CLEAN HARBORS INC
Form 8-K/A
September 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Amendment No. 2 to

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **July 31, 2009**

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation)	**001-34223** (Commission File Number)	**04-2997780** (IRS Employer Identification No.)
42 Longwater Drive, Norwell, Massachusetts (Address of principal executive offices)		**02061-9149** (Zip Code)

(781) 792-5000

(Registrant s telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Explanatory Note

On August 3, 2009, Clean Harbors, Inc. (the Company or Clean Harbors) filed with the Securities and Exchange Commission a Current Report on Form 8-K (the Initial 8-K Report) reporting, among other matters, the Company s acquisition on July 31, 2009 of all of the outstanding shares of Eveready Inc., an Alberta corporation (Eveready). On September 21, 2009, the Company filed with the Commission Amendment No. 1 to the Initial 8-K Report in order to update one of the Exhibits filed with the Initial 8-K Report.

In accordance with Item 9.01(a) of Form 8-K, the Initial 8-K Report did not include the historical financial statements of Eveready or the unaudited pro forma condensed combined financial information of the Company (collectively, the Financial Information) and instead contained an undertaking to file the Financial Information with the Commission in an amendment to the Initial 8-K Report not later than 71 days after the due date for the filing of the Initial 8-K Report. This Amendment is being filed to satisfy the Registrant s undertaking to file the Financial Information required by Item 9.01 of Form 8-K, and this Amendment should be read in conjunction with the Initial 8-K Report, as previously amended by Amendment No. 1 thereto.

Item 9.01 Financial Statements and Exhibits.

23.2	Auditors Consent - Ernst & Young LLP	Filed herewith

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AUDITORS REPORT

To the Directors of

Eveready Inc.

We have audited the consolidated balance sheets of Eveready Inc. as at December 31, 2008 and 2007 and the consolidated statements of (loss) earnings and comprehensive (loss) income and deficit, and cash flows for each of the years in the three-year period ended December 31, 2008. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

(SIGNED) *Ernst & Young LLP*

Edmonton, Canada

June 15, 2009

Chartered Accountants

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Eveready Inc.

Consolidated Balance Sheets

See Nature of operations and basis of presentation (*note 1*)

As at December 31	2008	2007
	$	$
	(thousands of Canadian dollars)	
ASSETS		
Current		
Cash	**5,858**	8,092
Accounts receivable	**153,389**	122,214
Income taxes recoverable		19
Inventory	**11,516**	13,242
Prepaid expenses and deposits	**3,201**	2,699
	173,964	146,266
Property, plant and equipment (*note 7*)	**330,831**	303,344
Intangible assets (*note 8*)	**46,738**	56,674
Goodwill (*note 9*)	**23,069**	110,746
Other long-term assets (*note 10*)	**1,602**	1,501
	576,204	618,531
LIABILITIES AND SHAREHOLDERS EQUITY		
Current		
Accounts payable and accrued liabilities	**60,705**	58,452
Distributions payable	**3,671**	3,438
Income taxes payable (*note 22*)	**691**	
Current portion of long-term debt (*note 11*)	**1,500**	1,500
Current portion of obligations under capital lease (*note 12*)	**4,619**	2,880
Current portion of asset retirement obligations (*note 14*)	**584**	256
	71,770	66,526
Long-term debt (*note 11*)	**213,363**	199,836
Obligations under capital lease (*note 12*)	**18,787**	15,292
Convertible debentures (*note 13*)	**44,132**	42,244
Asset retirement obligations (*note 14*)	**2,419**	2,222
Future income taxes (*note 22*)	**10,095**	4,545
Non-controlling interest (*note 15*)	**2,760**	3,004
	363,326	333,669
Commitments, contingencies, and guarantees (*note 27*)		
Shareholders Equity		
Shareholders capital (*note 16*)	**352,523**	
Unitholders capital (*note 16*)		327,991
Shares held under Employee Unit Plan (*note 17*)	**(11,230)**	(13,601)
Equity component of convertible debentures (*note 13*)	**8,030**	8,030
Contributed surplus (*note 18*)	**6,941**	3,688
Deficit	**(143,386)**	(41,246)
	212,878	284,862

	576,204	618,531

(see accompanying notes)

Approved on behalf of the Board:

(SIGNED) *Peter Lacey*
Peter Lacey
Director

(SIGNED) *J. W. Bruce Picton*
J. W. Bruce Picton
Director

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Eveready Inc.

Consolidated Statements of (Loss) Earnings and Comprehensive (Loss) Income and Deficit

Years Ended December 31	**2008**	**2007**	**2006**
	$	**$**	**$**
	(thousands of Canadian dollars, except per share amounts)		
Revenue	**650,628**	518,896	379,693
Direct costs	**465,940**	367,862	259,418
Gross profit	**184,688**	151,034	120,275
Expenses			
General and administrative	**76,603**	66,961	52,160
Amortization (*note 21*)	**50,424**	41,884	26,453
Interest (*note 21*)	**21,160**	18,877	7,662
Stock-based compensation (*note 17*)	**3,110**	3,069	2,629
(Gain) loss on foreign exchange	**(1,539)**	1,644	(652)
Loss (gain) on disposal of property, plant and equipment	**240**	(19)	691
Impairment of intangible assets and goodwill (*notes 8 and 9*)	**90,343**		
	240,341	132,416	88,943
(Loss) earnings before income taxes and non-controlling interest	**(55,653)**	18,618	31,332
Income taxes (*note 22*)			
Current	**1,430**	184	564
Future	**5,534**	3,851	110
	6,964	4,035	674
(Loss) earnings before non-controlling interest	**(62,617)**	14,583	30,658
Earnings attributable to non-controlling interest (*note 15*)	**820**	957	757
Net (loss) earnings and comprehensive (loss) income	**(63,437)**	13,626	29,901
(Deficit) retained earnings, beginning of year	**(41,246)**	2,175	10,094
Distributions (*note 19*)	**(38,703)**	(57,047)	(38,607)
Trust reorganization adjustments (*note 22*)			787
Deficit (retained earnings), end of year	**(143,386)**	(41,246)	2,175
(Loss) earnings per share basic (*note 20*)	**(3.47)**	0.80	2.18
(Loss) earnings per share diluted (*note 20*)	**(3.47)**	0.80	2.16

(see accompanying notes)

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Eveready Inc.

Consolidated Statements of Cash Flows

Years Ended December 31	2008	2007	2006
	$	$	$
	(thousands of Canadian dollars)		
Operating activities			
Net (loss) earnings	**(63,437)**	13,626	29,901
Items not affecting cash:			
Amortization	**50,424**	41,884	26,453
Stock-based compensation	**3,110**	3,069	2,629
Loss (gain) on disposal of property, plant and equipment	**240**	(19)	691
Impairment of intangible assets and goodwill	**90,343**		
Amortization of deferred costs	**959**	424	509
Accretion of long-term debt	**670**	361	
Accretion of convertible debentures	**1,888**	1,671	695
Future income taxes	**5,534**	3,851	110
Foreign exchange on future income taxes	**15**	(66)	
Earnings attributable to non-controlling interest	**820**	957	757
	90,566	65,758	61,745
Asset retirement costs incurred (*note 14*)	**(130)**	(629)	(1,137)
Net change in non-cash operating working capital (*note 23*)	**(27,780)**	(9,310)	(14,316)
Cash provided by operating activities	**62,656**	55,819	46,292
Investing activities			
Purchase of property, plant and equipment	**(64,146)**	(76,790)	(68,823)
Purchase of intangible assets	**(1,774)**	(5,896)	(2,190)
Proceeds on disposal of property, plant and equipment	**3,800**	6,288	3,823
Business acquisitions, net of cash acquired (*note 23*)	**(7,440)**	(65,196)	(72,950)
Other long-term assets net	**(758)**	(173)	(180)
Cash used in investing activities	**(70,318)**	(141,767)	(140,320)
Financing activities			
Proceeds from issuance of long-term debt	**73,382**	171,048	105,000
Repayment of long-term debt	**(60,511)**	(53,500)	(104,201)
Proceeds from sale-leasebacks (*note 12*)	**8,880**		
Repayment of obligations under capital lease	**(4,313)**	(1,835)	
Distributions, net of in-kind distributions/distribution reinvestments	**(7,222)**	(37,169)	(22,724)
Repurchase of units for cancellation (*note 16*)	**(3,758)**		
Distribution of non-controlling interest (*note 15*)	**(1,064)**	(346)	
Proceeds from unit options exercised (*note 17*)	**29**		
Collection of employee share purchase loans receivable	**5**	303	368
Proceeds from issuance of units, net of issuance costs		41,014	52,699
(Decrease) increase in bank indebtedness		(26,049)	22,473
Proceeds from issuance of units Employee Unit Plan		5,768	7,191
Purchase of units Employee Unit Plan		(5,188)	(10,643)
Unit issuance costs acquisitions		(6)	(129)
Proceeds of issuance of convertible debentures, net of issuance costs			47,699

Repayment of notes payable			(3,705)
Cash provided by financing activities	**5,428**	94,040	94,028
Net change in cash	**(2,234)**	8,092	
Cash, beginning of year	**8,092**		
Cash, end of year	**5,858**	8,092	

Supplemental cash flow information (*note 23*)

(see accompanying notes)

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Eveready Inc.

Notes to the Consolidated Financial Statements

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

1. Nature of operations and basis of presentation

Eveready Inc. (Eveready) was incorporated on October 27, 2008 under the laws of the Province of Alberta. The business of Eveready, held in its subsidiaries and limited partnerships, provides industrial and oilfield maintenance and production services to the energy, resource, and industrial sectors. Eveready was formed pursuant to the provisions of the *Business Corporations Act* (Alberta) to participate in a plan of arrangement involving, among others, Eveready s predecessor Eveready Income Fund (the Fund), Eveready and the security holders of the Fund (the Conversion). Effective December 31, 2008, the Conversion restructured the Fund from an unincorporated open-ended mutual fund trust to Eveready Inc., a publicly listed corporation (*note 2*).

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are presented in Canadian dollars rounded to the nearest thousand ($000), except where otherwise indicated.

Included in these consolidated financial statements are the accounts of Eveready and its predecessor, the Fund, (collectively hereinafter referred to as Eveready or the Company) and all of its subsidiary limited partnerships and incorporated companies. Certain of these entities have non-controlling interests presented separately in these consolidated financial statements. The results of acquired business operations are included in these consolidated financial statements from their effective dates of acquisition. All significant inter-entity balances and transactions have been eliminated.

These consolidated financial statements have been prepared, for the purpose of inclusion, through incorporation by reference, in the Management Information Circular to be dated June 15, 2009. In addition, these consolidated financial statements have been prepared subsequent to the release of Eveready s interim consolidated financial statements for the three months ended March 31, 2009 filed on the System for Electronic Document Analysis and Retrieval website at *www.sedar.com.* As a result, these consolidated financial statements have been revised retroactively, to give effect to the adoption of the Canadian Institute of Chartered Accounts (CICA) Handbook Section 3064 Goodwill and Intangible Assets (*note 4*) and Eveready s revised business segment composition (*note 24*).

2. Corporate conversion

On December 11, 2008, unitholders of the Fund voted in favour of converting the Fund into a corporation, Eveready, pursuant to a statutory plan of arrangement. The Conversion was completed on December 31, 2008. As a result of the Conversion, unitholders of the Fund received one common share (share) of Eveready for each five units of the Fund. Eveready assumed the assets and liabilities, previously held, directly or indirectly, by the Fund. All of the covenants and obligations of the Fund in respect of the outstanding convertible unsecured subordinated debentures (the Debentures) were also assumed by Eveready.

The Conversion has been accounted for as a continuity of interests of the Fund since there has been no change of control and since Eveready will continue to operate the business of the Fund. These consolidated financial statements reflect Eveready as a corporation at December 31,

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

2. Corporate conversion (Continued)

2008 and as Eveready Income Fund prior thereto. All references to shares refer collectively to Eveready s shares on and subsequent to December 31, 2008 and to Fund units prior to the Conversion. All references to shareholders refer collectively to holders of Eveready s shares on and subsequent to December 31, 2008 and to Fund unitholders prior to the Conversion.

As a result of the Conversion, in which each five units were exchanged for one share, the Debentures became convertible into shares of Eveready and the Debentures conversion price was adjusted from $7.7508 per unit to $38.754 per share (*note 13*).

Effective December 31, 2008, Eveready established a Share Option Plan under which options will be granted to directors, officers, employees and consultants of Eveready, and its subsidiaries, in order to provide an opportunity for these individuals to increase their proprietary interest in Eveready s long-term success. The Share Option Plan replaced the Unit Option Plan of the Fund. In accordance with the Conversion, in which each five units were exchanged for one share, participants of the Unit Option Plan were entitled to receive, for the same aggregate consideration, share options for outstanding unit options held as at the Conversion date (*note 17*). References to the Share Option Plan should be read as references to the Unit Option Plan for all periods prior to December 31, 2008. In addition, references to stock-based compensation under the Share Option Plan should be read as references to unit-based compensation under the Unit Option Plan for all periods prior to December 31, 2008.

Upon completion of the Conversion, all outstanding Employee Unit Plan Matching Units held by the Employee Unit Plan Trust (*note 17*) were consolidated into Matching Shares, where each five Matching Units were exchanged for one Matching Share. References to Matching Shares or Shares under the Employee Unit Plan should be read as references to Matching Units or Units under the Employee Unit Plan for all periods prior to December 31, 2008. In addition, references to stock-based compensation under the Employee Unit Plan should be read as references to unit-based compensation under the Employee Unit Plan for all periods prior to December 31, 2008.

3. Summary of significant accounting policies

Eveready s accounting policies are in accordance with Canadian GAAP and are consistent with generally accepted accounting principles in the United States in all material respects except as outlined in Note 29.

Use of estimates

The timely preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions. These estimates will affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include: estimated provision for bad debts on accounts receivable; estimated useful lives for intangible assets and property, plant and equipment; the fair value of property, plant and equipment and identifiable

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

intangible assets acquired in business acquisitions; the fair value of stock-based compensation; the fair value of asset retirement obligations; the fair value of convertible debentures; the fair value of long-term debt; future cash flows used to estimate the fair value of reporting units for goodwill impairment evaluation purposes and for the impairment of long-lived assets; and estimates on various taxation amounts. Actual results may differ from these estimates. These financial statements have, in management s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Cash

Cash includes cash on hand and balances with banks. Bank borrowings, including bank overdrafts, are normally not of a temporary nature and are therefore not included in cash.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated amortization. Costs incurred to extend the useful life or to increase the future benefit of property, plant and equipment are capitalized. Costs to repair or maintain property, plant and equipment are expensed as incurred.

Property, plant and equipment are amortized over their estimated useful lives (net of salvage value) at the following annual rates:

Service equipment (light)	20%	declining balance
Service equipment (heavy)	5 to 15 years	straight-line
Automotive equipment (light)	30%	declining balance
Automotive equipment (heavy)	5 to 12 years	straight-line
Camps and rental equipment	5 to 15 years	straight-line
Rental equipment (other)	4 to 20%	declining balance
Shop and other equipment	20 to 50%	declining balance
Building	5 to 10%	declining balance

Leasehold improvements	5 years	straight-line

Landfill facilities are amortized based on the percentage of estimated total capacity used in a reporting period. Assets under capital lease are amortized using the applicable annual rates above. Property, plant and equipment under construction are not amortized until the assets are available for use.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

Intangible assets

Acquired intangible assets with finite lives are recorded at cost less accumulated amortization. Costs incurred to increase the future benefit of intangible assets are capitalized. Intangible assets are amortized over their estimated lives at the following annual rates:

Customer relationships	5 to 10 years	straight-line
Patents and technology	4 to 7 years	straight-line
Provincial license landfill	25 years	straight-line
Data image library	3 to 5 years	straight-line
Licenses and agreements	5 to 10 years	straight-line
Leases	8 to 20 years	straight-line
Trade names finite life	1 to 5 years	straight-line

Once an intangible asset is fully amortized, the gross carrying amount and the related accumulated amortization are removed from the accounts. Intangible assets with indefinite lives are not subject to amortization and are tested for impairment annually or when an event or change in circumstances may indicate impairment. Impairment of an indefinite life intangible asset is recognized in an amount equal to the difference between the carrying value and the fair value of the related intangible asset.

Goodwill

Goodwill results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less the liabilities assumed, based on their fair values. Goodwill is allocated as of the business acquisition date to Eveready s reporting units expected to benefit from the business acquisition. A reporting unit comprises a business operation with similar economic characteristics and strategies.

Goodwill is not amortized, but is evaluated annually for impairment, or more frequently if events or changes in circumstances indicate the asset may be impaired. The impairment test is carried out in two steps. In the first step, the carrying value of a reporting unit is compared to its respective fair value, which is determined on a discounted after-tax cash flow basis. If the carrying value of the reporting unit were to exceed its fair value, Eveready would then complete the second step of the impairment test. The second step compares the reporting unit s carrying value of goodwill to its implied fair value with any excess being recognized as an impairment loss.

Long-lived assets

Management assesses the carrying value of long-lived assets, which include property, plant and equipment and intangible assets with finite lives, for indications of impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable from estimated future cash flows. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology. An impairment loss would be recognized if the carrying value of the long-lived asset were to exceed its fair value.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

Leases

Eveready accounts for its leases as either operating or capital. Capital leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital lease are amortized over their estimated useful lives. Obligations under capital lease are measured at the present value of future minimum lease payments. Imputed interest on the lease payments is charged against income. Leases not meeting the capital criteria are treated as operating and are recorded as an expense in the period paid or payable.

Asset retirement obligations

Eveready recognizes asset retirement obligations associated with its landfill facilities. The fair value of the asset retirement obligations is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. To estimate the fair value of the asset retirement obligations, Eveready discounts the expected future cash flows to settle the asset retirement obligation at its credit-adjusted risk-free interest rate. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life.

In subsequent periods, the asset retirement obligations are adjusted for the passage of time (through accretion expense) and for changes in the amount or timing of the underlying future cash flows. Actual expenditures are charged against the provision when incurred.

Transaction costs

Costs associated with the issuance or modification of revolving credit facilities are deferred and amortized to interest expense over the term of the revolving credit facility using the straight-line method. Transaction costs directly associated with issuing new long-term debt obligations are applied against the fair value of the related financial liability and amortized to interest expense using the effective interest rate method.

Revenue and cost recognition

Eveready s services are provided based on purchase orders or contracts with the customer. They include fixed or determinable prices based upon daily, hourly, or job rates for equipment, materials, and personnel. Revenue is recognized when these services are rendered and the related costs are incurred. Waste disposal revenue is recognized when the waste material is received from the customer. Lodging and rental revenues are recognized in the period the lodging or equipment is used by the customer based on the related rental agreements. Revenue from the sale of product is recognized when title passes to the customer, which is generally at the time the product is shipped and when reasonable assurance exists regarding the measurement of the consideration received. Revenue from all services is recognized only when collection of the revenue is reasonably assured.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

Direct costs include direct material and labour costs and those indirect costs related to performance, such as supplies, tools, and repair costs. General and administrative costs are charged to expense as incurred.

Foreign currency translation

Transactions denominated in a foreign currency and the financial statements of integrated foreign subsidiaries included in the consolidated financial statements are translated as follows: monetary assets and liabilities at the rate of exchange in effect at the balance sheet date; non-monetary items at historical exchange rates; and revenue and expense items (except amortization, which is translated at historical exchange rates) at the average exchange rate for the period. Any resulting gains or losses are included in earnings in the period incurred.

Stock-based compensation

Eveready s Employee Unit Plan (the Plan) is described further in note 17 of these consolidated financial statements. The Plan is accounted for in accordance with the fair-value based method of accounting. Stock-based compensation expense is recognized over the vesting period of the shares with an offsetting credit to contributed surplus. Shares held by the Plan are recorded at the cost paid by Eveready to purchase the shares and are shown as a reduction of shareholders equity in these consolidated financial statements.

Eveready s Share Option Plan is described further in note 17 of these consolidated financial statements. Share options are accounted for in accordance with the fair-value based method of accounting. The fair value of share options is measured at the grant date using the Black-Scholes valuation model and is recorded as stock-based compensation expense over the option s vesting period with an offsetting credit to contributed surplus. Upon exercise of share options, the associated amount of contributed surplus is reclassified to shareholders capital. The consideration paid by employees upon exercise of share options is also credited to shareholders capital.

Income taxes

Eveready follows the liability method of accounting for income taxes. Under this method, Eveready recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. Future income tax assets and liabilities are determined based on differences between the financial reporting and the tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect when these differences are expected to reverse.

(Loss) earnings per share

Basic (loss) earnings per share is computed based on the weighted average number of shares outstanding during the period. Unvested shares held by the Employee Unit Plan are not treated as outstanding for purposes of calculating basic per share amounts. The calculation of diluted (loss) earnings per share includes the potential dilutive effect of outstanding share options,

Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

unvested shares held by the Employee Unit Plan and the conversion of outstanding convertible debentures. Anti-dilutive securities are not considered in computing diluted (loss) earnings per share.

The dilutive effect of outstanding share options and unvested shares held by the Employee Unit Plan is computed using the treasury stock method. This method assumes that deemed proceeds received on the issuance of shares are applied to purchase shares at the average price during the period and that the difference between the shares issued and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding.

The dilutive effect of the convertible debentures is computed using the if converted method. Under this method, income charges applicable to the convertible debentures are added back to the numerator. The convertible debentures are then assumed to have been converted into shares at the beginning of the period (or at time of issuance, if later), and the resulting shares are included in the denominator.

Financial Instruments

All financial instruments are classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are initially measured at fair value. Subsequent measurement and changes in fair value will depend on an instrument s initial classification. Held for trading financial instruments are measured at fair value and changes in fair value are recognized in net (loss) earnings. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive (loss) income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments, and other financial liabilities are measured at amortized cost using the effective interest rate method, with any change in fair value being recognized in net (loss) earnings when the asset or liability is derecognized or impaired.

Eveready classifies its financial instruments as follows:

a) Held for trading

Cash is classified as a financial asset held for trading as it represents the medium of exchange in which all other transactions are measured and recognized. Any interest income arising from cash is recognized in net (loss) earnings in the period it arises.

b) Loans and receivables

Accounts receivable, net of allowance for doubtful accounts, are classified as receivables and are measured at their amortized cost using the effective interest rate method. Interest income recognized under the effective interest rate method is included in net (loss) earnings when it arises. As accounts receivable are short-term in nature, the recognition of interest income under the effective interest rate method in these consolidated financial statements would be immaterial.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

3. Summary of significant accounting policies (Continued)

c) Other financial liabilities

Accounts payable and accrued liabilities, distributions payable, long-term debt, and convertible debentures are classified as other financial liabilities, all of which are measured at amortized cost using the effective interest rate method. Interest expense recognized under the effective interest rate method is deducted from net (loss) earnings in the period it arises.

4. New accounting policies

Effective January 1, 2008, Eveready adopted the new recommendations of the CICA under CICA Handbook Section 1535 Capital Disclosures, Section 3031 Inventories, Section 3862 Financial Instruments Disclosures, and Section 3863 Financial Instruments Presentation. These Sections apply to fiscal years beginning on or after October 1, 2007, except for Section 3031, which applies to fiscal years beginning on or after January 1, 2008. Eveready also applied the guidance in Emerging Issues Committee 170 Conversion of an Unincorporated Entity to an Incorporated Entity to account for its Conversion from an income trust to a corporation. In addition, as these consolidated financial statements have been prepared subsequent to the release of Eveready s interim consolidated financial statements for the three months ended March 31, 2009, Eveready applied Section 3064 Goodwill and Intangible Assets retrospectively.

Capital Disclosures

Under Section 1535 Capital Disclosures, an entity discloses its objectives, policies, and processes for managing capital, including quantitative data about capital and whether it has complied with any externally imposed capital requirements (*note 26*). The adoption of this section did not have any material impact on Eveready s financial position or results of operations.

Inventories

Section 3031 Inventories, which replaces Section 3030 Inventories, provides increased guidance regarding the scope, measurement, and allocation of costs to inventories. Under Section 3031, inventory is measured at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Costs shall be assigned using the first-in, first-out (FIFO) or weighted average cost formula. Further, Section 3031 allows the reversal of previous write-downs of inventory to net realizable value when economic changes support an increased value to inventory. The adoption of this standard had no material impact on Eveready s consolidated financial statements during the year ended December 31, 2008. Inventory is comprised primarily of materials, parts, and supplies consumed in rendering services to customers. Eveready values its inventory at the lower of weighted average cost and net realizable value. Inventories expensed in direct costs for the year ended December 31, 2008 approximated $28,000 (December 31, 2007 $23,000). For the years ended December 31, 2008, December 31, 2007, and December 31, 2006 there were no material write-downs or reversals of write-downs that were taken in previous periods.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

4. New accounting policies (Continued)

CICA Section 3862 Financial Instruments   Disclosures and Section 3863 Financial Instruments   Presentation

Section 3862 establishes standards for risk disclosures, specifically the risk associated with both recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the former presentation standards. These new accounting standards supersede Section 3861 Financial Instruments   Disclosure and Presentation, which Eveready adopted on January 1, 2007. The adoption of Sections 3862 and 3863 had no material impact on Eveready   s financial position or results of operations.

EIC   170 Conversion of an Unincorporated Entity to an Incorporated Entity

In April 2008, the Emerging Issues Committee of the CICA issued EIC   170 Conversion of an Unincorporated Entity to an Incorporated Entity. This EIC clarifies accounting issues related to conversions, when there has been no change of control. The guidance specifies, among others: such a transaction is to be treated as a change in business form and accounted for as a continuity of interests; any changes in tax balances are to be included in income tax expense in the conversion period; any transaction costs incurred are to be expensed in the period incurred; and all comparative information would be that of the pre-conversion entity, as previously reported. Note 2 to these consolidated financial statements explains Eveready   s conversion from an unincorporated open-ended mutual fund trust to a publicly listed corporation.

CICA Section 3064 Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064 Goodwill and Intangible Assets that supersedes Sections 3062 Goodwill and Other Intangible Assets and 3450 Research and Development Costs. Section 3064 provides additional guidance on when expenditures qualify for recognition as intangible assets and requires that costs be deferred only when relating to an item meeting the asset definition. This new accounting standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 31, 2008. Upon adoption of this section retrospectively (*note 1*), Eveready reclassified $4,755 (2007 $4,216) of certain software and technology assets from property, plant and equipment to intangible assets in both the current and comparative periods. The retrospective adoption of this section had no impact on Eveready   s opening equity or net (loss) earnings and comprehensive (loss) income in any of the periods presented.

5. Recent accounting pronouncements issued and not yet adopted

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public enterprises will need to adopt International Financial Reporting Standards (IFRS) in 2011. Eveready will adopt IFRS as the basis for preparing its consolidated financial statements effective January 1, 2011, with the quarter ending March 31, 2011 being the first set of consolidated financial

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Everready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

5. Recent accounting pronouncements issued and not yet adopted (Continued)

statements prepared under IFRS. Comparative data for the quarter ending March 31, 2010 will also be presented on an IFRS basis, including an opening balance sheet as at January 1, 2010.

In preparation of its transition to IFRS, Eveready has developed a changeover plan. Eveready is currently in its diagnostic phase which involves reviewing differences between current Canadian GAAP and IFRS as well as analyzing alternatives available upon adoption. Once complete, Eveready will assess the impact of IFRS on other key elements including among others, accounting policies, financial reporting disclosures, information technology, internal control over financial reporting and business activities. As such, Eveready is currently evaluating the impact these new accounting standards will have on its future consolidated financial statements.

CICA Section 1582 Business Combinations

In January 2009, the CICA, in the pursuit of aligning with IFRS, issued Handbook Section 1582 Business Combinations, which is mostly converged with International Financial Reporting Standard 3, Business Combinations. This section supersedes Section 1581 Business Combinations and establishes principles and requirements for recognizing, measuring and disclosing business combinations under the acquisition method. Section 1582 is to be applied prospectively for all business combinations for which the acquisition date is on or after January 1, 2011, with earlier adoption allowed. There will be no impact to Eveready s accounting for business acquisitions preceding the adoption of this Section.

CICA Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

In January 2009, the CICA issued Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests which together supersede Section 1600 Consolidated Financial Statements. Section 1601 establishes standards for preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. Section 1602 is the Canadian equivalent to International Accounting Standards 27 Consolidated and Separate Financial Statements. As a result of adopting Section 1602, Eveready s non-controlling interests will be reclassified in its consolidated balance sheet from long-term liabilities to a separate component of shareholders equity. Net earnings will be calculated without deducting non-controlling interest but will be allocated on the face of the Consolidated Statement of Earnings between controlling and non-controlling interests.

These new accounting standards are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with earlier adoption allowed.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

6. Business acquisitions

Business acquisitions are accounted for using the purchase method with the results of the acquired businesses being included in the consolidated financial statements since their effective acquisition dates. During 2008, Eveready completed two business acquisitions as described below. The fair values of the net assets acquired and aggregate consideration given are as follows:

Fair value of net assets acquired	**Key Environmental**	**Kodiak**	**Total**
	$	**$**	**$**
Prepaid expenses and deposits		310	310
Property, plant and equipment	3,244	3,886	7,130
Net assets acquired	3,244	4,196	7,440
Consideration given			
Cash	3,225	4,175	7,400
Acquisition costs	19	21	40
Total consideration	3,244	4,196	7,440

a) Key Environmental

Effective July 7, 2008, Eveready acquired the business and assets of Key Environmental Services Ltd. (Key Environmental), a private Saskatchewan-based oilfield services company. The purchase price of $3,225 was paid in cash.

In addition, acquisition costs of $19 were incurred providing for aggregate consideration of $3,244.

b) Kodiak

Effective September 19, 2008, Eveready acquired the business and assets of Kodiak Energy Services Inc. (Kodiak), a private Saskatchewan-based oilfield services company. The purchase price of $4,175 was paid in cash. Acquisition costs of $21 where also incurred resulting in aggregate consideration of $4,196.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

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December 31, 2008

6. Business acquisitions (Continued)

Fiscal 2007

Eveready completed three business acquisitions in 2007. The fair values of the net assets acquired and aggregate consideration given are as follows:

Fair value of net assets acquired	**Compass**	**Denman**	**Wellco**	**Total**
	$	**$**	**$**	**$**
Current assets		11,848		11,848
Property, plant and equipment	556	47,251	5,036	52,843
Intangible assets	601	7,741		8,342
Goodwill	1,853	23,069		24,922
Total assets	3,010	89,909	5,036	97,955
Current liabilities		13,140		13,140
Long-term liabilities		17,119		17,119
Total liabilities		30,259		30,259
Net assets acquired	3,010	59,650	5,036	67,696
Consideration given				
Cash	500	59,533	5,004	65,037
Fund units	2,500			2,500
Acquisition costs	10	117	32	159
Total consideration	3,010	59,650	5,036	67,696

a) Compass

Effective March 1, 2007, Eveready acquired the business and assets of Compass Horizontal Drilling Inc. (Compass). Compass was a private Alberta-based company providing directional boring services to customers primarily in the oil and gas industry. The purchase price of $3,000 was paid through a combination of: (i) $500 in cash and (ii) $2,500 through the issuance of 413,223 units at a value of $6.05 per unit. In addition, acquisition costs of $10 were incurred resulting in aggregate consideration of $3,010.

Intangible assets acquired with Compass consist of customer relationships that are being amortized on a straight-line basis over their estimated useful life of five years. Of the goodwill acquired, $1,390 is deductible for income tax purposes.

b) Denman

Effective May 1, 2007, Eveready acquired 100% of the issued and outstanding shares of Denman Industrial Trailers Ltd. (Denman), a private Alberta-based company. Denman supplies industrial lodges and drill camps to the oil and gas industry and has a significant market presence in the Alberta oil sands region. The purchase price of $59,533 was paid through cash

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

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December 31, 2008

6. Business acquisitions (Continued)

consideration. Acquisition costs of $117 were also incurred resulting in aggregate consideration of $59,650.

Intangible assets acquired with Denman include: customer relationships of $7,203 that are being amortized on a straight-line basis over their estimated useful life of ten years; provincial land leases of $269 that are being amortized on a straight-line basis over their estimated useful life of eight years; and the Denman trade name of $269, which was fully amortized at December 31, 2008. The acquired property, plant and equipment include $19,745 of assets under capital lease that will be amortized over their respective estimated useful lives. The goodwill acquired with Denman is not deductible for income tax purposes.

c) Wellco

Effective October 5, 2007, Eveready acquired the Truck division of Wellco Energy Services Trust (Wellco). The acquired assets include a 25-unit fleet of vacuum trucks, hydro-excavation trucks, and water trucks, along with additional support equipment. The purchase price of $5,004 was paid through cash consideration. Acquisition costs of $32 were also incurred resulting in aggregate consideration of $5,036.

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

(thousands of Canadian dollars, except share and per share amounts)

December 31, 2008

6. Business acquisitions (Continued)

Fiscal 2006

Eveready completed eighteen business acquisitions in 2006. The fair value of the net assets acquired and aggregate consideration given are as follows:

Fair value of net assets acquired	**Head West**	**Tornado**	**RDDB**	**Pinnacle**	**Cat Tech**	**Bullseye**	**Diversified**	**D&G**	**Rodrigue s**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Current assets		750	5,704	437	14,253	3,166	3,055		4,159	8,858	40,382
Property, plant and equipment	9,744	4,425	3,599	4,332	11,250	2,386	5,285	3,695	3,604	11,566	59,886
Intangible assets	1,215	1,143	8,058	427	9,252	4,093	625	347	2,008	5,376	32,544
Other assets						4	56			301	361
Goodwill		2,131	18,435	1,917	14,521	5,289	1,704	2,995	2,414	6,451	55,857
Total assets	10,959	8,449	35,796	7,113	49,276	14,938	10,725	7,037	12,185	32,552	189,030
Current liabilities		2,424	4,715		9,981	3,230	2,240		3,015	8,858	34,463
Long-term liabilities					5,881		761		64	1,205	7,911
Non-controlling interest			684			310			642		1,636
Total liabilities		2,424	5,399		15,862	3,540	3,001		3,721	10,063	44,010
Net assets acquired	**10,959**	**6,025**	**30,397**	**7,113**	**33,414**	**11,398**	**7,724**	**7,037**	**8,464**	**22,489**	**145,020**
Consideration given											
Cash	10,755	3,000	7,685	7,000	24,775	500	3,900	6,346	1,685	11,641	77,287
Fund units		2,993	8,500		8,350	5,430		676	6,738	10,719	43,406
Rollover LP units			14,185			5,430	3,750				23,365
Acquisition costs	204	32	27	113	289	38	74	15	41	129	962
Total consideration	**10,959**	**6,025**	**30,397**	**7,113**	**33,414**	**11,398**	**7,724**	**7,037**	**8,464**	**22,489**	**145,020**

a) Head West

Effective March 1, 2006, Eveready acquired the business of Head West Energy (Head West), a private Alberta-based oilfield equipment rental company. The acquired assets included wellsite units, generators, truck and trailer units, and other equipment. The purchase price of $10,755 was paid in cash. Acquisition costs of $204 were also incurred resulting in aggregate consideration of $10,959. Equipment of $1,175 was then sold to a third party resulting in a net purchase price of $9,580 for the assets Eveready retained.

Intangible assets acquired with Head West consist of customer relationships of $1,215 that are being amortized on a straight-line basis over their estimated useful life of five years.

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Eveready Inc.

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6. Business acquisitions (Continued)

b) Tornado

Effective April 1, 2006, Eveready acquired 100% of the issued and outstanding shares of Tornado Rentals Ltd. (Tornado). Based in Stettler, Alberta, Tornado rented and sold a wide range of oilfield equipment. The purchase price for Tornado was $5,993 and was paid via: (i) $3,000 in cash, and (ii) $2,993 through the issuance of 454,177 units at a value of $6.59 per unit. Acquisition costs of $32 were also incurred resulting in aggregate consideration of $6,025.

Intangible assets acquired with Tornado consist of customer relationships ($610) and an exclusive supplier agreement ($533) that are each being amortized straight-line over their estimated useful lives of five years.

c) RDDB

Effective May 1, 2006, Eveready acquired an 80% interest in the assets and business of Red Deer Directional Boring Ltd. (RDDB). Based in Red Deer, Alberta, RDDB provided directional boring and punching services to customers in a wide range of industrial sectors including the oil and gas industry.

The purchase price of $30,370 was paid through a combination of: (i) $7,685 in cash and (ii) $22,685 through a combination of 1,214,287 Fund units and 2,026,486 Rollover LP units issued at a value of $7.00 per unit. In addition, acquisition costs of $27 were incurred resulting in aggregate consideration of $30,397.

Intangible assets acquired with RDDB include customer relationships of $7,734 that are being amortized on a straight-line basis over their estimated life of five years and the RDDB trade name of $324, which was fully amortized at December 31, 2007.

In connection with the acquisition of RDDB, Eveready also entered into a mutual option agreement with the vendors. This agreement provides Eveready a call option to acquire the remaining 20% non-controlling interest and provides the vendors a put option to sell the remaining 20% non-controlling interest to Eveready, exercisable at any time after March 31, 2009. The exercise price for each option is based on a formula that is designed to estimate the fair value of the non-controlling interest at the time the option is exercised (*note 15*).

d) Pinnacle

On May 29, 2006, Eveready acquired the business and assets of the Pinnacle Pigging Systems group of companies (Pinnacle) for $7,000 in cash consideration. Pinnacle specialized in providing furnace tube decoking and related industrial services to oil and gas refineries in Canada and the United States. The assets acquired included all equipment, patents, and other intangible assets used in the Pinnacle business. Acquisition costs of $113 were also incurred resulting in aggregate consideration of $7,113.

Intangible assets acquired with Pinnacle consist of customer relationships ($100) and patents ($327) that are each being amortized on a straight-line basis over their estimated useful lives of five and four years, respectively.

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6. Business acquisitions (Continued)

e) Cat Tech

Effective July 1, 2006, Eveready acquired 100% of the issued and outstanding shares of the Cat Tech group of companies (Cat Tech). Headquartered in Houston, Texas, Cat Tech provided catalyst changeout services to major petroleum and chemical companies throughout the world.

Cat Tech s US operations are based in California, Kentucky, Louisiana, New Jersey, and Texas. Cat Tech s Canadian operations are based in Sarnia, Ontario and Edmonton, Alberta and include a significant presence in the Alberta oil sands. Cat Tech s international operations include locations in the United Kingdom and Singapore.

The purchase price of US $29,384 (CDN $33,125) was paid via: (i) US $21,884 in cash, and (ii) US $7,500 through the issuance of 1,246,343 units at a value of CDN $6.70 per unit. Acquisition costs of CDN $289 were also incurred resulting in aggregate consideration of CDN $33,414.

Intangible assets acquired with Cat Tech include customer relationships of $2,222 that are being amortized straight-line over their estimated useful life of ten years, catalyst handling technologies of $3,471 that are being amortized over their estimated useful life of seven years, and the Cat Tech trade name of $3,559. The Cat Tech trade name is not being amortized because it is estimated to have an indefinite life.

f) Bullseye

Effective September 1, 2006, Eveready acquired an 80% interest in the assets and business of the Bullseye Directional Drilling group of companies (Bullseye). Servicing the oil, gas, and utility sectors, Bullseye specialized in directional boring and road punching and offered a variety of solutions for the underground crossing requirements of its customers.

The purchase price of $11,360 was paid via: (i) $500 in cash, (ii) $5,430 through the issuance of 736,772 Fund units, and (iii) $5,430 through the issuance of 736,770 Rollover LP units at a value of $7.37 per unit. Acquisition costs of $38 were also incurred resulting in aggregate consideration of $11,398.

Intangible assets acquired with Bullseye include customer relationships of $3,975 that are being amortized straight-line over their estimated life of five years and the Bullseye trade name of $118, which was fully amortized at December 31, 2007.

In connection with the acquisition of Bullseye, Eveready also entered into a mutual option agreement with the vendors. This agreement provides Eveready a call option to acquire the remaining 20% non-controlling interest and provides the vendors a put option to sell the remaining 20% non-controlling interest to Eveready, exercisable at any time after August 31, 2009. The exercise price for each option is based on a formula that is designed to estimate the fair value of the non-controlling interest at the time the option is exercised (*note 15*).

g) Diversified

Effective September 1, 2006, Eveready acquired 100% of the issued and outstanding shares of the Diversified Pressure Services group of companies (Diversified). Based in Macklin,

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

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6. Business acquisitions (Continued)

Saskatchewan, Diversified provided a wide range of oilfield services to the oil and gas industry including vacuum truck, pressure testing, hot oiling, tank truck, steam cleaning, and flush-by services.

The purchase price of $7,650 was paid via: (i) $3,900 in cash, and (ii) $3,750 through the issuance of 556,380 Rollover LP units at a value of $6.74 per unit. Acquisition costs of $74 were also incurred resulting in aggregate consideration of $7,724.

Intangible assets acquired with Diversified consist of customer relationships of $625 that are being amortized on a straight-line basis over their estimated useful life of five years.

h) D&G

On November 22, 2006, Eveready acquired the business and assets of D&G Water & Vacuum Services; consisting of the assets of D&G Industry Services Ltd. and NPPP Ventures Ltd. (collectively D&G). Based in High Level, Alberta, D&G provided water truck and vacuum services to customers in the oil and gas industry.

The purchase price of $7,022 was paid via: (i) 6,346 in cash and (ii) $676 through the issuance of 100,000 units at a value of $6.76 per unit. In addition, acquisition costs of $15 were incurred resulting in aggregate consideration of $7,037.

Intangible assets acquired with D&G consist of customer relationships of $347 that are being amortized on a straight-line basis over their estimated useful life of five years.

i) Rodrigue s

Effective December 1, 2006, Eveready acquired an 80% interest in the assets and business of the Rodrigue s Directional Drilling group of companies (Rodrigue s). Based in Nisku, Alberta, Rodrigue s was a horizontal directional boring firm with many additional support services.

The purchase price of $8,423 was paid via (i) $1,685 in cash and (ii) $6,738 through the issuance of 1,085,046 units at a value of $6.21 per unit. In addition, acquisition costs of $41 were incurred providing for aggregate consideration of $8,464.

Intangible assets acquired with Rodrigue s include customer relationships of $1,894 that are being amortized over their estimated useful life of five years and the Rodrigue s trade name of $114, which was fully amortized at December 31, 2007.

In connection with the acquisition of Rodrigue s, Eveready also entered into a mutual option agreement with the vendors. This agreement provides Eveready a call option to acquire the remaining 20% non-controlling interest and provides the vendors a put option to sell the remaining 20% non-controlling interest to Eveready, exercisable at any time after November 30, 2009. The exercise price for each option is based on a formula that is designed to estimate the fair value of the non-controlling interest at the time the option is exercised (*note 15*).

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Eveready Inc.

Notes to the Consolidated Financial Statements (Continued)

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December 31, 2008

6. Business acquisitions (Continued)

j) Other acquisitions

Eveready also completed nine smaller business acquisitions during the year ended December 31, 2006 as follows:

- Effective February 28, 2006, Eveready acquired 100% of the issued and outstanding shares of a private, Alberta-based survey company operating as Mercedes Surveys for a total purchase price of $1,606. The company provided seismic surveys that support seismic exploration programs for oil and gas companies. The purchase price was satisfied via: (i) $173 in cash and (ii) $1,433 through the issuance of 260,606 units at a value of $5.50 per unit;

- On February 28, 2006, Eveready acquired the business and assets of a private, Alberta-based oilfield services company operating as Mielke Way Enterprises for total cash consideration of $1,134. The company provided vacuum truck and steam cleaning services to customers in the oil and gas industry;

- Effective May 1, 2006, Eveready acquired 100% of the issued and outstanding shares of Eugene Smith Trucking Ltd. (Eugene Smith). Based in western Saskatchewan, Eugene Smith provided various oilfield services, including vacuum truck, flush-by, and pressure services. The purchase price of $4,500 was paid through a combination of: (i) $2,000 in cash and (ii) $2,500 through the issuance of 343,879 units at a value of $7.27 per unit;

- Effective May 1, 2006, Eveready acquired 100% of the issued and outstanding common shares of Astec Safety Services Ltd. (Astec). With locations in Bonnyville, Fort McMurray, Lloydminster, and Provost, Alberta, Astec provided safety services, equipment and training to a wide range of industrial and oilfield companies. The purchase price of $1,000 was paid by issuing 144,092 units at a value of $6.94 per unit. Prior to this acquisition, Eveready also owned $1,000 in redeemable preferred shares of Astec;

- On June 9, 2006, Eveready acquired the business and assets of Triple P Enterprises Ltd. (Triple P) for cash consideration of $3,000. Triple P provided waste hauling services to a wide range of customers operating in the oil and gas industry;

- On September 12, 2006, Eveready acquired the business and assets of Find It Inc. (Find It). Find It was a private Alberta-based company that provided leak detection services to companies operating in the oil and gas industry. The purchase price of $190 was satisfied through cash consideration;

- On September 15, 2006, Eveready acquired the business and assets of Real Time Surveys Inc. (Real Time). Real Time was a private Alberta-based company that provided surveying services to support exploration programs for oil and gas companies. The purchase price of $1,600 was satisfied through the issuance 236,686 units at a value of $6.76 per unit;

- Effective October 1, 2006, Eveready acquired 100% of the issued and outstanding shares of Airborne Imaging Inc. (Airborne). Airborne was a private Alberta-based company that

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Eveready Inc.

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December 31, 2008

6. Business acquisitions (Continued)

provided comprehensive planning and mapping solutions to companies operating primarily in the oil and gas sector. The purchase price of $4,790 was paid through a combination of: (i) $2,592 in cash, (ii) $1,916 through the issuance of 262,106 units at a value of $7.31 per unit, and (iii) $282 through the forgiveness of a loan payable from the vendor to Eveready; and

- Effective October 1, 2006, Eveready acquired 100% of the issued and outstanding shares of Great Lakes Carbon Treatment, Inc. (Great Lakes). Based in Michigan, USA, Great Lakes specialized in the custom design and manufacture of environmental remediation equipment. Great Lakes also provided environmental remediation services to a wide range of customers operating primarily in the chemical, petroleum, utilities, real estate and manufacturing sectors. The purchase price of US $4,000 (CDN $4,540) was paid via (i) US $2,000 in cash and (ii) US $2,000 through the issuance of 324,283 units at a value of CDN $7.00 per unit.

Of the aggregate goodwill acquired in 2006, $7,087 is deductible for income tax purposes. Intangible assets acquired that are included in the other acquisitions category include customer relationships of $3,940, a data image library of $1,159 and an indefinite life trade name of $277. The customer relationships and data image library are being amortized on a straight-line basis over their estimated useful lives of five years.

7. Property, plant and equipment

As at December 31, 2008	**Cost**	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Service equipment	227,747	68,065	159,682
Automotive equipment	89,367	23,203	66,164
Camps and rental equipment	85,158	14,844	70,314
Shop and other equipment	8,775	5,269	3,506
Land, building and improvements	9,869	2,070	7,799
Landfill facilities	13,001	5,336	7,665
Property, plant and equipment under construction	15,701		15,701
	449,618	118,787	330,831

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Eveready Inc.

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December 31, 2008

7. Property, plant and equipment (Continued)

As at December 31, 2007	Cost	Accumulated amortization	Net book value
	$	$	$
Service equipment	194,489	47,169	147,320
Automotive equipment	73,379	16,410	56,969
Camps and rental equipment	79,767	7,811	71,956
Shop and other equipment	7,605	4,435	3,170
Land, building and improvements	9,043	1,558	7,485
Landfill facilities	10,040	3,602	6,438
Property, plant and equipment under construction	10,006		10,006
	384,329	80,985	303,344

Included in property, plant and equipment are assets under capital lease with a cost of $30,123 (2007 $19,909) and accumulated amortization of $3,177 (2007 $851).

8. Intangible assets

As at December 31, 2008	Cost	Accumulated amortization	Net book value
	$	$	$
Customer relationships	32,633	13,572	19,061
Patents and technology	12,206	2,626	9,580
Provincial license landfill	15,400	1,900	13,500
Data image library	3,387	1,512	1,875
Licenses and agreements	1,937	683	1,254
Leases	369	71	298
Trade names indefinite life	1,170		1,170
	67,102	20,364	46,738

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Notes to the Consolidated Financial Statements (Continued)

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December 31, 2008

8. Intangible assets (Continued)

As at December 31, 2007	Cost	Accumulated amortization	Net book value
	$	$	$
Customer relationships	32,633	7,988	24,645
Patents and technology	10,827	1,593	9,234
Provincial license landfill	15,400	1,283	14,117
Data image library	3,387	504	2,883
Licenses and agreements	1,937	404	1,533
Leases	369	33	336
Trade names finite life	269	179	90
Trade names indefinite life	3,836		3,836
	68,658	11,984	56,674

Included in patents and technology are intangible assets of $3,386 (2007 $2,440) not yet subject to amortization.

During the year ended December 31, 2008, Eveready acquired intangible assets subject to amortization of $827, developed intangible assets not subject to amortization of $946, and recognized an impairment of $2,666 related to its indefinite life trade names (*note 9*).

During the comparative year ended December 31, 2007, Eveready acquired intangible assets subject to amortization of $11,880, developed intangible assets not subject to amortization of $2,357, and acquired intangible assets with indefinite lives of $nil.

By retrospectively adopting CICA Section 3064, Eveready reclassified $4,755 (2007 $4,216) of certain software and technology assets from property, plant and equipment to intangible assets (*notes 1 and 4*).

9. Goodwill

Years Ended December 31	**2008**	**2007**
	$	**$**
Balance, beginning of year	**110,746**	85,584
Business acquisitions (*note 6*)		24,922
Purchase price adjustments		240
Impairment of goodwill	**(87,677)**	
Balance, end of year	**23,069**	110,746

Due to a continuing deterioration in overall economic conditions, reduced activity levels within the oil and gas industry and changes in the market causing Eveready s market capitalization to be substantially lower than its carrying value, Eveready performed an assessment of the fair value of its indefinite life intangible assets and goodwill as at December 31, 2008. Eveready also substantially increased the discount rates it applied to its estimated future cash flows to better align its

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December 31, 2008

9. Goodwill (Continued)

calculated fair value with its substantially reduced market capitalization at December 31, 2008. As a result, Eveready concluded that the carrying value of its indefinite life intangible assets and goodwill were impaired and recognized a $2,666 impairment loss on its indefinite intangible assets (*note 8*) and a goodwill impairment loss of $87,677.

10. Other long-term assets

As at December 31	2008	2007
	$	$
Deferred transaction costs	**1,527**	1,351
Other	**75**	150
	1,602	1,501

Deferred transaction costs include costs incurred in establishing and renewing Eveready s revolving credit facility (*note 11*). These costs are amortized on a straight-line basis to interest expense over the term of the revolving credit facility. The deferred transaction costs at December 31, 2008 are net of accumulated amortization of $923 (2007 $270).

11. Long-term debt

Eveready s long-term debt relates to credit facilities of $250,000 with a syndicate of lenders led by a Canadian affiliate of GE Energy Financial Services. The credit facilities consist of a $100,000 revolving, renewable credit facility and a $150,000 term loan. Amounts borrowed under these credit facilities bear interest, at Eveready s option, at bank prime or bankers acceptance rates, plus a credit spread based on a sliding scale, which is determined by the ratio of funded senior debt to earnings before interest, taxes, depreciation, and amortization (EBITDA).

The revolving credit facility (Revolver) requires payments of interest only and is renewable annually, subject to Eveready s and the lending syndicate s consent. A stand-by fee is calculated at a rate of 0.25% per annum on the unused portion of the Revolver. If the Revolver were not renewed, the outstanding credit facility is subject to a 12-month interest-only phase, followed by a 24-month straight-line amortization period. As a result, the Revolver is classified as long-term debt in these consolidated financial statements. The term loan (Term) requires fixed monthly payments of $125 and a balloon payment of $142,500 due May 2012. Eveready may prepay all or part of the term loan at any time, subject to the payment of a breakage fee.

In February 2008 Eveready received, from the syndicate of lenders, an additional short-term over advance loan of $20,000, which was repaid during the second quarter of 2008.

The credit facilities are collateralized by substantially all of Eveready s assets, including Eveready s accounts receivable, inventory, and property, plant and equipment. At December 31, 2008, the carrying amount of Eveready s assets was $576,204 and the effective interest rate on the credit facilities was 5.21% (December 31, 2007 7.41%).

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December 31, 2008

11. Long-term debt (Continued)

For the year ended December 31, 2008, total interest expense recognized under Eveready s long-term debt credit facilities was $14,341 (2007 $12,756 and 2006 $3,778). Eveready s long-term debt consists of the following components:

As at December 31	**2008**	**2007**
	$	**$**
Revolver	**70,282**	55,000
Term	**147,500**	149,000
	217,782	204,000
Less: unamortized transaction costs	**(2,919)**	(2,664)
	214,863	201,336
Less: current portion of long-term debt	**(1,500)**	(1,500)
	213,363	199,836

The credit facilities contain financial covenants, including, but not limited to, a working capital ratio, a fixed charge coverage ratio, funded debt to EBITDA ratios, a maximum distribution payout ratio, and a minimum net worth, each calculated on a quarterly basis. Eveready was in compliance with all financial covenants under this agreement at December 31, 2008. If the Revolver were not renewed (the next renewal date is April 24, 2009) and Eveready were not able to refinance this credit facility with another lender, the required minimum principal repayments on the credit facilities at December 31, 2008 would be as follows:

	Amount
	$
2009	1,500
2010	24,927
2011	36,641
2012	154,714
2013	
	217,782

Effective December 31, 2008, Eveready established an Amended and Restated Credit Agreement among its syndicate of lenders led by a Canadian affiliate of GE Energy Financial Services. Among other items, the amending agreement was updated to reflect the Fund s structural change to a corporation. Such changes had no impact on the committed amounts, maturity dates, or interest rates applicable to the Revolver and Term Loan. In April 2009, the Revolver was renewed for an additional 364 day period (*note 30*).

Subsequent to December 31, 2008, Eveready repaid $40,000 on its Revolver.

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12. Obligations under capital lease

Obligations under capital lease substantially relate to industrial lodging facilities purchased with the Denman Industrial Trailers Ltd. acquisition in May 2007 (*note 6*). During 2008, Eveready financed additional industrial lodge facilities through sale-leasebacks of $8,880. These obligations bear interest at prime plus 0.25% per annum and are repayable in monthly blended principal and interest payments of $435. Maturing at dates ranging from August 2012 to September 2015, these obligations may be repaid in full without penalty two years after lease inception. At December 31, 2008, the effective rate of interest was 3.75% (December 31, 2007 6.25%).

All of Eveready s obligations under capital lease are collateralized by equipment with a $26,946 net book value at December 31, 2008 (December 31, 2007 $19,058). For the year ended December 31, 2008, interest expense related to all obligations under capital lease was $1,286 (2007 $841 and 2006 $nil).

Future minimum lease payments required over the next five years and thereafter for all obligations under capital lease are as follows:

	Amount
	$
2009	5,834
2010	5,498
2011	5,260
2012	5,042
2013	3,562
Thereafter	1,915
Total minimum lease payments	27,111
Less: amounts representing imputed interest at rates ranging from 3.00% to 15.00%	(3,705)
Balance of obligations under capital lease	23,406
Less: current portion of obligations under capital lease	(4,619)
	18,787

Subsequent to December 31, 2008, Eveready financed truck, trailer and support equipment through sale-leasebacks of $2,469. These obligations will mature in January 2014 and are collateralized by the respective equipment acquired.

13. Convertible debentures

On June 15, 2006, Eveready completed a financing of $50,000 principal amount of convertible unsecured subordinated debentures (the Debentures). Pursuant to the Conversion (*note 2*), Eveready assumed all of the covenants and obligations of the Fund in respect of the outstanding Debentures such that the Debentures will be convertible into Eveready shares rather than Fund units. Upon completion of the Conversion, in which each five units were exchanged for one share, the conversion price of the Debentures was adjusted, in accordance with the Debenture agreement,

Eveready Inc.

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13. Convertible debentures (Continued)

to $38.754 per share. There were no other changes to the Debentures terms resulting from the Conversion.

The Debentures have an annual coupon rate of 7.00%, payable semi-annually, mature on June 30, 2011 and are convertible, at the holder s option, into common shares of Eveready. The Debentures trade on the Toronto Stock Exchange under the symbol EIS.DB .

After June 30, 2009 and before June 30, 2010, the Debentures may be redeemed in whole or in part, at Eveready s option, at a price equal to their principal amount plus accrued interest thereon, provided the market price of the shares on the date on which notice is given is not less than 125% of the conversion price of $38.754 per share. After June 30, 2010, Eveready has the option to redeem the Debentures in whole or in part at a price equal to their principal amount plus accrued interest. Eveready may also, at its option and subject to certain conditions, elect to satisfy its obligation to repay all or any portion of the principal amounts of the Debentures that are to be redeemed or repaid at maturity, by issuing shares. The number of shares a holder will receive in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or repaid at maturity by 95% of the market price of the shares. The market price of the shares will be calculated as the volume weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive days ending five days prior to the applicable event.

For accounting purposes, the $50,000 face value of the Debentures was allocated to the liability and equity components, proportionately, based on their respective fair values at the time of the financing. The holder s conversion option was allocated $8,417 ($8,030 net of allocated issuance costs of $387) and has been separately presented in these consolidated financial statements as a component of equity. The value originally ascribed to the liability component of the Debentures was $41,583. Any deferred financing costs included in the Debentures carrying value are amortized to interest expense over the remaining term of the Debentures using the effective interest rate method.

2008 adjustments to the conversion price

Eveready issued the Debentures with an initial conversion price of $8.50 per unit. Pursuant to the terms of the Debenture agreement, an adjustment to the specified conversion price is required, when shares are consolidated into a smaller number of shares or when shares are issued to shareholders by way of a stock dividend (in-kind distribution). The in-kind distribution (*note 19*) declared to Fund unitholders of record on March 31, 2008 resulted in an adjustment to the Debentures initial conversion price from $8.50 per unit to $8.109 per unit. The in-kind distribution declared to unitholders of record on June 30, 2008 (*note 19*) resulted in another adjustment to the Debentures conversion price to $7.7508 per unit. Upon completion of the Conversion (*note 2*), in which each five units were exchanged for one share, the conversion price of the Debentures was adjusted from $7.7508 per unit to $38.754 per share.

Subsequent to year-end, Eveready received regulatory approval from the Toronto Stock Exchange to enter into a normal course issuer bid to purchase for cancellation its issued and outstanding Debentures (*note 30*).

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14. Asset retirement obligations

Eveready s asset retirement obligations relate to closure and post-closure costs concerning the Pembina Area Landfill waste disposal facility. Each waste cell must be capped and closed in accordance with environmental regulations once it is filled to capacity. Eveready estimates the undiscounted, inflation-adjusted cash flows required to settle these obligations at December 31, 2008 to be $4,239 (2007 $3,605). Management has estimated the fair value of this obligation at December 31, 2008 to be $3,003 (2007 $2,478), using a credit adjusted discount rate of 7.00% (2007 7.00%). These obligations are expected to be incurred over an estimated period from 2009 to 2015.

These estimates are based upon current and proposed reclamation and closure techniques in view of current environmental laws and regulations. Therefore, it is possible the costs could change in the future and changes to these estimates could have a significant effect on Eveready s consolidated financial statements. Eveready recorded the following activity during the year:

Years Ended December 31	2008	2007
	$	$
Asset retirement obligations, beginning of year	**2,222**	1,265
New obligations and revised estimates	**753**	1,745
Asset retirement costs incurred	**(130)**	(629)
Accretion expense	**158**	97
Asset retirement obligations, end of year	**3,003**	2,478
Less: costs expected to be incurred within the next fiscal year	**(584)**	(256)
	2,419	2,222

15. Non-controlling interest

Eveready s non-controlling interest consists of the 20% non-controlling interests vendors retained in the acquisitions of RDDB, Bullseye, and Rodrigue s in 2006 (*note 6*). In connection with the acquisitions of these subsidiaries, Eveready also entered into a mutual option agreement with the vendors. This agreement provides Eveready a call option to acquire the remaining 20% non-controlling interest and provides the vendors a put option to sell the remaining 20% non-controlling interest to Eveready, exercisable at any time after March 31, 2009, August 31, 2009, and November 30, 2009 for the RDDB, Bullseye, and Rodrigue s vendors, respectively.

The exercise price for each option is based on a formula designed to estimate the fair value of the non-controlling interest at the time the option is exercised. Using this formula, the calculated value pursuant to the put and call options approximated $11,200 at December 31, 2008. Of this amount, approximately $3,450 would be settled in cash, approximately $3,450 would be settled by issuing shares, and approximately $4,300 would be settled, at Eveready s discretion, in either cash or by issuing shares. The number of shares to issue will be determined by a deemed price per share, which equals the 10 day weighted average trading price of the shares on the Toronto Stock Exchange on the day immediately preceding the date of notice of exercise of the put or call option.

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15. Non-controlling interest (Continued)

The payment of cash or shares must be settled within 367 days from the date of the notice of exercise of the put or call option.

Subsequent to December 31, 2008, one of the mutual option agreements was amended and the related put option exercised. As a result of the amendment, Eveready will now settle the full value of the put option in cash. The option price related to that mutual option agreement was also adjusted.

Eveready recorded the following activity during the year:

Years Ended December 31	**2008**	**2007**	**2006**
	$	**$**	**$**
Non-controlling interest, beginning of year	**3,004**	2,393	
Non-controlling interest arising from the acquisition of RDDB *(note 6)*			684
Non-controlling interest arising from the acquisition of Bullseye *(note 6)*			310
Non-controlling interest arising from the acquisition of Rodrigue s *(note 6)*			642
Distributions to non-controlling interest holders	**(1,064)**	(346)	
Earnings attributable to non-controlling interest	**820**	957	757
Non-controlling interest, end of year	**2,760**	3,004	2,393

16. Shareholders capital

a) Shareholders capital

Authorized Unlimited number of voting common shares without nominal or par value Authorized Unlimited number of preferred shares	**Number of Shares**	**Amount**
		$

Issued common shares					
Opening balance as at October 27, 2008					