our customers in arrears for our services. Because of this, we are subject to the risk that our customers may delay payment of our invoices through a variety of means or fail to pay the invoice at all. Changes in economic conditions, either in general or within a particular industry, may increase this risk.

Financial institutions

As a result of changes in economic conditions, a number of financial institutions and insurance companies have reported deterioration in their financial condition. While we have no indication that either our lenders or our insurers would be unable to fulfill their obligations under credit agreements or insurance policies, if this were to occur and if we were unable to find suitable replacements at reasonable rates, our liquidity, operating results and cash flows could be adversely affected.

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 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 competitively priced financing are unavailable.

Foreign exchange exposure

HSE's consolidated financial statements are presented in Canadian dollars, but include the results of our US subsidiaries for which the functional currency is US dollars. Changes in the US dollar exchange rate versus the Canadian dollar may have material effects on net income and other comprehensive income reported by our US subsidiaries.

Litigation and contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers, former employees and third parties. Management believes that adequate provisions have been recorded in the accounts where required. Although it may not be possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

Internal Control Over Financial Reporting

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in National Instrument 52-109. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosure of material information, and are effective as at December 31, 2008.

Management's Report on Internal Control Over Financial Reporting

The Company's management, including the CEO and CFO, have assessed and evaluated the design and effectiveness of the Company's internal control over financial reporting as defined in National Instrument 52-109 as at December 31, 2008. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations (COSO) in the "Internal Control – Integrated Framework". The Company's assessment included documentation, evaluation, and testing of its internal controls over financial reporting. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles, as at December 31, 2008.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Changes in Internal Controls Over Financial Reporting During 2008

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Common Shares Outstanding

At December 31, 2008 and March 26, 2009, there were 37,575,675 common shares of HSE outstanding, compared with 37,567,675 common shares outstanding as at December 31, 2007. At December 31, 2008, the Company had options outstanding to issue 2,533,499 shares at a weighted average exercise

price of \$1.88 per share. Of these options, 1,335,810 were exercisable. At March 26, 2009, there were 2,481,832 options outstanding at a weighted average exercise price of \$1.88 per share. Of these options, 1,452,145 were exercisable.

Non-GAAP Measures

This report makes reference to EBITDA, a measure that is not recognized under generally accepted accounting principles. Management believes that, in addition to net earnings, EBITDA is a useful supplementary measure. EBITDA provides investors with an indication of earnings before provisions for interest and bank charges, taxes, amortization, foreign exchange gains or losses, gains or losses on the disposal of property and equipment and the non-cash effect of stock-based compensation expense. Investors should be cautioned that EBITDA should not be construed as an alternative to net earnings determined by GAAP as an indication of the Company's performance. HSE's method of calculating EBITDA may differ from that of other companies and, accordingly, may not be comparable to measures used by other companies.

EBITDA Calculation

For the years ended December 31	2008	2007	2006
Net earnings (loss)	\$ 248	\$(27,302)	\$3,461
Add (deduct):			
Amortization	7,265	8,090	7,618
Impairment of goodwill and intangible assets	100	25,505	—
Stock-based compensation	408	1,131	977
Interest and bank charges	1,116	1,254	1,398
Foreign exchange loss (gain)	(31)	36	(93)
Loss on disposal of property and equipment	648	939	406
Income tax	637	(2,664)	1,545
EBITDA	\$10,391	\$6,989	\$15,312

Quarterly EBITDA Calculation

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net earnings (loss)	\$ 431	\$ 396	\$ (568)	\$ (11)	\$(9,173)	\$(15,920)	\$(3,113)	\$ 904
Add (deduct):								
Amortization	1,399	1,821	1,920	2,125	2,243	2,004	1,955	1,888
Impairment of goodwill and intangible assets	—	—	100	—	10,505	15,000	—	—
Stock-based compensation	95	23	155	135	255	186	333	357
Interest and bank charges	200	288	331	297	311	309	302	332
Foreign exchange loss (gain)	(35)	4	2	(2)	12	22	3	(1)
Loss (gain) on disposal of property and equipment	193	129	326	—	103	99	30	707
Income taxes	430	197	(79)	89	(1,655)	(324)	(1,300)	615
EBITDA	\$2,713	\$2,858	\$2,187	\$2,633	\$2,601	\$1,376	\$(1,790)	\$4,802

Forward-Looking Statements

Certain statements in this MD&A constitute forward-looking information and statements (collectively "forward-looking statements") within the meaning of applicable securities laws. These forward-looking statements concern, among other things, the Company's prospects, expected revenues, expenses, profits, financial position, strategic direction and growth initiatives, all of which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or

HSE Integrated Ltd.

Management Discussion and Analysis

For the Years Ended December 31, 2008 and 2007

achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements use such words as expect, anticipate, estimate, believe, may, will, would, could, might, intend, plan, continue, ongoing, project, objective, should and other similar terms and phrases. This forward-looking information reflects the Company's current expectations regarding future events and operating performance based on assumptions and analyses made by the Company based on its experience and an assessment of current conditions, known trends, expected future developments and other factors which management believe to be appropriate under the circumstances.

The forward-looking statements contained in this MD&A reflect several material factors, expectations and assumptions including, without limitation: economic conditions within Canada and the United States, both in general and within specific industries; demand for the Company's services by customers in various industries and geographic locations; pricing levels for the Company's services; commodity prices; foreign currency exchange rates; interest rates; access to financing; the Company's future operating results and financial condition; and competition within particular markets or for particular services.

Forward-looking statements involve significant risks and uncertainties and should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, the factors discussed above and other risk factors discussed herein and listed from time to time in the Company's reports and public disclosure documents including its annual report, annual information form and other filings with securities commissions in Canada as reported under the Company's profile at www.sedar.com.

The Company cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A, and the Company assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Additional Information

Additional information relating to HSE is available under our profile on the SEDAR website at www.sedar.com and at www.hseintegrated.com.