TERVITA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2020

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at (millions of dollars)	***Note***	**June 30 2020**	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	*10*	**31**	22
Trade and other receivables	*4, 10*	**122**	192
Inventory		**14**	12
Other current assets	*10*	**10**	12
		177	238
Property, plant and equipment	*7*	**1,005**	1,043
Intangible assets		**38**	37
Goodwill	*7*	**332**	332
Derivative assets	*10*	**12**	—
Other assets	*10*	**13**	12
TOTAL ASSETS		**1,577**	1,662
LIABILITIES			
Current liabilities			
Trade and other payables	*10, 11*	**88**	180
Income taxes payable		**—**	2
Interest payable	*10*	**5**	5
Senior secured revolving credit facility	*8, 10*	**15**	—
Current portion of obligations under leases	*10*	**20**	18
Current portion of provisions	*10*	**6**	6
Other current liabilities	*10*	**3**	5
		137	216
Senior secured notes	*9, 10*	**792**	750
Obligations under leases	*10*	**84**	95
Provisions	*10*	**361**	358
Derivative liabilities	*10*	**—**	10
Other long-term liabilities		**6**	9
TOTAL LIABILITIES		**1,380**	1,438
EQUITY			
Share capital	*11*	**909**	905
Contributed surplus	*11*	**7**	7
Share-based compensation reserve		**8**	7
Accumulated earnings (deficit)		**(741)**	(709)
Accumulated other comprehensive profit (loss)		**14**	14
TOTAL EQUITY		**197**	224
TOTAL LIABILITIES AND EQUITY		**1,577**	1,662

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT (LOSS)

(unaudited)

		Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars, except for per share amounts)	*Note*	**2020**	2019	**2020**	2019
NET PROFIT (LOSS)					
Revenue	3	**215**	590	**701**	1,121
Operating expenses					
Direct expenses		**(176)**	(527)	**(597)**	(988)
General and administrative expenses		**(8)**	(10)	**(20)**	(24)
Canada Emergency Wage Subsidy	4	**14**	—	**14**	—
Depreciation and amortization		**(22)**	(34)	**(51)**	(68)
Restructuring costs		**(2)**	(3)	**(10)**	(5)
Impairment reversal (expense)	7	**—**	(1)	**(17)**	2
Operating profit (loss)		**21**	15	**20**	38
Finance costs		**(20)**	(23)	**(41)**	(45)
Transaction costs		**(1)**	(2)	**(1)**	(4)
Other income (expense)	5	**10**	(1)	**(11)**	(3)
Profit (loss) before tax		**10**	(11)	**(33)**	(14)
Income taxes recovery (expense)		**—**	11	**1**	11
NET PROFIT (LOSS)		**10**	—	**(32)**	(3)
Items that are or may be subsequently reclassified to net profit (loss):					
Foreign operations - foreign currency translation differences		**—**	(2)	**1**	(4)
Net gain (loss) on cash flow hedges		**1**	5	**(1)**	3
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX		**1**	3	**—**	(1)
TOTAL COMPREHENSIVE PROFIT (LOSS)		**11**	3	**(32)**	(4)
Earnings (loss) per share	6				
Basic and diluted		**0.09**	—	**(0.28)**	(0.03)
Weighted average shares outstanding	6				
Basic		**113,390,213**	117,386,419	**113,710,228**	117,471,294
Diluted		**113,390,213**	117,386,419	**113,781,795**	117,471,294

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

		Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	*Note*	**2020**	2019	**2020**	2019
OPERATING ACTIVITIES					
Net profit (loss)		**10**	—	**(32)**	(3)
Adjustments for:					
Finance costs		**20**	23	**41**	45
Impairment (reversal) expense	*7*	**—**	1	**17**	(2)
Depreciation and amortization		**22**	34	**51**	68
Income taxes (recovery) expense		**—**	(11)	**(1)**	(11)
Cash taxes paid		**—**	—	**(1)**	—
Cash interest paid		**(33)**	(34)	**(36)**	(37)
Cash settlement of decommissioning liabilities		**(1)**	(3)	**(2)**	(7)
Cash settlement of share-based compensation liability		**(1)**	—	**(3)**	—
Unrealized foreign exchange (gain) loss - debt and derivatives	*5*	**(13)**	(2)	**15**	(2)
Other adjustments		**3**	1	**(6)**	—
Funds from (used in) operations		**7**	9	**43**	51
Changes in non-cash working capital:					
Trade and other receivables		**43**	29	**70**	3
Inventory		**(5)**	4	**(2)**	(1)
Other current assets		**2**	(2)	**2**	(2)
Trade and other payables		**(28)**	(6)	**(50)**	14
Changes in total non-cash working capital		**12**	25	**20**	14
Cash provided by (used in) operating activities		**19**	34	**63**	65
FINANCING ACTIVITIES					
Draw on (repayment of) senior secured revolving credit facility	*8*	**—**	—	**15**	—
Repurchase of common shares	*11*	**—**	(4)	**(9)**	(4)
Payment of principal portion of lease liabilities		**(5)**	(5)	**(9)**	(9)
Sublease payments received		**—**	—	**1**	1
Cash provided by (used in) financing activities		**(5)**	(9)	**(2)**	(12)
INVESTING ACTIVITIES					
Additions to property, plant and equipment		**(9)**	(21)	**(27)**	(43)
Additions to intangible assets		**(4)**	(1)	**(6)**	(1)
Investment income		**1**	2	**1**	2
Proceeds from sale of property, plant and equipment		**7**	1	**9**	1
Change in non-cash working capital		**(11)**	5	**(29)**	9
Cash provided by (used in) investing activities		**(16)**	(14)	**(52)**	(32)
Effect of exchange rate changes on cash and cash equivalents		**1**	—	**—**	—
Increase (decrease) in cash and cash equivalents		**(1)**	11	**9**	21
Cash and cash equivalents, beginning of period		**32**	56	**22**	46
CASH AND CASH EQUIVALENTS, END OF PERIOD		**31**	67	**31**	67

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)		**—**	**—**	**—**	**(32)**	—	—	**—**	**(32)**
Reversal of share repurchase provision	*11*	**15**	**(2)**	**—**	**—**	—	—	**—**	**13**
Repurchase of common shares	*11*	**(11)**	**2**	**—**	**—**	—	—	**—**	**(9)**
Effective portion of cash flow hedges		**—**	**—**	**—**	**—**	—	22	**22**	**22**
Reclassified to net profit (loss)		**—**	**—**	**—**	**—**	—	(23)	**(23)**	**(23)**
Foreign currency translation differences		**—**	**—**	**—**	**—**	1	—	**1**	**1**
Share-based compensation		**—**	**—**	**1**	**—**	—	—	**—**	**1**
As at June 30, 2020		**909**	**7**	**8**	**(741)**	2	12	**14**	**197**
As at January 1, 2019		947	1	5	(593)	5	6	11	371
Net profit (loss)		—	—	—	(3)	—	—	—	(3)
Repurchase of common shares	*11*	(5)	1	—	—	—	—	—	(4)
Share repurchase provision	*11*	(7)	1	—	—	—	—	—	(6)
Effective portion of cash flow hedges		—	—	—	—	—	(18)	(18)	(18)
Reclassified to net profit (loss)		—	—	—	—	—	21	21	21
Foreign currency translation differences		—	—	—	—	(4)	—	(4)	(4)
Share-based compensation		—	—	1	—	—	—	—	1
As at June 30, 2019		935	3	6	(596)	1	9	10	358

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 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, our 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 service providers in Canada, providing a broad and integrated array of services and environmental management solutions for customers in the energy, 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 and six months ended June 30, 2020 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" and were approved by the Board of Directors on July 29, 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.

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

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

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.

Energy Services

Energy Services includes two service lines: facilities and energy marketing. These service lines collectively provide many services to the oil and gas sector, including: treatment, recovery, and disposal of fluids; oil terminalling; 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.

Industrial Services

Industrial Services provides comprehensive environmental solutions through four service lines: waste services, metals recycling and rail services, water services, 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.

Seasonality

Seasonal weather patterns in the areas that we operate have an influence on activity within certain service lines.

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 the road bans. As a result of these weather impacts, our Energy Services segment tends to earn lower revenue and operating profit in the second quarter.

Within the Industrial Services segment, environmental services project activity tends to be lower in the first half of the year due to the challenges of completing excavation work on frozen terrain in the first quarter and the imposition of road bans in the second quarter. In rail services, the impact of rapid temperature fluctuations on rail infrastructure experienced in the first and third quarters generally causes increased activity and project work.

Financial Information for Reportable Segments and Reconciliation to IFRS Measures

Costs under Corporate, including 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.

	Three Months Ended June 30, 2020				
	Energy Services	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Commodity-based sales	**110**	**5**	**—**	**—**	**115**
Facility-based services	**59**	**10**	**—**	**—**	**69**
Project-based services	**—**	**31**	**—**	**—**	**31**
Revenue - external	**169**	**46**	**—**	**—**	**215**
Revenue - intersegment	**—**	**—**	**—**	**—**	**—**
Revenue - total	**169**	**46**	**—**	**—**	**215**
Operating expenses					
Direct expenses	**(140)**	**(36)**	**—**	**—**	**(176)**
General and administrative expenses	**—**	**—**	**(8)**	**—**	**(8)**
Canada Emergency Wage Subsidy	**—**	**—**	**14**	**—**	**14**
Depreciation and amortization	**(17)**	**(4)**	**(1)**	**—**	**(22)**
Restructuring costs	**(2)**	**—**	**—**	**—**	**(2)**
Operating profit (loss)	**10**	**6**	**5**	**—**	**21**
Finance costs	**(1)**	**—**	**(19)**	**—**	**(20)**
Transaction costs	**—**	**—**	**(1)**	**—**	**(1)**
Other income (expense)	**(2)**	**1**	**11**	**—**	**10**
Profit (loss) before tax	**7**	**7**	**(4)**	**—**	**10**
Additions to property, plant and equipment and intangible assets	**12**	**—**	**1**	**—**	**13**

	Three Months Ended June 30, 2019				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	424	13	—	—	437
Facility-based services	104	10	—	—	114
Project-based services	11	28	—	—	39
Revenue - external	539	51	—	—	590
Revenue - intersegment	—	—	—	—	—
Revenue - total	539	51	—	—	590
Operating expenses					
Direct expenses	(482)	(45)	—	—	(527)
General and administrative expenses	—	—	(10)	—	(10)
Depreciation and amortization	(28)	(5)	(1)	—	(34)
Restructuring costs	(1)	—	(2)	—	(3)
Impairment reversal (expense)	1	(1)	(1)	—	(1)
Operating profit (loss)	29	—	(14)	—	15
Finance costs	(4)	—	(19)	—	(23)
Transaction costs	—	—	(2)	—	(2)
Other income (expense)	—	—	(1)	—	(1)
Profit (loss) before tax	25	—	(36)	—	(11)
Additions to property, plant and equipment and intangible assets	18	4	—	—	22

	Six Months Ended June 30, 2020				
	Energy Services	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Commodity-based sales	**422**	**16**	**—**	**—**	**438**
Facility-based services	**166**	**20**	**—**	**—**	**186**
Project-based services	**5**	**72**	**—**	**—**	**77**
Revenue - external	**593**	**108**	**—**	**—**	**701**
Revenue - intersegment	**2**	**—**	**—**	**(2)**	**—**
Revenue - total	**595**	**108**	**—**	**(2)**	**701**
Operating expenses					
Direct expenses	**(507)**	**(92)**	**—**	**2**	**(597)**
General and administrative expenses	**—**	**—**	**(20)**	**—**	**(20)**
Canada Emergency Wage Subsidy	**—**	**—**	**14**	**—**	**14**
Depreciation and amortization	**(41)**	**(8)**	**(2)**	**—**	**(51)**
Restructuring costs	**(7)**	**(2)**	**(1)**	**—**	**(10)**
Impairment reversal (expense)	**(20)**	**—**	**3**	**—**	**(17)**
Operating profit (loss)	**20**	**6**	**(6)**	**—**	**20**
Finance costs	**(2)**	**(1)**	**(38)**	**—**	**(41)**
Transaction costs	**—**	**—**	**(1)**	**—**	**(1)**
Other income (expense)	**—**	**1**	**(12)**	**—**	**(11)**
Profit (loss) before tax	**18**	**6**	**(57)**	**—**	**(33)**
Additions to property, plant and equipment and intangible assets	**28**	**3**	**2**	**—**	**33**

	Six Months Ended June 30, 2019				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	771	25	—	—	796
Facility-based services	211	20	—	—	231
Project-based services	20	74	—	—	94
Revenue - external	1,002	119	—	—	1,121
Revenue - intersegment	—	—	—	—	—
Revenue - total	1,002	119	—	—	1,121
Operating expenses					
Direct expenses	(887)	(101)	—	—	(988)
General and administrative expenses	—	—	(24)	—	(24)
Depreciation and amortization	(55)	(10)	(3)	—	(68)
Restructuring costs	(1)	(2)	(2)	—	(5)
Impairment reversal (expense)	4	—	(2)	—	2
Operating profit (loss)	63	6	(31)	—	38
Finance costs	(6)	(1)	(38)	—	(45)
Transaction costs	—	—	(4)	—	(4)
Other income (expense)	—	—	(3)	—	(3)
Profit (loss) before tax	57	5	(76)	—	(14)
Additions to property, plant and equipment and intangible assets	38	6	—	—	44

As at June 30, 2020	**Energy Services**	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Total assets	**1,297**	**168**	**112**	**—**	**1,577**

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

Geographic Information

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Revenue by location of services				
Canada	**214**	579	**694**	1,100
United States ("US")	**1**	11	**7**	21
Revenue - total by location of services	**215**	590	**701**	1,121

As at	**June 30 2020**	December 31 2019
Non-current assets (excluding financial instruments)		
Canada	**1,372**	1,397
US	**13**	24
Non-current assets (excluding financial instruments)	**1,385**	1,421

4. GOVERNMENT GRANTS

ACCOUNTING POLICIES

Tervita recognizes government grants in the Statements of Profit (Loss) when eligibility and receipt are reasonably assured.

SUPPORTING INFORMATION

In response to the COVID-19 pandemic, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. For the three and six months ended June 30, 2020, Tervita was eligible for $14 million of CEWS, of which $3 million was included in trade and other receivables as at June 30, 2020.

5. OTHER INCOME (EXPENSE)

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2020**	2019	**2020**	2019
Gain (loss) on sale of assets		**2**	—	**1**	—
Gain (loss) on equity investment		**—**	1	**—**	1
Share-based compensation		**(3)**	(3)	**2**	(4)
Change in provisions and onerous lease contracts		**—**	—	**(1)**	(1)
Gain (loss) on lease modification		**1**	—	**2**	—
Gain (loss) on derivatives		**(3)**	—	**(1)**	—
Unrealized foreign exchange gain (loss) - debt and derivatives	*9, 10*	**13**	2	**(15)**	2
Unrealized foreign exchange gain (loss) - other		**—**	(1)	**1**	(1)
Other income (expense)		**10**	(1)	**(11)**	(3)

6. EARNINGS (LOSS) PER SHARE

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Net profit (loss)	**10**	—	**(32)**	(3)
Weighted average number of shares - basic	**113,390,213**	117,386,419	**113,710,228**	117,471,294
Dilutive effect of accounting for share-based compensation plans	**—**	—	**71,567**	—
Weighted average number of shares - diluted	**113,390,213**	117,386,419	**113,781,795**	117,471,294
Earnings (loss) per share				
Basic and diluted	**0.09**	—	**(0.28)**	(0.03)

7. IMPAIRMENT

Property, Plant and Equipment

For the three and six months ended June 30, 2020, Tervita recognized impairment of $nil and $23 million, respectively, in our Energy Services segment. This impairment of specific assets related to the suspension or closure of inactive facilities in March 2020. Reversal of impairment of $nil and $6 million for the three and six months ended June 30, 2020, respectively, was recognized in Energy Services and Corporate. The reversal was a result of the sublease of right-of-use assets that had previously been considered onerous, and the revaluation of certain provisions and associated assets.

Goodwill

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

The approach and assumptions used in this reassessment were consistent with those in the Annual Financial Statements, with the exception of cash flow estimates for the next three fiscal years, which were based on management's revised assessment of expected market trends and commodity prices to reflect declining economic conditions.

For the three months ended June 30, 2020, Tervita's cash flows were consistent with the estimates used for Tervita's March 31, 2020 reassessment, and management's estimates for the next three fiscal years remain unchanged. As a result, Tervita did not identify any indications of impairment of goodwill at June 30, 2020.

8. SENIOR SECURED REVOLVING CREDIT FACILITY

Tervita has a senior secured revolving credit facility ("credit facility") with a syndicate of Canadian banks which matures on June 1, 2021, with normal course extension provisions under the terms of the credit facility (note 10):

As at	**June 30 2020**	December 31 2019
Maximum amount available	**275**	275
Less: amounts drawn	**15**	—
Less: letters of credit outstanding	**59**	77
Remaining amount available	**201**	198

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

As at June 30, 2020, Tervita was in compliance with all covenants.

9. SENIOR SECURED NOTES

As at	***Note***	Principal	Issuance	Maturity	**June 30 2020**	December 31 2019
2016 senior secured notes	***10***	US$360	Dec 2016	Dec 2021	**491**	468
2018 senior secured notes	***5, 10***	US$230	Jul 2018	Dec 2021	**314**	299
Senior secured notes					**805**	767
Premium on 2018 senior secured notes					**1**	1
Unamortized debt costs					**(14)**	(18)
Total senior secured notes					**792**	750

10. 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	**June 30 2020**	December 31 2019	**June 30 2020**	December 31 2019
Cash and cash equivalents		Amortized cost	—	**31**	22	**31**	22
Trade and other receivables		Amortized cost	—	**122**	192	**122**	192
Sublease receivable		Amortized cost	—	**14**	13	**14**	13
Equity investment		FVTPL	3	**3**	3	**3**	3
Trade and other payables		Other financial liabilities	—	**(88)**	(180)	**(88)**	(180)
Interest payable	*9*	Other financial liabilities	—	**(5)**	(5)	**(5)**	(5)
Credit facility	*8*	Other financial liabilities	—	**(15)**	—	**(15)**	—
Senior secured notes	*9*	Other financial liabilities	—	**(792)**	(750)	**(631)**	(771)
Lease liabilities		Other financial liabilities	—	**(89)**	(98)	**(89)**	(98)
Derivative assets (liabilities)		Designated hedge	2	**12**	(10)	**12**	(10)
Derivative assets (liabilities)		FVTPL	2	**(1)**	—	**(1)**	—
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 senior secured notes 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 June 30, 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 energy, industrial, and natural resource sectors, which have 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. As at June 30, 2020, the trade receivable balance of one of Tervita's customers (December 31, 2019 - no customers) represented more than 10 per cent of Tervita's total trade and other receivables. Tervita believes this customer's strong credit rating mitigates the concentration of credit risk.

Derivative contracts are entered into, and cash and cash equivalents are 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 June 30, 2020 incorporated a rate increase across all customers and invoice dates. The provision for expected credit losses as at June 30, 2020 was not material.

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 June 30, 2020, there was $201 million of borrowing capacity available under the credit facility (December 31, 2019 - $198 million) and $31 million in cash and cash equivalents available (December 31, 2019 - $22 million).

Management expects to rely on cash provided by operating activities as the primary source of liquidity, and believes the mitigation actions undertaken will provide sufficient internally-generated cash flows for the Company to meet its financial obligations over the next 12 months. The credit facility remains a source of liquidity to supplement cash flows from operations, and management is confident that normal course extension provisions under the credit facility will provide access to supplemental liquidity.

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 and six months ended June 30, 2020 (three and six months ended June 30, 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 mitigated $23 million of unrealized foreign exchange loss for the six months ended June 30, 2020. On the remaining senior secured notes, the Company recognized an unrealized foreign exchange loss of $15 million for the six months ended June 30, 2020. For the three months ended June 30, 2020, Tervita recognized unrealized foreign exchange gains on its US$-denominated senior secured notes.

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 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 being 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.

11. SHARE CAPITAL AND NORMAL COURSE ISSUER BID

	Issued (number of shares)	Share Capital	Contributed Surplus
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 and shares outstanding, June 30, 2020	**113,107,140**	**909**	**7**

	Issued (number of shares)	Share Capital	Contributed Surplus
Balance, January 1, 2019	117,557,112	947	1
Repurchase of common shares	(518,386)	(5)	1
Shares outstanding, June 30, 2019	117,038,726	942	2
Share repurchase provision	(881,944)	(7)	1
Balance, net of provision, June 30, 2019	116,156,782	935	3

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. Tervita also entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares under the NCIB during blackout periods.

In March 2020, Tervita suspended its NCIB and terminated the ASPP, resulting in the reversal of the share repurchase provision that was recognized in our Annual Financial Statements.