

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(stated in thousands of Canadian dollars) (unaudited)	Note	September 30 2011	December 31 2010
ASSETS			
Cash and cash equivalents		\$ 1,291	\$ 1,479
Trade receivables	5	23,013	18,099
Inventory		197	171
Prepaid expenses and other receivables		1,561	1,494
Income taxes recoverable		574	705
Total current assets		<u>26,636</u>	<u>21,948</u>
Property and equipment		26,139	25,104
Intangible assets		2,019	2,132
Goodwill		391	-
Other receivables		191	129
Total non-current assets		<u>28,740</u>	<u>27,365</u>
TOTAL ASSETS		<u>\$ 55,376</u>	<u>\$ 49,313</u>
LIABILITIES			
Trade and other payables		\$ 7,612	\$ 5,837
Provisions		431	212
Loans and borrowings	6	3,045	3,460
Income taxes payable		1,206	423
Total current liabilities		<u>12,294</u>	<u>9,932</u>
Provisions		1,754	1,801
Loans and borrowings	6	4,788	5,578
Deferred tax liabilities		2,399	1,706
Total non-current liabilities		<u>8,941</u>	<u>9,085</u>
TOTAL LIABILITIES		<u>21,235</u>	<u>19,017</u>
EQUITY			
Share capital		60,654	60,040
Convertible debentures – equity component		229	221
Contributed surplus		5,131	4,969
Accumulated other comprehensive income (loss)		86	(83)
Deficit		(32,056)	(34,851)
Total equity attributable to equity holders of the Corporation		<u>34,044</u>	<u>30,296</u>
Non-controlling interest		97	-
TOTAL EQUITY		<u>34,141</u>	<u>30,296</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 55,376</u>	<u>\$ 49,313</u>

Contingent liabilities (note 12)

See accompanying notes to consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(stated in thousands of Canadian dollars except per-share amounts) (unaudited)	Note	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
Revenue		\$ 24,277	\$ 20,349	\$ 73,663	\$ 59,606
Direct operating expenses		17,747	16,366	56,961	49,381
Selling, general and administrative		2,651	2,027	7,089	5,891
		3,879	1,956	9,613	4,334
Depreciation of property and equipment		1,175	1,364	3,653	4,359
Amortization of intangibles		123	103	368	309
Share based compensation		81	26	190	146
Finance costs	7	157	137	571	546
Loss (gain) on disposal of property and equipment		-	247	1	(198)
Earnings (loss) before income tax		2,343	79	4,830	(828)
Income taxes:					
Current provision		553	502	1,379	187
Deferred tax expense (recovery)		(44)	(598)	569	(531)
		509	(96)	1,948	(513)
Net Earnings (loss)		\$ 1,834	\$ 175	\$ 2,882	\$ (484)
Earnings (loss) attributable to:					
Owners of the Corporation		1,775	169	2,795	(489)
Non-controlling interest		59	6	87	5
Net earnings (loss) for the period		1,834	175	2,882	(484)
Net earnings (loss) per share	8				
Basic		\$ 0.05	\$ 0.00	\$ 0.07	\$ (0.01)
Diluted		\$ 0.04	\$ 0.00	\$ 0.07	\$ (0.01)
Weighted average shares outstanding					
Basic		38,713	37,576	38,617	37,576
Diluted		42,837	37,576	42,730	37,576

See accompanying notes to consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(stated in thousands of Canadian dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net Earnings (loss)	\$ 1,834	\$ 175	\$ 2,882	\$ (484)
Other comprehensive income (loss)				
Foreign currency translation adjustment	229	(44)	179	(27)
Comprehensive income (loss)	2,063	131	3,061	(511)
Comprehensive income (loss) attributable to:				
Owners of the Corporation	1,992	129	2,964	(512)
Non-controlling interest	71	2	97	1
Comprehensive income (loss)	\$ 2,063	\$ 131	\$ 3,061	\$ (511)

See accompanying notes to consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(stated in thousands of Canadian dollars) (unaudited)	Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity attributable to equity holders of the Corporation	Non-controlling interest	Total equity
Balance at January 1, 2011	60,040	221	4,969	(34,851)	(83)	30,296	–	30,296
Net earnings for the period				2,795		2,795	87	2,882
Other comprehensive income					169	169	10	179
Transactions with owners:								
Issue of common shares on business combination	614					614		614
Stock compensation expense			162			162		162
Convertible debentures issued – equity component		8				8		8
Balance at September 30, 2011	60,654	229	5,131	(32,056)	86	34,044	97	34,141
Balance at January 1, 2010	60,040	–	4,763	(35,281)	–	29,522	–	29,522
Net loss for the period				(489)		(489)	5	(484)
Other comprehensive income					(23)	(23)	(4)	(27)
Transactions with owners:								
Stock compensation expense			155			155		155
Balance at September 30, 2010	60,040	-	4,918	(35,770)	(23)	29,165	1	29,166

See accompanying notes to consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(stated in thousands of Canadian dollars) (unaudited)

	Note	September 30 2011	September 30 2010
Cash flows from operating activities			
Net earnings (loss) for the period		\$ 2,882	\$ (484)
Adjustments for:			
Depreciation and amortization		4,021	4,668
Finance costs	7	571	546
Stock-based compensation		190	146
Amortization of onerous contract liability		(182)	(162)
Income tax expense (recovery)		1,948	(344)
Recognition of post-employment benefit liability	10	345	-
Loss (gain) on disposal of property and equipment		1	(198)
		<u>9,776</u>	<u>4,172</u>
Change in non-cash working capital	11	<u>(3,236)</u>	<u>219</u>
Cash generated from operating activities		6,540	4,391
Interest paid		(442)	(343)
Income tax paid		(511)	(370)
Net cash from operating activities		<u>5,587</u>	<u>3,678</u>
Cash flows from investing activities			
Purchase of property and equipment		(3,205)	(1,449)
Purchase of intangibles		(6)	-
Net cash acquired on business acquisition		1	-
Proceeds from sale of property and equipment		312	660
Net cash used in investing activities		<u>(2,898)</u>	<u>(789)</u>
Cash flows from financing activities			
Issue of loans and borrowings		75	5,000
Repayment of loans and borrowings		(1,008)	(5,659)
Payment of finance lease liabilities		(1,972)	(2,182)
Payment of transaction costs related to issue of debt		(39)	(88)
Net cash used in financing activities		<u>(2,944)</u>	<u>(2,929)</u>
Net decrease in cash and cash equivalents		<u>(255)</u>	<u>(40)</u>
Cash and cash equivalents at beginning of period		1,479	460
Effect of exchange rate fluctuations on cash held		67	(4)
Cash and cash equivalents September 30		<u>1,291</u>	<u>416</u>
Non-cash investing activities – property and equipment acquired by means of a finance lease		1,561	119

See accompanying notes to consolidated interim financial statements

HSE Integrated Ltd.

Consolidated Interim Financial Statements

For the three and nine month periods ending September 30, 2011 and 2010

(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 1 – REPORTING ENTITY

HSE Integrated Ltd. (“HSE” or the “Corporation”) is incorporated under the laws of the province of Alberta. The address of the Corporation’s head office is 1000, 630 – 6 Avenue S.W., Calgary, Alberta, Canada, T2P 0S8. The consolidated interim financial statements of the Corporation as at and for the three and nine month periods ended September 30, 2011 and 2010 include the Corporation and its subsidiaries.

The Corporation provides health and safety services to a range of customers in the energy, manufacturing, construction and other industries including: safety supervision and rescue personnel, rental of breathing apparatus and associated equipment for personnel operating in high hazard environments, fixed and mobile firefighting and fire protection services and equipment, worker shower (decontamination) services, onsite medical services, worker safety training, hazardous gas detection, industrial hygiene services, and safety consulting and supervision.

The Corporation’s business has two seasonal components. Revenue for Oilfield health and safety services is historically highest in the 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.

The consolidated financial statements of the Corporation as at and for the year ended December 31, 2010 which were prepared under previous Canadian GAAP and as at and for the quarter ended March 31, 2011 which were prepared under IAS 34 are available upon request from the Corporation’s head office or at www.Sedar.com.

NOTE 2 – BASIS OF PREPARATION

a) Statement of compliance

These unaudited consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These consolidated interim financial statements are for part of the period covered by the first IFRS annual financial statements and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The consolidated interim financial statements do not include all of the information required for full annual financial statements. In these consolidated interim financial statements, previous Canadian generally accepted accounting principles (“Canadian GAAP”) refers to the accounting standards applied prior to the adoption of IFRS.

An explanation of how the transition to IFRS has affected the previously reported financial position, net earnings and cash flows in the comparative periods of these consolidated interim financial statements is provided in note 13. This note contains reconciliations of equity and total comprehensive income for comparative periods reported under Canadian GAAP to those reported for those periods under IFRS.

These consolidated interim financial statements were authorized for issue by the Corporation’s board of directors on November 8, 2011.

b) Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payment arrangements, which are measured at fair value.

HSE Integrated Ltd.

Consolidated Interim Financial Statements

For the three and nine month periods ending September 30, 2011 and 2010

(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 2 – BASIS OF PREPARATION (Continued)

c) Functional and presentation currency

These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and the Corporation's Canadian subsidiaries. The US dollar is the functional currency of the Corporation's US subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except for per share amounts.

d) Use of accounting estimates and judgments

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgments made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual financial statements.

The key judgments and estimates made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated interim financial statements are as follows:

Lease Classification

The classification of a lease as operating or financing depends upon whether substantially all the risks and rewards of the asset are transferred. The Corporation determined that its facility leases are operating leases since the rent paid to the landlords is increased to market rates at regular intervals and the Corporation does not participate in the residual value of any of the buildings. The Corporation determined that its light duty vehicle leases are finance leases since ownership of the assets transfers to the Corporation at the end of the lease term.

Estimated useful lives of assets

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 residual values are reasonable, there can be no certainty that the reduction in depreciable asset values over time matches depreciation expense using estimated useful lives. If depreciation estimates are not correct, the Corporation may record a disproportionate amount of gains or losses on disposition of these assets.

Impairment of assets

At the end of each reporting period, the Corporation assesses whether there is an indication that an asset group may be impaired. If any indication of impairment exists, HSE estimates the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics, commodity prices, drilling level and economic declines. Internal triggering events for impairment include lower profitability or obsolescence.

HSE's impairment tests compare the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is the amount obtainable from the sale of an asset or CGU in an arms length transaction between knowledgeable, willing parties, less the costs of disposal. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

HSE Integrated Ltd.

Consolidated Interim Financial Statements

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(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 2 – BASIS OF PREPARATION (Continued)

Allowance for doubtful accounts

The Corporation 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 receivables, historical collection experience, financial condition of customers, industry economic trends and other factors. Based on the review, allowances for specific customers are determined. The process involves a high degree of judgment and can frequently involve significant dollar amounts. Accordingly, the Corporation's financial position and results of operations can be affected by adjustments to the allowance when actual write-offs differ from estimates.

Income tax assets and income tax liabilities

Deferred income taxes are recorded for the effect of any differences between the accounting and income tax basis of an asset or liability using substantively enacted tax rates. The Corporation establishes valuation allowances to reduce deferred income tax assets when management believes it is more likely than not that some or all of a deferred 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 the recognition of the Corporation's deferred tax assets.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated interim financial statements should be read in conjunction with Note 3 to HSE Integrated Ltd's unaudited consolidated interim financial statements for the periods ended March 31, 2011 and 2010, as the accounting policies applied by the Corporation in these Consolidated Interim Financial Statements are the same as those disclosed therein.

NOTE 4 – ACQUISITIONS

On January 24, 2011, the Corporation acquired all of the outstanding common shares of Taylored Safety Services Inc. ("Taylored") for \$614. Taylored provides safety consulting, industrial health services and safety training to industry and is head quartered in Halifax, Nova Scotia. The results from operations are included in the Canada segment.

A significant shareholder of Taylored subsequently became an officer of the Corporation.

This acquisition has been accounted for by the acquisition method, and results of operations have been included in these consolidated interim financial statements from the date of acquisition. The purchase price allocation has not been completed and certain items such as income taxes at the acquisition date have not been finalized. Details of the acquisition are summarized as follows:

HSE Integrated Ltd.

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For the three and nine month periods ending September 30, 2011 and 2010

(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 4 – ACQUISITIONS (Continued)

Assets acquired (liabilities assumed)	2011
Assets:	
Non-cash working capital	\$ 54
Property, plant and equipment	24
Intangible assets	250
Goodwill	391
	719
Assumed liabilities:	
Income taxes payable	(12)
Long-term debt	(29)
Deferred income taxes	(65)
	(106)
Net assets before cash position	613
Cash position	1
Net assets	\$ 614
Consideration:	
Common shares	614
1,137,532 shares at \$0.54	\$ 614

NOTE 5 – TRADE RECEIVABLES

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Corporation's best estimate of the amount of probable credit losses in the Corporation's existing accounts receivable. The Corporation determines the allowance by reviewing individual accounts past due for collectability, historical write-off experience, and overall account aging. The Corporation reviews its allowance for doubtful accounts on an ongoing basis, but at least monthly.

The aging of trade receivables at the reporting date was:

	September 30 2011 Gross	September 30 2011 Allowance	December 31 2010 Gross	December 31 2010 Allowance
0 – 30 days from invoice date (current)	15,112	-	10,962	-
31-60 days from invoice date	4,690	-	4,764	-
61-120 days from invoice date	2,937	-	2,493	120
More than 120 days from invoice date	699	425	980	980
Total	\$ 23,438	425	\$ 19,199	1,100

HSE Integrated Ltd.

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(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 5 – TRADE RECEIVABLES (Continued)

The movement in the allowance for doubtful accounts in respect of trade receivables during the period was as follows:

	2011	2010
Balance at July 1	425	1,241
Bad debt provision	142	-
Write-offs, net of recoveries	(142)	(11)
Balance at September 30	<u>\$ 425</u>	<u>\$ 1,230</u>

NOTE 6 – LOANS AND BORROWINGS

This note provides information about the contractual terms of the Corporation's interest-bearing loans and borrowings, which are measured at amortized cost.

		September 30 2011	December 31 2010
Current liabilities:			
Non-revolving term facility	(A) \$	1,304	\$ 1,304
Finance lease liabilities	(C)	1,741	2,156
		<u>3,045</u>	<u>3,460</u>
Non-current liabilities:			
Non-revolving term facility	(A)	2,065	3,043
Unamortized debt issue costs	(A)	(122)	(124)
Convertible debentures	(B)	1,827	1,704
Unamortized debt issue costs	(B)	(65)	(76)
Finance lease liabilities	(C)	1,083	1,031
		<u>4,788</u>	<u>5,578</u>
Total loans and borrowings		<u>7,833</u>	<u>9,038</u>

A) Non-revolving term facility and revolving operating loan facility

On April 27, 2010 the Corporation entered into a \$15,000 credit facility with a regional financial institution. The facility consists of a \$10,000 revolving operating loan facility for general operating purposes and a \$5,000 non-revolving reducing term loan facility.

The \$5,000 non-revolving term facility is repayable in monthly payments of \$109 starting July 1, 2010. The facility is payable in full 48 months after initial drawdown. The operating facility is renewable annually and is margined to accounts receivable. Both facilities bear interest at prime plus a fixed percentage.

HSE Integrated Ltd.

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(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 6 – LOANS AND BORROWINGS (Continued)

A standby fee is also required on any unused portion of the operating facility. Both facilities are subject to certain covenants including a working-capital covenant, a debt-to-equity covenant, a fixed-charge coverage ratio and other positive and negative covenants. These covenants are monitored on a regular basis and controls are in place to maintain ongoing compliance with these covenants. The Corporation was in compliance with all debt covenants at September 30, 2011.

The facilities are collateralized under a general security agreement which includes accounts receivable and property and equipment.

Deferred financing costs associated with the financing facilities have been shown as a reduction of the carrying value of the long-term debt and are being amortized over the term of the debt using the effective-interest-rate method.

On May 13, 2011, the Corporation signed a revised credit facility which reflected the effects of the conversion to IFRS.

B) Convertible debentures

On November 9, 2010 HSE announced the issue of up to \$2,000 in Subordinated Secured Convertible Debentures (the “Debentures”). The Debentures mature on January 15, 2014 and bear interest at 10.0% per annum; payable quarterly in arrears on April 15, July 15, October 15, and January 15 in each year beginning April 15, 2011.

On December 21, 2010, HSE completed the first closing with total proceeds of \$1,925. On January 18, 2011, HSE completed the final closing with proceeds of an additional \$75.

The Debentures consist of both debt and equity components, which are presented separately in the Corporation’s consolidated interim statement of financial position. The debt component is measured by calculating the present value of both the quarterly interest obligations and the principle payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. The residual portion of the Debentures’ proceeds is allocated to equity. As a result, the debt component of the Debentures is less than the principal amount that would be paid at maturity, assuming no conversion occurs. The discount to face value of the debt component presented on the consolidated interim statement of financial position will be accreted using the effective interest method over the term of the Debentures.

The equity component represents the difference between the face value of the Debentures (\$2,000) and the accounting value assigned to the debt component of the Debentures at the date of issue as described above. This equity component amount will remain constant over the term of the Debentures unless a conversion occurs. If Debentures are converted into common shares, a proportionate amount of both the debt and equity components will be transferred to share capital. Interest and accretion expense on the Debentures is included within finance costs on the consolidated interim statement of comprehensive income.

Provision for conversion

The Debentures are convertible at the holder’s option into common shares of the Corporation at a conversion price of \$0.50 per share (the “Conversion Price”) at any time prior to the close of business on the earlier of the business day prior to the maturity date and the business day immediately preceding the date fixed for redemption of the Debentures, subject to adjustments in certain events including dividend protection for the declaration of dividends outside of the normal course. Holders converting their Debentures will receive accrued and unpaid interest thereon to the date of conversion. The ability to convert the Debentures would cease immediately prior to a “Change of Control” as defined in the offering document

HSE Integrated Ltd.

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(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 6 – LOANS AND BORROWINGS (Continued)

Provision for redemption

The Debentures will not be redeemable before January 15, 2012 except in the event of the satisfaction of certain conditions after a Change of Control has occurred. On and after January 15, 2012 and prior to January 15, 2013, provided that the current market price (as calculated pursuant to the indenture) of the Shares is at least 133% of the conversion price, the Debentures may be redeemed at the option of the Corporation in whole or in part from time to time at a redemption price equal to their principal amount plus accrued and unpaid interest thereon up to (but excluding) the redemption date. On and after January 15, 2013 and prior to the maturity date, the Debentures may be redeemed at the option of the Corporation in whole or in part from time to time at a redemption price equal to 105% of their principal amount plus accrued and unpaid interest thereon up to (but excluding) the redemption date. If HSE wishes to redeem any Debentures, it must provide not more than 60 or fewer than 40 days prior notice of redemption.

Notwithstanding the foregoing, in the event of a Change of Control, the Debentures will be redeemable at the Corporation's option, in whole or in part, at a price equal to 125% of the principal amount thereof plus accrued and unpaid interest for the first two years; thereafter, this amount will decline by 1.5% per month.

C) Finance lease liabilities

Finance lease liabilities are payable as follows:

	September 30, 2011			December 31, 2010		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	1,853	112	1,741	2,296	140	2,156
Between 1 and 5 years	1,143	60	1,083	1,073	42	1,031
	2,996	172	2,824	3,369	182	3,187

Leasing arrangements

Finance leases relate to vehicles and equipment with lease terms ranging from 3 to 5 years. The Corporation's obligations under finance leases are secured by the lessors' title to the leased assets.

The average interest rate applicable to these finance leases is 4.07%

The terms and conditions of the finance lease contracts do not specify any contingent rents, escalation clauses or any financial restrictions, conditions or covenants in respect of the Corporation's financial position or the related leased assets.

HSE Integrated Ltd.

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(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 7 – FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Interest on operating loan facility and standby charges	11	11	34	85
Interest on term facility	23	59	150	224
Interest on obligations under finance leases	48	64	156	237
Interest and accretion interest on convertible debentures	76		227	
Unwind of discount on provision	3	1	9	4
Foreign currency gain (loss)	(4)	2	(5)	(4)
Net finance costs recognized in earnings	<u>\$ 157</u>	<u>\$ 137</u>	<u>\$ 571</u>	<u>\$ 546</u>
Interest paid	<u>\$ 153</u>	<u>\$ 124</u>	<u>\$ 442</u>	<u>\$ 343</u>

NOTE 8 – EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated as net earnings (loss) attributable to common shareholders divided by the weighted average number of common shares outstanding for the period. Net earnings attributable to the common shareholders for the three and nine month periods ended September 30, 2011 were \$2,112 and \$3,132 respectively, (2010 – \$169 and (\$489)). The weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2011 and 2010 was calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Issued common shares, beginning of period	38,713	37,576	37,576	37,576
Common shares <i>issued on acquisition</i>	<u>-</u>	<u>-</u>	<u>1,041</u>	<u>-</u>
Weighted average number of common shares, issued and outstanding	<u>38,713</u>	<u>37,576</u>	<u>38,617</u>	<u>37,576</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting net earnings (loss) attributable to common shareholders and the basic weighted average number of common shares outstanding by the effects of all potentially dilutive transactions to existing common shareholders.

HSE Integrated Ltd.

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For the three and nine month periods ending September 30, 2011 and 2010

(unaudited)

(Tabular amounts in thousands, except per share amounts)

NOTE 8 – EARNINGS PER SHARE (Continued)

In calculating diluted earnings per share, net earnings (loss) were adjusted as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net earnings (loss)	\$ 1,775	169	\$ 2,795	(489)
Effect of finance costs from conversion of convertible debenture (net of tax)	35	-	105	-
Adjusted net earnings (loss)	\$ 1,810	169	\$ 2,900	(489)

The diluted weighted average number of common shares was calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Weighted average number of common shares – Basic	38,713	37,576	38,617	37,576
Effect of “in the money stock options”	124	-	113	-
Effect of conversion of convertible debentures	4,000	-	4,000	-
Weighted average number of common shares at end of period - Diluted	42,837	37,576	42,730	37,576

NOTE 9 – OPERATING SEGMENTS

The Corporation operates in two main geographic areas: Canada and the United States (U.S.). Each geographic area has a President or Chief Operating Officer responsible for the operations and strategy of his area's business. Personnel working within a particular region report to the President, and the President reports to the Chief Executive Officer. Many of HSE services are inter-dependent since they are bundled and sold to its customers in various combinations.

HSE provides a comprehensive and integrated suite of health, safety and environmental monitoring services to protect workers, assets and the community in the most cost-effective manner possible. It provides these services through providing people and assets to meet the needs of its customers. These people and assets are inter-dependent and moved between locations on a national basis, they are not site or customer specific. The Corporation tracks revenue only, but not the expenses or resources based on the industry within which the customer operates. The same property and equipment and employees service customers in both industry categories. Decisions are made by the Corporation to allocate resources based on the geographic segment.

The Corporation groups these customer industries into two categories. “Oilfield” services are provided to customers in the conventional upstream, or “wellhead”, sector of the oil and gas industry. “Industrial” services are provided to customers in a variety of other industries including: non-conventional upstream oil development and production (including oilsands extraction); oil and gas processing; petrochemicals; pulp and paper; utilities; power generation; and manufacturing. It also includes worker safety training and safety management services.

Corporate division expenses consist of salary expenses, stock compensation, and office costs related to corporate employees, as well as public company costs.

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NOTE 9 – OPERATING SEGMENTS (Continued)

For the three months ended September 30, 2011, one customer provided more than 10% of the Corporation's revenue. Sales to this customer amounted to \$2,863 during the period related to ongoing long-term energy related projects located entirely in Canada. For the three months ended September 30, 2010, one customer provided more than 10% of the Corporation's total revenue. Sales to this customer were \$2,802 related to ongoing energy related projects

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Information about reportable segments

Three months ended September 30	Canada		U.S.		Corporate		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
External revenue								
Oilfield	\$ 10,311	8,582	\$ 1,051	383	\$ -	-	\$ 11,362	8,965
Industrial	12,367	10,849	548	535	-	-	12,915	11,384
Total revenue	\$ 22,678	19,431	\$ 1,599	918	\$ -	-	\$ 24,277	20,349
Finance costs	-	-	-	-	157	137	157	137
Depreciation and amortization	1,215	1,432	83	35	-	-	1,298	1,467
Reportable segment earnings (loss) before depreciation, amortization, share based compensation, finance costs, gain/loss on disposal of property and equipment	\$ 6,040	3,671	\$ 490	312	\$ (2,651)	(2,027)	\$ 3,879	1,956
Nine months ended September 30								
External revenue								
Oilfield	\$ 29,039	23,403	\$ 2,453	969	\$ -	-	\$ 31,492	24,372
Industrial	40,587	33,799	1,584	1,435	-	-	42,171	35,234
Total revenue	\$ 69,626	57,202	\$ 4,037	2,404	\$ -	-	\$ 73,663	59,606
Finance costs	-	-	-	-	571	546	571	546
Depreciation and amortization	3,816	4,576	205	92	-	-	4,021	4,668
Reportable segment earnings (loss) before depreciation, amortization, share based compensation, finance costs, gain/loss on disposal of property and equipment	\$ 15,532	9,566	\$ 1,170	659	\$ (7,089)	(5,891)	\$ 9,613	4,334
September 30, 2011 and December 31, 2010								
Non-Current Assets:								
Property and equipment	22,778	23,380	3,361	1,724	-	-	26,139	25,104
Intangible assets and goodwill	2,410	2,132	-	-	-	-	2,410	2,132
Reportable segment assets	\$ 25,188	25,512	\$ 3,361	1,724	\$ -	-	\$ 28,549	27,236

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NOTE 10 – RELATED PARTIES

Key management personnel and director transactions

Members of key management personnel, officers, or directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Corporation in the reporting period. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Director / key management personnel	Transaction	Note	Transaction value		Transaction value		Accounts payable balances outstanding as at	
			Three months ended September 30	September 30	Nine months ended September 30	September 30	Sept 30 2011	Dec 31 2010
Director	Office rent and property taxes	(i)	58	57	212	222	–	–
Director	Supplies and sub-license fees (per agreement)	(ii)	240	88	863	173	40	55
Key Manager	Office rent and Property taxes	(iii)	85	74	272	230	–	–
Directors/Officers	Convertible debentures	(iv)	–	–	40	–	40	–
Director	Post-Employment Benefit	(v)	345	–	345	–	330	–

- (i) The Corporation paid rent and property taxes for one of its regional offices to a corporation which is controlled by a member of the Board of Directors. The term of the lease is 15 years and expires on January 31, 2019.
- (ii) The Corporation purchased various safety supplies and performed maintenance on safety equipment under a sub-license agreement with a corporation which is controlled by a member of the Board of Directors.
- (iii) The Corporation paid rent and property taxes for one of its regional offices to a corporation controlled by a Senior Manager for a subsidiary in the United States. The term of the lease is 5 years and expires on December 31, 2015.
- (iv) A placement of convertible debentures to related parties occurred in December 2010 and January 2011. The related parties were directors, family of directors, and officers of HSE.
- (v) The Corporation recognized a liability for post-employment benefits of \$345 on the transition between CEOs in August 2011. The benefit is payable monthly over a 2 year term and expires August 31, 2013.

Significant subsidiaries	Country of incorporation	Ownership Interest	
		September 30, 2011	December 31, 2010
HSE Integrated Inc. ("INC")	USA	100%	100%
Boots & Coots HSE Services, LLC ("BCHSE")	USA	90%	90%
CRS Technologies Inc. ("CRU")	USA	100%	100%

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NOTE 11 - SUPPLEMENTARY CASH FLOW INFORMATION

	Nine months ended September 30 2011	Nine months ended September 30 2010
Changes in non-cash working capital from operations:		
Trade receivables	\$ (4,739)	(450)
Inventory	(26)	(22)
Prepaid expenses and other receivables	(164)	(392)
Trade and other payables	1,693	1,083
Change in non-cash working capital	\$ (3,236)	219

NOTE 12 – CONTINGENT LIABILITIES

In the ordinary course of business activities, the Corporation 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 applicable. Although it may not be possible to estimate accurately the extent of potential costs and losses, if any, Management believes that the ultimate resolution of such contingencies would not have a material effect on the financial position of the Corporation.

NOTE 13 – EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these consolidated interim financial statements were prepared in accordance with IFRS.

The significant accounting policies adopted under IFRS have been applied in preparing these consolidated interim financial statements for the three and nine months ended September 30, 2011, with comparative information for the same periods in 2010. These accounting policies and explanation of the adjustments for January 1, March 31, and December 31, 2010, are included in the notes to the consolidated interim financial statements as at and for the three-month period ended March 31, 2011 and 2010.

Reconciliation between previous Canadian GAAP and IFRS

The Corporation's adoption of IFRS did not have a significant impact on the total operating, investing or financing cash flows. The following represents the reconciliations from previous Canadian GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income:

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Reconciliation of equity

	Note	September 2010
Total equity under previous Canadian GAAP		33,242
Differences increasing (decreasing) reported shareholders' equity:		
Impairment loss on property and equipment	A	(6,082)
Property and equipment under finance lease	B	2,373
Property and equipment – componentization	C	(468)
Deferred gain	D	353
Provisions	E	(2,067)
Share based compensation	F	54
Prepaid expenses and other assets	G	(33)
Non-controlling interests	H	(1)
Currency translation reserve	I	5
Related tax effect	J	1,790
Total equity under IFRS		<u>29,166</u>

Reconciliation of net earnings (loss)

	Note	Three months ended September 30 2010	Nine months ended September 30 2010
Net earnings (loss) under previous Canadian GAAP	\$	(397)	\$ (1,840)
Differences in GAAP increasing (decreasing) reported earnings:			
Reduction of depreciation and amortization	A	306	918
Lease costs, depreciation, financing costs and loss on disposal of finance leases	B	288	764
Depreciation on property and equipment – componentization	C	(60)	(195)
Deferred gain – amortization	D	(34)	(102)
Provisions – onerous contract expenses	E	61	161
Share based compensation	F	-	8
Related tax effect		11	(198)
Net earnings (loss) under IFRS	\$	<u>175</u>	\$ <u>(484)</u>

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Reconciliation of other comprehensive income (loss)

	Three months ended September 30 2010	Nine months ended September 30 2010
Other comprehensive loss under previous Canadian GAAP	\$ (446)	\$ (1,866)
Differences in GAAP increasing (decreasing) reported other comprehensive income (loss):		
Differences in net earnings, net of tax	572	1,356
Foreign currency translation adjustments to equity	5	(1)
Other comprehensive income (loss) under IFRS	<u>\$ 131</u>	<u>\$ (511)</u>

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Reconciliation of Consolidated Statement of Financial Position as at September 30, 2010

	Note	Previous CGAAP	Adjust- ments	Reclass- ifications	IFRS						
ASSETS						ASSETS					
Current Assets						Current Assets					
Cash and cash equivalents		416	-	-	416	Cash and cash equivalents					
Accounts receivable		16,597	-	-	16,597	Trade receivables					
Inventory		222	-	-	222	Inventory					
Prepaid expenses and other receivables	G	2,042	(33)	(139)	1,870	Prepaid expenses and other receivables					
Income taxes recoverable		699	-	-	699	Income taxes recoverable					
Total current assets		19,976	(33)	(139)	19,804	Total current assets					
Non-current Assets						Non-current Assets					
Property and equipment	A,B,C	25,787	106	-	25,893	Property and equipment					
Intangible assets	A	2,864	(630)	-	2,234	Intangible assets and goodwill					
		-	-	139	139	Other receivables					
Total non-current assets		28,651	(524)	139	28,266	Total non-current assets					
TOTAL ASSETS		48,627	(557)	-	48,070	TOTAL ASSETS					
LIABILITIES						LIABILITIES					
Current liabilities						Current liabilities					
Accounts payable and accrued liabilities	F	5,840	(53)	(45)	5,742	Trade and other payables					
	E	-	213	855	1,068	Provisions					
	B	-	2,143	1,447	3,590	Loans and borrowings					
Current portion of long-term debt		2,114	-	(2,114)	-						
Current portion of obligation under capital lease		143	-	(143)	-						
Income taxes payable		187	-	-	187	Income taxes payable					
Current portion of deferred gain	D	137	(137)	-	-						
Total current liabilities		8,421	2,166	-	10,587	Total current liabilities					
Non-current liabilities						Non-current liabilities					
	E		1,854		1,854	Provisions					
	B		1,505	3,314	4,819	Loans and borrowings					
Deferred gain	D	216	(216)		-						
Long-term debt		3,291		(3,291)	-						
Obligations under capital leases		23		(23)	-						
Future Income taxes	J	3,434	(1,790)		1,644	Deferred tax liabilities					
Total non-current liabilities		6,964	1,353	-	8,317	Total non-current liabilities					
TOTAL LIABILITIES		15,385	3,519	-	18,904	TOTAL LIABILITIES					

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Reconciliation of Consolidated Statement of Financial Position as at September 30, 2010 (continued)

	Note	Previous CGAAP	Adjust- ments	Reclass- ifications	IFRS	
EQUITY						EQUITY
Share capital		60,040	-	-	60,040	Share capital
Contributed surplus	F	4,901	17	-	4,918	Contributed surplus
Deficit		(31,610)	(4,160)	-	(35,770)	Deficit
Accumulated other comprehensive income (loss)	I	(89)	66	-	(23)	Accumulated other comprehensive income (loss)
Total equity attributable to equity holders of the Corporation		33,242	(4,077)	-	29,165	Total equity attributable to equity holders of the Corporation
Non-controlling interest	H	-	1	-	1	Non-controlling interest
TOTAL EQUITY		33,242	(4,076)	-	29,166	TOTAL EQUITY
		48,627	(557)	-	48,070	
TOTAL LIABILITIES AND EQUITY						TOTAL LIABILITIES AND EQUITY

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Reconciliation of total comprehensive income for the nine months ended September 30, 2010

	Note	Previous CGAAP	Adjustments	IFRS	
REVENUE		\$ 59,606	-	59,606	Revenue
COSTS					
Operating and materials	B,E	51,681	(2,300)	49,381	Direct operating expenses
Selling, general and administrative		5,891	-	5,891	Selling, general & administrative
Amortization of property and equipment	A,B,C	3,929	430	4,359	Depreciation of property & equipment
Amortization of intangible assets	A	396	(87)	309	Amortization of intangible assets
Stock-based compensation	F	154	(8)	146	Share based compensation
Interest on long-term debt	B,E	249	297	546	Finance costs
Other interest and bank charges		84	(84)	-	
Foreign exchange gain	C	(4)	4	-	
(Gain) loss on disposal of property and equipment	B,D	(392)	194	(198)	(Gain) loss on disposal of property and equipment
LOSS BEFORE INCOME TAX		(2,382)	1,554	(828)	Loss before income tax
Income taxes					Income taxes:
Current provision (recovery)		187	-	187	Current (provision) recovery
Future reduction		(729)	198	(531)	Deferred tax expense
		(542)	198	(344)	
NET LOSS		(1,840)	1,356	(484)	Net Loss
Other comprehensive income					Other comprehensive income
Unrealized loss on translating financial statements of self-sustaining foreign operations		(26)	(1)	(27)	Foreign currency translation differences – foreign operations
Other Comprehensive Loss		(1,866)	1,355	(511)	Total comprehensive income (loss) for the period
				(489)	Earnings attributable to:
				5	Owners of the Corporation
				(484)	Non-controlling interest
				(512)	Comprehensive income attributable to:
				1	Owners
				(511)	Non-controlling interest

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Reconciliation of total comprehensive income for the three months ended September 30, 2010

	Note	Previous CGAAP	Adjustments	IFRS	
REVENUE		\$ 20,349	-	20,349	Revenue
COSTS					
Operating and materials	B, E	17,130	(764)	16,366	Direct operating expenses
Selling, general and administrative		2,027	-	2,027	Selling, general & administrative
Amortization of property and equipment	A,B,C	1,227	137	1,364	Depreciation of property & equipment
Amortization of intangible assets	A	132	(29)	103	Amortization of intangible assets
Stock-based compensation	F	26	-	26	Share based compensation
Interest on long-term debt	B,E	64	73	137	Finance costs
Other interest and bank charges		10	(10)	-	
Foreign exchange gain		2	(2)	-	
(Gain) loss on disposal of property and equipment	D	213	34	247	(Gain) loss on disposal of property and equipment
LOSS BEFORE INCOME TAX		(482)	561	79	Loss before income tax
Income taxes					Income taxes:
Current provision (recovery)		502	-	502	Current (provision) recovery
Future reduction		(587)	(11)	(598)	Deferred tax expense
		(85)	-	(96)	
NET LOSS		(397)	572	175	Net Loss
Other comprehensive income					Other comprehensive income
Unrealized loss on translating financial statements of self-sustaining foreign operations		(49)	5	(44)	Foreign currency translation differences – foreign operations
Other Comprehensive Loss		(446)	577	131	Total comprehensive income (loss) for the period
					Earnings attributable to:
				169	Owners of the Corporation
				6	Non-controlling interest
				<u>175</u>	
					Comprehensive income attributable to:
				129	Owners
				2	Non-controlling interest
				<u>131</u>	

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Explanation to the notes in reconciliations of equity, earnings and comprehensive income noted above are as follows:

(A) Impairment loss

The Corporation was required to apply IAS 36 *Impairment of Assets* on the January 1, 2010 transition date.

As a result, it recognized a \$7,000 decrease in property and equipment and finite life intangibles (\$6,756 in the Canadian segment and \$244 in the US segment) and a corresponding impact on deferred tax assets of \$1,859 for a net increase to deficit of \$5,141 on the January 1, 2010 opening consolidated statement of financial position.

As a result of this change, property and equipment depreciation expense decreased for the three and nine months ended by \$277 and \$831 respectively. Amortization of intangible expense decreased for the three and nine months ended by \$29 and \$87 respectively.

IFRS uses a one step approach for both testing for and measurement of impairment, with carrying values compared directly to the higher of fair value less costs to sell and value-in-use (calculated using discounted cash flows).

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash generating unit in an arm's-length transaction between knowledgeable, willing parties less costs of disposal. Value-in-use is the present value of the future cash flows expected to be derived from the continuing use of an asset and from its ultimate disposal or from a cash-generating unit.

Under IFRS, the estimated future cash flows used in calculating value-in-use are discounted using the rate that reflects the market's assessment of risks specific to the asset or cash-generating unit. A significant factor in determining whether HSE had impaired assets at January 1, 2010 was the fact that the carrying value of its net assets exceeded its market capitalization. The recoverable amount was based on fair value less costs to sell.

Estimating fair value less costs to sell requires management judgment. The estimate was based on the Corporation's share price as of January 1, 2010 and an estimation of applicable control premiums based on comparative companies. To assess the reasonableness of the calculated fair value, fair values were also calculated by applying Enterprise Value / EBITDA multiples to both budgeted EBITDA and analyst predictions of EBITDA.

(B) Property and equipment under finance lease

The Corporation is treating its light vehicle leases as finance leases. At January 1, 2010, the net book value of property and equipment increased by \$7,135, loans and borrowings increased by \$5,526, and opening deficit decreased by approximately \$1,609 pre-tax.

As a result of this change, earnings before income tax increased for the three and nine months ended by \$288 and \$764 respectively.

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	Three months ended September 30 2010	Nine months ended September 30 2010
Direct operating expenses	701	2,135
Depreciation and amortization	(354)	(1,068)
Gain (loss) on disposal of leases	-	(90)
Finance costs	(59)	(213)
Earnings adjustment before income tax	\$ 288	\$ 764

(C) Property and equipment componentization

The componentization of required assets resulted in a decrease to net book value of property and equipment of \$273 and an increase in pre-tax opening deficit of \$273 as at January 1, 2010.

As a result of this change, earnings before income taxes decreased by \$60 (depreciation expense) for the three months ended September 30, 2010 and decreased by \$195 (\$193 depreciation expense and \$2 loss on disposal of assets) for the nine months ended September 30, 2010.

(D) Deferred gain

The Corporation entered into sale and leaseback transactions in 2008 for 3 properties owned in Fort McMurray, Alberta. Under previous Canadian GAAP, the \$700 in gains were deferred and amortized over the life of the leases. However under IFRS, if a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss has to be recognized immediately.

The effect was to write off the deferred gain under liabilities and decrease deficit by \$456 at January 1, 2010, and to decrease gain on disposal of property and equipment by \$34 for the three months ended September 30, 2010 and \$102 for the nine months ended September 30, 2010.

(E) Provisions

Onerous contracts

As part of a prior acquisition, HSE assumed a long-term operating lease for a building. The building is not required for HSE operations at this time and is not currently subleased. HSE has identified this lease as an onerous contract. HSE recorded \$2,228 as a provision at January 1, 2010 with a corresponding pre-tax increase to opening deficit. As a result of this change, earnings before taxes increased for the three and nine months ended by \$53 and \$161 respectively.

Legal

A provision must be made when a Corporation has a present obligation and the amount is known or can be estimated. As part of the IFRS transition, a review of HSE legal claims was performed at January 1, March 31, June 30, and September 30, 2010. As a result of this review, earnings before taxes increased by \$8 for the three months ended September 30, 2010 and earnings before taxes remained unchanged for the nine months ended September 30, 2010.

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	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Onerous Contracts	Legal	Total	Onerous contracts	Legal	Total
Direct operating costs	55	8	63	165	–	165
Finance costs	(2)	–	(2)	(4)	–	(4)
Earnings adjustment before income tax	53	8	61	161	–	161

(F) Share based compensation

Under IFRS, the liability related to cash-settled share-based payments (deferred share units) must be adjusted quarterly to reflect the fair value of the outstanding share-based payments. For equity settled instruments an estimated number of forfeitures must be used and then adjusted to the actual number of forfeitures for the period.

The change in respect of equity-settled share-based payments is to increase stock compensation expense and increase contributed surplus by \$9 for the nine months ended September 30, 2010. The change for the three months ended September 30, 2010 was a decrease of \$4 to stock compensation expense and an increase to contributed surplus.

The change in respect of cash-settled share-based payments is to increase stock compensation expense of directors and increase the DSU liability by \$4 for the three months ended September 30, 2010 and decrease the DSU liability by \$17 for the nine months ended September 30, 2010.

	Three months ended September 30 2010	Nine months ended September 30 2010
Share based compensation		
Deferred Share Unit (offset is in liabilities)	(4)	17
Stock options (offset is in contributed surplus)	4	(9)
Earnings adjustment before income tax	\$ -	\$ 8

(G) Prepaid expenses and other assets

The Corporation sold at fair value certain plant and equipment from Canada to one of its subsidiaries in the US in the third quarter of 2008, resulting in a taxable capital gain in Canada. Under IFRS, the capital gains tax paid in Canada is treated as current tax. The effect was to write off the other current asset resulting in a decrease of 'prepaid expenses and other assets' and an increase in deficit by \$33 at September 30, 2010.

(H) Non-controlling interest

Under IFRS, the Corporation is required prospectively from January 1, 2010 to allocate comprehensive losses to non-controlling interest based on their effective interest, even if this results in a deficit non-controlling interest balance.

The impact of the adjustment noted above for the three and nine months ended September 30, 2010 amounted to a non-controlling interest of \$2 and \$nil respectively.

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(I) Accumulated other comprehensive income (loss)

The foreign currency translation amounts recorded in accumulated other comprehensive income are an increase of \$5 for the three months ended September 30, 2010 and a decrease of \$1 for the nine months ended September 30, 2010.

(J) Deferred tax liabilities

The above changes decreased (increased) the deferred tax liability as follows based on a tax rate of 26 percent:

	Note	September 30 2010
Deferred tax liability under Canadian GAAP		3,434
Differences increasing (decreasing) the deferred tax liability:		
Impairment loss on property and equipment	A	(1,862)
Property and equipment under finance lease	B	1,490
Property and equipment - componentization	C	(127)
Deferred gain	D	90
Provisions	E	(512)
Share based compensation	F	15
Prepaid expenses and other assets		6
Finance obligations	I	(890)
Deferred tax liability under IFRS		<u>1,644</u>

The effect on the statement of comprehensive income for the three and nine months ended September 30, 2010 was to decrease the previously reported tax recovery for the period by \$11 and \$198 respectively.

(K) Reclassifications

The amounts presented as reclassifications in the reconciliations above represent those amounts that were already recognized and measured under previous Canadian GAAP, but were presented under a different line item within the consolidated interim statement of financial position or the consolidated interim earnings statement. These amounts are now reclassified to conform to presentation and disclosure requirements under IFRS.