TERVITA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

March 31, 2020

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at (millions of dollars)	***Note***	**March 31 2020**	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	*9*	**32**	22
Trade and other receivables	*9*	**165**	192
Inventory		**9**	12
Current portion of derivative assets	*9*	**2**	—
Other current assets		**13**	12
		221	238
Property, plant and equipment	*6*	**1,019**	1,043
Intangible assets		**37**	37
Goodwill	*6*	**332**	332
Derivative assets	*9*	**31**	—
Other assets		**13**	12
TOTAL ASSETS		**1,653**	1,662
LIABILITIES			
Current liabilities			
Trade and other payables	*9, 10*	**128**	180
Income taxes payable		**—**	2
Interest payable	*9*	**21**	5
Current portion of obligations under leases		**18**	18
Current portion of provisions		**5**	6
Other current liabilities		**1**	5
		173	216
Senior secured revolving credit facility	*7, 9*	**15**	—
Senior secured notes	*8, 9*	**823**	750
Obligations under leases	*9*	**92**	95
Provisions		**359**	358
Derivative liabilities	*9*	**—**	10
Other long-term liabilities		**6**	9
TOTAL LIABILITIES		**1,468**	1,438
EQUITY			
Share capital	*10*	**909**	905
Contributed surplus	*10*	**7**	7
Share-based compensation reserve		**7**	7
Accumulated earnings (deficit)		**(751)**	(709)
Accumulated other comprehensive profit (loss)		**13**	14
TOTAL EQUITY		**185**	224
TOTAL LIABILITIES AND EQUITY		**1,653**	1,662

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT (LOSS)

(unaudited)

For the three months ended March 31 (millions of dollars, except for per share amounts)	Note	2020	2019
NET PROFIT (LOSS)			
Revenue	3	**486**	531
Operating expenses			
Direct expenses		**(421)**	(461)
General and administrative expenses		**(12)**	(14)
Depreciation and amortization		**(29)**	(34)
Restructuring costs		**(8)**	(2)
Impairment reversal (expense)	6	**(17)**	3
Operating profit (loss)		**(1)**	23
Finance costs		**(21)**	(22)
Transaction costs		**—**	(2)
Other income (expense)	4	**(21)**	(2)
Profit (loss) before tax		**(43)**	(3)
Income taxes recovery (expense)		**1**	—
NET PROFIT (LOSS)		**(42)**	(3)
Items that are or may be subsequently reclassified to net profit (loss):			
Foreign operations - foreign currency translation differences		**1**	(2)
Net gain (loss) on cash flow hedges		**(2)**	(2)
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX		**(1)**	(4)
TOTAL COMPREHENSIVE PROFIT (LOSS)		**(43)**	(7)
Earnings per share			
Basic	5	**(0.37)**	(0.03)
Diluted	5	**(0.38)**	(0.03)
Weighted average shares outstanding			
Basic	5	**113,992,379**	117,557,112
Diluted	5	**114,676,292**	117,557,112

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

For the three months ended March 31 (millions of dollars)	Note	2020	2019
OPERATING ACTIVITIES			
Net profit (loss)		**(42)**	(3)
Adjustments for:			
Finance costs		**21**	22
Impairment (reversal) expense	6	**17**	(3)
Depreciation and amortization		**29**	34
Income taxes (recovery) expense		**(1)**	—
Cash taxes paid		**(1)**	—
Cash interest paid		**(3)**	(3)
Cash settlement of decommissioning liabilities		**(1)**	(4)
Cash settlement of share-based compensation liability		**(2)**	—
Unrealized foreign exchange (gain) loss - debt		**28**	—
Other adjustments		**(9)**	(1)
Funds from (used in) operations		**36**	42
Changes in non-cash working capital:			
Trade and other receivables		**27**	(26)
Inventory		**3**	(5)
Trade and other payables		**(22)**	20
Changes in total non-cash working capital		**8**	(11)
Cash provided by (used in) operating activities		**44**	31
FINANCING ACTIVITIES			
Draw on (repayment of) senior secured revolving credit facility	7, 9	**15**	—
Repurchase of common shares	10	**(9)**	—
Payment of principal portion of lease liabilities		**(4)**	(4)
Sublease payments received		**1**	1
Cash provided by (used in) financing activities		**3**	(3)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(18)**	(22)
Additions to intangible assets		**(2)**	—
Proceeds from sale of property, plant and equipment		**2**	—
Change in non-cash working capital		**(18)**	4
Cash provided by (used in) investing activities		**(36)**	(18)
Effect of exchange rate changes on cash and cash equivalents		**(1)**	—
Increase (decrease) in cash and cash equivalents		**10**	10
Cash and cash equivalents, beginning of period		**22**	46
CASH AND CASH EQUIVALENTS, END OF PERIOD		**32**	56

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(unaudited)

(millions of dollars)	*Note*	Share capital	Contributed surplus	Share-based compensation reserve	Accumulated earnings (deficit)	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated other comprehensive profit (loss)	Total equity
As at January 1, 2020		**905**	**7**	**7**	**(709)**	1	13	**14**	**224**
Net profit (loss)		**—**	**—**	**—**	**(42)**	—	—	**—**	**(42)**
Reversal of share repurchase provision	*10*	**15**	**(2)**	**—**	**—**	—	—	**—**	**13**
Repurchase of common shares	*10*	**(11)**	**2**	**—**	**—**	—	—	**—**	**(9)**
Effective portion of cash flow hedges		**—**	**—**	**—**	**—**	—	41	**41**	**41**
Reclassified to net profit (loss)		**—**	**—**	**—**	**—**	—	(43)	**(43)**	**(43)**
Foreign currency translation differences		**—**	**—**	**—**	**—**	1	—	**1**	**1**
As at March 31, 2020		**909**	**7**	**7**	**(751)**	2	11	**13**	**185**
As at January 1, 2019		947	1	5	(593)	5	6	11	371
Net profit (loss)		—	—	—	(3)	—	—	—	(3)
Effective portion of cash flow hedges		—	—	—	—	—	(13)	(13)	(13)
Reclassified to net profit (loss)		—	—	—	—	—	11	11	11
Foreign currency translation differences		—	—	—	—	(2)	—	(2)	(2)
Share-based compensation		—	—	1	—	—	—	—	1
As at March 31, 2019		947	1	6	(596)	3	4	7	365

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

(unaudited)

1. DESCRIPTION OF BUSINESS

Tervita Corporation is incorporated under the laws of Canada. In these Interim Condensed Consolidated Financial Statements (the "Interim Financial Statements"), "we", "us", "our", "Company", and "Tervita" mean Tervita Corporation, its subsidiaries, and joint arrangements. Tervita's common shares and warrants trade on the Toronto Stock Exchange under the symbols "TEV" and "TEV.WT", respectively. Tervita's registered office and head office is located at 1600, 140 - 10 Avenue S.E., Calgary, Alberta, Canada, T2G 0R1.

Tervita is one of the largest waste and environmentally-focused energy service providers in Canada. We primarily serve companies in the oil and gas industry, as well as the industrial and natural resource sectors, predominantly in Western Canada. Tervita provides a comprehensive suite of environmental solutions covering every stage of our customers' project life cycle, from development to reclamation, helping to minimize environmental impact while maximizing recovery of valuable resources.

2. BASIS OF PRESENTATION

These Interim Financial Statements for the three months ended March 31, 2020 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" and were approved by the Board of Directors on May 6, 2020.

These Interim Financial Statements should be read in conjunction with the Company's audited annual Consolidated Financial Statements as at and for the year ended December 31, 2019 ("Annual Financial Statements"), as they were prepared using the same accounting policies, critical accounting judgments, and key estimates, unless otherwise noted.

Unless otherwise noted, all information is presented in millions of Canadian ("C$") dollars.

Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

3. REVENUE AND SEGMENT INFORMATION

Our activities are carried out through two reportable segments: Energy Services and Industrial Services. Our executive leadership is responsible for strategic decision making, resource allocation, and assessing financial performance and, as a group, is identified as our chief operating decision maker for the purposes of reporting segment information under International Financial Reporting Standards ("IFRS"). Tervita's executive leadership is comprised of the following:

- President and Chief Executive Officer;
- Chief Financial Officer; and
- Executive Vice-President, Strategy and Corporate Development.

Corporate includes shared service allocations and corporate costs not allocated to reportable segments. Costs included in general and administrative expenses on the Interim Condensed Consolidated Statements of Comprehensive Profit (Loss) ("Statements of Profit (Loss)") are considered shared services or corporate costs and are not allocated to the reportable segments.

Energy Services

Energy Services is comprised of two service lines: energy marketing and facilities. These service lines collectively provide many services to the oil and gas sector including: treatment, recovering, and disposal of fluids; energy marketing; processing and disposal of solid materials used in, and generated by, natural resource and industrial production; disposal of oilfield-generated waste; providing specialized onsite services using centrifugation or other processes for heavy oil producers involved in mining and in-situ production; and purchase and resale of oil volumes associated with treatment, recovery, terminalling, and disposal services, including preparing the oil volumes for entry to the pipeline.

Activity in the oil and gas industry is influenced by seasonal weather patterns. During the spring months specifically, and at some other times of the year, wet weather can make the ground unstable. Consequently, roads become impassable or municipalities and provincial transportation departments enforce road bans that restrict the movement of trucks, rigs, and other heavy equipment, reducing the activity levels and placing increased importance on the location of the equipment prior to the imposition of these road bans. As a result, Energy Services tends to earn lower revenue and operating profit in the second fiscal quarter. If the weather causes the ground to be unstable for longer than usual, operating results may continue to be negatively impacted.

Industrial Services

Industrial Services provides comprehensive environmental solutions through four service lines: waste services, metals recycling and rail services, water, and environmental services. The services provided include: site remediation, facility decommissioning, water treatment, sludge and slurry management, bio-remediation and technologies, technical services and environmental liability management, hazardous and non-hazardous waste management and disposal, emergency response, rail services, recycling services to oil and gas and other industrial companies, and waste transportation and classification. Recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations.

Financial Information for Reportable Segments and Reconciliation to IFRS Measures

For the three months ended March 31, 2020	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	312	11	—	—	323
Facility-based services	107	10	—	—	117
Project-based services	5	41	—	—	46
Revenue - external	424	62	—	—	486
Revenue - intersegment	2	—	—	(2)	—
Revenue - total	426	62	—	(2)	486
Operating expenses					
Direct expenses	(367)	(56)	—	2	(421)
General and administrative expenses	—	—	(12)	—	(12)
Depreciation and amortization	(24)	(4)	(1)	—	(29)
Restructuring costs	(5)	(2)	(1)	—	(8)
Impairment reversal (expense)	(20)	—	3	—	(17)
Operating profit (loss)	10	—	(11)	—	(1)
Finance costs	(1)	(1)	(19)	—	(21)
Other income (expense)	2	—	(23)	—	(21)
Profit (loss) before tax	11	(1)	(53)	—	(43)
Additions to property, plant and equipment and intangible assets	(16)	(3)	(1)	—	(20)

For the three months ended March 31, 2019	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	347	12	—	—	359
Facility-based services	107	10	—	—	117
Project-based services	9	46	—	—	55
Revenue - external	463	68	—	—	531
Revenue - intersegment	—	—	—	—	—
Revenue - total	463	68	—	—	531
Operating expenses					
Direct expenses	(405)	(56)	—	—	(461)
General and administrative expenses	—	—	(14)	—	(14)
Depreciation and amortization	(27)	(5)	(2)	—	(34)
Restructuring costs	—	(2)	—	—	(2)
Impairment reversal (expense)	3	1	(1)	—	3
Operating profit (loss)	34	6	(17)	—	23
Finance costs	(2)	(1)	(19)	—	(22)
Transaction costs	—	—	(2)	—	(2)
Other income (expense)	—	—	(2)	—	(2)
Profit (loss) before tax	32	5	(40)	—	(3)
Additions to property, plant and equipment and intangible assets	(20)	(2)	—	—	(22)

As at March 31, 2020	**Energy Services**	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Total assets	**1,340**	**183**	**130**	**—**	**1,653**

As at December 31, 2019	Energy Services	Industrial Services	Corporate	Eliminations	Total
Total assets	1,378	197	87	—	1,662

Geographic Information

For the three months ended March 31	**2020**	2019
Revenue by location of services		
Canada	**480**	521
United States ("US")	**6**	10
Revenue - total by location of services	**486**	531

As at	**March 31 2020**	December 31 2019
Non-current assets (excluding financial instruments)		
Canada	**1,381**	1,397
US	**17**	24
Non-current assets (excluding financial instruments)	**1,398**	1,421

4. OTHER INCOME (EXPENSE)

For the three months ended March 31	*Note*	**2020**	2019
Gain (loss) on sale of assets		**(1)**	—
Share-based compensation		**5**	(1)
Change in provisions and onerous lease contracts		**(1)**	(1)
Gain (loss) on lease modification		**1**	—
Gain (loss) on derivatives		**2**	—
Unrealized foreign exchange gain (loss) - debt	8	**(28)**	—
Unrealized foreign exchange gain (loss) - other		**1**	—
Other income (expense)		**(21)**	(2)

5. EARNINGS PER SHARE

For the three months ended March 31	**2020**	2019
Net profit (loss)	**(42)**	(3)
Dilutive effect of accounting for stock-based compensation plans	**(2)**	—
Net profit (loss) - diluted	**(44)**	(3)
Weighted average number of shares - basic	**113,992,379**	117,557,112
Dilutive effect of accounting for stock-based compensation plans	**683,913**	—
Weighted average number of shares - diluted	**114,676,292**	117,557,112
Earnings per share - basic	**(0.37)**	(0.03)
Earnings per share - diluted	**(0.38)**	(0.03)

6. IMPAIRMENT

Property, Plant and Equipment

Tervita recognized $23 million of impairment on specific assets in its Energy Services segment for the three months ended March 31, 2020 as a result of the suspension or closure of inactive facilities. Reversal of impairment for the three months ended March 31, 2020 of $6 million (March 31, 2019 – $3 million) was recognized in Energy Services and Corporate in relation to subleases of right-of-use assets that were previously considered onerous, and the revaluation of provisions and associated assets.

Goodwill

Recent global events, including the COVID-19 pandemic and the rapid decline of oil prices (note 9) have impacted Tervita's near-term future cash flows. As a result, the recoverable amounts of the groups of cash-generating units ("CGU") to which goodwill was allocated were reassessed at March 31, 2020, with no resulting impairment identified.

The approach and assumptions used were consistent with those in the Annual Financial Statements, with the exception of cash flows for the next three fiscal years, which were based on management's revised assessment of expected market trends and commodity prices as a result of current economic conditions. For subsequent years, a recovery is assumed for each CGU to reflect the assumptions used in the Annual Financial Statements.

7. SENIOR SECURED REVOLVING CREDIT FACILITY

Tervita has a senior secured revolving credit facility ("credit facility") with a syndicate of Canadian banks, which terminates on June 1, 2021:

As at	**March 31 2020**	December 31 2019
Maximum amount available	**275**	275
Less: amounts drawn	**15**	—
Less: letters of credit outstanding	**58**	77
Remaining amount available	**202**	198

Under the terms of the credit facility, Tervita must comply with certain financial and non-financial covenants as defined by its lenders, which are calculated based on lease accounting as it would have applied under IAS 17 "Leases".

As at March 31, 2020, Tervita was in compliance with all covenants.

8. SENIOR SECURED NOTES

As at	*Note*	Principal	Issuance	Maturity	**March 31 2020**	December 31 2019
2016 senior secured notes	*9*	US$360	Dec 2016	Dec 2021	**511**	468
2018 senior secured notes	*4, 9*	US$230	Jul 2018	Dec 2021	**327**	299
Senior secured notes					**838**	767
Premium on 2018 senior secured notes					**1**	1
Unamortized debt costs					**(16)**	(18)
Total senior secured notes					**823**	750

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying values and fair values of financial instruments that are included within amounts on the Interim Condensed Consolidated Statements of Financial Position are as follows:

				Carrying Value		Estimated Fair Value	
As at	*Note*	Classification	Level	**March 31 2020**	December 31 2019	**March 31 2020**	December 31 2019
Cash and cash equivalents		Amortized cost	—	**32**	22	**32**	22
Trade and other receivables		Amortized cost	—	**165**	192	**165**	192
Sublease receivable		Amortized cost	—	**14**	13	**14**	13
Equity investment		FVTPL	3	**3**	3	**3**	3
Trade and other payables		Other financial liabilities	—	**(128)**	(180)	**(128)**	(180)
Interest payable	*8*	Other financial liabilities	—	**(21)**	(5)	**(21)**	(5)
Credit facility	*7*	Other financial liabilities	—	**(15)**	—	**(15)**	—
Senior secured notes	*8*	Other financial liabilities	—	**(823)**	(750)	**(586)**	(771)
Lease liabilities		Other financial liabilities	—	**(95)**	(98)	**(95)**	(98)
Derivative assets (liabilities)		Designated hedge	2	**31**	(10)	**31**	(10)
Derivative assets (liabilities)		FVTPL	2	**2**	—	**2**	—
Contingent consideration		FVTPL	2	**(9)**	(9)	**(9)**	(9)

There were no transfers between levels of the fair value hierarchy in either 2020 or 2019. The fair value of debt is based on third party observable quotes and may not reflect actual amounts payable by Tervita.

Counterparty Credit Risk

Counterparty credit risk is the financial risk associated with the non-performance of contractual obligations by counterparties. Tervita's maximum counterparty credit exposure as at March 31, 2020 was the total carrying value of cash and cash equivalents, trade and other receivables, sublease receivables, and derivative assets.

Concentration of Credit Risk

Concentration of credit risk exists when an entity's counterparties operate in the same industry, geographical region, or economic circumstances. Tervita’s revenue is primarily earned in the Canadian oil and gas industry, which has been constrained by global events such as the COVID-19 pandemic and the current oil price environment.

Tervita is exposed to credit risk through its trade and other receivables, as the Company generally extends unsecured credit to its customers. Management believes the concentration of credit risk is mitigated by the size, reputation, and diversified nature of the companies to which Tervita extends credit. Tervita reviews the financial strength of its customers and performs a detailed analysis of outstanding trade and other receivables on an ongoing basis. None of Tervita's customers individually make up more than 10 per cent of Tervita’s total trade and other receivables.

Derivative contracts are entered into with major financial institutions. Similarly, cash and cash equivalents are also held with major financial institutions. Management believes the credit risk is mitigated by the high credit rating of these financial institutions.

Expected Credit Losses

Tervita estimates the expected credit losses at each reporting date using a provision matrix that includes rates based on the number of days since the invoice date. Qualitative factors such as past events, customer-specific conditions, and expectations of future regional and global economic activity are used to adjust rates for specific customers in the provision matrix. As a result of these factors, Tervita's provision matrix for March 31, 2020 incorporated a rate increase across all customers and invoice dates.

Liquidity Risk

Liquidity risk occurs when an entity encounters difficulties meeting financial obligations as they become due. Tervita's liquidity position is largely driven by the Company's cash provided by operating activities, which is exposed to the effects of both credit and market risk. Uncertainty exists regarding the market impacts of recent global events, which restrict production and capital investment in Tervita’s primary market.

Management has undertaken a comprehensive assessment of the expected impacts of a prolonged downturn on Tervita's liquidity and has taken actions to mitigate these impacts, which include a reduction to the Board of Directors' cash retainer, salary reductions for the executive leadership team, employee headcount reduction, and location optimization throughout our network. Management has also completed an organizational restructuring of the Industrial Services segment and Tervita's business services resulting in a reduction to the size of the executive leadership team, and continues to look for opportunities to reduce costs and improve efficiencies. At March 31, 2020, there was $202 million of borrowing capacity available under the credit facility (December 31, 2019 - $198 million) and $32 million in cash and cash equivalents available (December 31, 2019 - $22 million).

Management expects to rely on cash provided by operating activities and the credit facility as primary sources of liquidity, and believes the mitigation actions undertaken in March 2020 are sufficient for the Company to meet its financial obligations over the next 12 months.

Market Risk

Market risk is the risk that the fair value or cash flows of Tervita's financial instruments will fluctuate as a result of changes in market prices, influenced by changes in foreign exchange, interest rates, equity prices, and commodity prices.

Foreign Exchange Risk

Foreign exchange risk exists when the fair value of future cash flows is impacted by fluctuations in foreign currency exchange rates. Tervita is exposed to foreign currency risk with respect to its US$-denominated senior secured notes.

Absent any cross-currency swap agreements, $0.01 change in the US$ to C$ exchange rate would result in a change to net profit (loss) of $6 million for the three months ended March 31, 2020 (March 31, 2019 - $6 million). Tervita manages this exposure to foreign exchange risk by maintaining cross-currency swaps on a portion of its US$ debt (2016 senior secured notes). As a result of this risk management strategy, Tervita reclassified $43 million of the cash flow hedge reserve to net profit (loss) to offset unrealized foreign exchange loss for the three months ended March 31, 2020 (March 31, 2019 - $11 million gain). The Company incurred an unrealized foreign exchange loss of $28 million on the remaining senior secured notes for the three months ended March 31, 2020 (March 31, 2019 - nil) due to a $0.12 change in the US$ to C$ exchange rate.

Commodity Price Risk

Commodity price risk arises where an entity is impacted by price volatility in commodities related to its operations. Tervita provides environmental services to customers that are primarily engaged in oil and gas exploration and production, including the marketing of recovered oil and gas products. Oil and gas exploration and, to a lesser extent, production is driven by oil and gas commodity prices, which in turn are impacted by resource availability and demand, costs to produce, and general economic activity. As a result, Tervita's financial performance is indirectly linked to oil and gas commodity prices.

The global oil and gas industry is currently impacted by significant commodity price declines as a result of recent developments in the energy and world markets. Management mitigates its exposure to commodity price risk through continual review of the impact of commodity prices on the Company's future cash flows and managing operational costs, as a result.

10. SHARE CAPITAL AND NORMAL COURSE ISSUER BID

	Issued (number of shares)	Share Capital (millions of C$)	Contributed Surplus (millions of C$)
Balance, January 1, 2020	**112,622,274**	**905**	**7**
Reversal of share repurchase provision	**1,732,390**	**15**	**(2)**
Repurchase of common shares	**(1,247,524)**	**(11)**	**2**
Balance, March 31, 2020	**113,107,140**	**909**	**7**

In 2019, Tervita commenced a normal course issuer bid ("NCIB") to repurchase up to a maximum of 5,877,855 common shares until May 6, 2020. On March 31, 2020, the Company suspended its NCIB.

In 2019, Tervita entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares under the NCIB during blackout periods. Tervita terminated the ASPP on March 16, 2020, resulting in the reversal of the provision recognized in our Annual Financial Statements.