TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

December 31, 2017

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") was prepared by management and 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 twelve months ended December 31, 2017 and as compared to the three and twelve months ended December 31, 2016. This MD&A is dated March 22, 2018, and takes into consideration information available up to that date. Tervita's Board of Directors approved this disclosure on March 22, 2018.

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. The MD&A should be read in conjunction with our annual audited Consolidated Financial Statements and accompanying notes (the "Financial Statements") for the year ended December 31, 2017.

All financial information reflected herein is expressed in millions of Canadian dollars ("$" or "C$") unless otherwise stated. Certain comparative information has been reclassified to conform to the MD&A presentation adopted for the current year.

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

COMPANY AND MARKET OVERVIEW

COMPANY OVERVIEW

Tervita is one of the largest environmentally focused energy, environmental and waste management service providers in Canada. The Company primarily serves the oil and gas industry, as well as the industrial and natural resource sectors, predominantly in western Canada. Our network of fixed facilities consists of more than 70 active waste processing, disposal and industrial facilities, including 24 treating, recovery and disposal facilities ("TRDs"), seven stand-alone disposal wells, two cavern disposal facilities, 20 engineered landfills, six transfer stations, 10 bioremediation facilities and four metals recycling facilities.

OPERATING SEGMENTS

In 2017, Tervita reorganized its reporting structure into the following two operating segments:

- **Energy Services** provides numerous services to the oil and gas sector, including the treating, recovering and disposal of fluids and the processing, recovery and disposal of solid materials used in, and generated by, natural resource and industrial production, and the disposal of oilfield waste. In conjunction with the operation of its waste processing facilities, the segment also engages in energy marketing activities.
- **Industrial Services** provides comprehensive environmental solutions, including site remediation, facility decommissioning, environmental construction and technologies, hazardous and non-hazardous waste management, emergency response, rail services, and recycling services to oil and gas and other industrial companies. Our recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations. Other offerings include waste transportation and classification.

In addition to our two operating segments, Tervita also presents intersegment eliminations and general and administrative and non-operating expenses as Corporate. General and administrative expenses include expenses for executive leadership, human resources, information technology, finance, accounting, and legal and regulatory, as well as depreciation and amortization for corporate and shared services assets. Intersegment profit eliminations include those related to the construction and transfer of long-lived assets between operating segments.

Prior to 2017, Tervita had three operating segments: Midstream Services, Environmental Services, and Production Services. During 2016, we disposed of the Production Services operating segment and comparative results of that segment have been presented in Discontinued Operations. Comparative results for continuing operations have been reclassified to reflect the change in operating segments.

BUSINESS OVERVIEW AND OUTLOOK

An increase in crude oil prices in early 2017 supported a meaningful increase in drilling activity across North America, including western Canada, resulting in higher fluids and solids volumes at Tervita's network of energy services facilities. These higher volumes, combined with several initiatives to improve operations, reduce operational and overhead costs, and provide quality service to our customers, led to significantly improved business and financial performance for Tervita in 2017. As a result, revenue (excluding energy marketing) increased 11% from $457 million in 2016 to $506 million in 2017. Adjusted EBITDA (refer to ***Non-GAAP Measures and Key Definitions*** section) rose 58% to $156 million in 2017 from $99 million in 2016. Combined with significantly lower interest expense of $41 million in 2017 (2016 - $258 million), 2017 marked the transition of Tervita towards a balanced growth strategy. Tervita posted a loss from continuing operations of $82 million in 2017 compared to a profit from continuing operations of $675 million in 2016. The profit in 2016 reflected the gain recorded on the recapitalization of Tervita's balance sheet on December 16, 2016. We invested $75 million through capital expenditures in 2017, $52 million of which was towards growth and expansion projects. At the same time, cash and cash equivalents rose $35 million to $124 million and Net Debt to LTM Adjusted EBITDA (refer to ***Non-GAAP Measures and Key Definitions*** section) fell from 3.87 times at December 31, 2016 to 2.21 times by December 31, 2017. We intend to continue to carefully manage debt levels through balancing growth capital and acquisition opportunities with the cash flows generated by the business and prudent levels of leverage.

In 2018, we expect oil and natural gas liquids prices to remain largely unchanged from current levels. We anticipate producers will be disciplined with their capital and focus on maintaining financial flexibility through prudent management of their balance sheets leading to marginal growth in western Canadian drilling. We expect that drilling activity in western Canada will continue to be focused in the most productive crude oil and liquids-rich natural gas plays. We expect that takeaway transportation capacity constraints will continue to impact Canadian heavy oil and natural gas prices resulting in moderate activity in heavy oil and dry natural gas plays.

Despite this relatively moderate outlook in respect of activity levels, we believe that certain trends will continue to have a favorable impact on our operations in 2018. These include advancements in well completion technologies that increase frac intensity, length, and stages. These advancements have led to increased solids and fluids pumped waste volumes and have positively impacted volumes received at our TRD and landfill facilities in our Energy Services segment.

During 2017, Tervita evaluated and began to expand our portfolio of growth opportunities comprised of both organic and acquisition initiatives that are anticipated to have a meaningful impact on cash flow and improve the financial strength of the company. We closed three "bolt on" acquisitions in 2017, for total aggregate consideration of $23 million, and expect to pursue similar opportunities moving forward. In 2018, we expect maintenance capital spending of approximately $26 million to $32 million (2017 - $23 million) including the execution of a new Enterprise Resource Planning ("ERP") system. We anticipate investing $50 million to $80 million, assuming current market conditions, towards growth and expansion projects in 2018 including the construction of new cells at three of our landfills, the continued development of cavern space at our Lindbergh cavern facility as well as continued spending on the identified pipeline of growth opportunities. The timing of capital expenditures may be temporarily impacted by execution and integration of the proposed merger with Newalta (refer to ***Recent Developments*** below). Tervita will also continue to enhance our business by reducing non-direct costs, improving operations, and serving our customers more efficiently. Achieving low overhead costs relative to our competitors is a key strategy for Tervita to ensure we can continue to deliver high quality services at a reasonable price.

RECENT DEVELOPMENTS

On February 28, 2018, the Company entered into an arrangement agreement (the "Arrangement Agreement") with Newalta Corporation ("Newalta"), pursuant to which Tervita has agreed, through a series of transactions, to acquire all of Newalta's issued and outstanding common shares such that Tervita's and Newalta's shareholders will own 89% and 11%, respectively, of the common shares of the combined entity. In addition to common shares, Newalta shareholders will also receive common share purchase warrants in the combined entity. The warrants will be exercisable for two years from the closing of the arrangement at a price of $2.75 per equivalent common share of Newalta. If exercised, the warrants would increase Newalta's pro forma ownership in the combined entity to 13%.

The transaction is to be completed by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta). The Arrangement is subject to customary conditions for a transaction of this nature, which include, without limitation, court and regulatory approvals including the Toronto Stock Exchange and approval under the *Competition Act* (Canada), the approval of 66 2/3% of the votes cast by Newalta's securityholders represented in person or by proxy at an annual and special meeting of Newalta's securityholders to be called to consider, among other matters, the Arrangement (the "Newalta Meeting"), and the approval of 66 2/3% of the votes cast by the shareholders of Tervita represented in person or by proxy at an annual and special meeting of the shareholders of Tervita to be called to consider, among other matters, the Arrangement (the "Tervita Meeting"). A joint information circular regarding the Arrangement is expected to be mailed to Newalta's securityholders and the shareholders of Tervita in late March 2018 for the Newalta Meeting and the Tervita Meeting, respectively, each scheduled to take place in late April 2018. Closing of the Arrangement is expected to occur upon receipt of all required regulatory approvals, including the approval under the *Competition Act* (Canada).

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:

- the long-term oil and gas environmental services market outlook in Canada will generate sufficient demand for Tervita's services;
- oil and gas producers will continue to outsource waste by-product treatment and disposal;
- it is difficult for third parties to replicate the extensive footprint of Tervita's facilities;
- that Tervita's strategy will be successful;
- cash generated from operations, asset sales and amounts available under the credit facilities will be adequate to permit Tervita to meet its debt service obligations, ongoing costs of operations, working capital needs, capital expenditure requirements and to fund acquisitions (other than material acquisitions) for the foreseeable future;
- the amount and nature of insurance coverage obtained will be adequate considering the potential hazards;
- timing of the completion of projects under development and their attendant costs; and
- governmental regulation of the oil and gas industry, permits and other legal requirements, including Tervita's expectations with respect to permits.

Forward-looking statements relating to our business included in this MD&A are generally subject to certain risks, including the following:

- demand for services in our businesses can be adversely impacted by general economic conditions and we are dependent on exploration, drilling and production activity levels in the markets where we offer our services;
- 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 oil and natural gas 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 United States 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 our markets, and competition that could adversely impact our financial position, results of operations, cash flows or our 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 our support services;
- increasing concern regarding earthquake activity connected to oil/gas production and waste disposal wells could adversely affect our business;
- successful implementation of our investment and acquisition strategy;
- the difficulty of identifying and executing acquisitions on favorable terms, including successfully integrating businesses we acquire, and our significant exposure from unknown liabilities related to our acquisitions;
- susceptibility to seasonality due to adverse weather conditions;
- risks related to changes in industry practices related to crude oil equalization and declines in oil prices that may affect our energy marketing business;
- our 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;
- potential impairment losses in respect of our physical assets from reduced industry activity and a sustained decline in demand for services involving such assets;
- our ability to attract and retain qualified workers;
- dependence on our senior management, the loss of which could materially harm our business;
- obligation to comply with health and safety regulations at our facilities and our operations, the failure of which could result in significant liability and/or fines and penalties;
- failure by our employees to follow applicable procedures and guidelines or on-site accidents;
- deterioration in our safety record would harm our relationships with customers, make it less likely for customers to contract for our services and subject us to penalties and fines, which could adversely affect our business, operating results and financial condition;
- fluctuations in exchange rates;
- the inability of counterparties or customers to fulfill their obligation to us;
- technology we use in our business is increasingly subject to protection by intellectual property rights; and
- our treating, recovery and disposal 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.

Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. 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 to reflect new information, future events or otherwise, except as required by applicable laws. Considering these risks, uncertainties, and assumptions, the forward-looking statements might occur to a different extent or at a different time than has been described, or might not occur. Tervita cannot assure that projected results or events will be achieved.

NON-GAAP MEASURES AND KEY DEFINITIONS

Tervita uses both IFRS measures and measures not in accordance with IFRS ("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 performance and use of cash resources. 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 or loss or other performance measures derived in accordance with IFRS, or as an alternative to cash provided by (used in) operating activities as a measure of liquidity. In addition, Tervita's method of determining non-GAAP measures may vary from the methods used by other companies and, as a result, may not be comparable to similarly titled measures, ratios or credit statistics disclosed by other companies.

Adjusted EBITDA and Adjusted EBITDA Margin	We believe that Adjusted EBITDA is useful in measuring Tervita's operating performance. Adjusted EBITDA is defined as net profit or loss before tax, other income (expense), finance costs, impairment expense, depreciation and amortization, and certain items that are considered non-recurring in nature. For this MD&A, we have added back all severance costs and deducted the gain (loss) on debt restructuring, if any. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue (excluding energy marketing).

For the years ended December 31, Tervita's net profit (loss) has been reconciled to Adjusted EBITDA as follows:

	2017	2016
Net profit (loss)	(81)	654
Add back:		
Severance costs	10	7
Depreciation and amortization	80	109
Impairment expense	76	270
Finance costs	49	295
Other expense (income)	26	(579)
(Gain) loss on debt restructuring	-	(670)
Income taxes expense (recovery)	(3)	(8)
Loss (profit) from discontinued operations, net of tax	(1)	21
Adjusted EBITDA	156	99

For the three months ended December 31, Tervita's net profit (loss) has been reconciled to Adjusted EBITDA as follows:

	2017	2016
Net profit (loss)	(65)	1,079
Add back:		
Severance costs	2	1
Depreciation and amortization	19	19
Impairment expense	74	68
Finance costs	11	56
Other expense (income)	2	(503)
(Gain) loss on debt restructuring	-	(686)
Income taxes expense (recovery)	(3)	-
Loss (profit) from discontinued operations, net of tax	-	-
Adjusted EBITDA	40	34

The presentation of Adjusted EBITDA should not be construed as an inference that future results will be unaffected by unusual or nonrecurring 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.

Divisional EBITDA and Divisional EBITDA Margin

We believe that Divisional EBITDA is useful in measuring our operating segments' performance. Divisional EBITDA is defined as Adjusted EBITDA excluding general and administrative expenses.

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

For the years ended December 31, Divisional EBITDA was as follows:

	2017	2016
Net profit (loss)	(81)	654
Add back:		
Severance costs	10	7
Depreciation and amortization	80	109
Impairment expense	76	270
Finance costs	49	295
Other expense (income)	26	(579)
(Gain) loss on debt restructuring	-	(670)
Income taxes expense (recovery)	(3)	(8)
Loss (profit) from discontinued operations, net of tax	(1)	21
Adjusted EBITDA	156	99
Add back:		
General and administrative expenses (before severance costs)	48	67
Divisional EBITDA	204	166
Energy Services	174	142
Industrial Services	30	24

For the three months ended December 31, Divisional EBITDA was as follows:

	2017	2016
Net profit (loss)	**(65)**	1,079
Add back:		
Severance costs	**2**	1
Depreciation and amortization	**19**	19
Impairment expense	**74**	68
Finance costs	**11**	56
Other expense (income)	**2**	(503)
(Gain) loss on debt restructuring	**-**	(686)
Income taxes expense (recovery)	**(3)**	-
Loss (profit) from discontinued operations, net of tax	**-**	-
Adjusted EBITDA	**40**	34
Add back:		
General and administrative expenses (before severance costs)	**11**	15
Divisional EBITDA	**51**	49
Energy Services	**46**	43
Industrial Services	**5**	6

Net Debt to LTM Adjusted EBITDA

Management monitors Tervita's Net Debt to Last Twelve Months ("LTM") Adjusted EBITDA against our industry peers as a measure of our overall indebtedness and capital structure. Net Debt is calculated as debt and derivative liability less cash and cash equivalents.

Working capital

Working capital is defined as trade and other receivables, inventories, and other current assets less trade and other payables. Management believes working capital is a useful metric as it demonstrates the Company's ability to most efficiently manage its resources and meet its short-term obligations, and is monitored internally for such purposes. Other companies may not disclose working capital on the same basis as Tervita, and as such, should not be considered comparable measures.

Recapitalization Transaction

In 2016, Tervita completed the recapitalization of its debt and share capital. Refer to the ***Liquidity and Capital Resources*** for further discussion.

Notes

Notes are the US$360 million senior secured notes issued on December 13, 2016, which bear a coupon rate of 7.625 per cent. The Notes mature on December 1, 2021, and interest is payable semi-annually on June 1 and December 1, beginning June 1, 2017.

SELECT FINANCIAL INFORMATION

Annual Operational and Financial Highlights

	Twelve months ended December 31,		
	2017	2016	2015
Revenue (excluding energy marketing)	**506**	457	636
Energy marketing revenue	**1,823**	1,546	2,109
Total revenue	**2,329**	2,003	2,745
Profit (loss) from continuing operations	**(82)**	675	(928)
- per share ($), basic and diluted	**(0.78)**	0.38	(0.50)
Net profit (loss)	**(81)**	654	(584)
- per share ($), basic and diluted	**(0.77)**	0.37	(0.32)
Adjusted EBITDA	**156**	99	185
Total assets	**1,226**	1,245	2,202
Non-current financial liabilities	**476**	481	2,691
Number of shares outstanding - end of year	**104,625,779**	104,625,779	1,840,735,127
Weighted average shares outstanding - basic and diluted	**104,625,779**	1,759,875,240	1,840,735,127

Revenue in 2017 was higher than 2016 due to increased activity in our core Western Canadian Sedimentary Basin ("WCSB") markets reflecting an improvement in West Texas Intermediate ("WTI") prices and higher volumes and prices for ferrous metal.

Tervita's revenue in 2016 was impacted by decreased industry activity in the oil and gas sector from lower average WTI prices. This resulted in lower revenue across all lines of business as we received decreased volumes, experienced lower demand for project-related work, and realized lower prices due to greater competition.

Early 2015 revenue benefited from volumes related to oil and gas projects started prior to the industry downturn that took place in the summer of 2015. Revenues for the remainder of the year were negatively impacted by reduced industry activity and increasing competitiveness in core geographic segments.

The loss from continuing operations in 2017 was primarily a result of non-cash expenses. Most significantly, impairment expense of $76 million primarily related to our landfill operations for goodwill and capacity reductions related to waste movement at two facilities, and a provision of $13 million for onerous contracts related to vacated floors in our head office. Excluding these items, the 2017 profit from continuing operations reflects improved business results compared to 2016 and significantly lower interest costs compared to both 2016 and 2015.

In 2016, profit from continuing operations was significantly improved by $286 million of realized foreign exchange gains on the settlement of debt and debt-related swaps and the Recapitalization Transaction, for which a $670 million gain on debt restructuring was recognized. These gains more than offset a $270 million impairment expense, primarily related to goodwill for our TRD and landfill business lines. $257 million of interest on debt was more than offset by unrealized foreign exchange gains.

The 2015 loss from continuing operations was primarily a result of $658 million of impairment expense, of which $644 million related to our TRD and metals recycling business lines. In addition, interest on debt of $256 million combined with a net realized and unrealized foreign exchange loss of $87 million was somewhat offset by a $72 million operating profit.

The results of discontinued operations are added to profit (loss) from continuing operations to arrive at net profit (loss). 2016's net profit incorporates $21 million of loss from discontinued operations, primarily comprised of the loss on the disposal of the Production Services operating segment. In 2015, the $344 million income from discontinued operations was mainly attributable to the gain on sale of our US operations.

The increase in 2017 Adjusted EBITDA as compared to 2016 reflects increased operating results from better market activity and reduced costs for both operating segments and general and administrative from the full year impact of cost containment initiatives begun in 2016 and the transfer of additional office space to onerous contracts in both 2016 and 2017.

The decrease in Adjusted EBITDA in 2016 from 2015 was a result of the decline in revenue due to the market downturn offset somewhat by lower costs from the full year impact of headcount and other cost containment initiatives begun in 2015.

The decrease in total assets of 2017 compared to 2016 reflected an increase in cash from improved working capital more than offset by impairments of goodwill and property, plant and equipment.

The decrease in total assets of 2016 compared to 2015 was primarily a result of the Recapitalization Transaction, goodwill impairment of $254 million, and the settlement of swaps that were an asset of $360 million in 2015.

Tervita's non-current financial liabilities and outstanding share capital for 2017 and 2016 as compared to 2015 reflect the Recapitalization Transaction in December 2016, which significantly reduced our debt and changed our equity structure.

FOURTH QUARTER OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three months ended December 31,		
	2017	2016	% change
Revenue (excluding energy marketing)	**132**	122	8
Energy marketing revenue	**474**	418	13
Total revenue	**606**	540	12
Profit (loss) from continuing operations	**(65)**	1,079	(106)
- per share ($), basic and diluted	**(0.62)**	0.71	(187)
Net profit (loss)	**(65)**	1,079	(106)
- per share ($), basic and diluted	**(0.62)**	0.71	(187)
Adjusted EBITDA	**40**	34	18
Number of shares outstanding - end of year	**104,625,779**	104,625,779	-
Weighted average shares outstanding - basic and diluted	**104,625,779**	1,516,407,007	(93)

Revenue improved as higher average WTI prices drove increased activity at some of our core facilities in the WCSB.

The 2017 loss from continuing operations reflects the impact of $74 million impairment expense related to landfills goodwill and reduced capacity from waste movement at two of our landfills facilities. Excluding this impairment, Q4 2017 would have reported a $9 million profit from continuing operations.

The 2016 profit from continuing operations was primarily due to the restructuring gain from the Recapitalization Transaction.

The increase in Adjusted EBITDA is a result of higher revenues, reductions in direct costs from the full-year impact of cost containment initiatives begun in 2016, and reduced general and administrative costs from staff reductions and the transfer of vacated head office floors to costs to onerous contracts in 2016 and early 2017.

RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31

	Energy Services		Industrial Services		Corporate		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Energy marketing revenue	**1,823**	1,546	**-**	-	**-**	-	**1,823**	1,546
Revenue (excluding energy marketing)	**298**	251	**219**	214	**(11)**	(8)	**506**	457
	2,121	1,797	**219**	214	**(11)**	(8)	**2,329**	2,003
Energy marketing direct expenses	**(1,823)**	(1,546)	**-**	-	**-**	-	**(1,823)**	(1,546)
Direct expenses (excluding energy marketing)	**(125)**	(111)	**(189)**	(192)	**11**	8	**(303)**	(295)
General and administrative expenses	**-**	-	**-**	-	**(57)**	(70)	**(57)**	(70)
Depreciation and amortization	**(70)**	(92)	**(7)**	(10)	**(3)**	(7)	**(80)**	(109)
	(2,018)	(1,749)	**(196)**	(202)	**(49)**	(69)	**(2,263)**	(2,020)
Operating profit (loss)	**103**	48	**23**	12	**(60)**	(77)	**66**	(17)
Impairment expense	**(76)**	(264)	**-**	(1)	**-**	(5)	**(76)**	(270)
Finance costs	**-**	-	**-**	-	**(49)**	(295)	**(49)**	(295)
Other income (expense)	**-**	-	**-**	-	**(26)**	579	**(26)**	579
Gain (loss) on debt restructuring	**-**	-	**-**	-	**-**	670	**-**	670
Income taxes recovery (expense)	**-**	-	**-**	-	**3**	8	**3**	8
Profit (loss) from continuing operations	**27**	(216)	**23**	11	**(132)**	880	**(82)**	675
Profit (loss) from discontinued operations, net of tax	**-**	-	**-**	-	**1**	(21)	**1**	(21)
Net profit (loss)	**27**	(216)	**23**	11	**(131)**	859	**(81)**	654
Divisional EBITDA	**174**	142	**30**	24	**-**	-	**204**	166
Divisional EBITDA Margin	**58%**	57%	**14%**	11%	**-**	-	**40%**	36%
Adjusted EBITDA							**156**	99
Adjusted EBITDA Margin							**31%**	22%

Energy Services

Energy Services Divisional EBITDA rose 23% in 2017, reflecting higher industry activity levels offset somewhat by lower energy marketing oil volumes. The 1% increase in Divisional EBITDA Margin reflected higher volumes compared to the largely fixed cost nature of our facilities business.

Revenue

Energy marketing revenue increased 18% primarily due to higher average realized WTI prices in 2017, from an average of US$43.34 per barrel in 2016 to US$50.95 per barrel in 2017. This increase in revenue was partially offset by lower marketed volumes in the third quarter of the year, reflecting the Pembina Peace Phase III pipeline expansion.

Revenue (excluding energy marketing) increased 19% as produced water and drilling and completions volumes increased at our facilities. This increase was primarily driven by market activity in the high impact Montney and Duvernay plays, in part due to the less significant spring breakup.

On November 1, 2017, Tervita acquired the share capital of 3k Oilfield Services (“3k”), an oily by-product storage structure, landfill, and waste water well operation located in Saskatchewan for $19 million, net of cash acquired. The acquisition of 3k accounted for $2 million of the Energy Service’s revenue in the year.

Direct expenses

Energy marketing direct expenses increased 18%, consistent with the increase in revenue.

TRDs and landfills direct expenses increased 13%, reflecting higher variable costs, particularly utilities and repairs and maintenance, due to increased activity levels, as well as a higher employee bonus accrual. The overall increase in direct expenses was not as significant as the 19% increase in revenue due to the fixed nature of our facility-based costs within a certain range of activity, as well as the benefit of a full year impact of 2016 cost containment initiatives. In addition, leachate disposal costs were lower in 2017 than 2016 due to drier conditions across British Columbia and Alberta in the third quarter.

Depreciation and amortization

Depreciation and amortization decreased by 24% due to a change in depreciation method for certain assets in the prior year, and the reduction in decommissioning assets from new provision estimates in December 2016.

Impairment expense

In 2017, we recognized $57 million of goodwill impairment. Asset impairment of $19 million was largely a result of waste slumps at two landfills. In 2016, due to the slowdown in the oil and gas sector and general economic uncertainty, we recognized $254 million of goodwill impairment and $10 million of asset impairment.

Industrial Services

Industrial Services Divisional EBITDA rose 25%, primarily driven by strong metals prices and volumes in metals recycling and lower operating costs within environmental services.

Revenue

Revenue increased 2%, though revenue mix changed significantly. Strong North American demand and favorable exchange rates resulted in the 2017 average sales price for ferrous exceeding 2016 levels by 28%. Rail services revenue increased due to expanded geographic reach into Manitoba. Gains in these business lines were offset by lower waste services activity. This decrease was a result of competitive pressures and lower field service activity. Environmental services revenue was consistent year over year.

During 2017, Tervita acquired two metals recycling yards in south eastern BC, contributing $2 million of revenue during the year.

Direct expenses

Direct expenses declined by 2%. Direct expenses for ferrous sales decreased by 6%, primarily due to lower freight costs contracted at favorable rates not correlated to increases in sales prices. Waste services direct expenses decreased, due to lower revenue activity. However, these costs did not decrease at the same rate as revenue due to the fixed cost nature of our facility based business. Direct expenses related to environmental services declined, attributable to staff reductions in 2016 and some bad-debt recoveries. The decline in direct expenses was slightly offset by a higher bonus accrual.

Corporate

Corporate overhead fell from 15% to 11% of revenue (excluding energy marketing), reflecting continued efforts to recalibrate our overhead cost structure.

General and administrative expenses

The 19% decrease in general and administrative expenses was due to staff reductions in 2016 and 2017, a reduction in rent at the Calgary head office, and reclassification of some vacated office space to onerous contracts in late 2016 and the first half of 2017. These decreases were partially offset by severance costs incurred in 2017.

Finance costs

	2017	2016
Interest expense	41	258
Amortization of debt issue costs	4	32
Accretion of decommissioning liabilities	4	5
Finance costs	49	295

The decrease in interest expense was due to significantly lower average long-term debt outstanding in 2017 following the Recapitalization Transaction, which was completed in December 2016. Debt issue costs related to debt instruments that were extinguished as part of the Recapitalization Transaction were fully expensed in 2016.

Other income (expense)

	2017	2016
Onerous contract provision	(13)	(14)
Realized foreign exchange gain (loss)	-	288
Unrealized foreign exchange gain (loss)	(2)	294
Other	(11)	11
Other income (expense)	(26)	579

In December 2016, we entered several cross-currency swap agreements to hedge the foreign exchange fluctuations related to payments of interest and principal and the revaluation of our US$ Notes. We have applied hedge accounting treatment such that any foreign exchange fluctuations related to payments and revaluation of debt are fully offset by the reclassification of other comprehensive profit (loss) associated with the revaluation of swap agreements into net profit (loss).

Prior to the Recapitalization Transaction, we had not applied hedge accounting treatment to any debt or swaps, therefore, associated unrealized foreign exchange on revaluation and realized foreign exchange on payment of debt in 2016 were recorded to other income (expense).

Included in Other in 2016 was the revaluation of puttable minority interest, for which there was no comparable instrument in 2017.

Gain (loss) on debt restructuring

In 2016, we realized a gain related to debt settlement from the Recapitalization Transaction.

Income (loss) from discontinued operations, net of tax

In August 2016, we completed the sale of our Production Services operations excluding working capital for net cash proceeds of $41 million, resulting in a loss on sale of $24 million. Included in 2016's income (loss) from discontinued operations was also the disposal of a landfill and hauling operation, including associated decommissioning obligations, for proceeds of less than $1 million. A gain on sale of $4 million was recorded, primarily due to the realization of cumulative translation adjustment previously included in other comprehensive income.

Operating Results For the Three Months Ended December 31

	Energy Services		Industrial Services		Corporate		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Energy marketing revenue	**474**	418	**-**	-	**-**	-	**474**	418
Revenue (excluding energy marketing)	**78**	70	**58**	54	**(4)**	(2)	**132**	122
	552	488	**58**	54	**(4)**	(2)	**606**	540
Energy marketing direct expenses	**(474)**	(418)	**-**	-	**-**	-	**(474)**	(418)
Direct expenses (excluding energy marketing)	**(33)**	(27)	**(53)**	(48)	**4**	2	**(82)**	(73)
General and administrative expenses	**-**	-	**-**	-	**(12)**	(16)	**(12)**	(16)
Depreciation and amortization	**(17)**	(18)	**(2)**	(2)	**-**	1	**(19)**	(19)
	(524)	(463)	**(55)**	(50)	**(8)**	(13)	**(587)**	(526)
Operating profit (loss)	**28**	25	**3**	4	**(12)**	(15)	**19**	14
Impairment expense	**(74)**	(68)	**-**	-	**-**	-	**(74)**	(68)
Finance costs	**-**	-	**-**	-	**(11)**	(56)	**(11)**	(56)
Other income (expense)	**-**	-	**-**	-	**(2)**	503	**(2)**	503
Gain (loss) on debt restructuring	**-**	-	**-**	-	**-**	686	**-**	686
Income taxes recovery (expense)	**-**	-	**-**	-	**3**	-	**3**	-
Profit (loss) from continuing operations	**(46)**	(43)	**3**	4	**(22)**	1,118	**(65)**	1,079
Profit (loss) from discontinued operations, net of tax	**-**	-	**-**	-	**-**	-	**-**	-
Net profit (loss)	**(46)**	(43)	**3**	4	**(22)**	1,118	**(65)**	1,079
Divisional EBITDA	**46**	43	**5**	6	**-**	-	**51**	49
Divisional EBITDA Margin	**59%**	61%	**9%**	11%	**-**	-	**39%**	40%
Adjusted EBITDA							**40**	34
Adjusted EBITDA Margin							**30%**	28%

Energy Services

Energy Services Divisional EBITDA was 7% above prior year quarter, reflecting higher industry activity levels.

Revenue	Energy marketing revenue increased 13% primarily due to higher average realized WTI prices in 2017, from an average of US$49.36 per barrel in 2016 to US$55.40 per barrel in 2017. The 11% increase in revenue (excluding energy marketing) was driven by activity in the Montney and Duvernay plays. Consistent with the full year results, produced water and drilling and completions volumes contributed most of the gains. The acquisition of 3k accounted for $2 million of the revenue (excluding energy marketing) in the quarter.
Direct expenses	Energy marketing direct expenses increased 13%, consistent with the increase in revenue. Direct expenses associated with TRDs and landfills increased 22% due to higher activity levels increasing variable costs such as logistics and freight, utilities, and chemicals. Direct expenses also increased due to additional costs associated with the disposal of naturally occurring radioactive materials and a higher employee bonus accrual. Repairs and maintenance costs were higher in 2017 compared to 2016 due to planned one-time maintenance that occurred in the fourth quarter of 2017.
Depreciation and amortization	Depreciation and amortization remained consistent with 2016.

Impairment expense — In 2017, we recognized $57 million of goodwill impairment (December 31, 2016 - $69 million). Waste slumps at two landfills also resulted in impairment of certain assets.

Industrial Services

Industrial Services EBITDA declined 17% due to increased expenses primarily due to higher employee bonus accruals.

Revenue — Revenue increased 7% although revenue mix changed significantly from 2016. Higher ferrous and non-ferrous volumes and prices from strong demand for scrap metal, and a greater number of rail services projects from increased rail activity, led to a 43% increase in revenue for these service lines. Environmental services related projects revenue increased as the pacific region experienced a higher level of project activity in the market. These increases were somewhat offset by a decrease in waste services revenue due to greater competition in the market.

During 2017, Tervita acquired two metals recycling yards in south eastern BC. These locations contributed of $2 million of revenue in Q4.

Direct expenses — Direct expenses increased 10%, primarily due to higher revenue activity, costs associated with the integration of the acquired metals recycling years, and increased bonus accruals consistent with the improved operating results year over year.

Corporate

General and administrative expenses — The 25% decrease in general and administrative expenses was due to cost savings from staff reductions in 2016 and 2017 and office cost savings from a reduction in rent at the Calgary head office. Additionally, some vacated office space was reclassified to onerous contracts in late 2016 and 2017.

Finance costs

	2017	2016
Interest expense	10	55
Amortization of debt issue costs	1	-
Accretion of decommissioning liabilities	-	1
Finance costs	11	56

The decrease in interest expense was due to lower average long-term debt outstanding in 2017 from the Recapitalization Transaction, which was completed in December 2016.

Other income (expense)

	2017	2016
Onerous contract provision	(1)	(7)
Realized foreign exchange gain (loss)	1	(2)
Unrealized foreign exchange gain (loss)	-	519
Other	(2)	(7)
Other income (expense)	(2)	503

The onerous contract provision in 2016 reflected adjustments for extended lease terms negotiated in December 2016.

In December 2016, we applied hedge accounting treatment to our newly entered cross-currency swap agreements, such that any foreign exchange fluctuations related to payments and revaluation of debt are fully offset by the reclassification of other comprehensive profit (loss) associated with the revaluation of swap agreements into net profit (loss).

Prior to the Recapitalization Transaction, we had not applied hedge accounting treatment to any debt or swaps, therefore, associated unrealized foreign exchange on revaluation and realized foreign exchange on payment of debt in 2016 were recorded to other income (expense).

Gain (loss) on debt restructuring — In 2016, we realized a gain related to debt settlement from the Recapitalization Transaction.

Summary Of Quarterly Results

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	**606**	**437**	**607**	**679**	540	512	501	450
Revenue-excluding energy marketing	**132**	**135**	**114**	**125**	122	123	98	114
Direct expenses	**(556)**	**(384)**	**(564)**	**(622)**	(491)	(471)	(473)	(406)
General and administrative expenses	**(12)**	**(11)**	**(12)**	**(22)**	(16)	(17)	(18)	(19)
Depreciation and amortization	**(19)**	**(22)**	**(17)**	**(22)**	(19)	(34)	(27)	(29)
Operating profit (loss)	**19**	**20**	**14**	**13**	14	(10)	(17)	(4)
Profit (loss) from continuing operatio	**(65)**	**(2)**	**(13)**	**(2)**	1,079	(227)	(112)	(65)
- per share ($), basic and diluted	**(0.62)**	**(0.02)**	**(0.12)**	**(0.02)**	0.71	(0.12)	(0.06)	(0.04)
Net profit (loss)	**(65)**	**(2)**	**(12)**	**(2)**	1,079	(247)	(114)	(64)
- per share ($), basic and diluted	**(0.62)**	**(0.02)**	**(0.11)**	**(0.02)**	0.71	(0.13)	(0.06)	(0.03)
Adjusted EBITDA	**40**	**42**	**33**	**41**	34	25	12	28

Our quarterly results reflect how the oilfield services industry is influenced by seasonal weather patterns. During the spring thaw and at other times of the year, wet weather can make the ground unstable. Consequently, 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 an increased importance on the location of the equipment prior to the imposition of the road bans. If the spring weather or wet weather causes the ground to be unstable for longer than usual, operating results may be negatively impacted. As a result, the Company tends to earn lower revenue and operating profit (excluding energy marketing) in the second fiscal quarter.

In Q3 2017, total revenue was impacted by the Pembina Peace Phase III pipeline expansion, which increased pipeline capacity and drove up competition for fewer barrels.

Net profit (loss) was impacted throughout the last two years by the following factors:

- 2016 results were affected by annual finance costs of $295 million;
- Impairment expense of $70 million was recognized in Q3 2016, with an additional $200 million recognized as at December 31, 2016. In comparison, $76 million of total impairment was recognized in 2017, with the majority recognized in the fourth quarter. Of the total impairment over the last two years, $311 million was for goodwill; and
- Tervita recognized one-time gains on the settlement of debt and related derivatives as part of the Recapitalization Transaction in December 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its cash and bank facility balances to have sufficient capital to fund ongoing operations, capital programs, and growth initiatives. The Company's liquidity and operational cash requirements are managed through cash flow forecasts, monitoring of operational expenditures compared to budget, and monitoring of financial leverage ratios. Working capital as at December 31, 2017 was $31 million (December 31, 2016 - $68 million). 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. At current activity levels, we have ample liquidity to meet our ongoing commitments and operational requirements of the business.

Credit Facilities and Related Debt Covenants

Tervita has a $200 million syndicated revolving credit facility expiring December 2019. At December 31, 2017, Tervita had $73 million in letters of credit issued against this facility. The remaining $127 million of capacity, combined with $124 million of cash and cash equivalents, provided $251 million in available liquidity at December 31, 2017. For the year ended December 31, 2017, Tervita generated $34 million of cash, net of financing and investing activity, and did not require any additional liquidity to support continuing operations.

Under the terms of Tervita's revolving credit facility, Tervita must comply with certain financial and non-financial covenants, as defined by our lenders. The following definitions are used to assess compliance with our covenants and are not considered meaningful for any other purpose:

Covenant EBITDA	Covenant EBITDA (referred to as Adjusted EBITDA in the credit agreement) is defined as LTM net profit or loss before tax, other income (expense), finance costs, impairment expense, depreciation and amortization, and any other items that are considered non-recurring in nature. For purposes of this calculation, we have added back severance costs associated with headcount rationalization and deducted the gain (loss) on debt restructuring, if any. Covenant EBITDA is used in the determination of compliance with debt covenants and is not a recognized measure under IFRS.

For the twelve months ended December 31, 2017, Tervita's net profit (loss) was reconciled to Covenant EBITDA as follows:

December 31, 2017	LTM
Net profit (loss)	**(81)**
Add back:	
Depreciation and amortization	**80**
Impairment expense	**76**
Finance costs	**49**
Other expense (income)	**26**
(Gain) loss on debt restructuring	**-**
Income taxes expense (recovery)	**(3)**
Loss (profit) from discontinued operations, net of tax	**(1)**
Eligible adjustments:	
Severance costs	**10**
Covenant EBITDA	**156**

Total indebtedness	Total indebtedness is used in the monitoring of compliance with Tervita's financial covenants. It consists of the principal amount of Notes outstanding, reported in C$ and reflecting the impact of cross currency swaps, and the amount of capital lease obligations less cash balances up to a total of $50 million.
Secured indebtedness	Secured indebtedness is used in the monitoring of compliance with Tervita's financial covenants. It consists of the outstanding letters of credit (which reduce the borrowing availability under the revolving credit facility) less cash balances up to a total of $50 million.
Interest expense	Interest expense consists of interest payments on the Notes and interest due on letters of credit and standby fees.

Financial Covenants

Tervita's Total Leverage Ratio is calculated as the ratio of total indebtedness to Covenant EBITDA and cannot exceed 5.50 to 1.00 in 2017, 5.00 to 1.00 in 2018, and 4.50 to 1.00 thereafter. Additionally, as of December 31, 2016, Tervita must also maintain a secured indebtedness to Covenant EBITDA ratio ("Secured Leverage Ratio") of less than 2.50 to 1.00, and a Covenant EBITDA to interest expense ratio ("Interest Coverage Ratio") of greater than 1.50 to 1.00 until December 31, 2017, 1.75 to 1.00 for the year ended December 31, 2018, and 2.00 to 1.00 thereafter.

As at December 31, 2017, the Company complied with its covenants, as follows:

	Required	Achieved
Total Leverage Ratio	Less than 5.50	**2.74**
Secured Leverage Ratio	Less than 2.50	**0.15**
Interest Coverage Ratio	Greater than 1.50	**3.80**

Management also monitors Tervita's Net Debt to LTM Adjusted EBITDA against our industry peers as a measure of our overall indebtedness and capital structure. As at December 31, 2017, Net Debt to LTM Adjusted EBITDA was 2.21 times, a significant reduction from 3.87 at December 31, 2016 post the Recapitalization Transaction.

RECAPITALIZATION TRANSACTION

On December 14, 2016, the Company completed a Recapitalization Transaction pursuant to a Court approved plan of arrangement (the "Plan") under the *Canada Business Corporations Act*. The Plan included a private placement of Class A Voting Preferred shares for proceeds of $404 million (the "Private Placement") and the issuance of the Notes by the Company. The Company's secured debt, unsecured debt and subordinated debt were settled with cash on hand and proceeds from the Private Placement and the Notes, along with the issuance of Class A Voting Preferred shares and Class A Voting Common shares. All of Tervita's issued and outstanding share capital existing prior to the completion of the Restructuring Transaction was cancelled in exchange for the right to receive 20% of the net proceeds that may be received by the Company from any full and final determination of the Secure Energy Services Inc. ("Secure") litigation.

The Notes have a coupon rate of 7.625% and were issued on December 13, 2016. The Notes mature on December 1, 2021, with interest payable semi-annually on June 1 and December 1, beginning June 1, 2017.

CHANGES IN CASH

Cash and cash equivalents at December 31, 2017 was $124 million (December 31, 2016 - $89 million).

Cash Provided by Operations

	Three Months Ended December 31			Year Ended December 31		
	2017	2016	Increase / (Decrease)	**2017**	2016	Increase / (Decrease)
Cash provided by (used in) operating activities	**50**	(6)	56	**143**	43	100

The increase in cash provided by operations reflects higher Adjusted EBITDA compared to the same periods in 2016 primarily due to the same factors impacting Adjusted EBITDA.

Cash Provided by (Used in) Financing Activities

	Three Months Ended December 31			Year Ended December 31		
	2017	2016	Increase / (Decrease)	**2017**	2016	Increase / (Decrease)
Repayment of long-term debt	**-**	(1,050)	1,050	**-**	(1,123)	1,123
Proceeds on settlement of debt-related derivatives	**-**	-	-	**-**	304	(304)
Issuance of long-term debt	**-**	473	(473)	**-**	473	(473)
Debt issue costs	**-**	(18)	18	**(1)**	(18)	17
Interest paid	**(19)**	(63)	44	**(39)**	(182)	143
Issuance of share capital	**-**	405	(405)	**-**	404	(404)
Contingent consideration payments	**(1)**	(1)	-	**(1)**	(1)	-
Cash provided by (used in) financing activities	**(20)**	(254)	234	**(41)**	(143)	102

The change in cash provided by financing activities was a result of the Recapitalization Transaction. There are no principal repayments required on the Notes until 2021, and interest payments are due in June and December of each year.

Cash Provided by (Used in) Investing Activities

	Three Months Ended December 31			Year Ended December 31		
	2017	2016	Increase / (Decrease)	**2017**	2016	Increase / (Decrease)
Capital expenditures						
Maintenance	**(10)**	(3)	(7)	**(23)**	(17)	(6)
Growth and expansion	**(29)**	(7)	(22)	**(52)**	(30)	(22)
	(39)	(10)	(29)	**(75)**	(47)	(28)
Investment income	**1**	-	1	**1**	-	1
Proceeds from sale of property, plant and equipment	**3**	1	2	**6**	13	(7)
Cash provided by (used in) investing activities	**(35)**	(9)	(26)	**(68)**	(34)	(34)

Maintenance capital	Maintenance capital expenditures are defined as cash spend on capital asset replacements or improvements required to maintain existing assets at their current level of service. The amount and timing of future maintenance capital is primarily dependant on the volume of waste that is received at our facilities.
Growth and expansion capital	Growth and expansion capital expenditures are defined as cash spend to expand existing facilities, primarily cell expansion at our landfills and cavern development, or with the intent of expanding existing businesses, entering into new locations or markets, or completing business acquisitions.

In 2017, we expanded our capacity at four of our landfills and one cavern facility. As well, Tervita began the process of identifying, planning, and executing a growth capital portfolio. The 2017 growth and expansion capital spending represents the initial results of this process and included primarily enhancements and additions to existing facilities in our Energy Services segment. As well, 2017 growth and expansion capital included the acquisition of 3k for $19 million net of cash acquired, and the purchase of assets related to two metals recycling yards for cash proceeds of $4 million.

Cash from sale of property, plant and equipment

In 2017, we received proceeds from the sales of a landfill and vacant land. In 2016, we received proceeds from the sales of our dredging and dewatering assets and a transfer station.

Contractual Obligations

The information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations. A number of these commitments rely on material judgments and estimates and, as such, actual outcomes could differ materially. Management continually assesses these maturities and any new commitments as they arise.

	2018	2019-20	2021-22	Thereafter
Long-term debt	-	-	452	-
Interest	37	75	37	-
Office and facility leases	12	24	24	75
Operating leases	1	-	-	-
Pipeline transportation commitment	19	25	-	-
Contingent consideration	1	3	3	12
Derivative liability	-	-	31	-
Total contractual obligations	70	127	547	87

Long-term debt

Long-term debt includes the current and long-term portions of the principal, but excludes foreign currency revaluation, the effect of foreign exchange swaps, and unamortized debt costs.

Office and facility leases

Tervita has operating leases for office premises and mobile and office equipment, with future minimum lease payments due over the terms of the leases. In addition, Tervita has entered into agreements to sublease excess office space in various locations.

Pipeline transportation commitment

In 2014, Tervita entered into a five-year purchase commitment for pipeline capacity to tender volumes of petroleum with a price ranging from $9.95/m3 to $19.89/m3, in addition to a ship or pay provision.

Derivative liability

The derivative liability relates to cross-currency swaps held at fair value to which hedge accounting applied. The swaps must be settled in full on the maturity of the Notes in December 2022. As derivative financial instruments are at fair value, they are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

FINANCIAL POSITION

	December 31 2017	December 31 2016	Increase / (Decrease)
Assets			
Cash and cash equivalents	**124**	89	35
Accounts receivable	**130**	129	1
Assets held for sale	**-**	6	(6)
Other current assets	**13**	11	2
Property, plant, and equipment	**615**	626	(11)
Intangible assets	**20**	8	12
Goodwill	**324**	376	(52)
Liabilities			
Trade and other payables	**94**	57	37
Income taxes payable	**14**	13	1
Interest payable	**4**	2	2
Liabilities held for sale	**-**	5	(5)
Debt (current and long-term)	**437**	466	(29)
Provisions (current and long-term)	**308**	283	25
Derivative liabilities	**31**	6	25
Other long-term liabilities	**5**	7	(2)

Changes in our financial position as at December 31, 2017 compared to December 31, 2016 were due to the following:

Assets held for sale	In 2017, we sold a US facility and land held for sale.
Property, plant and equipment	Depreciation and impairment expenses exceeded capital additions.
Intangible assets	An additional $12 million of intangible assets were recognized upon the 3k acquisition.
Goodwill	The decrease was due to impairment in our landfills cash generating unit.
Trade and other payables	Higher operating activity and the 2017 bonus accrual drove the increase in accounts payable.
Liabilities held for sale	In 2017, we sold a US facility that was held for sale.
Debt	The decrease was due to the impact of the weakening US$ on the revaluation of the Notes.
Provisions	We recorded new onerous contracts and decommissioning obligations in 2017, as well as made changes in estimates used to calculate decommissioning obligations.
Derivative liabilities	The increase was due to changes in the fair value of our swaps.

OUTSTANDING SHARE CAPITAL

Refer to Notes 23 and 25 of the Financial Statements for disclosure related to share-based awards and share capital, respectively. The number of Class A Voting Common shares, Class A Voting Preferred shares, and share-based awards as at the date of this MD&A remain the same as those disclosed in Notes 23 and 25.

OFF-BALANCE ARRANGEMENTS

As at December 31, 2017 and 2016, the Company did not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

As at December 31, 2017, Tervita identified its related parties as being its key management personnel ("KMP") and those entities which can exert significant influence over Tervita by virtue of equity interests. KMP are deemed to include the Board of Directors, Tervita's executive leadership, and certain other individuals employed by Tervita, as well as their close family members. There are two entities considered to be related parties who, due to the Recapitalization Transaction, can exert significant influence over Tervita through their investment in Tervita's share capital.

After the Recapitalization Transaction, Tervita appointed a new Board of Directors on December 14, 2016. The previous Board of Directors were considered related parties up to this date. In addition, certain entities previously identified as related parties also ceased to be related as at December 14, 2016 due to the change of ownership of Tervita.

All transactions with related parties were considered arm's length transactions with standard terms and conditions.

Tervita remunerates its KMP through salaries and related benefits, bonuses and through the issuance of stock options. The following amounts were recognized for key management compensation:

	2017	2016
Salaries and short-term benefits	1	4
Termination benefits	8	-
Share-based compensation	1	-
Bonuses	-	9
Total key management compensation	10	13

Until December 14, 2016, Tervita had a Canadian stock option plan, a US stock appreciation rights plan, and a phantom stock appreciation rights plan. These plans were extinguished as part of the Recapitalization Transaction.

In 2017, Tervita implemented a stock option plan and a restricted stock units plan ("RSU" plan) for eligible employees and directors of Tervita. The following units were issued and outstanding to key management personnel under these plans, which includes 25,000 RSU's with no exercise price:

	2017
Exercise price	$10
Units outstanding, beginning of year	-
Units issued	905,073
Units outstanding, end of year	905,073

Positions held in the senior notes and senior subordinated notes, which were settled as part of the Recapitalization Transaction, by certain equity owners and members of the Board of Directors as at December 31 were as follows:

	Senior Notes		Senior Subordinated Notes	
(US$)	2017	2016	2017	2016
Balance, beginning of year	-	68	-	228
Settlement of previously existing debt	-	(68)	-	(228)
Investment in new debt	-	-	-	-
Balance, end of year	-	-	-	-

During 2016, equity owners and certain members of the Board of Directors earned US$1 million in interest income related to their proportionate holdings in the senior notes and senior subordinated notes.

LEGAL AND ENVIRONMENTAL MATTERS

During the normal course of business, the Company is involved in legal proceedings, with several unresolved claims currently outstanding. The legal process of these claims has not advanced sufficiently to the point where it is practicable to state the timing and financial effect of these claims, if any. Management does not anticipate that the financial position, results of operations or cash flows of the Company will be materially affected by the resolution of these legal proceedings. Insurance coverage against certain types of claims, including hazards which result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental contamination, damage to property of others, and directors' and officers' liability claims, is maintained at a level determined by management to be prudent.

Secure Energy Services	On December 21, 2007, Tervita commenced an action in the Alberta Court of Queen's Bench (the "Court") seeking alleged damages against Secure and several of its personnel (former Tervita employees) in their individual capacities. Pembina Pipeline Corporation ("Pembina") and Triumph EPCM Ltd. ("Triumph") were also named as defendants. The claim alleges that, among other things, the former employees breached their employment contracts and fiduciary duties, and engaged in other unlawful conduct by improperly taking confidential Tervita information and using it to enable Secure, Pembina, and Triumph to continue Secure's business in direct competition with Tervita's business. Secure filed a defence and counterclaim in November 2008 claiming alleged damages for alleged conduct in contravention of the *Competition Act* (Canada). Tervita and Triumph have settled the claims against Triumph. The Court summarily dismissed portions of Tervita's claims against Pembina, and the balance of the claims were discontinued. As a result, Pembina no longer has any involvement in the lawsuit.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the Financial Statements in accordance with IFRS, Tervita is required to make certain accounting estimates and judgments that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenue and expenses during the reporting period. The estimates and judgments and associated assumptions are continuously evaluated and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, however, actual outcomes can differ. Critical estimates and judgments made by management in the application of IFRS that have a significant effect on the Financial Statements in the current and following fiscal years include: determination of fair values; determination of impairment; identification and recognition of uncertain tax positions; and the identification and quantification of decommissioning obligations. Detailed information related to Tervita's accounting estimates and judgments is provided in the Financial Statements.

Fair value measurements	Tervita utilizes fair value measurements and disclosure for several items within the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in either the principal market or the most advantageous market for the asset or liability. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available. The fair value of Tervita's CGUs is estimated for purposes of the annual goodwill impairment test using a Level 3 discounted cash flow valuation approach. Inherent in the valuation approach are key assumptions that are subjective and represent reasonable estimates with respect to factors affecting operations including economic, operational and market conditions. These conditions are sensitive to change and could affect the fair value. The fair value of Tervita and each CGU is estimated using a discounted cash flow approach based on CGU specific weighted average costs of capital based on comparable companies using a cross-section of industry peers, as well as management approved projections of annual revenue, expense growth rates, capital expenditures, and a growth rate for terminal years. These conditions are sensitive to change and could affect the fair value. Tervita is required to determine the fair value of the swaps at each period end. This requires the use of a Level 2 discounted cash flow valuation approach. All inputs are considered observable including contractual payments under the swaps, forward foreign exchange and forward interest rate swaps, and the credit ratings of Tervita and counterparties.

Impairment	The fair value of Tervita's CGUs is estimated for purposes of the annual goodwill impairment test using a Level 3 discounted cash flow valuation approach. Inherent in the valuation approach are key assumptions that are subjective and represent reasonable estimates with respect to factors affecting operations including economic, operational and market conditions. These conditions are sensitive to change and could affect the fair value. The fair value of Tervita and each CGU is estimated using a discounted cash flow approach based on CGU specific weighted average costs of capital ranging from 13 per cent to 14 per cent (2016 – 8 per cent to 12 per cent) based on comparable companies using a cross-section of industry peers. The discounted cash flows assume average annual revenue and expense growth rates of between one and four percent, and two per cent for terminal years. These conditions are sensitive to change and could affect the fair value. Cash flows are based on Tervita's operating budget for the next fiscal year, which is approved by management and our Board of Directors. The budget is based on past performance as well as management's assessment of expected market trends, growth strategy and economic conditions. For future years not included in the budget, assumptions are made, including growth rates implicit in the cash flow projections for each CGU to reflect their unique market characteristics, growth and expansion capital spending opportunities, and economic conditions. Tervita projects its discounted cash flows over a three-year period plus a terminal year. The key assumptions in establishing fair value less costs of disposal for specific CGUs focus on revenue estimates which are driven primarily by forecast activity levels in the oil and gas sector. Budgeted growth rates are normally aligned with these forecast activity levels and peer group growth expectations. Historical margins are guidelines for budgeting future earnings, with adjustments made for anticipated one-time or non-recurring events. CGUs that experienced significant growth in prior periods due to acquisitions will review the increased scale of operations, new markets entered or services offered to establish future revenue and earnings estimates. For energy marketing, forecast commodity prices, the equalization density penalty applicable to crude oil densities, and heavy oil differentials are estimated market inputs impacting the revenue and earnings forecasts. Management considers the revenue estimates and margins reflected in the budget and projections as achievable. Fair value less costs of disposal for specific assets or groups of assets is a Level 3 valuation, which contemplates the sale of similar assets in like markets and relies on third party offers, independent valuations and appraisals to value the assets. The key assumptions used relate to the comparability of similar assets used for valuation purposes, as well as the fact that historic market data is indicative of future market prices. Tervita has assessed that there are no reasonably possible changes to key assumptions that would change the analysis below and require additional impairments to be recognized.
Uncertain tax positions	Uncertainty exists with respect to the interpretation of complex income tax regulations. Current and deferred income taxes include estimates of future earnings and reversals of timing differences. Actual results may differ from assumptions made, which would necessitate future adjustments to previously recorded income tax (expense) recovery. Tervita establishes provisions, based on reasonable estimates, for the impact or outcome of audits by the tax authorities of the respective jurisdictions in which Tervita operates. Deferred tax assets are recognized on the Consolidated Statements of Financial Position based on the implementation of tax planning strategies which will create sufficient taxable profit to offset the deferred tax assets. Judgment is required in determining the amount of deferred tax assets to be recognized, based on the likely timing and the level of future taxable profits available for their utilization in conjunction with the execution of certain tax planning opportunities. Management assesses the recognition of deferred tax assets each reporting period.

Decommissioning obligations	Determination of the decommissioning obligations requires estimation of the nature, timing and cost of the remediation process, the timing of cash outflows and applicable discount rates. Tervita uses a risk-free rate for calculating decommissioning obligations, which is assessed quarterly and updated when there is a material change in the rate. Estimates are based upon existing practices and current regulatory requirements. Changes in estimates reflect both revisions to the expected amount and timing of future expenses and the revision of the discount rates.

IMPACT OF NEW ACCOUNTING STANDARDS

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") and are mandatory for accounting periods beginning on or after January 1, 2017. The standards impacted are as follows:

Statement of cash flow	Amendments were made to IAS 7 "Statement of Cash Flows" in January 2016 and were effective for annual periods beginning on or after January 1, 2017. On initial application of the amendments, entities were not required to provide comparative information for preceding periods. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Application of amendments resulted in additional disclosures by the Company.

FUTURE ACCOUNTING PRONOUNCEMENTS

The IASB and IFRS Interpretations Committee have issued the following standards and amendments or interpretations to existing standards that were not yet effective and not applied as at December 31, 2017. Tervita does not anticipate early adoption of these standards.

Revenue from contracts with customers	The IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") in April 2016 to replace IAS 11 "Construction Contracts" ("IAS 11"), IAS 18 "Revenue" and any related interpretations. Tervita has elected to apply IFRS 15 prospectively from January 1, 2018. For contracts not complete at the beginning of the adoption period, any changes from applying the requirements of IFRS 15 are recognized cumulatively in accumulated earnings (deficit) and no restatement of prior periods is required. Upon adoption of IFRS 15, Tervita determined that certain pipeline activities within energy marketing will no longer be presented as gross revenue, but will instead be recorded on a net basis against direct expenses. This will not result in any impact to operating profit (loss) or net profit (loss). Tervita generates project revenue through the provision of a variety of environmental and decommissioning services, which may be longer term and more complex in nature. Some of these projects have multiple performance obligations but have lump sum, fixed pricing arrangements, which will require allocation of the purchase price among the performance obligations. Upon adoption of IFRS 15, revenue will be recorded as control of those performance obligations is transferred to the customer. This may result in a change to the timing of revenue recognition on these types of contracts from IAS 18, which used the transfer of risks and rewards to determine the amount of revenue to be recognized. Application of IFRS 15 for contracts that were not complete at January 1, 2018 was determined to not have a significant impact on the amount of revenue recognized on these projects, and will result in nil being recorded as a cumulative adjustment to accumulated earnings (deficit). No other impacts to the financial results of Tervita were identified for the adoption of IFRS 15.

Share-based payments	The IASB issued amendments to IFRS 2 "Share-Based Payment" ("IFRS 2") in June 2016, which requires prospective application effective for annual periods beginning on or after January 1, 2018. Tervita has elected not to adopt this standard prior to its effective date. Tervita has assessed there is no significant impact on the measurement and classification of share-based payments. The amendments provide clarification on the classification and measurement of share-based-payment transactions: accounting for cash-settled payments which include vesting requirements, classifying transactions with net settlement features, and accounting for transactions modified from cash-settled to equity-settled.
Financial instruments	IFRS 9 "Financial Instruments" ("IFRS 9") will replace IAS 39 "Financial Instruments: Recognition and Measurement" and its retroactive application is effective for annual periods beginning on or after January 1, 2018. Tervita has elected not to adopt this standard prior to its effective date. The standard focuses on three financial instrument areas: classification and measurement, impairment, and hedge accounting. Tervita does not expect any significant impact on measurement and classification of financial instruments from adoption. IFRS 9 will impact Tervita's accounting for trade receivable impairment and hedging relationships, however, neither of these are expected to be material. Additional required disclosure will be included in Tervita's financial statements commencing in 2018.
Leases	The IASB issued IFRS 16 "Leases" ("IFRS 16") in January 2016 to replace IAS 17 "Leases" ("IAS 17"), and its retrospective application or the adjustment to opening equity at the date of initial transition is effective for annual periods beginning on or after January 1, 2019. Tervita has elected not to adopt this standard prior to its effective date. The new standard does not differentiate between finance and operating leases, and instead applies a single lease model that will require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. The only exceptions relate to leases with a term of less than twelve months and leases of small items. Tervita is currently assessing the impact of IFRS 16, but expects a material increase in lease assets and liabilities will be required.

RISKS

Readers of the Financial Statements and MD&A should carefully consider the following risk factors. The risks described below are not the only risks we face and additional risks not presently known to us or which we currently consider immaterial may adversely affect us in the future. If any of these risks or uncertainties occurs our business, financial position, results of operations, and cash flows could be materially adversely affected.

THE DEMAND FOR SERVICES IN ALL OF TERVITA'S DIVISIONS CAN BE ADVERSELY IMPACTED BY GENERAL ECONOMIC CONDITIONS AND TERVITA IS DEPENDENT ON EXPLORATION AND PRODUCTION ACTIVITY LEVELS IN THE MARKETS WHERE WE OFFER OUR SERVICES. AS A RESULT, ANY DECREASE IN DEMAND MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR FINANCIAL POSITION, RESULTS OF OPERATIONS, CASH FLOWS OR ABILITY TO MAKE REQUIRED PAYMENTS ON DEBT OUTSTANDING.

Demand for Tervita's services in all of our divisions depends, in large part, on the level of exploration and production of oil and gas and the oil and gas industry's willingness to purchase our services. This willingness depends on oil and gas prices, expectations about future prices, the cost of the services Tervita offers, the cost of the services our competitors offer, the cost of exploring for, producing and delivering oil and gas, regulatory charges and requirements, the discovery rate of new oil and gas reserves, the ability of oil and gas companies to raise capital and various other economic and industry factors beyond our control. Domestic and international political, regulatory, military and general economic conditions beyond our control also affect the oil and gas industry.

Prices for oil and gas have historically been volatile and have reacted to changes in the supply and demand for oil and gas, domestic and worldwide economic conditions and political instability in oil-producing countries. These changes have historically significantly affected Tervita's customers and, consequently, Tervita. No assurance can be given on current and future production levels of oil and gas, that demand for our services will reflect the level of such activities, that prices for oil and gas will improve or stabilize, that exploration and development expenditures will continue to result in the discovery of reserves that are commensurate with capital invested, or that initiatives designed to combat climate change or reduce oil and gas consumption generally, including carbon taxes and alternative energy development, will not adversely affect the oil and gas industry generally. Tervita expects the prices for oil and gas to continue to be volatile and affect the demand for Tervita's services. Either a material decline in general economic conditions or a material decline or continued volatility in the price of oil or gas could materially affect the demand for Tervita's services and have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

Tervita is particularly reliant on oil and gas exploration and production in the WCSB. Any decline in oil and gas exploration and production in this region could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Tervita's business is dependent upon the willingness of our customers to outsource their Waste Management and other environmental services activities.

Tervita's business is largely dependent on the willingness of our customers to outsource their waste management activities generally, and to Tervita, rather than to our competitors. Currently, numerous internal waste treatment, recovery and disposal options are available to oil and gas companies. In addition, most oilfield operators, including many of Tervita's customers, have numerous abandoned wells that could be licensed for use in the disposition of internally generated waste and third-party waste in competition with Tervita and batteries that could be used to recover oil through oilfield waste processing. We provide the majority of our waste treatment, processing and disposal services through our TRD facilities and landfills business units, with those business units accounting for approximately 85% of our operating margin excluding depreciation, amortization and general and administrative expenses, for the year ended December 31, 2017. Oil and gas production companies in the industries Tervita services, including our current customers, could decide to process and dispose of their waste internally for any reason, and this could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

The cost of complying with environmental laws and regulations is significant, and because environmental compliance is central to Tervita's operations, any liabilities or obligations imposed under such laws or regulations or delays resulting from such compliance, could directly, or indirectly through Tervita's customers, materially adversely affect our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Tervita's business is subject to extensive Canadian federal, provincial, territorial and local environmental laws and regulations, including those governing the use, discharge, management, transportation, treatment, processing, storage and disposal of non-hazardous, hazardous, toxic and other regulated materials, land use and reclamation, the establishment, operation, decommissioning, closure, abandonment and restoration of facilities or of natural resources, worker and public health and safety and the reporting, investigation and remediation of releases of, and exposure to, regulated substances. Tervita's failure to comply with such laws and regulations or to obtain or comply with environmental permits or our incurrence of environmental investigation or remediation costs or liabilities could result in the imposition of fines and penalties, some of which may be material, the suspension or revocation of regulatory permits, or otherwise have a material adverse effect on our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. Environmental laws and regulations and their enforcement are subject to frequent change and have tended to become more stringent over time. Changes in environmental regulation can result in increased operating or capital expenditures that could have a material adverse effect on Tervita's ability to comply with such regulations, our financial position, results of operations, cash flows or ability to make required payments on debt outstanding, or affect Tervita's reputation or customer demand for our services. Tervita is currently investigating, remediating and monitoring contamination at several sites at which soil or groundwater contamination is known to exist. Some environmental laws and regulations can impose liability for damages without regard to negligence or fault, and in some cases damages may be joint and several. Tervita owns 20 landfills, seven stand-alone salt water disposal wells, two cavern disposal facilities, 24 TRD facilities, and a number of deep underground injection wells that handle a broad variety of wastes. Any releases from any of these treatment or disposal units or any other operated facility could result in significant liability. Contamination identified at, or migrating from, any of our current or former sites, or at third-party or customer sites, whether currently known or unknown, may cause Tervita to incur liabilities or require us to investigate or undertake remedial action pursuant to applicable environmental laws and regulations or orders or other actions by governmental authorities and may also incur liabilities resulting from spills during the transport of customer waste. Moreover, current and future remedial obligations and environmental claims could materially adversely affect our reputation, ability to retain or attract customers, on-going operations, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Several of Tervita's operations require complex and detailed environmental and other permits and authorizations to establish, operate, expand and ultimately decommission our sites, including our engineered landfill and water treatment businesses. For certain of our sites, Tervita is required under applicable laws, regulations, and/or permits to conduct periodic monitoring, and internal and third-party testing. Such permits involve significant uncertainties and Tervita may experience a delay in obtaining, be unable to obtain or renew, or suffer the suspension or revocation of required permits or regulatory authorizations. Regulatory agencies may also impose more stringent or burdensome restrictions or obligations on operations when Tervita seeks to renew or amend our permits. For example, permit conditions may limit the amount or types of waste Tervita can accept, require us to make material expenditures to upgrade our facilities, implement more burdensome and expensive monitoring programs or increase the amount of financial assurance that Tervita provides to cover future facility closure costs. Any delay or inability to acquire such permits or authorizations, or renew them in a timely fashion on substantially similar terms, could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. In addition, governmental authorities or other third parties may bring claims against Tervita if we fail to comply with environmental laws, regulations or permits or causes environmental damage, which may result in suspension or revocation of necessary permits and authorizations, civil or criminal liability and imposition of fines or penalties.

Greenhouse gas (“GHG”) legislation is in early stages of evolution in Canada, and it is relatively early to determine the impact of potential GHG reduction requirements. It is possible that broader national or regional GHG reduction requirements may directly or indirectly impact natural gas or other fuel markets. Given the evolving nature of policies related to climate change and the regulation of GHGs, it is not currently possible to predict either the nature of anticipated requirements or the impact on Tervita's business, financial condition, results of operations, and cash flows at this time.

LEGISLATIVE AND REGULATORY INITIATIVES RELATING TO HYDRAULIC FRACTURING/INDUCED SEISMICITY COULD RESULT IN INCREASED COSTS AND ADDITIONAL OPERATING RESTRICTIONS OR DELAYS AND COULD ADVERSELY AFFECT TERVITA'S SUPPORT SERVICES.

Many of Tervita's customers are heavily reliant on hydraulic fracturing and other enhanced recovery techniques, a practice that involves the pressurized injection of water, chemicals, proppants and other substances into tight rock formations to stimulate hydrocarbon production by creating fractures extending from the well bore through the rock formation to enable natural gas or oil to move more easily through the rock pores to a production well. Various Canadian federal, provincial and territorial regulatory and legislative initiatives are underway to regulate, or further investigate, the environmental impacts of hydraulic fracturing. Hydraulic fracturing has also generated increased public interest in Canada regarding its potential environmental impacts.

The adoption of Canadian federal or provincial laws or regulations imposing or permitting disclosure or other regulatory obligations related to, or otherwise limiting, the hydraulic fracturing process could make it more difficult or expensive for Tervita's customers to complete oil and natural gas wells. Increased compliance costs and reduced drilling activity could adversely impact demand for Tervita's services and thereby have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, changes in regulatory or administrative conditions in operating permits that limit the rate and pressure of fluid injection or require monitoring of seismicity could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

Increasing concern regarding induced seismicity related to oil and gas production and waste disposal wells could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Various studies have identified links between increases in seismic activity and hydraulic fracturing and the injection/disposal of water associated with oil and gas production. This linkage could result in new operational limits or closure of disposal wells in areas where events become significant (magnitude and frequency), including areas in which we own and operate salt water disposals wells. If the operation of disposal wells becomes more heavily regulated, which is already happening, or if disposal wells become unavailable as a result of regulation, we will need to identify alternative disposal locations or develop methods to increase water reuse and recycling of wastewater from oil, natural gas and natural gas liquid drilling sites, both of which are likely to increase costs and require substantial capital investments. If Tervita's operations are suspended or terminated at disposal wells, our business, financial condition, results of operations and cash flows or ability to make required payments on debt outstanding may be materially adversely impacted. Additionally, Tervita could incur liability for earthquake damages or be affected by related regulation.

Tervita's markets are highly competitive, and competition could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

Tervita has many competitors in all of our businesses, including waste treatment, recovery and disposal, environmental site remediation, metals recycling and waste services businesses. Other companies offer similar third-party services in Tervita's primary markets. In addition, many of Tervita's customers manage a portion of their own waste internally without the use of a third-party service provider and some of Tervita's customers also compete with Tervita in the treatment and disposal sector by offering such services to other oil and gas companies. Many of Tervita's customer relationships can be short-term in nature, our customers are generally not bound by long-term contracts or service agreements, and many of our relationships are subject to cancellation by our customers upon short notice with limited or no damages payable to Tervita. In addition, there is no certainty that the backlog of orders for Tervita's services will in fact result in actual sales at the times or in the amounts estimated at any time. Tervita's customers regularly evaluate the best combination of value and price from competing alternatives and/or new technologies and can move between alternatives or, in some cases, develop their own alternatives with relative ease. This competition influences the prices Tervita charges and requires Tervita to control our costs aggressively and maximize efficiency in order to maintain acceptable operating margins; however, Tervita may be unable to do so and remain competitive on a cost-for-service basis. In addition, existing and future competitors may develop or offer services and/or new technologies that have price, location or other advantages over the services we provide. If we are unable to retain our customers, develop new customers or maintain the prices we charge due to any of the foregoing factors, it could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Tervita's energy marketing business is subject to various risks, including changes in industry practices related to crude oil equalization and declines in oil prices, all of which are beyond our control and could have a material adverse effect on our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Tervita's energy marketing practices result in exposure to market price risk for crude oil and condensate, volume and basis exposure on marketing transactions and through upgrading of different product streams. Energy marketing transactions are also associated with counterparty credit risk of non-performance. Tervita's risk management policies for this division may not be effective in mitigating these risks. Our failure to effectively mitigate these risks could result in losses for Tervita, and any such losses could be material.

Our energy marketing division derives a material portion of its revenue from the collection of Canadian industry mandated equalization penalties applicable to crude oil with a density outside of the required band of the oil and gas industry crude oil equalization scale. The crude oil equalization scale is determined twice annually by the COLC. The COLC is a Canadian oil and gas industry committee comprised of members drawn from oil and gas producers, crude oil pipeline companies, terminal operators, industry associations and regulators. Changes to the equalization scale, and specifically the amount of the equalization penalty, or changes to the industry practice related to crude oil equalization generally, all of which are beyond Tervita's control, could have a material adverse effect on our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Competitors of Tervita's energy marketing division include companies that own pipelines. These competitors could implement controls or tariffs which impede Tervita's ability to physically or economically access the pipelines they control, which could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

GLOBAL FINANCIAL CONDITIONS ARE SUBJECT TO VOLATILITY. THIS MAY IMPACT TERVITA'S ABILITY TO OBTAIN EQUITY, DEBT OR BANK FINANCING IN THE FUTURE ON TERMS COMMERCIALLY REASONABLE TO US OR AT ALL AND MAY ADVERSELY IMPACT OUR OPERATIONS.

Global financial conditions are subject to volatility, which may impact Tervita's ability to obtain equity, debt or bank financing on terms commercially reasonable to Tervita, if at all. Additionally, the volatility of global financial conditions, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Continued volatility and market turmoil could have a material effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. In addition, certain of Tervita's customers could experience an inability to pay, in the event they are unable to access the capital markets to fund their business operations, which could have a material adverse effect on Tervita's revenue and cash flow.

CHANGES IN LAWS MAY ADVERSELY AFFECT TERVITA.

Most of Tervita's revenue is derived from customers in the oil and gas industry. Income tax laws relating to the oil and gas industry, such as those relating to resource taxation or dividends, may in the future be changed or interpreted in a manner that may have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. Furthermore, tax authorities having jurisdiction over Tervita may disagree with how we calculate our income for tax purposes or could change administrative practices to Tervita's detriment.

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with oil and gas industry operations. In addition, such legislation imposes requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites.

Compliance with environmental legislation by Tervita and its customers can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Tervita to incur costs to remedy such discharge. Although Tervita believes that we are in material compliance with current applicable environmental legislation, no assurance can be given that environmental compliance requirements will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Various levels of government impose extensive controls and regulations on oil and gas operations (including exploration, development, production, pricing, marketing and transportation). Governments may regulate or intervene with respect to exploration and production activities by introducing or changing controls and regulations affecting prices, taxes, royalties and the export of oil and natural gas. Amendments to these controls and regulations may occur from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and gas and increase costs of Tervita's customers and/or Tervita, any of which may have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. Recently, the federal government and certain provincial governments have taken steps to initiate protocols and regulations to limit the release of methane from oil and gas operations. The implementation of any such regulations and protocols may require additional capital expenditures or otherwise negatively impact the operations of Tervita's customers and/or Tervita, which may affect Tervita's profitability.

In order to conduct our operations, Tervita requires regulatory permits, licenses, registrations, approvals and authorizations from various governmental authorities at the municipal, provincial and federal level. There can be no assurance that Tervita will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that we may wish to undertake. In addition, certain federal legislation such as the *Competition Act* and the *Investment Canada Act* could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows, particularly when undertaking, or attempting to undertake, acquisition or disposition activity including the Arrangement.

FAILURE TO PERFORM UNDER CONTRACTS COULD ADVERSELY AFFECT TERVITA'S REPUTATION AND RESULTS OF OPERATIONS.

Tervita's success depends in large part on whether we fulfill our obligations with clients and maintains client satisfaction. Any failure by Tervita to satisfactorily perform our obligations could have a material adverse effect on our reputation and client relationships, and clients may terminate agreements or projects with Tervita or claim damages.

Client commitments are made to complete a project by a scheduled time. If the project is not completed on time, Tervita may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion. In addition, performance of projects can be affected by a number of factors beyond Tervita's control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in project scope of services requested by clients, industrial accidents, environmental hazards, labour disruptions and other factors. To the extent these events occur, the total cost of the project could exceed estimates and Tervita could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate overall profitability.

TERVITA MAY HAVE DIFFICULTY IDENTIFYING AND EXECUTING ACQUISITIONS ON FAVORABLE TERMS, WE MAY BE UNABLE TO SUCCESSFULLY INTEGRATE BUSINESSES WE ACQUIRE, AND WE MAY FACE SIGNIFICANT EXPOSURE FROM UNKNOWN LIABILITIES IN CONNECTION WITH OUR ACQUISITIONS.

We grew our business in 2017, and intend to continue to grow our business, in part, through selective acquisitions, and such acquisitions may be significant. Through such acquisitions, Tervita has expanded our operations, increased the range of services we offer to our customers, and deepened our penetration in our markets. Future acquisitions may not be completed on acceptable terms and acquired assets, facilities or businesses may not be successfully integrated into Tervita's operations. Tervita could also be subject to one or more acquisition or combination transactions including, but not limited to, transactions with other related portfolio companies, affected by our controlling shareholders. Any such acquisition or combination transactions or any other investments will be accompanied by the risks commonly encountered in connection with such transactions. Such risks include, among other things:

- a failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired or combined businesses or their employees to comply with applicable laws or regulations, such as health, safety and environmental laws, to prevent releases of hazardous substances or wastes or their failure to fulfill their contractual obligations to their customers;
- paying more than fair market value for an acquired or combined company or assets;
- failing to implement or remediate controls, procedures and policies at acquired or combined companies that, prior to the transaction, lacked or had inadequate controls, procedures and policies;
- failing to keep existing or acquired licenses and permits;
- failing to integrate the operations and personnel of the acquired or combined businesses in an efficient, timely manner;
- assuming potential liabilities, including environmental liabilities, arising from the products or services of an acquired or combined company;
- managing the potential disruption to Tervita's ongoing business;
- distracting management focus from our core business; and
- impairing relationships with employees, customers, and strategic partners.

Tervita's business, financial condition and future prospects could be materially and adversely affected as a result of any of the foregoing.

In addition, the anticipated benefit of many of our acquisitions or any combination transaction may not materialize. Future acquisitions, combinations or dispositions could result in the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill and other intangible assets, any of which could harm our business, financial condition, results of operations, and cash flows. Future acquisitions or combination transactions may require Tervita to obtain additional financing, which may not be available on favorable terms or at all.

Tervita is susceptible to seasonal volatility in our operating and financial results due to weather conditions.

Tervita's financial results are directly affected by the seasonal nature of the North American oil and gas industry. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada. During the second quarter, soft ground conditions typically curtail oilfield activity in western Canada such that many operators are unable to transport equipment due to road bans. Consequently, this is generally Tervita's weakest three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, Tervita may not be able to access well sites and our operating results and financial condition may therefore be adversely affected. In addition, during excessively rainy periods in any of our operating areas, equipment moves may be delayed, thereby adversely affecting revenues.

The volatility in North American weather patterns can create unpredictability in activity and utilization rates, which can have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

Tervita is exposed to risks associated with the transportation of petroleum products and waste water.

Tervita transports various petroleum products by rail, pipeline and truck. These petroleum products are considered dangerous goods under transportation of dangerous goods legislation. When Tervita loads petroleum products, we may be considered the consignor, in which case we have specific responsibilities under the applicable laws, including the responsibility to ensure that the product is properly classified, the shipment is properly labelled and the product is loaded in an appropriate tank. Tervita may be exposed to penalties and other regulatory actions in the event we fail to comply with transportation of dangerous goods laws.

Tervita’s TRD facilities contain pipeline networks to transport wastewater for disposal. Any incident resulting in the release of large quantities of product could expose Tervita to significant clean-up liabilities and penalties and threaten the continuing operation of the facility. The operations of these pipelines as well as the associated operating expenses may be affected by changes implemented by provincial or regulatory agencies and their respective Pipeline Acts and Regulations.

Changes in provincial royalty rates could adversely affect Tervita’s financial condition and results of operations.

The provincial governments of Alberta, British Columbia, Manitoba, Quebec and Saskatchewan collect royalties on the production from Crown lands. These fiscal royalty regimes are reviewed and adjusted from time to time by the respective governments for appropriateness and competitiveness. These changes, as well as the potential for future changes in these and other jurisdictions, add uncertainty to the outlook of the oilfield services sector. Any changes in such royalties could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding

First Nations consultation and claims may limit resource development and Tervita’s ability to secure locations for capital projects.

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of lands in the WCSB. The interpretation of aboriginal and treaty rights continues to evolve and government policy (including with respect to regulations that affect Tervita’s industry and operations) continues to change. In many circumstances, aboriginal people are entitled to be consulted prior to resource development on Crown lands. The consultation processes and expectations of parties involved can vary considerably from project to project (and from First Nation to First Nation), which can contribute to process uncertainty, increased costs, delay in receiving required approvals, and potentially, an inability to secure the required approvals for some projects. Additionally, some types of claims may affect or limit Tervita's ability to secure locations for capital projects.

TERVITA'S OPERATIONS ARE SUBJECT TO RISKS ASSOCIATED WITH NATURAL DISASTERS AND OPERATING HAZARDS AND THERE IS NO ASSURANCE THAT SUCH EVENTS WOULD BE COVERED BY INSURANCE OR WHETHER ANY SUCH INSURANCE COVERAGE WOULD BE ADEQUATE.

Tervita's operations are subject to many hazards inherent in all of our businesses, including our treatment, recovery and disposal services, environmental site remediation, metals recycling and waste services businesses. Such hazards include equipment defects, malfunction and failures, explosions, fires, damage or loss from inclement weather, earthquakes, environmental contamination and natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, suspension or revocation of regulatory permits, environmental contamination and damage to the property of others, and Tervita's insurance coverage may not cover or be adequate to cover all losses or claims involving our assets or operations. For example, wildfires in northern Alberta, including Fort McMurray, in 2016 impacted Tervita's customers' exploration and production activities and therefore affected our ability to provide our services. The amount of insurance Tervita is required to maintain for environmental liability with respect to our business is governed by statutory requirements and contractual obligations. Tervita's insurance coverage in Canada is generally maintained at levels which management, in consultation with expert advisors, deems prudent, meeting or exceeding any minimum statutorily required levels and contractual obligations for the activities of our relevant divisions. Tervita cannot be assured that insurance will be available on a consistent or economically feasible basis or at all. Increases in insurance costs would reduce our operating margins and increases in insurance costs and changes in the insurance markets may limit the coverage that Tervita is able to maintain or prevent us from insuring against certain risks. Changes in Tervita's operating experience, such as an increase in accidents or lawsuits or a catastrophic loss, could cause our insurance costs to increase significantly or could cause us to be unable to obtain certain insurance. Changes in Tervita's industry and perceived risks in our business by current or prospective insurers could have a similar effect.

Liability for uninsured risks could significantly increase Tervita's expenses, and the occurrence of a significant event against which Tervita is not fully insured could have a material adverse effect on our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. Large or unexpected losses may exceed Tervita's policy limits and may result in the termination or limitation of coverage, exposing us to uninsured losses, thereby adversely affecting Tervita's financial position, results of operations, cash flows or our ability to make required payments on debt outstanding. In addition, to the extent Tervita's insurers are unable to meet their obligations in full or in part, or their own obligations for claims are more than Tervita estimates, there could be a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

THE TERMINATION OF NAFTA OR CHANGES TO NAFTA COULD HAVE A MATERIAL ADVERSE EFFECT ON TERVITA'S BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS, AND CASH FLOWS OR TERVITA'S ABILITY TO MAKE REQUIRED PAYMENTS ON DEBT OUTSTANDING.

The US, Canadian, and Mexican governments are currently renegotiating the North American Free Trade Agreement ("NAFTA"). NAFTA currently prohibits government intervention in the normal operation of the North American energy market, whether in the form of price discrimination through the imposition of export taxes or the direct disruption of supply channels. In addition, the treaty ensures that North American customers have equal access to oil produced in either country, ensuring a broad demand base for Canadian oil and gas producers. It is uncertain whether NAFTA will be terminated or changed, and what effects, if any, those results may have on Tervita. The imposition of taxes or disruption to supply channels to the United States may result in reduced oil and gas activity in the WCSB and could have a material adverse effect on Tervita’s business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

TERVITA MAY EXPERIENCE IMPAIRMENT LOSSES IN RESPECT OF OUR PHYSICAL ASSETS AS A RESULT OF REDUCED INDUSTRY ACTIVITY AND A SUSTAINED DECLINE IN DEMAND FOR SERVICES INVOLVING SUCH ASSETS.

Tervita has significant investments in physical assets. Reduced industry activity could result in a material and sustained decrease in the demand for our services utilizing such assets. In any such case, Tervita may be required to record an impairment loss in respect of such assets. In addition, if Tervita decides to sell such assets, we may receive substantially less in consideration than the carrying book value for such assets. Tervita's decision to sell such assets would likely coincide with reduced industry activity, which could materially and adversely affect the price at which Tervita may be able to sell such assets and significantly prolong the time it takes to consummate a sale for such illiquid assets.

TERVITA'S FUTURE SUCCESS DEPENDS ON OUR ABILITY TO ATTRACT AND RETAIN QUALIFIED WORKERS.

Tervita's future success and financial performance depends substantially on our ability to attract and retain qualified and experienced people to manage and operate our businesses. In particular, the success of each of Tervita's divisions is significantly dependent upon attracting and retaining key personnel having skills specific to each such division. There is demand for such highly skilled personnel in Tervita's main markets and we may be unable to obtain and retain appropriate levels of skilled labour. In the event of a labour shortage, Tervita could experience difficulty delivering our services in a high-quality or timely manner and could be forced to increase wages in order to attract and retain employees, which would result in higher operating costs and reduced profitability.

FLUCTUATIONS IN SUPPLY AND DEMAND FOR SCRAP METAL PRICES MAY ADVERSELY AFFECT TERVITA'S FINANCIAL POSITION AND RESULTS OF OPERATIONS.

Scrap metals pricing is subject to fluctuations associated with the supply and demand for steel in general. Low demand for new steel, for example, as a result of a weak automobile sector or low infrastructure spending, will adversely affect the demand for scrap metal, a major input in North American new steel production. The market price for scrap metal will also be affected by overseas supplies of steel. The vast majority of Canadian scrap metal is shipped to the United States. As a result, if the metals recycling business is unable to access the US market due to a prolonged rail service interruption, worsening trade relations or for other reasons, Tervita's business, financial condition, results of operations and cash flows or its ability to make required payments on debt outstanding could be materially adversely affected.

TERVITA DEPENDS ON THE SERVICES OF OUR SENIOR MANAGEMENT, THE LOSS OF ANY MEMBERS OF WHICH COULD MATERIALLY HARM OUR BUSINESS.

Tervita's senior management is important to our success because they have been instrumental in setting Tervita's strategic direction, operating our business, setting and managing regulatory compliance and governance standards and performance, providing technical expertise, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. There is no assurance that Tervita will be successful in retaining such personnel or attracting qualified replacements should any such personnel leave. The loss of the services of any member of senior management could materially adversely affect Tervita's financial condition, results of operation, cash flows or our ability to make required payments on debt outstanding.

TERVITA MUST COMPLY WITH HEALTH AND SAFETY LAWS AND REGULATIONS AT OUR FACILITIES AND IN CONNECTION WITH OUR OPERATIONS AND FAILURE TO DO SO COULD RESULT IN SIGNIFICANT LIABILITY AND/OR FINES AND PENALTIES.

Tervita's activities are subject to a wide range of national, provincial, federal and local occupational health and safety laws and regulations. These health and safety laws are subject to frequent change, as are the priorities of those who enforce them. Failure to comply with these health and safety laws and regulations could lead to third-party claims, criminal and regulatory violations, civil fines, revocation or suspension of regulatory permits and changes in the way Tervita operates our facilities and operations, which could increase the cost of operating our business and have a material adverse effect on our business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

TERVITA'S TRD FACILITIES, CAVERN AND ENGINEERED LANDFILL OPERATIONS COULD BE ADVERSELY AFFECTED BY MORE STRINGENT CLOSURE AND POST-CLOSURE OBLIGATIONS AND A VARIETY OF OTHER RISKS.

Operating and maintaining TRD facilities, caverns, disposal wells and engineered landfills are capital-intensive activities and generally require performance bonds, letters of credit or other forms of financial assurance to secure performance, closure, post-closure and financial obligations. In particular, the regulatory agencies of many of the provinces in which Tervita operates require us to post closure bonds in connection with the operation of our Waste Management facilities. As Tervita acquires additional facilities or expands our existing facilities, these obligations will increase. Additionally, regulatory agencies may require Tervita to post closure bonds or letters of credit in increased amounts as a prerequisite to the modification of our existing permits. Tervita has material financial obligations to pay closure and post-closure costs in respect of our TRD facilities, engineered landfills and caverns and injection wells. Tervita has estimated these costs and made provisions for them, but these costs could exceed Tervita's current provisions as a result of, among other things, any Canadian federal, provincial, territorial or local government regulatory action including, but not limited to, unanticipated closure and post-closure obligations or government-forced closure of Tervita's facilities on an expedited basis. More stringent closure and post-closure obligations due to changes in law or otherwise could substantially increase our operating costs and cause our net income to decline.

We cannot ensure that we will maintain our relationships with or continue to provide services to any particular customer at current levels, or that customers will continue to utilize our TRD facilities, caverns and engineered landfills and pay rates that generate acceptable margins for Tervita. Tervita's margins could decrease if the volume of waste processed and disposed of by these customers decreases or if Tervita sees a degradation of rates charged to correspond with increasing costs of operations. In addition, new agreements for processing or disposal services entered into by Tervita may not be obtainable on terms acceptable to Tervita or, if obtained, may not be obtained on terms consistent with current practices, in which case Tervita's revenue and profitability could decline. Tervita also cannot ensure that the parties from whom we lease, license or otherwise occupy the land on which certain of our facilities are situated will honor the terms of those leases, licenses or other occupancy agreements or renew our current leases, licenses or other occupancy agreements upon their expiration on commercially reasonable terms or at all. Any such failure to honor the terms of the leases, licenses or occupancy agreements or renew our current leases, licenses or occupancy agreements could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

A steady volume of waste is required in order for a TRD facilities, cavern or engineered landfill to maintain profitable operations. Any change in law or to our regulatory permits could potentially modify, reduce or eliminate the type or amount of waste that requires processing or disposal or modify the processing or disposal requirements. A decrease in the amount of waste processed and disposed of or a decrease in the prices charged by Tervita for processing or disposal could have a material adverse effect on Tervita's financial position, results of operations, cash flows or our ability to make required payments on debts outstanding.

TERVITA'S BUSINESS DEPENDS ON ITS ABILITY TO SUCCESSFULLY COMPLETE COMPLEX AND LENGTHY BIDDING AND SELECTION PROCESSES.

Tervita's business depends on the ability to successfully bid on new contracts and renew existing contracts with private and public-sector clients. Contract proposals and negotiations are complex and could involve lengthy bidding and selection processes, which are affected by a number of factors, such as market conditions, financing arrangements and required government approvals. If negative market conditions arise, or if there is a failure to secure adequate financial arrangements or the required governmental approval, Tervita may not be able to pursue particular projects which could adversely reduce or eliminate profitability.

A FAILURE BY TERVITA'S EMPLOYEES TO FOLLOW APPLICABLE PROCEDURES AND GUIDELINES OR ON-SITE ACCIDENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS, AND CASH FLOWS OR OUR ABILITY TO MAKE REQUIRED PAYMENTS ON DEBT OUTSTANDING.

Tervita requires our employees to comply with various internal procedures and guidelines, including a health, safety and environment management system, health and safety guidelines, and risk management and credit policies. The failure by Tervita's employees to comply with our internal guidelines found in the health, safety, and environment management system could result in personal injuries, property damage or non-compliance with applicable governmental laws and regulations, which may lead to fines, remediation obligations, revocation or suspension of regulatory permits, or third-party claims. Tervita's safety record is important in our customers' selecting Tervita for their jobs and an increase in accidents may result in Tervita losing contracts or not winning additional contracts. The failure by Tervita's employees to comply with Tervita's risk management and credit policies could result in increased exposure to fluctuations in oil and other commodities prices and potential losses resulting therefrom. Any such fines, remediation obligations, revocation or suspension of regulatory permits, third-party claims or losses could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. In addition, on-site accidents can result in injury or death to Tervita's or other contractors' employees or damage to Tervita's or other contractors' equipment and facilities. Any fines or third-party claims resulting from any such on-site accidents could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

A deterioration in Tervita's safety record would harm our relationships with customers, make it less likely for customers to contract for our services, and subject Tervita to penalties and fines and revocation or suspension of regulatory permits, which could adversely affect our business, operating results and financial condition.

Tervita's ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that Tervita can reliably and safely operate our business. Existing and potential customers consider the safety record of their service providers to be of high importance in their decision to engage third-party servicers. If one or more accidents were to occur at a site, the affected customer may seek to terminate or cancel Tervita's contract and may be less likely to continue to use Tervita's services. In addition, it is possible that Tervita will experience numerous or particularly severe accidents in the future, causing our safety record to deteriorate. This may be more likely as Tervita continues to grow, if we experience high employee turnover or labour shortage, or add personnel who may not be very experienced. In addition, Tervita could be subject to liability for damages as a result of such accidents and could incur penalties or fines for violations of applicable safety laws and regulations.

Tervita is subject to continuing obligations under US federal, state, and local environmental laws and regulations.

Although Tervita does not currently have operations in the United States, due to former more substantial operations in the United States, Tervita is subject to continuing obligations under US federal, state, and local environmental laws and regulations relating to environmental remediation of sites Tervita historically owned or operated. Contamination identified at, or migrating from, any of Tervita's current or former sites in the United States, whether currently known or unknown, may cause Tervita to incur liabilities or require Tervita to investigate or undertake remedial action pursuant to applicable environmental laws and regulations or orders or other actions by governmental authorities. Moreover, current and future remedial obligations and environmental claims related to Tervita's current or past operations in the United States could materially adversely affect Tervita's reputation, ability to retain or attract customers, ongoing operations, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

The decline in Western Canadian Select (“WCS”) prices relative to WTI prices and limited pipeline capacity could materially adversely impact Tervita's business.

WCS prices and other Canadian crude oil grades have been declining relative to WTI prices due to limited pipeline capacity in Canada and rising production. Canadian oil producers are expected to experience a disconnect from benchmark North American crude prices (represented by the WTI benchmark) and their operating performance and cash flows. Low Canadian prices and their negative impact on cash flows will likely reduce producers' capital investments and their desire to ramp up production until transportation constraints ease and prices improve. Producers of heavy oil are most impacted by the low prices and, as a result, many Canadian oil producers are suspending or maintaining drilling programs, thereby negatively impacting Tervita's business. In addition, a higher WTI price promotes increased production in the United States, which in turn dampens demand for Canadian oil.

Limited pipeline capacity adversely affects the delivery of both oil and gas from Canada to other markets, severely impacts Canadian oil and gas producers and places them at a competitive disadvantage compared to producers in the United States or other countries. As a result, the Canadian oil and gas industry is facing significant challenges to remain competitive, in particular as companies with operations in numerous countries determine their capital allocations and financial investors determine the companies and countries they intend to invest in.

The inability of counterparties or customers to fulfill their obligation to Tervita subjects Tervita to credit risk and could adversely impact our results of operations.

Most of Tervita's revenue is derived from customers in the oil and gas industry. As a result, Tervita has a concentration of industry credit risk. Tervita generally extends unsecured credit to our customers whose revenues may be impacted by, among other things, fluctuations in commodity prices and general changes in economic conditions. In addition, Tervita's Energy Marketing division buys crude oil and condensate from third parties and, in turn, sells that crude oil and condensate to customers on the open market. Tervita bears the risk of loss if a buyer fails to perform its obligations in connection with its sale of crude oil and condensate to us. A significant decline or volatility in the oil and gas industry may increase our credit risk and such a decline or any failure by our customers to fulfill their obligations generally could materially adversely impact Tervita's financial position, results of operations, cash flows or our ability to make required payments on debt outstanding.

Technology Tervita uses in our business is increasingly subject to protection by intellectual property rights.

Tervita has invested a significant amount of capital over a number of years into the engineering and development of our various facilities. The related proprietary information has been protected through the use of confidentiality agreements to supplement the general protection afforded to trade secrets under common law. However, the proprietary information and technology we use in our business has generally not been protected by registered intellectual property rights. Increasingly, technology used in our business is being protected by intellectual property rights and some of these rights may be owned by third parties, which may lead to increased expenses to gain or maintain the right to use such rights or may lead to litigation regarding to the right to use such rights or their infringement.

Tervita's information technology systems could be exposed to security threats.

Tervita has become increasingly dependent upon the development and maintenance of information technology systems that support the general operating aspects of the business. Exposure of Tervita's information technology infrastructure to external threats poses a risk to the security of these systems. Such cyber security threats include unauthorized access to information technology systems due to hacking, viruses and other deliberate or inadvertent causes that could result in service disruptions, system failures and the disclosure of confidential business information.

Tervita applies risk management controls in line with industry accepted standards to protect our information assets and systems; however, these controls may not adequately protect against cyber security breaches. There can be no assurance that Tervita will not suffer losses associated with cyber security breaches in the future, including with respect to negative effects on Tervita's operational performance and earnings, the incurrence of regulatory penalties, reputational damage and costs required to investigate, mitigate and remediate any potential vulnerabilities.

Tervita’s competitiveness depends on continuous improvements in Tervita’s operating equipment.

Tervita's ability to meet customer demands in respect of performance and cost depends on whether continuous improvements in Tervita's operating equipment will continue to meet customer demand or whether Tervita will have sufficient financial and other resources to improve operating equipment or invest in the latest technology. Any failure to use operating equipment that allows Tervita to meet or exceed customer demands could adversely affect the cost and value of our services to customers and our ability to compete with other service providers. No assurance can be given that competitors will not achieve technological advantages over Tervita.

In addition, certain of Tervita's equipment or systems may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or are determined by the market to be more preferable for environmental or other reasons. Tervita will need to keep current with the changing market for drilling and completions fluids, production chemicals, and solids control equipment and technological and regulatory changes. If Tervita fails to do so, this could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

Tervita may not be able to procure products and services on favourable terms or in a timely manner.

We source our products from a variety of suppliers. Should any suppliers of Tervita be unable to provide the necessary products or services or otherwise fail to deliver products or services in the quantities required or at acceptable prices, any resulting liability to provide services or delays in providing services in a timely manner could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding. Further, if we experience problems with suppliers, we may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for Tervita and possible forward losses on certain contracts. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to Tervita’s business.

In addition, the ability of Tervita to compete and grow will be dependent on Tervita having access, at a reasonable cost and in a timely manner, to equipment, parts and components. Failure of suppliers to deliver such equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the ability of Tervita to maintain and expand our client list. No assurance can be given that Tervita will be successful in maintaining the required supply of equipment, parts and components. It is also possible that the costs of any equipment exceeds Tervita's capital expenditure budget and/or available funds, in which circumstance Tervita may be forced to curtail or extend the timeframes for completing our capital expenditure plans

The ability of Tervita to provide services to our customers is also dependent upon the availability at reasonable prices of raw materials which Tervita purchases from various suppliers. In periods of high industry activity, periodic industry shortages of certain materials have been experienced and costs are sometimes affected. In contrast, periods of low industry activity levels may cause financial distress on a supplier, thus limiting their ability to continue to operate and provide Tervita with necessary services and supplies. Management maintains relationships with a number of suppliers in an attempt to mitigate this risk and has entered into fixed price and quantity purchase contracts for various raw materials. However, if the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the clients of Tervita could have a material adverse effect on Tervita's results of operation and cash flows. Further, in periods of low activity, Tervita could be subject to a loss on fixed price and quantity contracts that could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

HIGH FUEL COSTS MAY ADVERSELY AFFECT TERVITA'S BUSINESS.

The price and supply of fuel is unpredictable and fluctuates based on events outside of Tervita's control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries, regional production patterns, weather events and environmental concerns. Tervita needs a significant amount of fuel to run our operations and any price escalations or reductions in supply could materially reduce our profit margins if we are unable to correspondingly increase the price of our services. Tervita does not hedge or otherwise financially mitigate our exposure to fluctuations in fuel costs.

OPERATIONAL DEPENDENCE ON CERTAIN OF TERVITA'S JOINT VENTURE ARRANGEMENTS.

Tervita participates in various joint venture arrangements with other parties operating some of the assets owned by CRE-Tervita Corporation, Tervita's joint venture partnership with Christina River Enterprises. As a result, Tervita has limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect our financial performance. Tervita's return on assets operated by others depends upon a number of factors that may be outside of our control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the selection of technology and risk management practices.

SOME OF THE ENGINEERED LANDFILLS TERVITA OPERATES ARE OWNED BY THIRD PARTIES.

Some of the engineered landfills Tervita operates are owned by third parties but operated by Tervita under contract. If Tervita breaches the terms of such contracts, they could be terminated or Tervita could be subject to penalties. Tervita also cannot ensure that the parties for whom we contract will honor the terms of their contracts or that they will renew Tervita's current contracts upon their expiry on commercially reasonable terms or at all. Any default by Tervita under such contracts or any failure by the third parties to honor or renew Tervita's current contracts could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding.

FLUCTUATIONS IN EXCHANGE RATES MAY ADVERSELY AFFECT TERVITA'S FINANCIAL CONDITION.

Fluctuations in exchange rates between the US and Canadian dollar could have material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or our ability to make required payments on debt outstanding. Since we present our consolidated financial statements in Canadian dollars, any change in the value of the Canadian dollar relative to the US dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of our US dollar assets into Canadian dollars. Consequently, Tervita's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. In addition, as world oil prices are quoted in US dollars, fluctuations in the Canada/US dollar exchange rate could also have an impact on our customers, which could affect the demand for our services and have a material adverse impact on Tervita. In addition, Tervita's metals recycling business is subject to the US to Canadian dollar exchange rate as 90% of scrap sales are transacted in US dollars.

Increases in inflation could adversely affect Tervita's cash flows, liquidity and results of operations.

The construction costs and the increased cost of raw and finished materials are the primary inflation factors facing Tervita. Moreover, certain of Tervita's other operating expenses are expected to increase with inflation, including wages and benefits paid to employees. Inflationary pressures could adversely affect Tervita's cash flows, liquidity and results of operations.

Pending and future legal proceedings could have a material adverse effect on Tervita's business, financial condition, results of operations, and cash flows or Tervita's ability to make required payments on debt outstanding.

Failure or the alleged failure by Tervita to comply with laws and regulations may lead to the imposition of fines or penalties, or the denial, revocation or delay of the renewal of permits and licenses by governmental authorities. In addition, governmental authorities as well as third parties may claim that Tervita is liable for environmental damages. Tervita also may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against Tervita, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on Tervita's business, financial condition, and future prospects. Litigation is expensive, time consuming and may divert management's attention away from the operation of the business.

Environmental activism could adversely affect Tervita's business and its operations and infrastructure.

Environmental activism and opposition to Tervita's operations may adversely affect the business of Tervita by decreasing revenues and increasing remedial costs. Tervita's operations, equipment and infrastructure could be vulnerable to unforeseen problems relating to environmental activism including, but not limited to, vandalism and theft which could interrupt Tervita's operations for an extended period of time, result in significant delays to Tervita's plans and result in increased costs to Tervita. As a result of such interruption, Tervita's business, financial condition and results of operations could be materially adversely affected. Tervita's operations are dependent upon our ability to protect our operating equipment against damage from fire, vandalism, theft or a similar catastrophic event. Theft, vandalism and other disruptions could jeopardize Tervita's operations and infrastructure and could result in significant set-backs, potential liabilities and deter future customers. While Tervita has systems, policies, practices and procedures designed to prevent or limit the effect of the failure or interruptions of our infrastructure there can be no assurance that these measures will be sufficient and that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed in a timely manner.

Conflict of Interest

Certain of the directors and officers of Tervita are also directors and officers of oil and natural gas exploration and/or production entities and oil and natural gas service companies, and conflicts of interest may arise between their duties as officers and directors of Tervita and as officers and directors of such other companies.

FINANCIAL INSTRUMENTS

Tervita has exposure to financial instruments through several items. All of cash and cash equivalents, trade and other receivables, trade and other payables and interest payable have carrying values that approximate their fair values due to the short-term maturities. Tervita monitors credit risk of some of its customers, but believes the risk is mitigated by the size, reputation and diversified nature of the companies to which Tervita extends credit and a lack of concentration of credit risk with no counterparty individually making up more than 10%of Tervita's credit exposure.

In December 2016, Tervita issued the Notes as part of the Recapitalization Transaction. At the same time, Tervita entered into cross currency swap agreements ("swaps") and applied hedge accounting to the transactions to mitigate exchange risk. All gains and losses related to the Notes and the swaps are recognized in accumulated other comprehensive profit (loss). The carrying value of the Notes and the fair value of the swaps are also disclosed in the consolidated statement of financial position. The fair value of the swaps is a Level 2 valuation based on observable inputs.

For further information regarding our financial and other instruments, refer to the Financial Statements for the year ended December 31, 2017.