HSE INTEGRATED

Industrial
Health
Safety
Environment

HSE INTEGRATED LTD.

(the "Corporation" or "HSE")

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2009

March 25, 2009

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FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form constitute forward-looking information and statements (collectively "forward-looking statements") within the meaning of applicable securities laws. These forward-looking statements concern, among other things, the Company's prospects, expected revenues, expenses, profits, financial position, strategic direction and growth initiatives, all of which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such forward-looking statements use such words as "expect", "anticipate", "estimate", "believe", "may", "will", "would", "could", "might", "intend", "plan", "continue", "ongoing", "project", "objective", "should" and other similar terms and phrases. This forward-looking information reflects the Company's current expectations regarding future events and operating performance based on assumptions and analyses made by the Company based on its experience and an assessment of current conditions, known trends, expected future developments and other factors which management believe to be appropriate under the circumstances. These forward-looking statements include among others:

- After the significant downturn caused by the recession in 2009, management believes the worst is over for HSE and the Company will return to growth in 2010, albeit at a lower level than in past years.
- The Corporation is confident that servicing the Industrial health and safety sector will be a permanent and growing component of the HSE business mix in the future

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

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

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

HSE INTEGRATED LTD.

General

The Corporation was incorporated under the *Business Corporations Act* (Alberta), (collectively with the regulations there under "ABCA"), as "791411 Alberta Ltd." on July 2, 1998.

On August 6, 1998, the Corporation changed its name to "High Five Oilfield Services Ltd." and filed Articles of Amendment to amend the authorized share structure to an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. On May 26, 1999, the Corporation filed Articles of Amendment to remove the share transfer and private company restrictions. On September 8, 2000, the Corporation changed its name to "Patch Safety Services Ltd." On January 1, 2002 the Corporation amalgamated with Patch H2S Services Ltd. and Think H2S Safety Service Ltd. and continued as "Patch Safety Services Ltd.". On August 31, 2004 the Corporation changed its name to "HSE Integrated Ltd.", and completed a share consolidation of common shares (the "Common Shares") on the basis of one new Common Share for every five (5) existing Common Shares held. On July 18, 2005 the Corporation filed Articles of Amendment to add Schedule B "Other Rules and Provisions" allowing the Directors to appoint additional directors between annual general meetings ("AGM"), pursuant to the ABCA. On January 1, 2006 the Corporation amalgamated with 1071971 Alberta Ltd., 1140119 Alberta Ltd., 1211185 Alberta Ltd., 1211876 Alberta Ltd., 550870 Alberta Ltd., 921577 Alberta Ltd., Bluestar EMS Ltd., Bluestar EMS Safety Ltd., Confined Space Response Services Inc., Mobile Safety Service Ltd., Patch International Ltd., Scotford Safety Inc., and SDS Group Inc. and continued as "HSE Integrated Ltd." On January 1, 2007 the Corporation amalgamated with Bear's Safety & Rescue Services Ltd., J.E.C. and Company Ltd. and Sentry Fire Equipment Ltd. and continued as "HSE Integrated Ltd." Also on January 1, 2007 the Corporation amalgamated with Key Safety Services Inc. and continued as "HSE Integrated Ltd." Additionally on January 1, 2007 the Corporation amalgamated with Key Monitoring Solutions Corp. and continued as "HSE Integrated Ltd." On July 1, 2007 the Corporation acquired all the outstanding shares of Prairie Wide Safety Ltd. and on January 1, 2008, Prairie Wide Safety Ltd. and 1370512 Alberta Limited amalgamated with the Corporation and continued as "HSE Integrated Ltd."

The initial purpose of the Corporation was to build a larger and more diversified supplier of industrial health, safety and environment services to the upstream conventional oil and gas industry. HSE's growth strategy was to take place through acquisition, internal growth, and the consolidation of multiple competitors serving a single industry into a more efficient and effective business unit. On October 27, 2003, a new executive management team and Board of Directors were appointed, the majority of whom remain at the Corporation's helm today. The new executive management and Board of Directors established the long term objective of expanding beyond upstream conventional oil and gas into other industries and other geographic regions to become a national supplier of a diversified suite of related health, safety and environment services.

The head office of the Corporation is located at Suite 1000, 630 – 6th Avenue SW, Calgary, Alberta, Canada T2P 0S8.

The registered office of the Corporation is located at Suite 3500, Bankers Hall East, 855 - 2nd Street SW, Calgary, Alberta, Canada T2P 4J8.

Intercorporate Relationships

HSE has subsidiaries that have assets, sales and operating revenues that individually do not exceed 10%, and in the aggregate did not exceed 20%, of the total consolidated assets or total consolidated sales and operating revenues, respectively, of the Corporation as at, and for the year ended, December 31, 2009.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

2007

On June 8, 2007 the Corporation graduated to the Toronto Stock Exchange ("TSX") from the TSX Venture Exchange where it had been trading since it became public in 2000. HSE trades under the symbol HSL.

On July 1, 2007 the Corporation expanded into Saskatchewan through the acquisition of the outstanding shares of Prairie Wide Safety Ltd. ("PWS") of Weyburn, Saskatchewan in a business combination accounted for using the purchase method. PWS served 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 price was 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 and acquisition costs were originally comprised of 100,000 common shares valued at $1.64 per share, $1,884,000 cash and the assumption of debt.

On July 1, 2008, additional consideration of $100,000, which was contingent upon performance measures based upon the first year after acquisition, was paid to the vendor. The amount resulted in an increase in cash consideration paid and an increase in goodwill, which was recorded as an impairment in 2008.

2008

On May 7, 2008 the Corporation and Boots & Coots, Inc. ("B&C") announced the creation of a jointly owned new partnership called Boots & Coots HSE Services, LLC. ("BCHSE") to offer Oilfield safety services in the continental United States. The Corporation's Industrial safety services in Michigan, Illinois, Ohio, New York and other Midwest and eastern industrial markets were not affected.

2009

In response to the recession that resulted in a significant downturn in business early in the 2009 fiscal year, during 2009 the Corporation undertook a series of cost reductions including staff reductions, pay cuts and operating cost reductions.

A new system of paying field health and safety service technicians came into effect June 1, 2009. Previously, most field service personnel in Western Canada were paid a base salary together with a daily job bonus. Effective June 1, this was changed to an hourly pay structure similar to the system already in place for the Company's Eastern operations. For Western operations, this makes labour expenses a variable cost for the first time, thus improving profitability during periods of low activity.

HSE has introduced a new business concept to the oilsands region with a multi-client worker wellness facility associated with an independently operated worker housing business that supports up to 3000 workers. This business that HSE supports is expected to expand to 5000 workers by the end of 2010.

A new location in St. John's Newfoundland and Labrador opened in January of 2009 has steadily increased revenue and clients.

Significant Acquisitions

There were no significant acquisitions in 2009 by the Corporation.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

HSE is an integrated provider of health, safety and environment services and equipment to industry and is the largest provider of its kind in Canada. The Corporation's core objective is to become industry's preferred safety partner to address health, environmental and safety risks in the workplace. To achieve this, the Corporation employs a comprehensive health and safety equipment asset base and a dedicated and highly-trained expert workforce whose sole purpose is to deliver services within the corporation's mission to help its clients cost-effectively protect workers, assets and the community.

Overview of Operations

HSE's services are delivered primarily through a rental/service model which is a combination of specialized health and safety rental equipment and expertise provided by highly trained specialists in a number of disciplines. HSE has assembled the largest equipment fleet of its type operating in Canada and, as noted, services are provided by a combination of professional staff and specialized contractors at the customer's site.

Offices and Field Service Locations

Corporate Offices (2)
- Head Office – Calgary, Alberta
- Regional Corporate Office – Houston, Texas

Field Service Locations (22)

West:
- British Columbia – Ft. St. John and Ft. Nelson
- Alberta – Fort McMurray, Grande Prairie, High Level, Whitecourt, Fort Saskatchewan, Bonnyville, Brooks/Medicine Hat, Red Deer/Sylvan Lake
- Saskatchewan – Weyburn

East:
- Ontario – Sarnia, Windsor, London, Hamilton, Sudbury
- New Brunswick – Saint John
- Nova Scotia – Dartmouth
- Newfoundland and Labrador – St. John's

United States:
- Michigan – Taylor
- Texas - Odessa

Description of Services

HSE's services fall into these three main groups: *Health, Safety and Environment*.

Health services include:
- Onsite First Aid – Mobile
- Onsite First Aid - Fixed
- Industrial Ambulance
- Audiometric (Hearing) Testing
- Drug and Alcohol Testing
- Breathing Apparatus Fit Testing
- Industrial Hygiene Service
- Nursing and Health Diagnostic Services

Safety services include:

- Breathing Air Equipment and Services
- Mobile Fire Protection and Control
- Fixed Fire Suppression System Supply, Design and Servicing
- Worker Decontamination
- Safety Supervision
- Shutdown and Turnaround Services and Crews
- Confined Space Entry and Rescue
- High Angle Rescue
- Worker Safety Training
- Safety Programs and Consulting

Environment services include:

- Stationary Air Quality Monitoring and Remote Communication System
- Mobile Downwind Air Quality Monitoring
- Plume Dispersion Modeling
- Gas Detection Equipment
- Noise Testing
- Airborne Hydrocarbon Neutralization
- Hydrocarbon Neutralization

Business Sectors Served

HSE supplies these services to the following private and public sector business segments.

- Upstream Oil and Gas
- Downstream Oil and Gas
- Oilsands Mining, Extraction and Processing
- Petrochemical Facility
- Pulp and Paper
- Municipal Utility Services
- Forestry and Logging
- Automotive
- Food and Beverage Processing
- Power Generation (Gas Fired, Coal Fired, Nuclear)
- Offshore Oil and Gas Exploration and Production
- Mining
- Mineral Smelting
- Chemical manufacturing
- Natural Gas and Oil Transmission
- Metals Manufacturing
- Meat Packing
- Provincial Resource Regulatory Agencies

Competitors, Suppliers and Customer

HSE provides safety supervision services, expertise and specialized equipment to assist our customers in protecting workers, assets and the environment. HSE's long-term objective is to become industry's preferred supplier of health, safety and environment protection services, allowing our customers to focus internal capital and manpower resources on their core business.

HSE estimates that the major, safety-intensive business sectors of the Canadian economy listed above spend between approximately 0.5% to 3% of revenue, or $7 billion per year, on all aspects of worker, asset and community protection. This ranges from worker safety training, clothing and administration to WCB contributions to public communication to the direct equipment, processes and systems used for worker, asset and community protection from specific hazards.

Competitors

HSE's largest competitor, as measured by entities that provide the same suite of services as HSE and where the total safety dollars are spent, are the customers themselves. Historically the primary provider of safety and worker and asset protection services has been the asset owner/industrial operator. In high hazard industrial facilities such as oil refineries or chemical plants, the facility operators in most cases purchase safety equipment from manufacturers and manage their safety initiatives with staff personnel. They may bring in expert third-parties to service and repair their safety equipment and for specific, high hazard operations such as shutdowns and turnarounds, but would rely primarily on staff personnel for front line protection and hazard mitigation. An oilsands plant, for example, may have its own breathing air equipment, operate its own fire department, operate an internal first aid medical facility, perform its own air quality monitoring, and may do a high degree of worker safety training in-house.

The largest companies in the industrial and government safety services segment are safety equipment suppliers and distributors. These companies are not manufacturers. The manufacturers of safety equipment tend to be multinational companies that service Canada through local distributors.

However, where safety services are outsourced, the providers tend to be small, regional, fragmented and highly specialized. Annual revenues of $5 million would be a large player in this space. Historically, the largest purchaser of outsourced safety services has been the upstream petroleum industry. In this marketplace, HSE has several competitors with revenues in excess of $5 million per year.

HSE knows of no other company in Canada, past or present, that has pursued HSE's diversified, bundled services business model, has achieved its geographic diversity, or that has a comparable equipment capacity, field service network, or internal contingent of trained safety manpower.

Because of its unique business plan, HSE currently faces no specific competitive threat from a competitor. Regardless, management actively monitors the competitive environment. HSE's greatest potential for growth in the future will be determined by the degree to which HSE can convince clients who conduct most of their own safety operations and management, to outsource these initiatives.

Suppliers

HSE purchases the majority of its equipment from several manufacturers and distributors. Most of the safety equipment used by HSE is broadly employed in the safety sector in multiple industries around the world. The only product HSE builds internally is its stand alone air quality monitoring and communications system which employs unique and proprietary data collection and transmission software.

Because of the total size of the Canadian and global safety industry, there are multiple suppliers and alternative sources of all the safety equipment HSE employs. HSE's future prospects are in no way restricted by any single supplier relationship.

Customers

For the year ended December 31, 2009 HSE had one customer providing more than 10% of the Company's revenue. Sales to this customer amounted to $8.9 million during the year related to ongoing long-term industrial projects located entirely in Canada. For the year ended December 31, 2008, no one customer provided more than 10% of the Company's revenue

The Company currently provides services to its customers in two main business areas: Oilfield health and safety services ("Oilfield") and Industrial health and safety services ("Industrial"). Oilfield is services to the conventional upstream or "wellhead", sector of the oil and gas industry. Industrial represents services delivered to all other industries including non-conventional upstream oil and gas development and production (primarily oilsands mining and bitumen extraction), oil and gas processing and refining plants and facilities, diverse non-petroleum resource and manufacturing industries, offshore oil and gas, worker safety training, and safety management and consulting services.

The revenue in the two most recently completed financial years for these services is shown below (amounts in thousands of Canadian dollars):

	Year Ended Dec. 31, 2009	Year Ended Dec. 31, 2008	Year Over Year % Change
Industrial	**$54,298**	**$62,499**	-13.1%
Oilfield	**27,303**	**51,264**	-46.7%
Total Revenue	**$81,601**	**$113,763**	-28.3%
As a % of Revenue:			
Industrial	**66.5%**	**54.9%**	
Oilfield	**33.5%**	**45.1%**	
Total Revenue	**100.0%**	**100.0%**	

In the past six years HSE has diversified its client base substantially in terms of the number of companies it works for, their geographic location, and their segment of the Canadian economy. HSE has gone from being 100% focused on Oilfield in western Canada to a growing range of clients in multiple industries across Canada..

Further, HSE is the largest player of its type in Canada. Its largest competitors – competitors measured as organizations with higher revenues and manpower employed – are HSE's customers themselves. HSE's smaller competitors generally do not have the financial, equipment or manpower resources to be able to service many of the new clients and projects HSE is currently servicing.

The Corporation continues to execute on its strategy of market diversification for its services. Reduced conventional oil and gas exploration, development and production activity levels in the Western Canadian Sedimentary Basin, relative to the record activity levels experienced in the past, continue to negatively affect the Oilfield component of the business. Figures from the Canadian Association of Oilwell Drilling Contractors indicate the total number of new wells drilling in Western Canada in 2009 was 9,342 down 54.8% from 20,679 in 2008.

The overall economic environment for the conventional oil and gas industry in 2009 has put pressure on the prices HSE is able to charge its clients for services provided. To compensate for reduced commodity prices, clients are seeking pricing relief for input services include health and safety. Therefore, in many cases HSE has been forced to adjust its pricing downward in order to maintain clients and market share. To compensate for lower prices, HSE has undertaken a series of internal cost reduction measures to maintain acceptable operating margins.

In executing the Corporation's diversification strategy, marketing efforts, equipment and manpower resources were redeployed into the Industrial component of the business to expand the Corporation's client base and assist in reducing the cyclicality and seasonality of safety services provided to the conventional upstream oil and gas sector. Since the first acquisitions in the Industrial health and safety market place in 2004, HSE has consistently grown this business sectorally (by industry) and geographically (by region).

As it expands its client and service base with an emphasis on providing services to clients on continuous 24/7/365 basis when possible, the Company is increasingly "outsourcing" services historically provided by the client. This provides revenue stability and higher margins. The Corporation is confident that servicing the Industrial sector will be a permanent and growing component of the HSE business mix in the future, and that in the future more contracts will be on an outsource basis providing health and safety services that traditionally the client has provided itself using internal resources.

In 2009 the Industrial health and safety services component of the Corporation's total revenue declined due to the negative effects of the global recession which include reduced commodity prices, plant shutdowns, project cancellations or delays, and postponed plant maintenance and turnaround expenditures. This general downward trend of industry spending on all goods and services took place in some degree in virtually every industry and geographical sector in which HSE operations.

On a year-over-year basis, the decline in Industrial revenue took place in Western Canada. Industrial revenues for our Eastern operations increased from 2008.

As HSE enters 2010, the outlook for the Corporation is improved. Commodity prices – particularly crude oil and natural gas – have recovered from 12-month lows. Equity capital markets are again functioning for the right investments, and debt markets have improved. Several new oilsands projects are underway or scheduled to begin. Plant shutdown and turnaround activities should return to more historic patterns. HSE has begun to re-hire on a selective basis. The Corporation has emerged from a difficult year with lower debt levels and a strong working capital position. This is a sound foundation from which to resume growth.

But challenges remain. Customers have become increasingly price-sensitive as they attempt to regain historic margins of profitability by reducing input costs from vendors like HSE. Overcapacity in certain markets ensures a competitive marketplace. Downward re-pricing of services for key customers to maintain business has eroded some of the competitive advantages the Corporation created with its cost-reduction strategies in 2009.

Regardless, after the significant downturn caused by the recession in 2009, management believes the worst is over for HSE and the Company will return to growth in 2010, albeit at a lower level than in past years.

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

Specialized Skills and Knowledge

In terms of manpower, numerous institutions across Canada teach specialized courses required by HSE personnel such as industrial firefighting and industrial first aid. In the area of breathing air safety, particularly for the upstream petroleum industry, HSE has developed specialized in-house training and staff development programs for its front-line safety personnel. Workers trained in public safety services such as health care (emergency medical responders, paramedics) and fire protection are ideally suited as employees for HSE. This broad spectrum of trained workers exists in every area in which HSE operates and has been a consistent source of highly trained and competent safety professionals.

Health, Safety and Environment are seen as growing sectors of the economy and as such post-secondary institutions – public and private - are offering an increasing range of courses and programs in these areas.

Employees

As at December 31, 2009 the Corporation employed 629 full time employees.

Foreign Operations

The Corporation has a service location in Taylor Michigan, USA. The services offered from this location support health and safety services delivered to a variety of industrial and government clients. HSE does, on occasion, provide safety services to international oil and gas well drilling and completion operations as a subcontractor to the integrated management services division of Schlumberger. In late 2008 HSE opened two new operating locations in Texas and Oklahoma, but the Oklahoma location was closed in 2009 as a cost cutting measure. At December 31, 2009, BCHSE had generated $452,094 in revenue.

Social and Environmental Policies

As industrial society develops and Canada's industrial base expands, increasingly complex hazards to workers, assets and the community have emerged.

At the same time, public and regulatory pressures to improve protection for all parties continue to grow. A great deal of the growth of the health and safety industry in the past years and decades has been caused by: a) accidents that injure people and destroy assets; b) investigation of those accidents that determine the degree to which they were preventable; c) increased diligence by business and industry to prevent accidents; and d) increased government legislation and regulations to protect all stakeholders.

As a result of the foregoing, HSE believes it is operating in an important industry that will continue to grow in the future.

RISK FACTORS

The following are factors relating to the business of the Corporation. All of these risk factors could negatively impact the Corporation's consolidated revenue, expenses and cash flow. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form and in the audited financial statements and notes for December 31, 2009, the MD&A for December 31, 2009 and other disclosure documents filed on SEDAR from time to time, all of which are available under HSE's profile on www.sedar.com.

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

Business cyclicality

The demand for HSE's Oilfield services is highly dependent upon the level of expenditures made by oil and gas companies on exploration, development and production activities. The price received by our customers for crude oil and natural gas directly impacts their cash flow available to purchase our services. Fluctuations in crude oil and natural gas prices can produce periods of high and low demand for the Company's services. These fluctuations in commodity prices can cause cyclical demand swings in the Company's activity levels and operating results. Also, since crude oil and natural gas prices are denominated in US currency, fluctuations in the Canadian dollar exchange rate relative to the US dollar can also affect the cash flow available to our customers to purchase services. Exploration, development and production activity levels within particular markets are influenced by factors including royalty, regulatory and taxation changes, weather and access to pipeline capacity. Changes in equity and debt financing markets independent of any individual company's circumstances may reduce access to capital which is used to fund exploration, development and production activities.

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

Availability of qualified staff

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

Competitive conditions

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

Customer credit

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

Financial institutions

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

Availability of financing

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

Foreign exchange exposure

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

Litigation and contingencies

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

DIVIDEND RECORD AND POLICY

The Corporation has not paid any dividends on the Common Shares and currently intends to reinvest any earnings to fund the development and growth of its business. Any future payments of dividends will be at the discretion of the board of directors and will depend upon the financial condition, capital requirements and earnings of the Corporation as well as other factors it may deem relevant. The Corporation's articles do not contain any restrictions on the payment of dividends.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares, without nominal or par value. The Common Shares shall each carry the right to vote at all meetings of the shareholders and, subject to the rights attached to the Preferred Shares, shall be fully participating as to dividends and distribution of capital upon liquidation or wind-up of the Corporation and shall include the right to receive such dividends as may be declared by the Corporation for Common Shares.

Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares of the Corporation ("Preferred Shares"), without nominal or par value, which may be issued in one or more series. Currently, there are no Preferred Shares issued and outstanding.

If and when issued, the Preferred Shares shall have the following rights, privileges, restrictions, and conditions:

The Preferred Shares are issuable in series and the designation of, and the rights or privileges, restrictions and conditions attached to any series of Preferred Shares are to be established by the Board of Directors of the Corporation prior to the issuance thereof. The Preferred Shares have a preference over the Common Shares and any class of shares of the Corporation ranking junior to the Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series of Preferred Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange (TSX) under the symbol "HSL". The Common Shares began trading on the TSX on June 8, 2007 and prior thereto were listed on the TSX Venture Exchange. The following table sets forth the monthly price ranges and volumes of trading of the Common Shares during 2009.

Period	High $	Low $	Volume
January	$0.50	$0.35	581,078
February	$0.38	$0.28	211,685
March	$0.38	$0.24	234,166
April	$0.43	$0.305	335,700
May	$0.49	$0.30	2,018,800
June	$0.34	$0.26	1,081,907
July	$0.67	$0.35	4,677,895
August	$0.55	$0.29	2,665,400
September	$0.65	$0.305	1,436,024
October	$0.60	$0.40	1,063,950
November	$0.45	$0.38	2,364,765
December	$0.53	$0.39	1,296,120

Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
	None	

DIRECTORS AND OFFICERS

Directors of the Corporation

The directors of the Corporation are nominated by the Shareholders of the Corporation at each annual meeting of Shareholders. All directors serve until the next annual meeting or until a successor is elected or appointed, unless his position is earlier vacated. The name, municipality of residence, year of appointment as a director of the Corporation and principal occupation for the past five years for each director of the Corporation are set forth below.

Name and Residence	Director Since	Principal Occupation for Past Five Years
Alexander Adam (2)(3)(4) Ontario, Canada	October 30, 2006	Retired independent businessman since 2002. Previously President and CEO of Algoma Steel, Inc. from 1996 to 2002.
James I. Brewster (4) Alberta, Canada	June 27, 2005	Retired independent businessman. President of the Corporation from June 2005 until May 2006. Vice Chairman of the Corporation from May 2006 until May 2008. Mr. Brewster was President of SDS Group Inc. and predecessor companies, providing similar services as the Corporation, from 1988 until June 2005.
James M. Hill Ontario, Canada	October 27, 2003	President and Chief Operating Officer of the Corporation. Executive Vice President of the Corporation from November 1, 2005 to May 2006. Acting Chief Financial Officer of the Corporation from November 30, 2005 to May 2006. Mr. Hill was Chief Financial Officer of Integrated Production Services Inc. (formerly a publicly traded oilfield service company) from January 2002 to October 2005.
Michael G. Kelly (2) Alberta, Canada	November 7, 2005	Senior Vice President, Corporate Development (March 5, 2009) and Senior Vice President and Chief Financial Officer for Trican Well Service Ltd. (a publicly traded oilfield services company) since May 1997.
Robert J. MacLean (3) Alberta, Canada	June 27, 2005	Independent businessman and President of RJM Corp., an investment company, since 1999.
Douglas F. Robinson (2)(3)(4) Alberta, Canada	October 27, 2003	Retired independent businessman. Prior thereto, President of Enerchem International Inc. (a publicly traded oilfield service company), from January 2004 until his retirement in April 2008. Prior thereto, he was the Chairman and Chief Executive Officer of Integrated Production Services Ltd. (formerly a publicly traded oilfield service company), from June 1999 to July 2002.
David L. Yager (1) Alberta, Canada	October 27, 2003	Chairman and Chief Executive Officer of the Corporation since October 2003. Prior thereto, he was the President and a Director of Integrated Production Services Ltd. (formerly a publicly traded oil and gas services company) from April 2000 to December 2002.

Notes:
(1) Chairman of the board of directors.
(2) As at March 24, 2010, the Audit Committee is comprised of Michael G. Kelly as Chairman, Alexander Adam and Douglas F. Robinson.
(3) As at March 24, 2010, the Compensation Committee is comprised of Douglas F. Robinson as Chairman, Alexander Adam and Robert J. MacLean.
(4) As at March 24, 2010, the Governance and Nominating Committee is comprised of Alexander Adam as Chairman, Douglas F. Robinson and James I. Brewster.

Officers of the Corporation

The name, municipality of residence, position held and principal occupation for the past five years for each executive officer of the Corporation are set out below:

Name and Residence	Office	Principal Occupation for Past Five Years
David L. Yager Alberta, Canada	Chairman & Chief Executive Officer	Chairman and Chief Executive Officer of the Corporation since October 2003. Prior thereto, he was the President and a Director of Integrated Production Services Ltd. (formerly a publicly traded oil and gas services company) from April 2000 to December 2002.
James M. Hill Ontario, Canada	President and Chief Operating Officer	President and Chief Operating Officer of the Corporation. Executive Vice President of the Corporation from November 1, 2005 to May 2006. Acting Chief Financial Officer of the Corporation from November 30, 2005 to May 2006. Mr. Hill was Chief Financial Officer of Integrated Production Services Inc. (formerly a publicly traded oilfield service company) from January 2002 to October 2005.
Lori McLeod -Hill Alberta, Canada	Chief Financial Officer and Corporate Secretary	Chief Financial Officer of the Corporation since October, 2008. Ms. McLeod-Hill previously held the position of corporate controller from May 2007. Prior to joining the Corporation, Ms. Lori McLeod-Hill was Western Controller for Yellow Pages Group and Corporate Controller for Verizon Information Services Canada. from September 2001 to February 2006.

As at December 31, 2009, the directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, a total of 5,943,572 Common Shares, representing approximately 15.82% percent of the then issued and outstanding Common Shares of the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below:

1. During the ten years preceding the date of this AIF, no current director or executive officer of the Corporation has been a director, chief executive officer or chief financial officer of any company that was the subject of an order (as defined in 51-101F2) while such individual was acting in that capacity or that was issued after the director ceased to act as director, chief executive officer or chief financial officer and that resulted from an event that occurred while such individual was acting in such capacity; and

2. No director or executive officer of the Corporation or a security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, to the knowledge of the Corporation:

    (a) been a director or executive officer of any company that became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such person while that person was acting in that capacity or within a year of that person ceasing to act in that capacity; or

    (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Adam was recruited to Algoma Steel, Inc. ("Algoma") as CEO in 1996 and held that position until his retirement in 2002. Algoma obtained Court protection under the *Companies' Creditors Arrangement Act* (Canada) in April 2001. In January 2002, Algoma's plan of arrangement and reorganization was implemented and Algoma emerged from CCAA protection. In 2007, Essar Steel bought Algoma as a going concern.

Penalties or Sanctions

No director, officer or shareholder holding a sufficient number of securities to materially affect control of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Circumstances may arise where members of our Board of Directors or our officers are directors or officers of corporations or other entities which are in competition to our interests. No assurances can be given that opportunities identified by such board members or officers will be provided to us. Pursuant to the ABCA, a director or officer of a corporation who is a party to a material contract or proposed material contract with that corporation or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with that corporation shall disclose to the Corporation the nature and extent of the director's or officer's interest. In addition, a director shall not vote on any resolution to approve a contract of the nature described except in limited circumstances.

Management is not aware of any existing or potential material conflicts of interest between HSE or a subsidiary of HSE and one of our directors or officers or of one of the directors or officers of HSE's subsidiaries.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibility by reviewing the systems of internal controls which management and the Board have established, the financial information of the Corporation, and by supervising the audit process. The text of the Audit Committee's charter is attached as Schedule A.

Composition of the Audit Committee

The members of the Audit Committee are Mr. Michael G. Kelly (Chairman), Mr. Alexander Adam and Mr. Douglas F. Robinson. Each member of the Audit Committee is independent and financially literate, as those concepts are defined in National Instrument 52-110 ("**NI 52-110**"). A member of the Audit Committee is considered to be *independent* if the member has no direct or indirect material relationship with the Corporation, including any subsidiaries. A material relationship means a relationship which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of a member's independent judgment. A member of the Audit Committee is considered to be *financially literate* if the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Relevant Education and Experience

Michael G. Kelly

Mr. Kelly is a Chartered Accountant and has been the Senior Vice President - Corporate Development for Trican Well Service Ltd. since March 5, 2009. Prior thereto Mr. Kelly was Senior Vice President and Chief Financial Officer for Trican Well Service Ltd. since May 1997.

Alexander Adam

Mr. Adam earned his B.A. degree from the University of Toronto and his M.B.A. degree from the Richard Ivey School of Business at the University of Western Ontario. Mr. Adam is currently a member of the Institute of Corporate Directors. His background as a senior executive and officer of complex manufacturing companies has given him valuable insight and expertise in health, safety and environmental issues. Also, as a former CEO of a public company, he has good knowledge of financial reporting and governance issues as they apply to a public company. Mr. Adam was President and CEO of Algoma Steel, Inc. from 1996 until his retirement in 2002. Prior to this, he was a Senior Vice-President with Toyota Motor Manufacturing Canada. He has been a director of Gennum Corporation since 2004 where he is a member of the Audit Committee and Chairman of the Governance Committee. Mr. Adam joined the Board of Hamilton Utilities Corporation, a municipal utilities company, in 2008 and has served as its Chairman since January 1, 2009. He also sits on the Advisory Board of Thomson-Gordon, a privately held company.

Douglas F. Robinson

Mr. Robinson was President of Enerchem International Inc. (a publicly traded oilfield service company), from January 2004 until his retirement in April 2008. Prior thereto, he was the Chairman and Chief Executive Officer of Integrated Production Services Ltd. (formerly a publicly traded oilfield service company), from June 1999 to July 2002. Mr. Robinson has been a Director of Trican Well Service Ltd. (a publicly traded oil and gas service company) since June 1997; a Director of Desmarais Energy Corporation (a publicly traded oil and gas company) since May 2001; and a Director of Peak Energy Services Trust since June 2008.

External Auditor Service Fees

The following table presents fees for the audits of the Corporation's annual consolidated financial statements for 2009 and 2008 and for other services provided by KPMG LLP:

Nature of Services	2009	2008
Audit fees (1)	$258,700	$245,000
Audit-related fees (2)	-	-
Tax fees (3)	$69,647	-
All other fees (4)	-	-
Total	$328,347	$245,000

Notes:

(1) "Audit fees" include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulations, such as comfort letters, consents, reviews of securities filing and statutory audits.

(2) "Audit-related fees" include services such as due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax fees" include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice. This category would include assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities as necessary.

(4) "All other fees" include fees related to issue of shares and warrants and any other non-audit services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings or regulatory actions to which HSE or any of its subsidiaries is a party, or to which any of their property is subject, is known to be likely considered material to the Corporation.

In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the 2009 financial year, no other penalties or sanctions imposed by a court or regulatory body against the Corporation in 2009 that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the 2009 financial year.

In July of 2009 HSE was the subject of an unsolicited takeover bid by a Vancouver-based company in the leisure travel and life insurance policy monetization business that traded on the U.S. Over The Counter Bulletin Board ("OTCBB") exchange. The basis of the offer was to exchange four shares of HSE for one share of the OTCBB company. When the final offer was reviewed, HSE's counsel detected legal deficiencies in the offer. These were brought to the attention of the Alberta Securities Commission ("ASC") at which time the ASC issued a "Cease Trade" order thereby nullifying the offer. Because of the actions of the ASC, the Corporation never entered into a formal valuation or fairness process resulting in an opinion of the merits of the offer nor the preparation of a Directors' Circular.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the year, the Corporation had the following transactions with related parties all of which are measured at exchange amounts:

In 2009, the Company paid rent and property taxes for a regional office of $275,000 (2008 - $273,000) to a corporation related to a Director of the Company.

In 2009, the Company also paid rent and property taxes of $343,000 (2008 - $344,000) for a regional office to a corporation controlled by a Senior Manager of the Company.

TRANSFER AGENT AND REGISTRAR

CIBC Mellon Trust Company is the registrar and transfer agent for the Common Shares at its principal offices in Calgary, Alberta and in Toronto, Ontario.

MATERIAL CONTRACTS

The Corporation is not a party to any material contract, other than contracts entered into in the normal course of business.

INTERESTS OF EXPERTS

The auditors of the Corporation are KPMG LLP, Chartered Accountants, Calgary, Canada. KPMG LLP has confirmed that it is independent with respect to the Corporation in accordance with the rules of professional conduct in Alberta.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, for year ended December 31, 2009 will be contained in the Corporation's information circular for the Corporation's upcoming annual and special meeting of Shareholders scheduled for May 14, 2010. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2009 and the accompanying management's discussion and analysis thereon dated March 24, 2010.

SCHEDULE A

AUDIT COMMITTEE CHARTER

PART I
ESTABLISHMENT OF COMMITTEE

1. Committee Purpose

The Audit Committee (the "**Committee**") is established by the board of directors (the "**Board of Directors**") of HSE Integrated Ltd. ("**HSE**") primarily for the purpose of overseeing the accounting and financial reporting processes of HSE and the reviews and audits of the financial statements of HSE.

The Audit Committee shall assist the Board of Directors in fulfilling its oversight responsibilities by monitoring, among other things:

(a) the quality and integrity of the financial statements and related disclosure of HSE;

(b) compliance by HSE with legal and regulatory requirements that could have a material effect upon the financial position of HSE which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole;

(c) the independent auditor's qualifications and independence; and

(d) performance of HSE's independent auditor.

2. Composition of Committee

The Committee shall consist of as many members as the Board of Directors shall determine, but in any event not fewer than three directors of HSE, provided that each member of the Committee shall be determined by the Board of Directors to be:

(a) an "unrelated" and "independent" director as defined in, and for the purposes of, any applicable governance guidelines or listing standards of any stock exchange or securities commission upon which the securities of HSE are, from time to time, listed; and

(b) an "independent" and "financially literate" director for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board of Directors on the recommendation of the Governance and Nominating Committee. The members of the Committee shall be appointed at the time of each annual meeting of shareholders and shall hold office until the next annual meeting, until they are removed by the Board of Directors or until their successors are earlier appointed, or until they cease to be directors of HSE.

PART II
COMMITTEE PROCEDURE

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Directors on the recommendation of the Governance and Nominating Committee and shall be filled by the Board of Directors if the membership of the Committee is fewer than three directors. The Board of Directors may remove and replace any member of the Committee.

5. Committee Chair

The Board of Directors shall appoint a chair (the "**Chair**") for the Committee. The Chair may be removed and replaced by the Board of Directors.

6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of HSE.

8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least quarterly. The Committee at any time may, and at each regularly scheduled Committee meeting shall, meet without management present and shall meet periodically with management and the independent auditor. The Committee shall also meet separately with the independent auditor at every regularly scheduled meeting of the Committee at which the independent auditor is present.

9. Special Meetings

The Chair, any two members of the Committee, the independent auditor or the Chief Executive Officer of HSE may call a special meeting of the Committee.

10. Quorum

Two members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 48 hours prior to the time fixed for such meeting; provided, however, that a member may, in any manner, waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Agenda

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board of Directors and management of HSE. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practicable, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

13. Delegation

Subject to subsection **Error! Reference source not found.**, the Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

14. Access

In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of HSE.

15. Attendance of Others at a Meeting

At the invitation of the Chair, one or more officers, directors or employees of HSE may, and if required by the Committee shall, attend a meeting of the Committee.

16. Procedure, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board of Directors when the Committee may deem appropriate (but not later than the next meeting of the Board of Directors).

17. Outside Consultants or Advisors

The Committee, when it considers it necessary or advisable, may retain, at HSE's expense, outside consultants or advisors (including independent counsel) to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain or terminate such consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

PART III
MANDATE OF COMMITTEE

18. Appointment of HSE's Independent Auditor

Subject to confirmation by the independent auditor of its compliance with Canadian regulatory registration requirements, the Committee shall recommend to the Board of Directors the appointment of the independent auditor for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for HSE, such appointment to be confirmed by HSE's shareholders at each annual meeting. The Committee shall also recommend to the Board of Directors the engagement letter with the independent auditor, the approval of fees to be paid to the independent auditor for audit services and shall pre-approve the retention of the independent auditor for any permitted non-audit service. The Committee shall also be directly responsible for overseeing the work of the independent auditor (including resolution of disagreements between management of HSE and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for HSE. The Committee shall communicate directly with the independent auditor. The independent auditor shall report directly to the Committee.

The Committee shall review the independence of the independent auditor including a written report from the independent auditor delineating all relationships between the auditor and HSE, considering whether the advisory services performed by the independent auditor during the course of the year have affected its independence, and ensuring that no relationship or service between the independent auditor and HSE is in existence that may affect the objectivity and independence of the auditor, or recommending appropriate action to ensure the independence of the independent auditor.

19. Specific Mandates

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

(a) **Oversight in Respect of Financial Disclosure**

(i) review, discuss with management of HSE and the independent auditor, and recommend to the Board of Directors for approval:

A. the audited annual financial statements;

B. the annual information form;

C. the annual management's discussion and analysis;

D. the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant financial information respecting HSE;

E. all financial statements included in prospectuses or other offering documents;

F. any significant financial information contained in all prospectuses and all documents which may be incorporated by reference in a prospectus;

G. any significant financial information respecting HSE contained in a material change report or a business acquisition report;

(ii) review, discuss with management of HSE and the independent auditor, and recommend to the Board of Directors for approval:

A. the unaudited interim financial statements;

B. the quarterly management's discussion and analysis;

C. the interim reports;

(iii) review and discuss with management of HSE:

A. each press release which contains significant financial information respecting HSE (including, without limitation, annual and interim earnings press releases) or contains earnings guidance, prior to public dissemination thereof;

B. the use of "pro forma" or "adjusted" non-GAAP information;

C. financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made), and the Committee need not discuss in advance each instance in which HSE may provide earnings guidance or presentations to rating agencies;

(iv) review with management and the independent auditor the scope of the audit, in particular the independent auditor's view of HSE's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of HSE's financial disclosure and reporting, degree of conservatism or aggressiveness of HSE's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial disclosure and reviewed by the independent auditor;

(v) review with management of HSE and the independent auditor major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls and procedures for financial reporting and management information systems and inquire of management and the independent auditor about significant risks and exposures to the Corporation that could significantly affect HSE's financial statements;

(vi) review with management of HSE and the independent auditor, and satisfy itself as to the adequacy of the procedures that are in place for the review of HSE's disclosure of financial information extracted or derived from HSE's financial statements, and periodically assess the adequacy of those procedures;

(vii) review with management of HSE and the independent auditor (including those of the following that are contained in any report of the independent auditor): (a) all critical accounting policies and practices to be used by HSE in preparing its financial statements; (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative treatments, and the independent auditor's assessment of the alternatives; and (c) other material communications between the independent auditor and management of HSE, such as any management letter or schedule of unadjusted differences;

(viii) review with management of HSE and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on HSE's financial statements;

(ix) review the plans of management of HSE and the independent auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;

(x) review with management of HSE, the independent auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of HSE, and the manner in which these matters have been disclosed in the financial statements;

(xi) review disclosures by HSE's Chief Executive Officer and Chief Financial Officer with respect to any required certification for HSE's financial statements by such individuals; and

(xii) discuss with management HSE's material financial risk exposures and the steps management of HSE has taken to monitor and control such exposures, including HSE's financial risk assessment and financial risk management policies.

(b) **Oversight in Respect of Legal and Regulatory Matters**

(i) review, if necessary, with legal counsel, HSE's compliance policies, legal matters and any material reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of HSE and which are not subject to the oversight of another committee of the Board of Directors or the Board of Directors as a whole.

(c) **Oversight in Respect of the Chief Financial Officer**

(i) consult with management on management’s appointment, replacement, reassignment or dismissal of the Chief Financial Officer of HSE; and

(ii) ensure the Chief Financial Officer of HSE has access to the Chair, the Chairman of the Board of Directors and the Chief Executive Officer of HSE, and shall meet separately with the Chief Financial Officer of HSE to review any problems or difficulties he or she may have encountered in the performance of his or her responsibilities and report to the Board of Directors on such meetings.

(d) **Oversight in Respect of the Independent Auditor**

(i) meet with the independent auditor prior to the annual audit to review the planning and staffing of the audit;

(ii) review annually the independent auditor's formal written statement of independence delineating all relationships between itself and HSE and review all such relationships;

(iii) receive confirmation from the independent auditor as to its standing as a "participating audit firm" and its compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board as those concepts are set forth in National Instrument 52-108 of the Canadian Securities Administrators;

(iv) review and evaluate the independent auditor, including the lead partner of the independent auditor team;

(v) meet separately with the independent auditor to review with them any problems or difficulties they may have encountered and specifically:

A. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management of HSE; and

B. any changes required in the planned scope of the audit;

and report to the Board of Directors on such meetings;

(vi) review the engagement reports of the independent auditor on unaudited financial statements of HSE; and

(vii) review and approve HSE's hiring policies regarding partners, employees, former partners and former employees of HSE's present and former independent auditor.

(e) **Oversight in Respect of Audit and Non-Audit Services**

(i) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:

A. the aggregate amount of all such non-audit services provided to HSE or its subsidiaries constitutes not more than 5% of the total amount of fees paid by HSE (and its subsidiaries) to the independent auditor during the fiscal year in which the non-audit services are provided;

B. such services were not recognized by HSE (or any subsidiary) at the time of the engagement to be non-audit services; and

C. such services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee; and

(ii) delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section; provided that the decision of any member to whom authority is delegated to pre-approve an activity shall be presented to the Committee at the first scheduled meeting following such decision, and provided further that, if the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service shall be deemed to have been pre-approved for purposes of this section

(f) **Oversight in Respect of Certain Policies**

(i) establish procedures for: (a) the receipt, retention and treatment of complaints received by HSE regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of HSE of concerns regarding questionable accounting or auditing matters; and

(ii) periodically review HSE's public disclosure policy.

20. Self-Evaluation

The Committee shall conduct an annual performance self-evaluation and shall report to the Board the results of the self-evaluation.

21. Non-Exhaustive List

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

22. Review of Committee's Charter

The Committee shall assess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors.

23. Oversight Function

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that HSE's financial statements are complete and accurate or are in accordance with GAAP. These are the responsibilities of management of HSE and the independent auditor. The Committee and its Chair are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial risk and control related activities of HSE, and are specifically not accountable nor responsible for the day to day operation or performance of such activities. The role of all Committee members is to oversee the process, not to certify or guarantee the accuracy or completeness of the external audit of HSE's financial information or public disclosure.