TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

October 29, 2020

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") is a summary of the financial position and results of operations of Tervita Corporation ("Tervita", the "Company", "we", "our", "us" and similar expressions) for the three and nine months ended September 30, 2020 and as compared to the three and nine months ended September 30, 2019. This MD&A was approved by Tervita's Board of Directors on October 29, 2020 and includes information available up to that date.

This MD&A is a review of the financial results of Tervita, prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A should be read in conjunction with: (i) our unaudited Interim Condensed Consolidated Financial Statements and accompanying notes (the "Interim Financial Statements") for the three and nine months ended September 30, 2020 and 2019; (ii) our audited annual Consolidated Financial Statements and accompanying notes (the "Annual Financial Statements") and MD&A (the "Annual MD&A") for the year ended December 31, 2019; (iii) our Annual Information Form ("AIF") dated March 8, 2020; and (iv) our MD&A for the three and nine months ended September 30, 2019.

All financial information reflected herein is expressed in millions of Canadian dollars ("$" or "C$") unless otherwise stated. References to US$ mean United States dollars. Throughout this MD&A, "Q3" means the three months ended September 30 and "YTD" means the nine months ended September 30.

Certain comparative information has been reclassified to conform to the MD&A presentation adopted for the current year.

This MD&A contains references to the following measures not in accordance with IFRS ("non-GAAP measures"): Adjusted EBITDA, Adjusted EBITDA Margin, Divisional EBITDA, Divisional EBITDA Margin, Discretionary Free Cash Flow, Net Debt, Net Debt to Adjusted EBITDA (LTM), and Covenant EBITDA. Refer to the Non-GAAP Measures section for a full discussion on management's use of non-GAAP measures and their reconciliation to IFRS measures.

This MD&A contains forward-looking statements regarding Tervita and the industries in which we operate. Refer to the Forward-Looking Statements section for more information.

ABOUT TERVITA

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.

Our network of facilities as at September 30, 2020 consisted of 101 active waste processing, disposal, and industrial facilities, including: 43 treatment, recovery, and disposal facilities ("TRDs"); seven stand-alone disposal wells; three cavern disposal facilities; seven onsite facilities; 23 engineered landfills (which included 18 owned sites, two sites operated under contract, and three sites that we market under contract for other landfill operators); three transfer stations; one naturally occurring radioactive material facility; nine bio-remediation facilities; and five metals recycling facilities.

Tervita's activities are managed through two reportable segments: Energy Services and Industrial 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** 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.

In addition to our two reportable segments, Tervita presents intersegment eliminations, general and administrative ("G&A") expenses, the Canada Emergency Wage Subsidy ("CEWS"), and other non-operating expenses as Corporate. G&A includes expenses for executive leadership, human resources, information technology, finance, accounting, business development, communications, legal, and regulatory.

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	% Change	**2020**	2019	Increase (Decrease)	% Change
Facilities revenue	**76**	119	(43)	*(36)%*	**249**	350	(101)	*(29)%*
Energy marketing revenue	**203**	420	(217)	*(52)%*	**625**	1,191	(566)	*(48)%*
Energy Services revenue	**279**	539	(260)	*(48)%*	**874**	1,541	(667)	*(43)%*
Industrial Services revenue	**56**	75	(19)	*(25)%*	**164**	194	(30)	*(15)%*
Intersegment eliminations	**—**	(3)	3	*100 %*	**(2)**	(3)	1	*33 %*
Revenue	**335**	611	(276)	*(45)%*	**1,036**	1,732	(696)	*(40)%*
Revenue excluding energy marketing	**132**	191	(59)	*(31)%*	**411**	541	(130)	*(24)%*
G&A expenses	**(10)**	(11)	(1)	*(9)%*	**(30)**	(35)	(5)	*(14)%*
Canada Emergency Wage Subsidy [(1)]	**11**	—	11	*100 %*	**25**	—	25	*100 %*
Net profit (loss)	**11**	10	1	*10 %*	**(21)**	7	(28)	*(400)%*
- per share ($), basic and diluted	**0.10**	0.09	0.01	*11 %*	**(0.18)**	0.06	(0.24)	*(400)%*
Adjusted EBITDA [(2)]	**56**	65	(9)	*(14)%*	**154**	174	(20)	*(11)%*
- per share ($), basic	**0.49**	0.56	(0.07)	*(13)%*	**1.36**	1.49	(0.13)	*(9)%*
- per share ($), diluted	**0.49**	0.56	(0.07)	*(13)%*	**1.35**	1.48	(0.13)	*(9)%*
Adjusted EBITDA Margin [(2)]	**42 %**	34 %	8 %		**37 %**	32 %	5 %	
Energy Services Divisional EBITDA [(2)]	**44**	63	(19)	*(30)%*	**132**	178	(46)	*(26)%*
Industrial Services Divisional EBITDA [(2)]	**11**	13	(2)	*(15)%*	**27**	31	(4)	*(13)%*
Divisional EBITDA [(2)]	**55**	76	(21)	*(28)%*	**159**	209	(50)	*(24)%*
Capital additions	**11**	43	(32)	*(74)%*	**44**	87	(43)	*(49)%*
Discretionary Free Cash Flow [(2)]	**45**	47	(2)	*(4)%*	**71**	81	(10)	*(12)%*
Shares as at September 30 (000's of shares) [(3)]								
Shares outstanding	**113,107**	115,787	(2,680)	*(2)%*	**113,107**	115,787	(2,680)	*(2)%*
Weighted average shares - basic	**113,404**	116,356	(2,952)	*(3)%*	**113,529**	117,101	(3,572)	*(3)%*
Weighted average shares - diluted	**113,715**	116,640	(2,925)	*(3)%*	**113,762**	117,365	(3,603)	*(3)%*

(1) *Q3 2020 included $5 million related to employees in Energy Services, $4 million in Industrial Services, and $2 million in Corporate. YTD 2020 included $12 million related to employees in Energy Services, $9 million in Industrial Services, and $4 million in Corporate. Refer to the section Canada Emergency Wage Subsidy for more information.*

(2) *Refer to the section Non-GAAP Measures for definitions and reconciliation.*

(3) *As at October 29, 2020, the Company had 113,107,151 common shares and 2,713,100 stock options outstanding. Each option outstanding is exercisable for one common share.*

Tervita's results for the three and nine months ended September 30 excluding CEWS were as follows:

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Adjusted EBITDA [(1)(2)]	**45**	65	(20)	*(31)%*	**129**	174	(45)	*(26)%*
- per share ($), basic	**0.40**	0.56	(0.16)	*(29)%*	**1.14**	1.49	(0.35)	*(23)%*
- per share ($), diluted	**0.40**	0.56	(0.16)	*(29)%*	**1.13**	1.48	(0.35)	*(24)%*
Adjusted EBITDA Margin [(1)(2)]	**34 %**	34 %	— %		**31 %**	32 %	(1)%	

(1) *Refer to the section Canada Emergency Wage Subsidy for more information.*

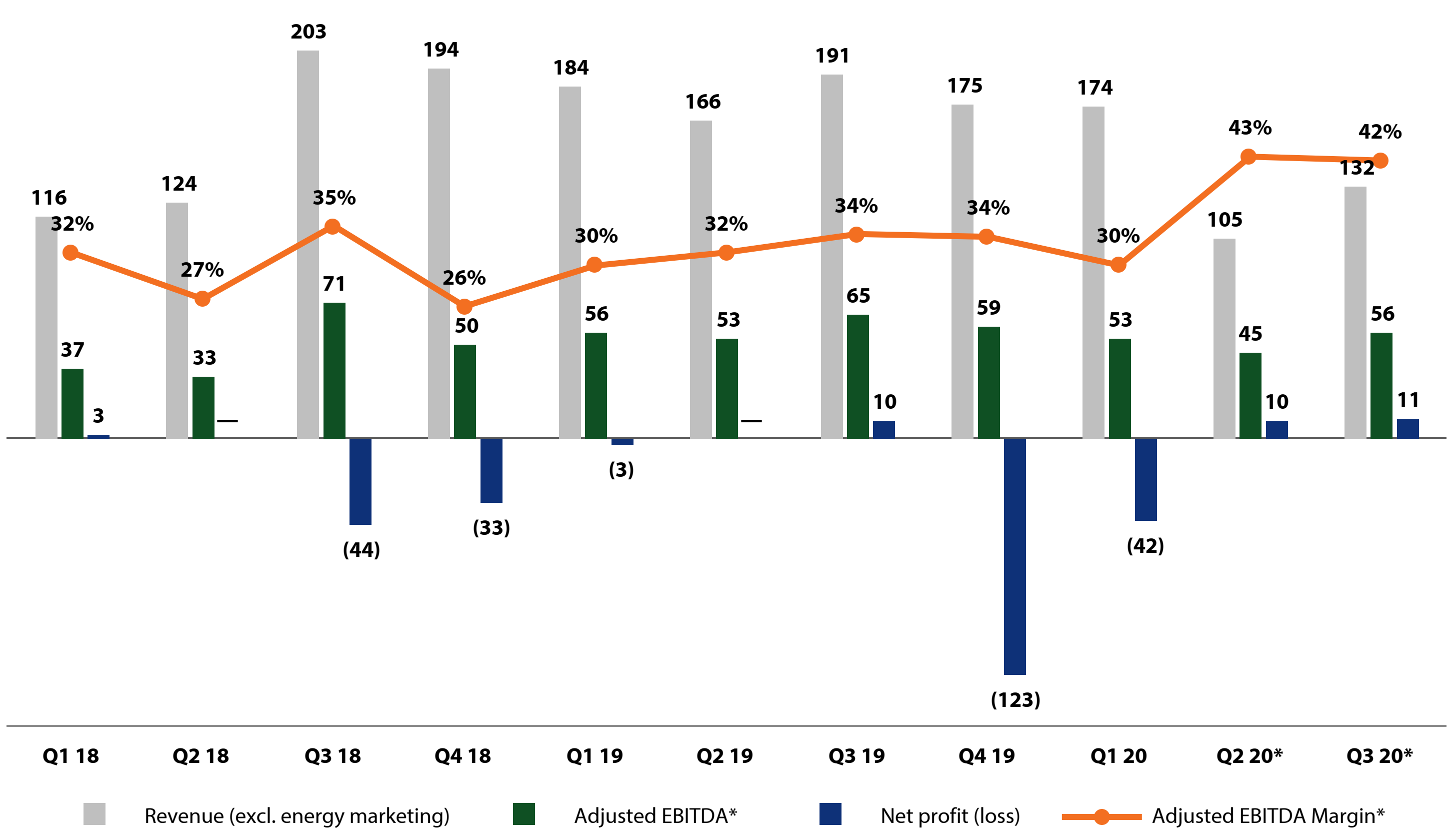
(2) *Refer to the section Non-GAAP Measures for definitions and reconciliation.*

INDUSTRY BENCHMARKS

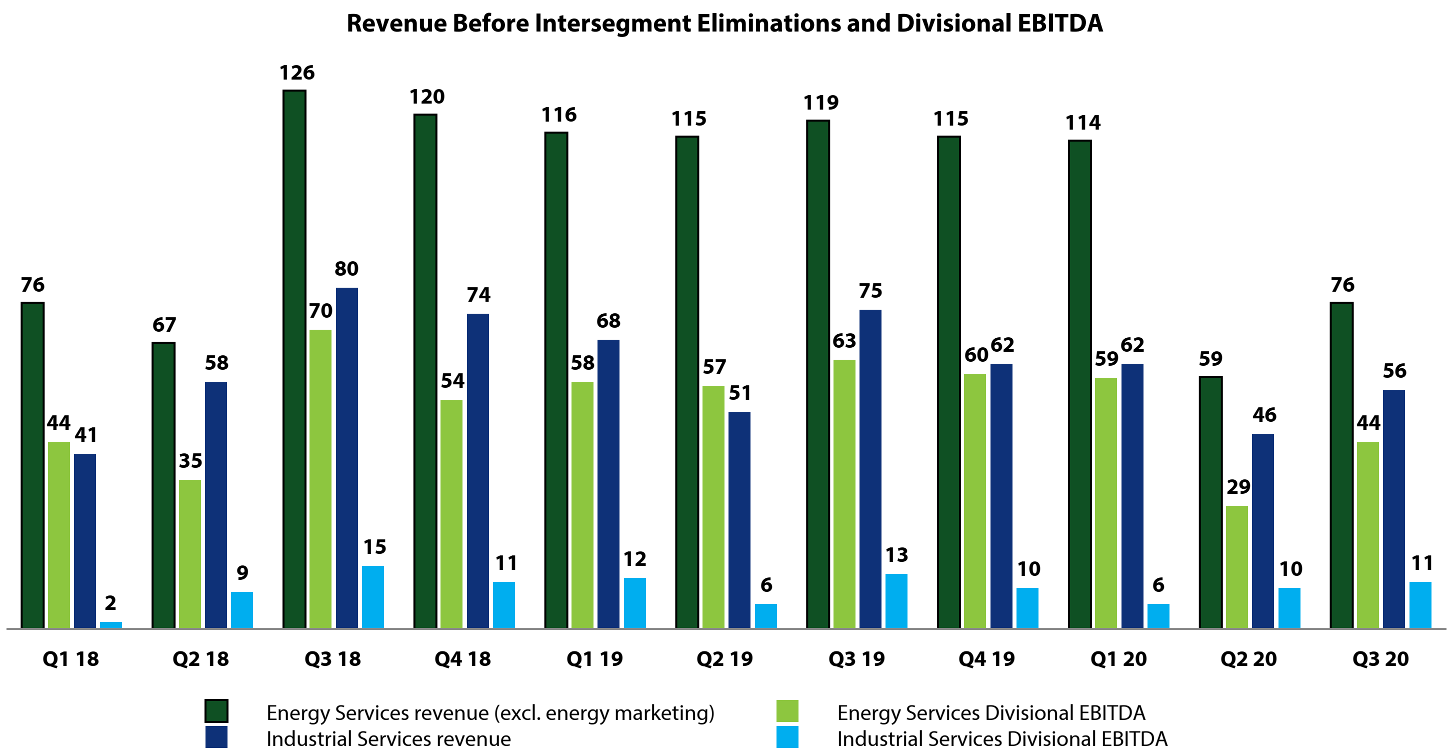
	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Average WTI (US$/bbl) [1]	**$ 40.94**	$ 56.40	$ (15.46)	*(27)%*	**$ 38.30**	$ 57.08	$ (18.78)	*(33)%*
Average Edmonton Mixed Sweet (US$/bbl) [1]	**$ 36.86**	$ 52.39	$ (15.53)	*(30)%*	**$ 32.59**	$ 52.52	$ (19.93)	*(38)%*
Average WCS (US$/bbl) [1]	**$ 31.90**	$ 43.88	$ (11.98)	*(27)%*	**$ 24.37**	$ 45.26	$ (20.89)	*(46)%*
Average AECO (C$/GJ) [1]	**$ 2.39**	$ 1.11	$ 1.28	*115 %*	**$ 2.22**	$ 1.74	$ 0.48	*28 %*
Average Oil Production (Mbbl/d) [2]	**3,874**	4,456	(582)	*(13)%*	**4,076**	4,390	(314)	*(7)%*
Average Gas Production (MMcf/d) [2]	**15,164**	15,900	(736)	*(5)%*	**15,501**	15,820	(319)	*(2)%*
Meters Drilled (000's of meters drilled) [3]	**1,260**	4,080	(2,820)	*(69)%*	**7,050**	11,130	(4,080)	*(37)%*
Wells Drilled [4]	**346**	1,416	(1,070)	*(76)%*	**2,282**	3,744	(1,462)	*(39)%*
Foreign Exchange Rate (C$/US$) [5]								
Period End	**$ 0.75**	$ 0.76	$ (0.01)	*(1)%*	**$ 0.75**	$ 0.76	$ (0.01)	*(1)%*
Period Average	**$ 0.75**	$ 0.75	$ —	*— %*	**$ 0.74**	$ 0.75	$ (0.01)	*(1)%*

[1] Information from Bloomberg, Reuters, and Sproule.
[2] Information from National Energy Board, Estimated Production of Canadian Crude Oil and Equivalent and Marketable Natural Gas Production in Canada.
[3] Information from JuneWarren-Nickle's Energy Group and pertains to Canada.
[4] Information from Daily Oil Bulletin and pertains to Canada
[5] Information from Bank of Canada.

Quarterly Revenue, Adjusted EBITDA, and Net Profit (Loss)



** The Adjusted EBITDA and Adjusted EBITDA Margin for Q2 2020 and Q3 2020 include $14 million and $11 million CEWS, respectively. Refer to the section Canada Emergency Wage Subsidy for more information.*


Revenue Before Intersegment Eliminations and Divisional EBITDA
76
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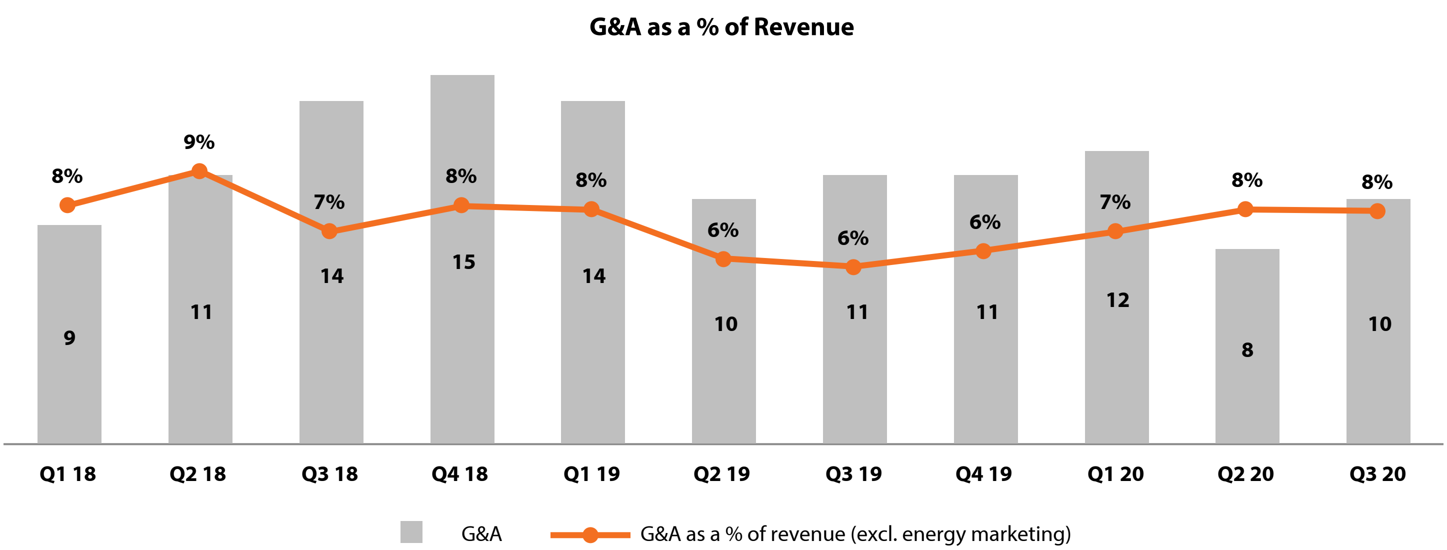
76
44
56
11
Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Q4 19
Q1 20
Q2 20
Q3 20
Energy Services revenue (excl. energy marketing)
Industrial Services revenue
Energy Services Divisional EBITDA
Industrial Services Divisional EBITDA


G&A as a % of Revenue
8%
9%
7%
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Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
Q3 19
Q4 19
Q1 20
Q2 20
Q3 20
G&A
G&A as a % of revenue (excl. energy marketing)

THIRD QUARTER RESULTS

- Our Q3 2020 results demonstrate the resiliency of our business against the backdrop of the COVID-19 pandemic and challenging oil price environment, reflecting our continued focus on profitability and market share growth as well as the actions taken to reduce costs. In addition, the steady return of oil production volumes previously shut in during Q2 2020 positively impacted volumes and performance in Energy Services.
- Revenue for the quarter was $335 million, a decrease of 45% from the prior year primarily driven by lower drilling and production activity and reduced commodity pricing.
    - Energy Services revenue decreased 48% from the prior year. Facilities revenue of $76 million decreased 36% from the prior year primarily due to decreased drilling and production activity resulting in reduced volumes into facilities combined with lower revenue from US operations. Energy marketing revenue decreased 52% from the prior year to $203 million primarily due to commodity price declines and reduced marketed oil volumes.
    - Industrial Services revenue of $56 million decreased 25% from the prior year due to lower project activity as a result of customer cost containment during the current economic environment.
- Adjusted EBITDA of $56 million decreased 14% from the prior year as management cost reduction initiatives and $11 million of CEWS moderated the impact of reduced activity and oil pricing.
    - Energy Services Divisional EBITDA decreased 30% from the prior year to $44 million driven by decreased drilling, production and marketed oil volumes partially offset by cost reduction initiatives and our continued focus on market share growth, including contributions from growth capital investments.
    - Industrial Services Divisional EBITDA decreased 15% from the prior year to $11 million driven by lower project activity partially offset by the continued benefit of business optimization and cost savings initiatives.
    - G&A expenses of $10 million were reduced 9% from prior year through our ongoing focus on cost control initiatives.
- Net profit of $11 million increased $1 million from the prior year as a decrease in Adjusted EBITDA was more than offset by lower depreciation expense associated with activity levels and asset dispositions in the US, as well as lower restructuring and transaction costs.
- Adjusted EBITDA margin excluding CEWS remained stable at 34% compared to prior year.
- Growth and expansion capital additions of $6 million in the quarter were largely related to landfill cell expansion and increasing water disposal capacity. Maintenance capital additions were $5 million, a decrease of 44% from the prior year.
- We successfully exited our United States ("US") operations due to lower activity in the US and as part of our continued focus on capital efficiencies and internal hurdle rates.
- Discretionary Free Cash Flow for the quarter remained relatively flat at $45 million compared to the prior year and, as a result, the short-term draw on the credit facility was repaid and cash and cash equivalents increased to $52 million.
- We commissioned a facility pipeline connection in the Viking play in central east Saskatchewan, increasing our total count of pipeline-connected facilities to 22.

YTD RESULTS

- YTD 2020 revenue was $1,036 million, a decrease of 40% from the prior year primarily due to decreased drilling and production activity and lower commodity pricing.
    - Energy Services revenue decreased 43% from the prior year. Facilities revenue of $249 million decreased 29% from the prior year as lower drilling and production activity reduced volumes into facilities, partially offset by growth capital contributions. Energy marketing revenue decreased 48% from the prior year to $625 million primarily due to the decline in commodity prices and lower marketed oil volumes.
    - Industrial Services revenue of $164 million decreased 15% from the prior year primarily driven by lower project activity and reduced ferrous metal volumes and pricing.
- Adjusted EBITDA of $154 million only decreased 11% from the prior year despite lower industry activity levels, as reduced G&A expenses and $25 million of CEWS partially offset lower Divisional EBITDA.
    - Energy Services Divisional EBITDA decreased 26% from the prior year to $132 million, driven by reduced drilling and production volumes and unfavourable commodity pricing partially offset by cost savings initiatives.
    - Industrial Services Divisional EBITDA decreased 13% from the prior year to $27 million, driven by lower project activity and decreased ferrous metal volumes, partially offset by business optimization and cost savings initiatives.
    - G&A expenses of $30 million decreased 14% from the prior year driven by our ongoing focus on cost control.
- Net loss of $21 million, compared to a $7 million net profit in the prior year was due to lower Adjusted EBITDA, non-cash impairment expense related to the suspension of certain facilities in the first quarter and higher foreign exchange losses related to the senior secured notes, partially offset by decreased depreciation expense.
- We commissioned in the first quarter and are fully operational at our Montney pipeline-connected water disposal facility, which is backed by a senior producer with a minimum five-year commitment.
- Restructuring costs of $10 million were related to management cost savings initiatives executed in the first half of the year and are expected to drive approximately $32 million of annualized structural cost savings, with approximately $23 million to be realized in 2020.
- Growth and expansion capital additions were $26 million, primarily focused on the completion of our water disposal facility supporting a senior producer in the Montney, increasing disposal well capacity and blending capabilities and the purchase of industrial equipment in support of long-term customer backed contracts. Maintenance capital additions were $18 million, a decrease of 18% from the prior year.
- Suspended our normal course issuer bid ("NCIB") program in order to preserve liquidity.

CANADA EMERGENCY WAGE SUBSIDY

On April 1, 2020 in response to the COVID-19 pandemic, the Federal Government of Canada announced the CEWS program to help employers protect jobs. The subsidy covered a portion of an employee's wages up to a predefined limit for employers who had been materially impacted by the pandemic. Tervita was eligible for the first seven application periods spanning March 15 to September 26, 2020 and has recognized benefits totaling $11 million and $25 million for the three and nine months ended September 30, 2020, respectively. We continue to monitor our eligibility for the program, which was recently extended to the summer of 2021.

OUTLOOK

Tervita’s performance exhibited a strong recovery in the third quarter. Both the Energy Services and the Industrial Services business segments contributed to the recovery, which we expect to continue into the fourth quarter.

Our Energy Services business is strongly underpinned by production related waste volumes in the Western Canadian Sedimentary Basin (“WCSB”). In April and May a significant decline in energy prices forced some producers to shut-in volumes exceeding one million barrels per day. Through June to September the price of WTI climbed and stabilized above US$40/bbl, and we believe the majority of the shut-in volumes have been returned to the market. In October 2020, the Alberta government announced the removal of production curtailments and, assuming current market conditions we anticipate the remaining shut-in production of approximately 300 thousand barrels per day to come back online, increasing production-based volumes and related revenues at our facilities. Revenue from drilling and completion activity has been impacted by the drop in drilling activity, and we expect the recovery of these activities will gradually improve throughout the remainder of the year while remaining at levels lower than a year ago.

Our Industrial Services business has been less impacted by the COVID-19 downturn. As exhibited by strong Q3 profitability, Industrial Services is realizing the benefits of the organizational restructuring completed through 2019 and early 2020 and is demonstrating resiliency in its underlying business of providing customers integrated solutions through our full suite of service offerings. We expect our Industrial Services business, specifically our project-based work, to continue to perform well through the remainder of the year. Additionally, the Federal Government's well abandonment and site rehabilitation program provides the opportunity to materially improve results from these service lines.

SAFETY

The health and safety of our people, our customers and the communities in which we operate is our top priority. Our business continuity plan in response to the COVID-19 pandemic remains in effect to keep employees safe and healthy, assist our customers and ensure safe operations. We have a dedicated COVID-19 team that manages the continuity plan, implements proactive measures and keeps our people and customers updated on this evolving situation. Our employees have adapted well to working from home where possible and have implemented best practices to keep our field operations and customers safe. Tervita has not suffered any interruptions to services or our capacity to handle our customer requirements due to the pandemic outbreak.

COST REDUCTIONS

We took immediate action following the decline of commodity prices to reduce costs and protect liquidity and continue to expect to decrease structural costs by approximately $32 million on an annualized basis with approximately $23 million expected in 2020. The structural actions include items such as employee headcount reductions and location optimization throughout our network. In addition we implemented multiple actions to drive in-year savings, including reductions to the Board of Directors' cash retainer and executive leadership team's salary, as well as reducing discretionary spending.

In the first quarter, we reduced our 2020 capital plan to $60 million, a 56% reduction from 2019 expenditures, with the ability to increase or decrease the capital plan in response to commodity prices and the economic environment. We are on track with our capital plan for 2020. We continue to look for and execute opportunities to reduce costs, improve efficiencies and ensure all open and operating facilities are generating positive cash flows.

We actively monitor all of our assets to ensure they continue to meet our internal rates of return and generate positive cash flow, and that our service lines remain core to Tervita. During Q3 2020 we finalized the sale of our US assets to focus on growth within Canada, specifically in our Industrial Services division. While the exit from the US was not material to Tervita, it highlights our focus on capital efficiency and cost control.

As the environment continues to gradually improve our priorities remain the health and safety of our people as well as providing valuable services to our customers. We continue to monitor our external environment and are well prepared to take any further action required for the remainder of the year.

GOVERNMENT PROGRAMS

In response to the economic impacts from COVID-19 and low commodity prices, the Federal Government of Canada announced numerous programs to support companies through the current economic environment. We have actively pursued two of the government programs: CEWS and the $1.7 billion fund for well abandonment and site rehabilitation.

- We were eligible for funding through CEWS through the quarter and recognized $11 million of benefit related to the program in Q3 2020, for a total of $25 million year-to-date. We will continue to monitor our eligibility for funding under the program, which was recently extended to the summer of 2021.
- We are well positioned to work closely with customers and government across British Columbia ("BC"), Alberta, and Saskatchewan to take advantage of the well abandonment and site rehabilitation program. Tervita is a prime contractor for the Alberta Orphan Well Association and an approved decommissioning contractor for the BC Oil & Gas Commission. With our environmental services business and the largest portfolio of landfills in Western Canada, we are working with producers and government agencies to submit applications for the early phases of these programs in all three provinces and have been awarded contracts in BC and Alberta. We are actively working with customers through the early phases of these programs in all three provinces and anticipate the positive benefit to Tervita of increased activity will be more heavily weighted towards late 2021 and 2022.

LIQUIDITY

We are well positioned with liquidity of $267 million of cash and unutilized capacity on our credit facility.

Tervita's senior secured revolving credit facility expires in June 2021 and Tervita's US$590 million senior notes are not due until December 2021. We are actively working with our lenders and continue to assess various refinancing solutions. We have commitments to increase our credit facility to $350 million and extend the maturity to two years from the effective date of the amended and restated credit facility, subject to the completion of the refinancing of our senior notes and satisfaction of other customary closing conditions. Assuming the continuation of the current economic environment, we anticipate our Net Debt levels will remain relatively flat throughout the remainder of the year. We continue to live within cash flow and expect to remain within our covenant thresholds.

2021

Looking forward to 2021, Tervita expects the positive momentum realized in Q3 to continue. Assuming the current economic environment, including approximately US$40/bbl WTI, improvement of oil and gas production toward pre-pandemic levels and general economic and industrial activity improvements associated with a steady reopening following the pandemic related shutdowns, the Company anticipates Adjusted EBITDA growth excluding CEWS in 2021 driven by contributions from:

- The full year benefit from the approximately $32 million annualized structural cost savings instituted in Q2 2020 (savings expected for 2020 to be approximately $23 million);
- Continued benefit of the commercial, organizational and cost strategies implemented within our Industrial Services business; and
- Full year of operations at our Montney water disposal facility that has been fully operational servicing producers since the end of Q1 2020.

OPERATING RESULTS

ENERGY SERVICES

Facilities include our TRDs, caverns, disposal wells, landfills and onsite services, and represent activities related to the treatment, recovery, and disposal of fluids, the processing and disposal of solid materials used in and generated by natural resource and industrial production, and the disposal of oilfield waste, as well as specialized services on a customer's site including centrifugation or other processes for heavy oil producers involved in mining and in-situ production.

Energy marketing represents activities related to the purchase and resale of oil volumes associated with terminalling, treatment, recovery, and disposal services. Revenue and direct expenses for energy marketing activities are recorded at the purchased cost of oil. Revenue related to services provided by TRD facilities to prepare the energy marketing oil volumes for entry to the pipeline, including treatment, blending, and terminalling, are reported with facilities revenue.

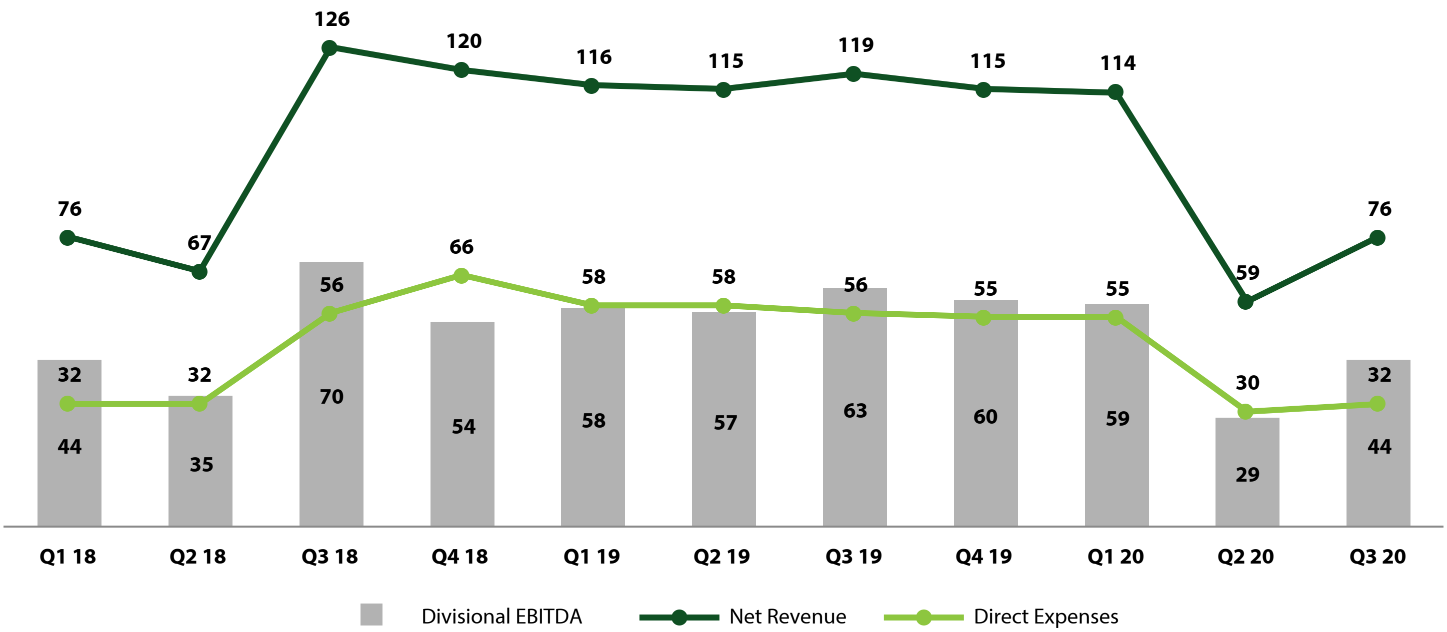
Energy Services Financial Highlights

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Facilities revenue [1]	**76**	119	(43)	*(36)%*	**249**	350	(101)	*(29)%*
Energy marketing revenue	**203**	420	(217)	*(52)%*	**625**	1,191	(566)	*(48)%*
Less: energy marketing direct expenses	**(203)**	(420)	217	*52 %*	**(625)**	(1,191)	566	*48 %*
Net Energy Services revenue	**76**	119	(43)	*(36)%*	**249**	350	(101)	*(29)%*
Facilities direct expenses	**(32)**	(56)	(24)	*(43)%*	**(117)**	(172)	(55)	*(32)%*
Depreciation and amortization	**(22)**	(28)	(6)	*(21)%*	**(63)**	(83)	(20)	*(24)%*
Restructuring costs	**—**	—	—	*— %*	**(7)**	(1)	6	*600 %*
Impairment reversal (expense)	**1**	—	(1)	*(100)%*	**(19)**	4	23	*575 %*
Operating profit (loss)	**23**	35	(12)	*(34)%*	**43**	98	(55)	*(56)%*
Finance costs	**(2)**	(2)	—	*— %*	**(4)**	(8)	(4)	*(50)%*
Other income (expense)	**(4)**	1	5	*500 %*	**(4)**	1	5	*500 %*
Net profit (loss)	**17**	34	(17)	*(50)%*	**35**	91	(56)	*(62)%*
Divisional EBITDA [2]	**44**	63	(19)	*(30)%*	**132**	178	(46)	*(26)%*
Divisional EBITDA Margin [2]	***58 %***	*53 %*	*5 %*		***53 %***	*51 %*	*2 %*	

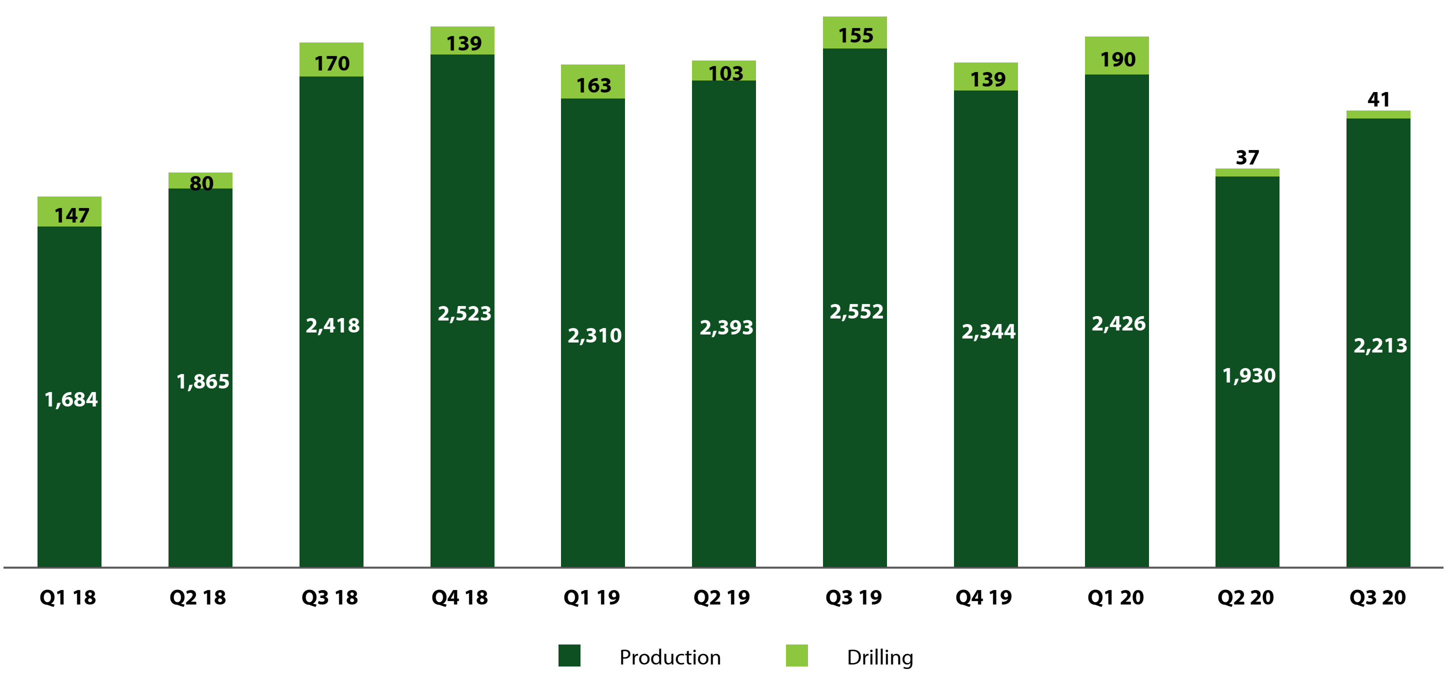
[1] As part of restructuring initiatives, onsite services was incorporated into the facilities service line effective Q1 2020. Prior period revenue has been reclassified for comparative purposes.

[2] Refer to the section Non-GAAP Measures for definitions and reconciliations.

Energy Services Quarterly Results



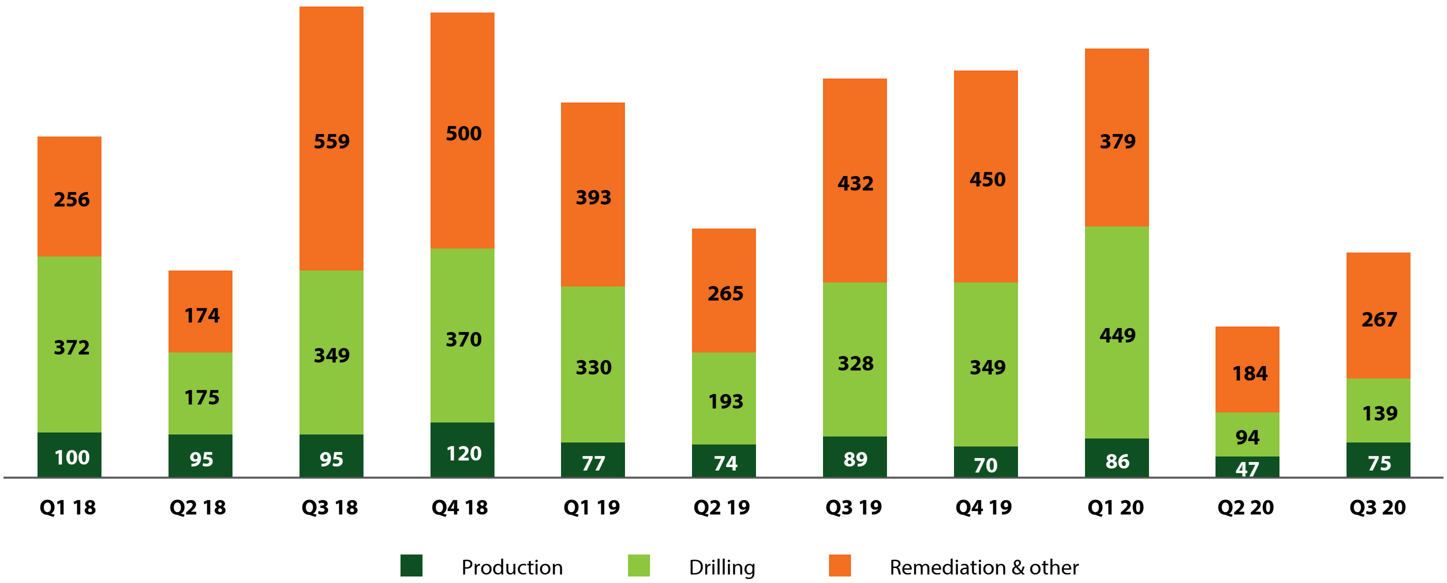
TRDs, Caverns and Wells Volumes by Revenue Source (thousands of m3)



Production volumes are related to oil and gas production operations and include volumes for treatment, terminalling, and disposal activities for liquid waste from emulsion and produced water.

Drilling volumes are related to oil and gas drilling activities and include volumes for processing and disposal of waste and waste water.

Landfills Volumes by Revenue Source (thousands of tonnes)

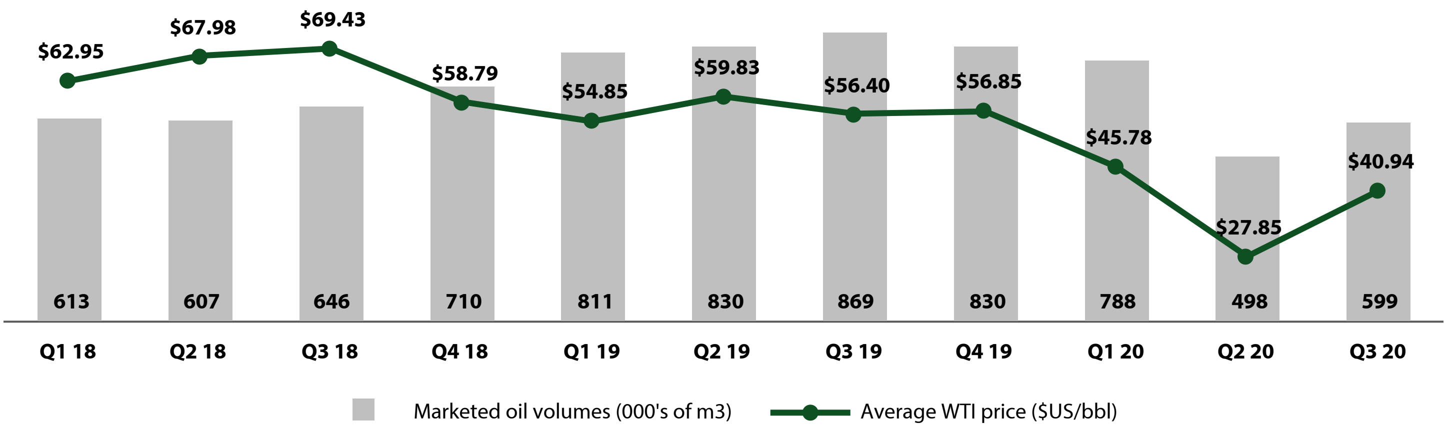


Production volumes are related to oil and gas production operations and include volumes for disposal activities for solids waste from emulsions.

Drilling volumes are primarily volumes for drill cuttings related to oil and gas drilling.

Remediation & other volumes are related to the processing and disposal of solid waste from spill cleanup and remediation or reclamation activities, revenue earned on managed landfills, and other service-related activities.

Marketed Oil Volumes Compared to Average WTI Prices



Q3 2018 and Q4 2018 marketed oil volumes exclude volumes marketed by a third party. Beginning January 1, 2019, these volumes were marketed by Tervita.

Energy Services Third Quarter Results

- Net revenue of $76 million decreased 36% from the prior year driven by lower drilling and production-related volumes into our facilities, reduced marketed oil revenues, and the exit from our US-based operations.
    - TRDs production and drilling volumes decreased 13% and 74%, respectively, primarily driven by producer shut-ins and a 69% decrease in drilling activity. This was partially offset by our continued focus on market share growth including contributions from our Montney water disposal project commissioned in the first quarter.
    - Landfills volumes decreased 43% compared to prior year across all regions, driven by decreased drilling activity and deferred remediation projects due to customer cost containment.
    - Revenue related to our US-based service offering declined as we fully exited our operations in Q3 2020.
- Divisional EBITDA of $44 million decreased 30% from the prior year driven by the same factors as revenue. The impact of external market factors was partially offset by management cost reduction initiatives and contributions from growth capital investments.
- Divisional EBITDA Margin was 58% compared to 53% for the same period in the prior year reflecting our continued focus on cost structure optimization and returns from our growth capital investments.
- Net profit of $17 million decreased 50% from the prior year, as reduced Divisional EBITDA was offset by decreased depreciation expense due to lower activity.

Energy Services YTD Results

- Net revenue of $249 million decreased 29% from the prior year, driven by decreased volumes and lower commodity pricing.
    - TRDs production and drilling volumes decreased 9% and 36%, respectively, as contributions from our Montney water disposal facility lessened the impact of reduced activity.
    - Landfills volumes decreased 21% compared to prior year, as increased volumes related to drilling activity and reclamation programs in the first quarter were more than offset by lower volumes in the second and third quarters.
- Divisional EBITDA of $132 million decreased 26% from the prior year primarily driven by lower drilling and production volumes and unfavourable commodity pricing, partially offset by management cost reduction initiatives.
- Divisional EBITDA Margin was 53% compared to 51% for the same period in the prior year, demonstrating our continued focus on profitability through cost optimization and maximizing returns from growth capital.
- Net profit of $35 million decreased $56 million compared to prior year driven by reduced Divisional EBITDA combined with non-cash impairment expense from the suspension of certain facilities in the first quarter, partially offset by decreased depreciation expense.

INDUSTRIAL SERVICES

Industrial Services is comprised of four service lines: waste services, metals recycling and rail services, water services, and environmental services. Revenue from these service lines is derived from: commodity-based sales from ferrous and non-ferrous metals; facility-based services including hazardous and non-hazardous waste management and disposal and waste transportation and classification; and project-based services including site remediation, facility decommissioning, water treatment, sludge and slurry management, bio-remediation and technologies, technical services and environmental liability management, emergency response, and rail services.

Industrial Services Financial Highlights

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Commodity-based sales	**9**	11	(2)	*(18)%*	**25**	36	(11)	*(31)%*
Facility-based services	**12**	13	(1)	*(8)%*	**32**	33	(1)	*(3)%*
Project-based services	**35**	51	(16)	*(31)%*	**107**	125	(18)	*(14)%*
Total revenue	**56**	75	(19)	*(25)%*	**164**	194	(30)	*(15)%*
Direct expenses	**(45)**	(62)	(17)	*(27)%*	**(137)**	(163)	(26)	*(16)%*
Depreciation and amortization	**(4)**	(5)	(1)	*(20)%*	**(12)**	(15)	(3)	*(20)%*
Restructuring costs	**—**	(1)	(1)	*(100)%*	**(2)**	(3)	(1)	*(33)%*
Impairment reversal (expense)	**—**	—	—	*— %*	**—**	—	—	*— %*
Operating profit (loss)	**7**	7	—	*— %*	**13**	13	—	*— %*
Finance costs	**—**	(1)	(1)	*(100)%*	**(1)**	(2)	(1)	*(50)%*
Other income (expense)	**—**	2	(2)	*(100)%*	**1**	2	(1)	*(50)%*
Net profit (loss)	**7**	8	(1)	*(13)%*	**13**	13	—	*— %*
Divisional EBITDA [1]	**11**	13	(2)	*(15)%*	**27**	31	(4)	*(13)%*
Divisional EBITDA Margin [1]	***20 %***	*17 %*	*3 %*		***16 %***	*16 %*	*— %*	

[1] *Refer to section Non-GAAP Measures for definitions and reconciliations.*

Industrial Services Third Quarter Results

- Revenue of $56 million decreased 25% from the prior year primarily driven by lower project activity in Alberta, as customers deferred projects in response to the current economic environment, and lower ferrous metals volume. Ferrous metal pricing remained lower than prior year, however improved and stabilized in the last month of the quarter.
- Divisional EBITDA of $11 million decreased 15% from the prior year. The impact of reduced project revenue was materially offset by our business optimization and cost management initiatives.
- Divisional EBITDA Margin increased 3 percentage points over prior year to 20% as business optimization and cost savings more than offset the impact of reduced activity.
- Net profit of $7 million was relatively flat compared to prior year.

Industrial Services YTD Results

- Revenue of $164 million decreased 15% from the prior year primarily due to lower project work and lower ferrous metal volumes and pricing, partially offset by rail services activity.
- Divisional EBITDA of $27 million decreased 13% from the prior year, driven by lower project activity and lower ferrous metal volumes and pricing, partially offset by business optimization and cost reduction initiatives.
- Divisional EBITDA Margin was maintained at 16%, flat to prior year, as business optimization and cost savings initiatives offset the impact of reduced project activity.
- Net profit for the period of $13 million was flat to prior year as lower Divisional EBITDA was partially offset by lower depreciation expense.

CORPORATE

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Revenue - intersegment eliminations	**—**	(3)	(3)	*(100)%*	**(2)**	(3)	(1)	*(33)%*
Direct costs - intersegment eliminations	**—**	3	3	*100 %*	**2**	3	1	*33 %*
G&A expenses	**(10)**	(11)	(1)	*(9)%*	**(30)**	(35)	(5)	*(14)%*
Canada Emergency Wage Subsidy [1]	**11**	—	(11)	*(100)%*	**25**	—	(25)	*(100)%*
Depreciation and amortization	**(2)**	(2)	—	*— %*	**(4)**	(5)	(1)	*(20)%*
Restructuring costs	**—**	—	—	*— %*	**(1)**	(2)	(1)	*(50)%*
Impairment reversal (expense)	**2**	4	2	*50 %*	**5**	2	(3)	*(150)%*
Finance costs	**(19)**	(20)	(1)	*(5)%*	**(57)**	(58)	(1)	*(2)%*
Transaction costs	**—**	(2)	(2)	*(100)%*	**(1)**	(6)	(5)	*(83)%*
Other income (expense)	**4**	(1)	(5)	*(500)%*	**(8)**	(4)	4	*100 %*
Income taxes recovery (expense)	**1**	—	(1)	*(100)%*	**2**	11	9	*82 %*
Total Corporate expenses	**(13)**	(32)	(19)	*(59)%*	**(69)**	(97)	(28)	*(29)%*
G&A as a % of revenue (excl. energy marketing)	***8 %***	*6 %*	*2 %*		***7 %***	*6 %*	*1 %*	

[1] Refer to the section Canada Emergency Wage Subsidy for more information.

General and Administrative Expenses

- Q3 and YTD 2020 G&A expenses decreased 9% and 14%, respectively, compared to prior year, driven by cost reduction initiatives.

Other Income (Expense)

	Three Months Ended September 30				Nine Months Ended September 30			
	2020	2019	Increase (Decrease)	*% Change*	**2020**	2019	Increase (Decrease)	*% Change*
Gain (loss) on sale of assets	**—**	1	1	*100 %*	**—**	1	1	*100 %*
Gain (loss) on equity investment	**—**	—	—	*— %*	**—**	1	1	*100 %*
Share-based compensation	**(1)**	(3)	(2)	*(67)%*	**1**	(7)	(8)	*(114)%*
Change in provisions and onerous lease contracts	**(1)**	—	1	*100 %*	**(1)**	(1)	—	*— %*
Foreign exchange gain (loss)	**6**	—	(6)	*(100)%*	**(8)**	1	9	*900 %*
Gain (loss) on lease modification	**—**	1	1	*100 %*	**—**	1	1	*100 %*
Other income (expense)	**4**	(1)	(5)	*(500)%*	**(8)**	(4)	4	*100 %*

- Q3 2020 other income (expense) improved by $5 million compared to the prior year due to higher foreign exchange gains on the Company's senior secured notes as a result of the weakening US currency during the quarter.
- YTD 2020 other income (expense) declined by $4 million compared to the prior year due to foreign exchange losses on the Company's senior secured notes as a result of the stronger US currency, partially offset by a share-based compensation recovery.

Income Tax Recovery (Expense)

- YTD 2020 income tax recovery decreased $9 million compared to prior year due to an $11 million recovery in Q2 2019 related to the resolution of certain tax matters relating to prior periods.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND LIQUIDITY RISK

The term liquidity refers to the ability and speed with which a company's assets can be converted into cash. Liquidity risk refers to the risk encountered in meeting financial obligations settled by cash or another financial asset. Our liquidity risk may arise from general day-to-day cash requirements and in the management of our assets, liabilities, and capital resources. We manage our cash and senior secured revolving credit facility ("credit facility") balances to have sufficient capital to fund ongoing operations, capital programs, and growth initiatives. Our liquidity and operational cash requirements are managed through cash flow forecasts, monitoring of operational expenditures compared to budget, and monitoring of financial leverage ratios. Our liquidity needs and working capital requirements can be sourced through cash provided by operating activities, existing credit facilities, and access to debt and capital markets.

Our debt structure as at September 30, 2020 included: (i) an undrawn $275 million credit facility; and (ii) an aggregate principal amount of US$590 million senior secured notes, which were issued in December 2016 in an amount of US$360 million and in July 2018 in an amount of US$250 million, of which we repurchased US$20 million in November 2019. The senior secured notes bear a coupon rate of 7.625%, with interest payable semi-annually on June 1 and December 1, and mature on December 1, 2021.

Standard and Poors Financial Services LLC ("S&P") and Moody's Investor Service, Inc. ("Moody's") provide corporate and senior secured notes credit ratings (for further disclosure on credit ratings refer to our AIF). Due to the impact the decline in oil prices and related activity levels has had on the energy industry and companies that provide services to them, S&P downgraded our credit rating from B+ to CCC+ (negative) for our corporate rating and from B+ to CCC+ for our senior secured notes and Moody's downgraded our credit rating from B1 to B3 (negative) for our corporate rating and from B2 to B3 for our senior secured notes.

At September 30, 2020, Tervita had $60 million in letters of credit ("LCs") issued against our credit facility. The remaining $215 million of capacity, combined with $52 million of cash and cash equivalents, provided $267 million in available liquidity. The credit facility has a scheduled maturity date of June 1, 2021, with normal course extension provisions under the credit agreement.

Tervita has received commitments from its lending syndicate to increase the existing facility from $275 million to $350 million and extend the term to two years from the effective date of the amended and restated credit facility, subject to the refinancing of our senior notes and satisfaction of other customary closing conditions. At September 30, 2020 the credit facility was undrawn.

For the nine months ended September 30, 2020, Tervita generated $109 million (September 30, 2019 - $110 million) of cash from operations (net of working capital and including decommissioning activities) and invested approximately $69 million (September 30, 2019 - $55 million) of cash in property, plant and equipment and intangible assets. Tervita generated sufficient cash flow to support continuing operations and reduce Net Debt by $16 million.

For the nine months ended September 30, 2020, Discretionary Free Cash Flow was $71 million, a decrease of $10 million from 2019 due to lower funds from operations and higher cash spend on maintenance capital partially offset by increased proceeds from the disposal of long-lived assets. Discretionary Free Cash Flow represents Tervita's capacity to fund its ongoing growth capital spending and reduce Net Debt. Discretionary Free Cash Flow was more than sufficient to fund the $47 million of growth and expansion cash capital expenditures.

Net Debt to Adjusted EBITDA (LTM) at September 30, 2020 was 3.39.

SOURCES OF CASH

Our liquidity needs can be sourced in several ways, including: funds from operations, draws against or increases in our credit facility, new debt instruments, proceeds from the sale of long-lived assets, and issuance of share capital.

At September 30, 2020, Tervita had cash and cash equivalents of $52 million, an increase of $30 million compared to December 31, 2019.

Credit Facility

At September 30, 2020, $215 million was available and undrawn under our credit facility for general corporate purposes, as well as to provide LCs to third parties. The maximum additional value of LCs that can be issued under the LC program is $140 million.

Under the terms of Tervita's credit facility we must comply with certain financial and non-financial covenants, including: (i) Total Leverage Ratio; (ii) Secured Leverage Ratio; and (iii) Interest Coverage Ratio.

The Company was in compliance with its covenants at September 30, 2020 as follows:

	Required	**Actual**
Total Leverage Ratio	Less than 4.50	3.63
Secured Leverage Ratio	Less than 2.50	0.04
Interest Coverage Ratio	Greater than 2.00	3.14

Total Leverage Ratio

Total Leverage Ratio is calculated as the ratio of Total Indebtedness to Covenant EBITDA. Total Indebtedness consists of the amounts drawn on our credit facility, outstanding principal value of the senior secured notes, reported in C$ and reflecting the impact of cross-currency swaps, less cash balances up to a total of $75 million.

Tervita's Total Leverage Ratio cannot exceed 4.50 to 1.00.

Secured Leverage Ratio

Secured Leverage Ratio is defined as Secured Indebtedness to Covenant EBITDA. Secured Indebtedness consists of the outstanding LCs (which reduce the borrowing availability under the credit facility) and amounts drawn on our credit facility, less cash balances up to a total of $75 million.

Tervita must maintain a Secured Leverage Ratio of less than 2.50 to 1.00.

Interest Coverage Ratio

Interest Coverage Ratio is defined as Covenant EBITDA to Interest Expense, where Interest Expense consists of interest payments on the senior secured notes and amounts drawn under our credit facility for the last twelve months, interest due on LCs, and standby fees.

Tervita must maintain an Interest Coverage Ratio greater than 2.00 to 1.00.

USES OF CASH

Our primary uses of cash include capital expenditures, operating and G&A expenses, payments for decommissioning obligations, and debt servicing. Some of these cash outflows are contractually obligated into the future.

Capital Investments

Capital additions are classified as either growth and expansion capital or maintenance capital. Growth and expansion capital are investments to expand our existing facilities, develop our landfills and caverns, and purchase property, plant and equipment, with the intent of expanding existing businesses or entering into new locations or markets. Maintenance capital is incurred to retain the current performance levels of existing assets.

Change in capital accruals represent the net non-cash additions to property, plant and equipment and intangible assets that occur as a result of the timing difference between capitalizing an asset and settling the related liability in cash.

Capital additions for the three and nine months ended September 30 were as follows:

	Three Months Ended September 30				**Nine Months Ended September 30**			
	2020	2019	Increase (Decrease)	% Change	**2020**	2019	Increase (Decrease)	% Change
Growth and expansion	**6**	34	(28)	*(82)%*	**26**	65	(39)	*(60)%*
Maintenance	**5**	9	(4)	*(44)%*	**18**	22	(4)	*(18)%*
Capital additions	**11**	43	(32)	*(74)%*	**44**	87	(43)	*(49)%*
Change in capital accruals and other non-cash items	**(2)**	(23)	21	*91 %*	**25**	(32)	57	*178 %*
Cash spend	**9**	20	(11)	*(55)%*	**69**	55	14	*25 %*
Growth and expansion	**5**	13	(8)	(62)%	**47**	38	9	24 %
Maintenance	**4**	7	(3)	(43)%	**22**	17	5	29 %

Management evaluates capital projects based on their internal rate of return, payback period, fit with our corporate strategy, and risks associated with the projects, among other factors. Growth and expansion capital investment is prioritized towards projects that provide stable cash flows and where there is a high degree of certainty of completing projects on time and on budget. The amount and timing of future maintenance capital is primarily dependent on the volume of waste that is received at our facilities.

We will continue to seek opportunities to strategically deploy growth capital.

NCIB

In 2019, we commenced a NCIB to repurchase up to 5,877,855 common shares until May 6, 2020. On March 31, 2020, Tervita suspended its NCIB.

In 2019, we 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 reversal of the provision recognized in the Annual Financial Statements.

SUMMARY OF COMPARATIVE RESULTS

SEASONALITY

Seasonal weather patterns in the areas where 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 (excluding energy marketing) tends to earn lower revenue and operating profit in the second quarter (refer to the Operating Results section for a discussion on Energy Services).

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 (refer to the Operating Results section for a discussion on Industrial Services).

QUARTERLY REVIEW SUMMARY

	Q3 2020	**Q2 2020**	**Q1 2020**	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Revenue (excluding energy marketing)	**132**	**105**	174	175	191	166	184	194
Energy marketing revenue	**203**	**110**	312	416	420	424	347	208
Revenue	**335**	**215**	486	591	611	590	531	402
Profit (loss) from continuing operations	**11**	**10**	(42)	(123)	10	—	(3)	(33)
- per share ($), basic	**0.10**	**0.09**	(0.37)	(1.07)	0.09	—	(0.03)	(0.28)
- per share ($), diluted	**0.10**	**0.09**	(0.38)	(1.07)	0.09	—	(0.03)	(0.28)
Net profit (loss)	**11**	**10**	(42)	(123)	10	—	(3)	(33)
- per share ($), basic	**0.10**	**0.09**	(0.37)	(1.07)	0.09	—	(0.03)	(0.28)
- per share ($), diluted	**0.10**	**0.09**	(0.38)	(1.07)	0.09	—	(0.03)	(0.28)
Adjusted EBITDA [(1)(2)]	**56**	**45**	53	59	65	53	56	50
Divisional EBITDA [(2)]								
Energy Services	**44**	**29**	59	60	63	57	58	54
Industrial Services	**11**	**10**	6	10	13	6	12	11
Adjusted EBITDA excluding CEWS [(1)(2)]	**45**	**31**	53	59	65	53	56	50

(1) *Refer to the section Canada Emergency Wage Subsidy for more information.*
(2) *Refer to section Non-GAAP Measures for definitions and reconciliations.*

Q2 2020 to Q3 2020	• The increase in revenue was primarily due to increased commodity pricing and increased drilling and production activity associated with normal seasonality and economic recovery. • Energy Services Divisional EBITDA increased due to increased drilling and production-related activity. • Adjusted EBITDA increased due to an increase in Divisional EBITDA.
Q1 2020 to Q2 2020	• The decrease in revenue was primarily due to the global oil collapse and the impact of COVID-19, resulting in lower commodity pricing, producer shut-ins and lower drilling activity. • Energy Services Divisional EBITDA decreased due to lower drilling and production-related activity. • Industrial Services Divisional EBITDA increased due to increased project work. • Net profit increased primarily due to impairment expense in Q1 related to specific assets and higher foreign exchange gains. • Adjusted EBITDA decreased due to a decrease in Divisional EBITDA partially offset by $14 million of CEWS.
Q4 2019 to Q1 2020	• The decrease in revenue was in energy marketing largely due to lower commodity pricing. • Net loss decreased due to less impairment expense related to specific assets and closed or suspended sites.
Q3 2019 to Q4 2019	• Net loss increased primarily due to impairment expense related to specific assets and closed or suspended sites.
Q2 2019 to Q3 2019	• The increase in revenue (excluding energy marketing) was primarily due to higher project revenue in environmental services. • Adjusted EBITDA increased primarily due to higher margins earned at Energy Services facilities and higher project revenue in environmental services. • Energy Services Divisional EBITDA increased primarily due to higher margins earned at facilities. • Industrial Services Divisional EBITDA increased primarily due to higher project revenue in environmental services.
Q1 2019 to Q2 2019	• The increase in revenue was primarily from energy marketing due to an increase in Canadian crude oil prices. • Revenue (excluding energy marketing) decreased due to smaller-scale rail services projects. • Industrial Services Divisional EBITDA decreased primarily due to fewer and smaller size rail services projects.
Q4 2018 to Q1 2019	• The decrease in revenue (excluding energy marketing) was primarily due to lower volumes through Energy Services facilities from lower production and drilling-related market activity. • The increase in energy marketing revenue was primarily due to higher marketed oil volumes from acquired Newalta Corporation facilities, which were marketed by Tervita beginning Q1 2019 and by a third party in 2018.

OTHER ITEMS

FINANCIAL INSTRUMENTS

As at September 30, 2020, financial instruments included cash and cash equivalents, trade and other receivables, sublease receivables, equity investments, trade and other payables, interest payable, senior secured notes, lease liabilities, derivative assets (liabilities) and contingent considerations. Excluding senior secured notes, the fair values of the financial instruments approximated their carrying values due to the short-term maturities. The fair value of the senior secured notes is influenced by changes in the risk-free interest rates.

Tervita is exposed to foreign currency risk with respect to its US$-denominated senior secured notes. Tervita manages this exposure by maintaining cross-currency swaps on a portion of our US$ debt (US$360 million senior secured notes), thereby fixing the exchange rate. These cross-currency swaps are designated as a hedge to reduce variability in cash flows due to changes in the US$ to C$ exchange rates. As a result of this risk management strategy, Tervita reclassified $12 million of the cash flow hedge reserve to net profit (loss) to offset unrealized foreign exchange loss for the nine months ended September 30, 2020 (September 30, 2019 - $15 million gain). The Company incurred an unrealized foreign exchange loss of $8 million on the remaining US$ debt during the nine months ended September 30, 2020, which is included in net profit (loss).

For further information regarding our financial instruments and how we manage the risk associated with these instruments, refer to note 22 of the Annual Financial Statements with an update provided in note 10 of the Q3 2020 Interim Financial Statements, and the Liquidity and Liquidity Risk section of this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

Tervita has discussed off-balance sheet arrangements in relation to commitments, contingencies, and guarantees in note 26 of the Annual Financial Statements with no significant updates to note during the three and nine months ended September 30, 2020. Tervita does not believe that any of these off-balance sheet arrangements have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition, results of operations, liquidity, or capital expenditures.

LEGAL AND ENVIRONMENTAL MATTERS

After evaluation from Tervita's management and Board of Directors, we have determined the claim against Secure Energy Services has merit and, accordingly, set a court date for early 2022 and non-binding mediation has been scheduled for late 2020.

Refer to note 26 of the Annual Financial Statements for disclosure of other legal and environmental matters.

RELATED PARTY TRANSACTIONS

Refer to note 25 of the Annual Financial Statements for disclosure regarding related party transactions.

IMPACT OF NEW ACCOUNTING STANDARDS

There were no new accounting standards or interpretations of accounting standards that had a material impact on the Interim Financial Statements.

ACCOUNTING POLICIES

Tervita's significant accounting policies are included in the related notes of the Annual Financial Statements, other than as described in note 4 of the Interim Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates are those that require management to make judgments and estimates that affect the application of accounting policies and the reported assets, liabilities, revenues, expenses, gains, losses, and disclosures of off-balance sheet arrangements. These judgments and estimates are uncertain at the time the estimates are made and are subject to change based on experience and available information. Recent global events, including the COVID-19 pandemic and the rapid decline of oil prices, have created a challenging and volatile economic environment, subjecting our estimates and judgments to a higher degree of measurement uncertainty. Changes to critical accounting estimates could have a material impact on the Company's Interim Financial Statements.

The most significant accounting estimates and judgments used in the preparation of our Interim Financial Statements are included in the related notes of the Annual Financial Statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Tervita's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the disclosure of information and reliability of external financial reporting and the preparation of the financial statements in accordance with IFRS. Tervita follows the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Chief Executive Officer and the Chief Financial Officer (collectively, the "Certifying Officers") have evaluated the design and effectiveness of DC&P and ICFR and concluded that there were no changes during the three and nine months ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, Tervita's ICFR.

Management, including the Certifying Officers, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. Based on their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and not absolute assurance that all control issues, misstatements, or instances of fraud, if any, within the Company have been detected.

NON-GAAP MEASURES

Tervita uses both IFRS measures and non-GAAP measures to assess performance. To supplement financial information presented in accordance with IFRS, non-GAAP measures referred to in this MD&A are provided to enhance the reader's understanding of Tervita's operational and financial performance. The non-GAAP measures presented in this MD&A are not measurements of financial performance under IFRS and should not be considered as an alternative to profit (loss), cash provided by (used in) operating activities, or other performance measures derived in accordance with IFRS. As non-GAAP measures do not have a standardized meaning prescribed by IFRS, Tervita's method of determining non-GAAP measures may vary from the methods used by other companies and may not be comparable to similarly titled measures, ratios, or credit statistics disclosed by other companies.

ADJUSTED EBITDA, ADJUSTED EBITDA MARGIN, DIVISIONAL EBITDA, AND DIVISIONAL EBITDA MARGIN

We believe Adjusted EBITDA and Divisional EBITDA are useful in measuring the operating performance of Tervita and our reportable segments, respectively. Adjusted EBITDA is derived from the Consolidated Statements of Profit (Loss) and is defined as net profit (loss) before tax, other income (expense), finance costs, impairment reversal (expense), depreciation and amortization, and certain items that are considered non-recurring in nature, including restructuring and transaction costs. Non-recurring severance costs from the prior periods have been reclassified to restructuring costs to conform with the current period's presentation, which had no impact on the prior periods' Adjusted EBITDA. Adjusted EBITDA includes government relief subsidies received to help mitigate the impact of the COVID-19 pandemic. Divisional EBITDA is defined as Adjusted EBITDA excluding G&A expenses and government relief subsidies, and is calculated including directly attributable costs (such as those related to reporting segment leadership, business development, environmental health and safety, and sales and marketing) with no allocation of Corporate G&A expenses, other expenses (income), or income tax expense (recovery).

Management believes that Adjusted EBITDA provides improved comparability of our operating results from our principal business activities over time and is an important indicator of our ability to generate liquidity through cash flow from operating activities. Divisional EBITDA provides an indication of the results generated by the reportable segments' principal business activities and is an important indicator of Tervita's ability to generate future profitability. Adjusted EBITDA and Divisional EBITDA allow us to evaluate the results of our principal business activities prior to consideration of how those activities are financed and the impacts of foreign exchange, taxation, depreciation and amortization, and other non-cash charges that add volatility to our financial results (such as impairment expenses, share-based compensation, and other transactions that are non-recurring in nature). Management utilizes Adjusted EBITDA to set objectives and as a key performance indicator of our Company's success.

The presentation of Adjusted EBITDA and Divisional EBITDA should not be construed as an inference that future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA should not be considered a measure of discretionary cash available for the return of capital to debt and equity stakeholders and to invest in the business.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue (excluding energy marketing). Divisional EBITDA Margin is defined as Divisional EBITDA divided by the respective segment's revenue (excluding energy marketing).

For the three and nine months ended September 30, Adjusted EBITDA and Divisional EBITDA were reconciled to net profit (loss) as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Net profit (loss)	**11**	10	**(21)**	7
Add back:				
Depreciation and amortization	**28**	35	**79**	103
Restructuring costs	**—**	1	**10**	6
Impairment expense (reversal)	**(3)**	(4)	**14**	(6)
Finance costs	**21**	23	**62**	68
Transaction costs	**—**	2	**1**	6
Other expense (income)	**—**	(2)	**11**	1
Income tax expense (recovery)	**(1)**	—	**(2)**	(11)
Adjusted EBITDA	**56**	65	**154**	174
Add back:				
G&A expenses	**10**	11	**30**	35
Canada Emergency Wage Subsidy	**(11)**	—	**(25)**	—
Divisional EBITDA	**55**	76	**159**	209
Divisional EBITDA by reportable segment				
Energy Services	**44**	63	**132**	178
Industrial Services	**11**	13	**27**	31
Adjusted EBITDA Margin	***42 %***	*34 %*	***37 %***	*32 %*
Divisional EBITDA Margin				
Energy Services	***58 %***	*53 %*	***53 %***	*51 %*
Industrial Services	***20 %***	*17 %*	***16 %***	*16 %*

DISCRETIONARY FREE CASH FLOW

We use a calculation of Discretionary Free Cash Flow to determine how much cash generated from operating activities is available for growth and expansion, debt reduction, or, other purposes. Discretionary Free Cash Flow is defined as funds from operations, less cash spent on maintenance capital and payment of principal portion of lease liabilities, plus cash proceeds on the sale of long-lived assets and sublease payments received.

For the three and nine months ended September 30, Discretionary Free Cash Flow was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Funds from (used in) operations	**51**	56	**94**	107
Less:				
Cash spend on maintenance capital	**(4)**	(7)	**(22)**	(17)
Payment of principal portion of lease liabilities	**(3)**	(4)	**(12)**	(13)
Add:				
Proceeds on disposition of long-lived assets	**1**	1	**10**	2
Sublease payments received	**—**	1	**1**	2
Discretionary Free Cash Flow	**45**	47	**71**	81

NET DEBT AND NET DEBT TO ADJUSTED EBITDA (LTM)

We monitor our Net Debt to Adjusted EBITDA (LTM) as a measure of Tervita's overall indebtedness and capital structure. We believe Net Debt to Adjusted EBITDA (LTM) is a measure of our debt capacity. Net Debt is calculated as debt, net of unamortized premium and debt costs, and derivative assets and liabilities associated with that debt less cash and cash equivalents. For the purposes of this calculation, Adjusted EBITDA (LTM) is defined as Adjusted EBITDA calculated for the last twelve months.

Tervita's Net Debt to Adjusted EBITDA (LTM) at September 30, 2020 was as follows:

	LTM September 30 2020
Net profit (loss)	**(144)**
Add back:	
Depreciation and amortization	**114**
Restructuring costs	**10**
Impairment expense (reversal)	**140**
Finance costs	**86**
Transaction costs	**3**
Other expense (income)	**9**
Income taxes expense (recovery)	**(5)**
Adjusted EBITDA (LTM)	**213**

	As at September 30 2020
Senior secured notes	**776**
Draw on credit facility	**—**
Derivative liabilities (assets)	**(2)**
Less: unrestricted cash and cash equivalents	**(52)**
Net Debt	**722**
Net Debt to Adjusted EBITDA (LTM)	***3.39***

COVENANT EBITDA

The terms of our credit facility require the Company to comply with certain financial and non-financial covenants, as defined by our lenders. Covenant EBITDA is defined as Adjusted EBITDA (LTM) excluding the Adjusted EBITDA (LTM) of our unrestricted subsidiary and the impact of any changes in GAAP subsequent to the date of the credit agreement (refer to Impact of New Accounting Standards in the Other Items section in the Annual MD&A for information regarding changes in GAAP).

Tervita's Covenant EBITDA at September 30, 2020 was as follows:

	LTM September 30 2020
Net profit (loss)	**(144)**
Add back:	
Depreciation and amortization	**114**
Restructuring costs	**10**
Impairment expense (reversal)	**140**
Finance costs	**86**
Transaction costs	**3**
Other expense (income)	**9**
Income taxes expense (recovery)	**(5)**
Eligible adjustments:	
Adjusted EBITDA of unrestricted subsidiaries	**2**
Impact of new accounting standards (IFRS 16)	**(11)**
Covenant EBITDA	**204**

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of Tervita. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. These statements are not guarantees of future performance and are subject to risks, uncertainties and other key factors that could cause actual results or events to be materially different from those anticipated in such forward-looking statements.

Specific forward-looking statements contained in this MD&A include, amongst others, statements and management's beliefs, expectations or intentions regarding the following:

- all statements regarding Tervita's 2020 capital plan and the Company's opportunities to execute on reducing costs, improving efficiencies and generating positive cash flows;
- Tervita's expectations regarding annualized savings;
- Tervita's expectations regarding the continued recovery of price levels and shut-in volumes;
- Tervita's expectations regarding the gradual improvement throughout the remainder of the year of drilling and completion activity;
- Tervita's expectations regarding the production-based volumes to be received at its facilities and related revenues continuing to improve;
- Tervita's expectations regarding its continued recovery;
- Tervita's expectations that its Industrial Services segment, specifically project-based work, will continue to perform well through the remainder of the year;
- the Company's participation in, and benefits from, CEWS and the Federal Government's well abandonment and site rehabilitation program and that benefits derived from increased activity related to such programs will be more heavily weighted towards late 2021 and 2022;
- Tervita's expectation regarding anticipated Adjusted EBITDA growth in 2021;
- Tervita's expectations that its Net Debt levels will remain relatively flat throughout the remainder of the year;
- Tervita's expectations regarding its ability to continue to live within cash flow and within covenant thresholds for the remainder of the year;
- Tervita's expectations and beliefs regarding its ability to generally recover from the current economic and operating conditions;
- Tervita's expectations regarding its mitigation actions and cost reductions;
- Tervita's expectations regarding its ability to continue to exercise financial discipline;
- cash generated from operations, asset sales and amounts available under the credit facility will be adequate to permit Tervita to meet its debt service obligations, ongoing costs of operations, working capital needs, and capital expenditure requirements;
- liquidity, sources and uses of cash, and off-balance sheet arrangements; and
- Tervita's business strategies and objectives.

Forward-looking statements relating to our business contain uncertainties and assumptions, including the following:

- current economic and operating conditions, including commodity prices, interest rates, and environmental and regulatory matters;
- the ability of Tervita to successfully refinance our senior secured revolving credit facility and senior secured notes;
- the ability of Tervita's customers to recover from the current economic and operating conditions;
- the ability of Tervita to access government assistance programs;
- the ability of Tervita to execute on cost savings measures;
- the ability of Tervita to execute on its business continuity plan in connection with the COVID-19 pandemic;
- Tervita's ability to maintain sufficient liquidity in the current ever-changing economic and operating conditions;
- the ability of Tervita to obtain equipment, services, supplies and personnel to carry out its business activities;
- the ability of Tervita to successfully market its business in the areas in which it operates;
- that Tervita's current business environment will remain substantially unchanged;
- Tervita's ability to secure financing on acceptable terms, if needed;
- demand for services in Tervita's businesses can be adversely impacted by general economic conditions and Tervita is dependent on exploration, drilling and production activity levels in the markets where Tervita offers its services;
- risks related to limited pipeline capacity;
- the ability of management to execute its business plan;
- the risks of the environmental solutions industry, such as operational risks and market demand;
- risks inherent in Tervita's marketing operations, including credit risk;
- the uncertainty of estimates and projections relating to revenues, costs, expenses and capital expenditures;
- fluctuations in fuel, raw material costs, oil and natural gas prices, commodity prices, foreign currency exchange rates and interest rates;
- health, safety and environmental risks;
- uncertainties as to the availability and cost of financing;
- general economic conditions in Canada, the US, and globally;
- industry conditions;
- the possibility that government policies or laws may change or governmental approvals may be delayed or withheld;
- governmental regulation of the environmental solutions industry, including environmental regulation;
- unanticipated operating events; failure to obtain third-party consents and approvals, when required;

- risks associated with existing and potential future lawsuits and regulatory actions against Tervita;
- the highly competitive nature of Tervita's markets, and competition that could adversely impact Tervita's financial position, results of operations, cash flows or its ability to make required payments on debt outstanding;
- global financial conditions are subject to increased volatility;
- legislative and regulatory initiatives related to hydraulic fracturing that could result in increased costs and additional operating restrictions or delays as well as adversely affect Tervita's support services;
- increasing concern regarding earthquake activity connected to oil/gas production and waste disposal wells could adversely affect Tervita's business;
- successful implementation of Tervita's investment and acquisition strategy;
- the difficulty of identifying and executing acquisitions on favorable terms, including successfully integrating businesses Tervita acquires, and its significant exposure from unknown liabilities related to Tervita's acquisitions;
- susceptibility to seasonality due to adverse weather conditions;
- risks related to transportation of petroleum products and waste water;
- risks related to any change in provincial royalty rates;
- risks related to First Nations consultation and claims and its effect on Tervita's ability to secure locations for capital projects and ability to operate;
- risks related to changes in industry practices related to crude oil equalization and declines in oil prices that may affect Tervita's energy marketing business;
- risk of implementation of controls or tariffs on competitor-owned pipelines which impede Tervita's ability to physically or economically access the pipelines that may affect its energy marketing business;
- Tervita's operations being subject to numerous natural disasters and operating hazards and the lack of assurance that such events will be covered by insurance or whether any such insurance coverage would be adequate;
- uncertainty around the impact of the US-Mexico-Canada agreement on Tervita's business;
- potential impairment losses in respect of Tervita's physical assets from reduced industry activity and a sustained decline in demand for services involving such assets;
- fluctuations in supply and demand for scrap metal prices;
- Tervita's ability to attract and retain qualified workers;
- dependence on Tervita's senior management, the loss of which could materially harm its business;
- obligation to comply with health and safety regulations at Tervita's facilities and its operations, the failure of which could result in significant liability and/or fines and penalties;
- failure by Tervita's employees to follow applicable procedures and guidelines or on-site accidents;
- deterioration in Tervita's safety record would harm its relationships with customers, make it less likely for customers to contract for its services and subject it to penalties and fines, which could adversely affect Tervita's business, operating results and financial condition;
- Tervita's obligation to comply with US, federal, state and local environmental laws and results;
- the inability of counterparties or customers to fulfill their obligation to Tervita;
- technology Tervita uses in its business is increasingly subject to protection by intellectual property rights;
- technology Tervita uses in its business is subject to security threats;
- Tervita's confidential information may be exposed due to third parties or technical malfunctions; and Tervita's ability to only provide reasonable assurance of its DC&P and its ICFR;
- Tervita's operational dependence on certain of its joint venture arrangements;
- the impact of pending and future legal proceedings on Tervita's business;
- the impact of environmental activism on Tervita's business;
- the impact of climate change and alternative energy sources on Tervita's business;
- possible conflict of interest between Tervita's major shareholders and Tervita's other shareholders;
- possible conflict of interest of Tervita's directors and officers;
- the possible effect of public health crises on Tervita's business; and
- Tervita's TRD facilities, cavern disposal facilities and engineered landfill operations could be adversely affected by more stringent closure and post-closure obligations and a variety of other risks.

For a more detailed discussion of risks relating to Tervita, see our most recent AIF dated March 8, 2020. These factors should not be construed as exhaustive. The forward-looking statements included in this MD&A are made only as of the date hereof and Tervita does not undertake to publicly update these forward-looking statements for new information, future events, or otherwise, except as required by applicable laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

Any financial outlook set forth in this MD&A was approved by management as of the date of this MD&A to provide investors with an estimation of the outlook for Tervita for 2020 and onwards, where applicable, and readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. The prospective financial information set forth in this MD&A has been prepared by management. Tervita's management believes that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgements, and represents, to the best of management's knowledge and opinion, Tervita's expected course of action in developing and executing its business strategy and growth opportunities relating to its business operations. However, actual results may vary from the prospective financial information set forth in this MD&A. See above for a discussion of the risks that could cause actual results to vary. The prospective financial information set forth in this MD&A should not be relied on as necessarily indicative of future results.

For additional information relating to Tervita, including our AIF, please see our profile on SEDAR, available at www.sedar.com.