

HSE Integrated Ltd.
Management Discussion and Analysis (“MD&A”)
For the three and nine months ended September 30, 2007 and 2006

The following management discussion and analysis is dated November 13, 2007, and is a review of the financial results of HSE Integrated Ltd. (“HSE”, “We”, “Our”, or the “Company”) for the quarter and nine months ended September 30, 2007 and 2006. This should be read in conjunction with the 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 November 13, 2007. 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

	Three Months ended September 30,		Quarter Over Quarter % Change	Nine Months ended September 30,		Period Over Period % Change
	2007	2006		2007	2006	
Revenue	\$ 23,578	\$ 26,952	(12.5)%	\$ 70,878	\$ 74,340	(4.7)%
Operating and materials	20,113	19,974	0.7%	59,287	56,535	4.9%
Operating margin	3,465	6,978	(50.3)%	11,591	17,805	(34.9)%
Operating margin %	14.7%	25.9%	(43.2)%	16.4%	23.9%	(31.4)%
Selling, general & administrative	\$ 2,089	\$ 2,695	(22.5)%	\$ 7,202	\$ 6,836	5.4%
Net earnings (loss)	(15,920)	1,197	(1,429.9)%	(18,129)	2,477	(831.9)%
- per share basic	(0.42)	0.03	(1,500.0)%	(0.48)	0.07	(785.7)%
- per share diluted	(0.42)	0.03	(1,500.0)%	(0.48)	0.07	(785.7)%
EBITDA ⁽¹⁾	\$ 1,376	\$ 4,283	(67.9)%	\$ 4,389	\$ 10,969	(60.0)%
EBITDA %	5.8%	15.9%	(63.5)%	6.2%	14.8%	(58.1)%
Total assets				\$ 84,256	\$ 100,393	(16.1)%
Total long-term liabilities				23,969	20,784	15.3%

See Non-GAAP Measures for ⁽¹⁾

Financial Review

Revenue

HSE operates in a single industry segment, which 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 decontamination (shower) services; on-site medical services; worker safety training; and safety management consulting services.

For the third quarter and year to date ended September 30, 2007 and 2006 the Company had no customers representing more than 10% of revenue.

The Company currently provides services to its customers in the following main business areas: Oilfield Services (“Oilfield”), Industrial Services (“Industrial”), and Environment Monitoring Services (“Environment”). Oilfield is the provision of the Company’s services within the conventional upstream, or “wellhead”, sector of the oil and gas industry. Industrial represents services delivered to non-conventional upstream oil and gas development and production, oil and gas processing and refining plants and facilities, diverse non-petroleum resource and manufacturing industries, worker safety training and safety consulting services. Environment focuses on air-quality monitoring to detect airborne contaminants which may affect the health of workers, the public, livestock, and wildlife.

The revenue for these services is shown below:

	Three Months ended September 30,		Quarter Over Quarter % Change	Nine Months ended September 30,		Period Over Period % Change
	2007	2006		2007	2006	
Oilfield	\$ 9,351	\$18,656	(49.9)%	\$30,859	\$52,357	(41.1)%
Industrial	11,438	5,984	91.1%	31,419	16,404	91.5%
Environment	2,789	2,312	20.6%	8,600	5,579	54.1%
Total Revenue	\$23,578	\$26,952	(12.5)%	\$70,878	\$74,340	(4.7)%

As a % of Revenue:

Oilfield	39.7%	69.2%	43.6%	70.4%
Industrial	48.5%	22.2%	44.3%	22.1%
Environment	11.8%	8.6%	12.1%	7.5%
Total Revenue	100.0%	100.0%	100.0%	100.0%

The success of the Company's revenue diversification strategy continues to be demonstrated as significant declines in Oilfield revenues were largely offset by growth in Industrial and Environment revenues on a year to date basis.

Oilfield revenues have experienced large declines in both the quarter and year to date when compared to the same period in the prior year because of reduced overall activity levels within the conventional upstream, or "wellhead", sector of the oil and gas industry: wellbore drilling, completion and work-over activity. The primary area of decline is related to natural gas. Industry sources have indicated that, as compared to the same period in the prior year, new conventional oil and gas well drilling activity levels in the Western Canadian Sedimentary Basin ("WCSB") have declined, as have well re-completion and stimulation activity on existing wells. Although HSE has been able to largely maintain its pricing levels with its customers, additional capacity added by competitors, in conjunction with an overall reduction in demand, has also contributed to the Company's lower revenue levels for this sector.

The Company is continuing its business diversification strategy, and reports a 91% increase in Industrial revenues on a quarterly basis and 92% on a year to date basis when compared to the same periods in the prior year.

The rise in Industrial revenues is from the delivery of increased levels of safety services to oil and gas processing facilities, thermal heavy oil recovery and oil-sands extraction and construction projects in Alberta; safety services, fire suppression, gas detection and breathing-air equipment sales and service to diverse industrial and commercial markets in British Columbia, Alberta, and Ontario; safety services for the refining, mining, offshore drilling and production and other industries in Atlantic Canada; and worker safety training and safety consulting services in all markets.

Seasonally, Industrial revenues are typically higher in the second and third quarters due to demand for safety services to support plant and facility maintenance and repair projects which usually occur during this period. In the second and third quarter of this year, the Company secured and executed a greater number of simultaneous, large scale projects of this type than in any prior years. The customers for these large scale safety services were very diverse. Projects included services to oil sands facilities, refineries, cement plants, high volume sour gas plants, chemical plants, and fertilizer facilities.

The provision of continuous or year-round safety services to facilities has also increased. The largest addition was an assignment for services to an oil sands facility which was secured in the current year. Other year round contracts of varying sizes include oilsands facility construction, pulp and paper, meat processing, and refineries and petrochemical plants. Services of this type assist in achieving the

seasonal revenue stability strategy pursued by the Company.

Services delivered in Ontario and Atlantic Canada is characterized as Industrial revenue. Revenue from these areas has increased on a year to date basis by 47% to almost \$9 million. This is due both to the acquisitions completed in April 2006, and through increased marketing efforts in existing markets.

Greater marketing efforts have also increased worker training demand resulting in increased classroom capacity and course offerings across Canada.

As a result of the additional air quality monitoring capacity added in the prior year, Environment revenues increased in the quarter by 21% and increased for the year by 54% as compared to the same periods in 2006. The Company has experienced client and sectoral diversification in this business group.

In the quarter, the Company acquired Prairie Wide Safety Ltd. ("PWS") of Weyburn, Saskatchewan. 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 revenue included in the third quarter associated with this acquisition was approximately \$0.5 million and is accretive to earnings.

Operating and Materials Expense and Operating Margin

Operating and materials 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; field service centre property costs; transportation; fuel; consumables; equipment repairs and maintenance; and field office administration including field sales.

Operating and materials expense for the quarter ended September 30, 2007 totaled \$20.1 million or 85.3% of revenue as compared to \$20.0 million or 74.1% of revenue in the third quarter of 2006. Operating margin in the quarter has declined from \$7.0 million (25.9% of revenue) in the third quarter of 2006, to \$3.5 million (14.7% of revenue) in the third quarter of 2007. The Company also experienced increases in operating expenses and declines in operating margins on a year to date basis.

The reduction in operating margins is primarily due to both a lower level of overall revenue, and a reduction of the level of Oilfield revenues which contains a greater proportion of higher margin equipment rental revenue (such as fire trucks and large mobile decontamination units) which are mainly utilized in the completion and stimulation of newly drilled natural gas and crude oil wells, or major workovers or re-completions of the same. Lower equipment utilization was partially offset by the re-deployment of personnel to the Industrial market as part of the execution of the Company's diversification strategy.

Included in the quarter is an addition to the provision for doubtful accounts of approximately \$0.4 million as recognition of the potentially challenging environment faced by some of the Company's smaller customers operating in Alberta.

Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expense consists of costs not directly attributable to the provision 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 quarter ended September 30, 2007 amounted to \$2.1 million (YTD - \$7.2 million), versus \$2.7 million (YTD - \$6.8 million) for the comparable periods in 2006. Although SG&A as a percentage of revenue declined in the quarter, on a year to date basis it has increased to 10.2%, from 9.2% a year earlier. The increase in SG&A costs in comparison to the prior year is a result of higher corporate costs necessary to support the Company's strategic goals. Included in the year to date costs are amounts related to the Company's initial listing on the Toronto Stock Exchange.

EBITDA and Net Earnings

Despite relatively stable revenue levels as compared to the prior year, EBITDA (see “Non-GAAP Measures”) in the quarter has declined to \$1.4 million (YTD - \$4.4 million), from \$4.3 million (YTD - \$11.0 million) for the same periods a year earlier. This was caused by lower levels of overall revenue caused mainly by reduced utilization of higher margin equipment rental revenue associated with the Oilfield services component, as well as an increased investment in SG&A costs discussed above.

The Company has experienced reduced activity on the Oilfield side of the business mainly due to weaker economic fundamentals faced by customers involved in that industry. Although HSE is only partially exposed to this market and has the ability to re-deploy resources to other industries, the Company has encountered a significant decline in overall market capitalization value in the quarter. Management has, in accordance with the Company’s accounting policy for goodwill, begun an analysis of goodwill impairment at September 30, 2007. This analysis is not yet complete but is expected to be finalized in the fourth quarter of this year. In the interim, Management has determined an initial estimate of \$15 million as a non-cash impairment charge to goodwill in the quarter. Upon the completion of the impairment analysis, this initial estimate may be adjusted. Based upon reduced market capitalization levels experienced subsequent to the end of the quarter, a further non cash impairment charge may be considered likely.

Total amortization on a year to date basis was \$5.8 million and consisted of \$4.9 million in property and equipment amortization, and \$0.9 million in intangibles amortization. Property and equipment amortization has increased by \$0.5 million when compared to the prior year due to previous investments in property and equipment and from similar assets acquired through acquisitions. As well, the recognition of intangible assets on acquisitions made in the prior year has also contributed to the increase in amortization.

Stock-based compensation on a year to date basis of \$0.9 million (2006 - \$0.7 million) has increased due to additional grants of stock options to employees of the Company.

Interest on long term debt and other interest and bank charges decreased slightly from \$993 in the first three quarters of 2006 to \$943 for the same period in 2007. Interest from increased obligations under capital leases was offset by interest from lower levels of bank debt.

On a year to date basis, the loss on disposal of property and equipment was \$0.8 million with proceeds on sale of \$0.9 million. Asset divestitures consisted mainly of retirement of vehicles replaced through the Company’s capital expenditure program.

Due to a net loss before income tax, there was an income tax recovery of \$1.0 million in the first three quarters of the year as compared to an expense of \$1.2 million for the same period in the prior year.

The net loss in the quarter was \$15.9 million (loss YTD - \$18.1 million), which represents a decline compared to the net gain of \$1.2 million in the third quarter of 2006, and the net earnings of \$2.5 million on a year to date basis in the prior year. The decrease in net earnings is primarily due to a non-cash goodwill impairment charge, and to a lesser extent to lower levels of EBITDA, greater levels of amortization and stock-based compensation, offset by the recovery of prior year income tax.

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:

Periods ending December 31,	2007	2008	2009	2010	2011	Total
Capital lease obligations	\$ 394	1,602	1,208	303	114	\$ 3,621
Vehicle operating leases	448	1,550	1,179	1,101	566	4,844
Property & other leases	522	2,003	1,626	1,132	577	5,860
Long term debt	60	1,022	120	13,873	21	15,096
Total contractual obligations	\$1,424	6,177	4,133	16,409	1,278	\$29,421

Cash provided by (used in) operations

Cash used in operations in the quarter was \$3 million as compared to the cash provided by operations of \$1.7 million for the same period in the prior year. The primary causes for the change are lower levels of profitability, and greater aging in accounts receivable. Management has increased the provision for doubtful accounts to \$0.8 million as recognition of the potentially challenging environment faced by some of the Company's smaller customers primarily in the petroleum industry in Alberta.

Cash provided by (used in) financing and investing

During the first three quarters of 2007, the Company made payments of \$1.3 million for its capital leases, and \$2.4 million towards repayment of long-term debt (\$0.3 million of which was debt reduction on the acquisition of PWS).

Purchases of property and equipment on a year to date basis amounted to \$3.7 million, the majority of which consists of revenue generating safety services rental equipment, and the fabrication costs related to fire and shower units.

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. Depending upon certain financial ratios, the facilities bear interest at the bank's prime rate (or U.S. base rate) plus up to 0.75 percent, or at bankers' acceptance rates with a stamping fee of 1.50 to 2.25 percent. An additional standby fee ranging between 0.20 to 0.35 percent per annum is also required on the unused portion of the credit facilities. 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. This facility is subject to covenants that are typical for this type of facility. The credit facilities are collateralized under a general security agreement. At the end of the current quarter, the draw against the revolving facility was \$13.8 million, and the draw against the operating facility was \$1.7 million.

At September 30, 2007, the Company was in compliance with its financial covenants. Prolonged reduced customer activity in the Oilfield sector may result in the need to review financial covenants for specified periods of time with the Company's primary lender. Discussions with the Company's lender continue to proceed favourably.

Acquisition

On July 1, 2007 the Company acquired the outstanding shares of Prairie Wide Safety Ltd. ("PWS") of Weyburn, Saskatchewan in a business combination to be 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 purchase consideration will be 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 after the acquisition date. The consideration will also be subject to adjustments based upon working capital, and will be a combination of cash, the assumption of debt, and the issuance of 100,000 common shares. The purchase price allocation has not been completed and certain items such as fair value of assets and liabilities and estimates for contingent consideration as of the acquisition date have not been finalized.

Outlook

Reduced conventional oil and gas exploration, development and production activity levels in the WCSB, relative to the record activity levels experienced over the past few years, have negatively affected the Oilfield safety services component of the business, and some industry analysts have predicted that this will continue for the balance of the year, and well into 2008.

In executing the Company's diversification strategy, marketing, equipment and manpower resources were redeployed into the Industrial component of the business which continues to diversify the Company's client base and assist in reducing the cyclical and seasonality of safety services provided to the conventional upstream oil and gas sector.

In the last two quarters, the Company was able to demonstrate its ability to successfully execute multiple, simultaneous, large scale safety service operations within diversified plant and facility operations for its customers. This had three positive outcomes for HSE. First, redeploying Oilfield safety services personnel to Industrial assignments has permitted the Company to retain largely all of its technical field services personnel. This will position HSE to fully exploit the recovery in the Oilfield sector when it emerges. Second, diversifying the assignments of the technical field services team has given these personnel valuable on-the-job training in delivering safety services to different industries. Third, this capability was achieved over the last several years by laying the groundwork of focused marketing efforts, and the development of personnel and internal processes.

By exhibiting its capabilities in activities of this magnitude, HSE, with its integrated and bundled service model, is better positioned to partner with its customers by offering a greater range of services that can be delivered throughout the year, and from which higher margins can be attained. Servicing the Industrial sector will be a permanent and growing component of the HSE business mix in the future.

In addition to the utilization of personnel in other industries, the Company actively pursues a review of operational efficiencies throughout the organization that is not intended to reduce or impair service or delivery capacity. As part of the continual focus on increasing margins, these initiatives will include facilities consolidation intended to increase efficiency and reduce fixed costs, and a review of equipment, vehicles, and personnel considered not essential in adding significant value to our customers. An initial review has identified potential cost reductions of over \$3 million (when compared to the cost structure in 2007) on an annualized basis, the bulk of which is anticipated to be realized in 2008. The Company anticipates one time costs (such as severance) related to this initiative to be approximately \$0.3 million, the majority of which will be recorded in the fourth quarter of 2007. The Company also does not anticipate the need to significantly increase corporate support costs in the near term. As well, the Company has reviewed originally planned expenditures for capital related to the Oilfield side of the business, and has significantly reduced these expenditures to meet lower forecasted activity.

Based primarily on sharply lower natural gas drilling activity in 2007 and the outlook for 2008 that this trend will continue, HSE will increase its initiatives to move surplus safety equipment to client requirements in other markets where these assets can enjoy higher utilization levels and thus increase the Company's revenues without significant capital investment. Markets in which HSE has relocated equipment in 2007 include Saskatchewan, Ontario and New Brunswick. Future markets where that

equipment may be redeployed include the foregoing, British Columbia, Nova Scotia, the industrial Midwest of the United States, and one or more of the conventional oil producing areas of the western United States.

The recent Crown royalty changes announced by the province of Alberta have increased the uncertainty for the Oilfield sector of the Company's business in the future. These royalty changes will decrease the amount of oil and gas development opportunities that are economic for our customers to exploit in Alberta under different commodity pricing scenarios. While the total impact of this major policy change on the Company and its clients has yet to be determined, management is of the view that any events that reduce the cash flow from hydrocarbon production generated by HSE's clients will ultimately have a negative impact.

In the third quarter, the Company expanded its national delivery footprint with the acquisition of PWS. In the past, existing customers have asked HSE to provide services in the established and active hydrocarbon producing region of southeast Saskatchewan. PWS provides a base from which a full range of services including breathing air safety services, gas detection, shower services, fire protection, on-site first aid, worker safety training, and plant and facility shutdown safety services. This southeast Saskatchewan market is attractive in the current market environment for Oilfield services because activity is primarily driven by crude oil, not natural gas. The producing reservoirs also contain naturally occurring hydrogen sulphide which increases the requirement for safety services.

The Company believes its continued investment in sector and geographic diversification, organic growth, skilled safety professionals and internal process improvements and operational efficiency will ultimately increase shareholder value.

Quarterly Results

	2007				2006			2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$23,578	\$19,352	\$27,948	\$26,198	\$26,952	\$19,924	\$27,465	\$17,280
Net earnings (loss)	(15,920)	(3,113)	904	984	1,197	(1,073)	2,353	(59)
EBITDA ⁽¹⁾	1,376	(1,790)	4,802	4,341	4,283	1,140	5,548	1,501
Income (loss) per share – basic and diluted	\$(0.42)	\$(0.08)	\$0.02	\$0.03	\$0.03	\$(0.03)	\$ 0.07	\$(0.01)

See Non GAAP Measures for ⁽¹⁾

HSE's business has a seasonal component. For a description of this seasonality, please refer to the Company's 2006 Annual Report.

Related-Party Transactions

During the quarter, 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:

- Included in accounts receivable is a promissory note of \$49, (2006 - \$54) which is due from an officer and director of the Company. This note is payable on demand. In the third quarter of 2007, the Company paid rent and property taxes to a corporation related to this same officer and director of the Company in the amount of \$61 (2006 – \$62). The rent is for a regional office.
- In the third quarter of 2007, the Company also paid rent of \$12 (2006 – \$15), \$79 (2006 – \$79), and \$11 (2006 - \$nil) for regional offices to three different corporations. Each corporation is controlled by different members of senior management 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 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 is material to the Company's financial reporting results include: allowance for doubtful accounts, intangible assets and goodwill, impairment of long lived assets, depreciation and amortization of property and equipment, and future income tax liabilities. A full description of these accounting policies and estimates can be found in HSE's 2006 Annual Report.

Accounting Pronouncements

On January 1, 2007, the Company adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants regarding the recognition, measurement, disclosure and presentation of financial instruments. Under these standards, financial instruments must be classified into one of five categories: (i) held-for-trading, (ii) held-to-maturity, (iii) loans and receivables, (iv) available-for-sale, and (v) other financial liabilities. The new standards require that all financial instruments within the scope of the standards, including all derivative instruments, be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities – except those in the held-for-trading and available-for-sale categories – must be determined at amortized cost using the effective interest rate method. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated accounts receivable as "loans and receivables", which are measured at amortized cost. Short-term investments have been designated as "held-for-trading", which are measured at fair values with changes in such value included in earnings. Accounts payable and accrued liabilities and long-term debt are classified as "other financial liabilities" which are measured at amortized cost. We have classified deferred financing costs of \$29 previously included in prepaid expenses and other assets, as unamortized debt issues costs which now reduces the carrying value of the long-term debt. The debt issue costs will be accreted to the carrying value of long-term debt using the effective interest method. Comparative amounts for prior periods have not been restated.

The Company also adopted as of January 1, 2007 new standards with respect to comprehensive income. The new standards require a statement of comprehensive income, if there are items that give rise to comprehensive income or loss. The Company did not identify any such items giving rise to comprehensive income or loss in the three and nine months ended September 30, 2007, or that would result in an adjustment to opening balances for accumulated other comprehensive income or loss.

The Company was also required to adopt new accounting standards with respect to hedging activities. As the Company does not currently have a hedging program that is impacted by this accounting standard, the adoption of these standards has no impact on the financial statements.

Three new Canadian accounting standards have been issued which will require additional disclosure in the Company's financial statements commencing January 1, 2008 about the Company's financial instruments as well as its capital and how it is managed. The third standard relates to inventory and is effective for interim and annual financial statements beginning on or after January 1, 2008. The new standard requires that inventory be carried at the lower of cost and net realizable value, provides more guidance on cost and requires impairment testing as well as expanded disclosures.

Business Risks

The activities the Company undertakes involve a number of risks and uncertainties, some of which are: crude oil and natural gas prices, cyclical or seasonal nature of industry, merger and acquisition activity, availability of qualified staff and financing, financial instruments, government policy, and litigation and contingencies. 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. A discussion on the business risks faced by the Company can be found in HSE's 2006 Annual Report.

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 Multilateral 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 September 30, 2007.

Changes in Internal Control over Financial Reporting During Third Quarter 2007

The CEO and CFO of HSE Integrated Ltd. are responsible for designing internal controls over financial reporting or causing them to be designed under supervision. The Company's internal controls over financial reporting are designed to 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. Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

During the third quarter of 2007, the Company acquired the outstanding shares of PWS of Weyburn, Saskatchewan in a business combination to be accounted for using the purchase method. The Weyburn operation is currently being integrated into our operations, which includes assessing and designing internal controls over financial reporting and disclosure controls and procedures. Although the operation is not expected to be fully integrated until the fourth quarter of 2007, an initial evaluation of controls conducted in the third quarter did not reveal any material weaknesses.

Common Shares Outstanding

At November 8, 2007, there were 37,567,675 common shares of HSE outstanding, compared with 37,462,342 common shares outstanding as at December 31, 2006.

Non-GAAP Measures

This report makes reference to EBITDA, a measure that is not recognized under generally accepted accounting principles (GAAP). 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, 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 Nine Months Ended September 30	2007	2006
Net earnings (loss)	\$(18,129)	\$2,477
Add (deduct):		
Amortization	5,847	5,160
Impairment of goodwill	15,000	-
Stock based compensation	876	692
Interest	943	993
Foreign exchange loss	24	-
Loss on disposal of property and equipment	836	432
Income tax	(1,008)	1,215
EBITDA	\$4,389	\$10,969

Quarterly EBITDA calculation

	2007				2006			2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net earnings (loss)	\$(15,920)	\$(3,113)	\$904	\$984	\$1,197	\$(1,073)	\$2,353	\$(58)
Add (deduct):								
Amortization	2,004	1,955	1,888	2,458	1,862	1,870	1,428	1,007
Impairment of goodwill	15,000	-	-	-	-	-	-	-
Stock based compensation	186	333	357	285	312	231	149	98
Interest	309	302	332	403	346	359	290	34
Foreign exchange (gain) loss	22	3	(1)	(93)	-	-	-	16
Loss (gain) on disposal of property and equipment	99	30	707	(26)	(19)	272	179	177
Income taxes	(324)	(1,300)	615	330	585	(519)	1,149	226
EBITDA	\$1,376	\$(1,790)	\$4,802	\$4,341	\$4,283	\$1,140	\$5,548	\$1,500

Forward-Looking Statements

This report contains forward-looking information and 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 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*, *continue*, *project*, *objective* and other similar terms and phrases. These statements are based on certain assumptions and analyses 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 materializes or if assumptions are incorrect, actual results may differ materially from those expressed or implied in the forward-looking statements. The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements.

The forward-looking information and statements contained in the MD&A speak only as of the date of this MD&A, and none of the Company or its subsidiaries assumes any 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.