FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company:

HSE Integrated Ltd.
1000, 630 – 6^{th} Avenue SW
Calgary, AB 2P 0S8

2. Date of Material Change:

January 9, 2006

3. Press Release:

Press Release issued on January 10, 2006 by HSE Integrated Ltd. through the facilities of Canada Newswire.

4. Summary of Material Change:

On January 9, 2006, the Corporation closed its previously announced indirect acquisition of all of the issued and outstanding shares of Key Safety Services Inc. and Key Monitoring Solutions Corp.

5. Full Description of Material Change:

Please refer to the December 12, 2005 and January 10, 2006 press releases which are incorporated by reference and attached to this report.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102.

N/A

7. Omitted Information:

No information has been omitted.

8. Executive Officer:

David L. Yager, Chairman and Chief Executive Officer of the Corporation, may be reached at (403) 266-1833.

9. Date of Report:

January 10, 2006

NEWS RELEASE – December 12, 2005

HSE ENTERS INTO AGREEMENT TO BUY KEY SAFETY SERVICES AND KEY MONITORING SOLUTIONS FOR $24.5 MILLION

HSE Integrated Ltd. ("HSE" or the "Company") is pleased to announce that it has entered into an agreement defining the process and financial terms by which HSE will acquire the shares of Key Safety Services Inc. ("Key") of Sylvan Lake, Alberta and Key Monitoring Solutions Inc. ("KMS") of Rocky Mountain House, Alberta for a total consideration of approximately $24.5 million. The transaction is expected to close in early January, 2006.

Upon completion of this transaction, HSE believes it will be the largest oilfield safety services company in the world in terms of revenue, equipment capacity and manpower. HSE intends to use this expanded capability to provide its customers with an unprecedented level of protection for workers, assets and the community.

Over the short term the companies will be operating in a business-as-usual fashion. Customers can expect no changes or disruptions in service or in their respective Key, KMS or HSE contacts.

The highlights of the proposed transaction are summarized below.

Financial Terms

HSE will purchase the shares of JEC Company Ltd. which owns 100% of the shares of Key and 50% of the shares of KMS. The remaining 50% of the shares of KMS is held by Bryton Controls Ltd.

The total purchase price of $24.5 million consists of approximately $15.8 million cash, assumption by HSE of long term debt of approximately $2.7 million, and $6 million in treasury shares of HSE based upon the 10-day weighted average trading price of HSE on the TSX Venture Exchange prior to the announcement of the transaction. The share price will be $2.50 per share, resulting in the issuance of approximately 2,400,000 shares to owners of Key and KMS. The transaction terms also provide that HSE will acquire $3.5 million in working capital at closing.

Additional contingent consideration will include a cash royalty of up to a maximum of $2 million over the next three years based upon the commercial success of a new air quality and environmental monitoring technology platform developed by KMS.

Concurrent with the transaction, HSE will be seeking price protection from the TSX Venture Exchange to issue up to 500,000 shares at $2.50 per share to HSE employees under the Company's employee share ownership program. These shares will also be made available to the employees of Key and KMS.

HSE will finance the transaction with existing unused senior bank credit facilities, new senior bank credit facilities, and the issuance of treasury shares. To facilitate a prompt closing of the transaction the Key and KMS owners have agreed to provide short-term financing in the form of a promissory note if necessary.

For the fiscal year ended August 31, 2005, Key had unconsolidated revenue of $23.5 million and EBITDA of $4.2 million (unaudited). For the nine month interim period ended October 31, 2005, KMS generated revenue of $2.3 million and EBITDA of $1.1 million (unaudited).

Conditions Precedent

The transaction described above is subject to numerous conditions precedent. These include the completion of audited financial statements for Key for the fiscal year ended August 31, 2005, the completion of audited financial statements for KMS for the nine-month interim period ended October 31, 2005, expansion of HSE's senior bank lending facilities based upon the review of the audited financial statements, the approval of the TSX Venture Exchange regarding the issuance of HSE treasury shares, completion of due diligence, the approval of the Board of Directors of HSE, and other financial and regulatory approvals normally associated with transactions of this size. Significant progress in satisfying many of the foregoing conditions precedent has been made prior to the announcement of this transaction.

Operational Highlights – Key Safety

HSE believes Key is the largest independent, full-service oilfield safety services company in Canada. It offers emergency response services, well control services, fire protection, shower units, on-site medical, breathing air and industrial training from locations in Sylvan Lake, Whitecourt and Grande Prairie. All employees and contractors with Key will be offered continued employment with HSE. Once Key and HSE are combined, collectively they will represent:

- Largest staff of trained safety professionals
- Largest fleet of "on demand" industrial firefighting equipment and trained personnel
- Largest portable breathing air services capability
- One of the largest providers of on-site medical services

Operational Highlights – Key Monitoring Solutions

KMS specializes in providing air quality monitoring services and technologies, a full suite of air quality suite of air quality monitoring systems for sour gas and plant safety operations, and other innovative oilfield electronic equipment and services.

KMS and Key have jointly developed the Carmen-Reactor ("CR") technology platform which is a technologically advanced, stand-alone air quality data collection and communication system.

The CR technology platform is currently used for air quality monitoring for critical sour gas drilling operations in populated areas. The system measures air quality, meteorological conditions and other environmental parameters and continuously transmits this data to a secure website by cellular telephone or satellite. The data can then be easily accessed using the internet by all stakeholders in the area to ensure the safety of workers, local residents and emergency response personnel.

HSE intends to adapt the CR technology for other markets in the upstream petroleum industry and other industrial markets. It is HSE's intention that KMS will become a significant operating division under the "E" or Environmental component of the HSE name. Brad Turner, KMS President, will lead the KMS division within HSE.

A Major Step for HSE

David Yager, Chairman and CEO of HSE, had the following comments on the Key and KMS acquisitions.

"Since it was conceived in 1999, the HSE safety consolidation project has been about building an industrial Health, Safety and Environmental services company large enough to meet the needs of our upstream petroleum and other industrial customers. Our customers are undertaking larger projects and developments in the face of increasingly stringent legal and corporate obligations to protect workers, capital assets and the communities in which they operate. Their needs have changed and HSE is responding to those needs.

With the acquisition of Key and KMS, HSE will have the financial strength, equipment capacity and trained personnel to commit to major safety projects on a national level. The owners of Key and KMS have built outstanding companies that are technical leaders in their fields and believe strongly in the HSE vision. We are pleased to welcome the owners of Key and KMS as HSE partners and significant shareholders.

HSE is a public company built with the best ideas, procedures, people and equipment from several of Canada's leading private safety service providers. We welcome the Key and KMS staff into the HSE family, and know they will make a valuable and personally satisfying contribution in continuing to build HSE".

Investor Conference Call

HSE will host an investor conference call and webcast to discuss the Key and KMS acquisitions on Tuesday December 13 at 2:00 PM Mountain Standard Time (4 PM Eastern Standard Time). The details of the conference call and webcast are contained in a separate News Release.

Forward Looking Statements

Statements in this document that may be considered forward-looking are based on management's current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated.

HSE is an integrated supplier of industrial Health, Safety and Environmental services. From its head office in Calgary, Alberta, HSE serves its clients from field service locations in Alberta, British Columbia, Ontario, Nova Scotia and Michigan. HSE trades on the TSX Venture Exchange under the symbol "HSL".

For more information, please contact:

David Yager, Chairman & CEO
Telephone: (403) 266-1833
E-Mail: dyager@hseintegrated.com

NEWS RELEASE – January 10, 2006

HSE COMPLETES ACQUSITION OF KEY SAFETY SERVICES AND KEY MONITORING SOLUTIONS

HSE Integrated Ltd. ("HSE" or the "Company") is pleased to announce that it has completed the previously announced (December 12, 2005) acquisitions of the shares Key Safety Services Inc. ("Key") of Sylvan Lake, Alberta, and Key Monitoring Solutions Corp. ("KMS") of Rocky Mountain House, Alberta.

After purchase price adjustments reflecting stronger than expected historical financial performance, the final purchase price was approximately $25.6 million. This was satisfied through the issuance of 2.4 million HSE treasury shares at a value of $2.50 per share for a consideration of $6 million, $9 million cash, the payout of approximately $1.74 million of long term debt of Key and KMS, and the issuance of approximately $8.9 million in promissory notes to the Vendors of Key and KMS.

Once certain financial reporting conditions are met by Key and KMS, expected within 30 days after closing, the promissory notes will be paid out by HSE. The issued shares will be subject to a statutory four month hold period expiring May 10, 2006.

As stated on December 12, 2005, upon completion of this transaction HSE believes it will be the largest oilfield safety services company in the world in terms of revenue, equipment capacity and manpower. HSE intends to use this expanded capability to provide its customers with an unprecedented level of protection for workers, assets and the community.

Following are excerpts of a letter from David Yager, Chairman and CEO of HSE, that will be distributed to the customers of Key, KMS and HSE tomorrow.

"These acquisitions are part of HSE's strategy to build a large and diversified safety services capable of meeting the health, safety and environmental protection needs of our clients as they undertake larger development projects including offshore and the Oilsands.

In the short term, it will be business as usual at the Key Companies. Senior management of both organizations will remain in place and our customers can expect no changes in contacts or delivery of services. In the areas of emergency response and well control, our customers will now have access to the combined resources of the Key Companies, HSE and Safety Boss. In terms of personnel and equipment capacity, you will be served by the largest oilfield emergency response organization in history.

The mission of HSE is to be the largest and most respected supplier of oilfield health, safety and environmental services. With the acquisitions of the Key Companies, the first part is complete. Respect from our employees, customers, competitors and capital providers must be earned. We will do this by consistently providing good people, good equipment and good service at fair prices. My personal commitment to all of our stakeholders is to fulfill the entire HSE mission."

Forward Looking Statements

Statements in this document that may be considered forward-looking are based on management's current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated.

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For more information, please contact:

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.