TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

March 13, 2019

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") is a summary of the financial position and results of operations of Tervita Corporation ("Tervita", the "Company", "we", "our", "us" and similar expressions) for the three months and twelve months ended December 31, 2018 and as compared to the three months and twelve months ended December 31, 2017. This MD&A, approved by Tervita's Board of Directors on March 13, 2019, includes information available up to that date.

This MD&A is a review of the financial results of Tervita, prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A should be read in conjunction with our audited annual Consolidated Financial Statements and accompanying notes (the "Financial Statements") for the years ended December 31, 2018 and 2017 and our Annual Information Form for the year ended December 31, 2018.

On July 19, 2018 (the "Acquisition Date"), Tervita completed an acquisition of Newalta Corporation ("Newalta") through a Plan of Arrangement (the "Arrangement"). The Financial Statements and MD&A include financial results in respect of the former Newalta business since the Acquisition Date. Please refer to the section ***Newalta Acquisition*** for more information.

All financial information reflected herein is expressed in millions of Canadian dollars ("$" or "C$") unless otherwise stated. References to US$ mean United States dollars. References to "n/m" indicates a percentage change is not meaningful. Throughout this MD&A, "Q4" means the three months ended December 31 and "full year" means the twelve months ended December 31.

Certain comparative information has been reclassified to conform to the MD&A presentation adopted for the current year. Comparative figures related to acquired entities pertain to the period after the Acquisition Date.

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

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

ABOUT TERVITA

Tervita is a leading waste and environmental solutions provider offering waste processing, treatment, recycling, and disposal services to customers in the oil and gas, mining, and industrial sectors. We serve our customers onsite and through a network of facilities in Canada and the United States ("US").

Tervita provides a broad and integrated array of services and environmental management solutions for customers, including: treatment, recovery, and disposal of solids and fluids used in and generated by oil and gas drilling, completions, and production activity; landfill construction; specialized onsite services; waste management; oil terminalling; energy marketing; metals recycling; equipment rental; demolition; and decommissioning. Our network of facilities as at December 31, 2018 consisted of 117 active waste processing, disposal, and industrial facilities, including: 52 treatment, recovery, and disposal facilities ("TRDs"); eight stand-alone disposal wells; 25 engineered landfills (which included 20 owned sites, two sites operated under contract, and three sites that we market under contract for other landfill operators); three cavern disposal facilities; 11 onsite facilities; four transfer stations; one naturally occurring radioactive material ("NORM") facility; eight bioremediation facilities; and five metals recycling facilities.

Tervita's activities are carried out through five operating segments, which are aggregated in accordance with IFRS into two reporting segments: Energy Services and Industrial Services.

- **Energy Services** includes three service lines: facilities, energy marketing, and onsite. These service lines collectively provide many services to the oil and gas sector, including: treatment, recovery, and disposal of fluids; energy marketing; processing and disposal of solid materials used in, and generated by, natural resource and industrial production; disposal of oilfield-generated waste; providing specialized onsite services using centrifugation or other processes for heavy oil producers involved in mining and in situ production; and supplying and operating drill site processing equipment, including solids control and drill cuttings management.

- **Industrial Services** provides comprehensive environmental solutions through four operating segments: waste services, metals recycling, rail services, and environmental services. The services provided by these operating segments include site remediation, facility decommissioning, environmental construction and technologies, hazardous and non-hazardous waste management, emergency response, rail services, recycling services to oil and gas and other industrial companies, and waste transportation and classification. Recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations.

In addition to our two reporting segments, Tervita presents intersegment eliminations and general and administrative ("G&A") and other non-operating expenses as Corporate. G&A includes expenses for executive leadership, human resources, information technology, finance, accounting, business development, communications, legal, and regulatory. Intersegment profit eliminations include those related to the construction and transfer of long-lived assets between reporting segments.

FINANCIAL AND OPERATING HIGHLIGHTS

CHANGE IN REPORTING

Tervita adopted IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") prospectively effective January 1, 2018. This change did not affect reported net profit (loss), Divisional EBITDA, or Adjusted EBITDA, however, revenue and direct costs for energy marketing were impacted as certain pipeline transactions previously reported as gross under revenue and direct costs are now reported as net under direct costs. In accordance with our adoption of IFRS 15, comparative information for energy marketing in our Financial Statements has not been adjusted. If the comparative financial information had been restated, the Q4 2017 and YTD 2017 revenue and direct expenses for energy marketing, revenue, and revenue excluding energy marketing would have been as follows:

	Three Months Ended December 31				Year Ended December 31			
	2018	2017	IFRS 15 Impact	Adjusted 2017	**2018**	2017	IFRS 15 Impact	Adjusted 2017
Energy Services revenue								
Facilities revenue	**110**	77	-	77	**370**	295	-	295
Onsite revenue	**21**	-	-	-	**41**	-	-	-
Energy marketing revenue	**208**	474	(233)	241	**1,337**	1,824	(839)	985
	339	551	(233)	318	**1,748**	2,119	(839)	1,280
Industrial Services revenue	**63**	59	-	59	**231**	221	-	221
Intersegment elimination	**-**	(4)	-	(4)	**(5)**	(11)	-	(11)
Total revenue	**402**	606	(233)	373	**1,974**	2,329	(839)	1,490
Energy marketing direct expense	**(208)**	(474)	233	(241)	**(1,337)**	(1,824)	839	(985)
Revenue excluding energy marketing	**194**	132	-	132	**637**	505	-	505

For purposes of this MD&A, all energy marketing revenue and direct expenses for 2017 and earlier comparative periods have been adjusted for the IFRS 15 impact.

FINANCIAL HIGHLIGHTS

Fourth Quarter and Annual Financial Highlights

	Three Months Ended December 31				Year Ended December 31			
			Increase				Increase	
	2018	2017	(Decrease)	*% Change*	**2018**	2017	(Decrease)	*% Change*
Energy Services revenue								
Facilities revenue	**110**	77	33	*43%*	**370**	295	75	*25%*
Onsite revenue	**21**	-	21	*100%*	**41**	-	41	*100%*
Energy marketing revenue	**208**	241	(33)	*-14%*	**1,337**	985	352	*36%*
	339	318	21	*7%*	**1,748**	1,280	468	*37%*
Industrial Services revenue	**63**	59	4	*7%*	**231**	221	10	*5%*
Intersegment eliminations	**-**	(4)	4	*-100%*	**(5)**	(11)	6	*-55%*
Revenue	**402**	373	29	*8%*	**1,974**	1,490	484	*32%*
Revenue excluding energy marketing	**194**	132	62	*47%*	**637**	505	132	*26%*
General and administrative expenses	**(15)**	(11)	4	*36%*	**(50)**	(52)	(2)	*-4%*
Profit (loss) from continuing operations	**(75)**	(65)	(10)	*-15%*	**(74)**	(82)	8	*10%*
- per share ($), basic and diluted	**(0.64)**	(0.62)	(0.02)	*-3%*	**(0.67)**	(0.78)	0.11	*14%*
Net profit (loss)	**(75)**	(65)	(10)	*-15%*	**(74)**	(81)	7	*9%*
- per share ($), basic and diluted	**(0.64)**	(0.62)	(0.02)	*-3%*	**(0.67)**	(0.77)	0.10	*13%*
Adjusted EBITDA[(1)]	**50**	40	10	*25%*	**191**	156	35	*22%*
- per share ($), basic and diluted	**0.43**	0.38	0.05	*13%*	**1.73**	1.49	0.24	*16%*
Adjusted EBITDA margin[(1)]	**26%**	30%	-4%		**30%**	31%	-1%	
Energy Services Divisional EBITDA[(1)]	**58**	45	13	*29%*	**212**	170	42	*25%*
Industrial Services Divisional EBITDA[(1)]	**7**	5	2	*40%*	**28**	29	(1)	*-3%*
Divisional EBITDA[(1)]	**65**	50	15	*30%*	**240**	199	41	*21%*
Capital expenditures	**36**	39	(3)	*-8%*	**84**	75	9	*12%*
Discretionary free cash flow[(1)]	**(1)**	6	(7)	*-117%*	**81**	70	11	*16%*
Adjusted Working Capital[(1)]	**78**	49	29	*59%*	**78**	49	29	*59%*
Shares as at December 31 (000's of shares)[(2)]								
Shares outstanding	**117,557**	104,626	12,931	*12%*	**117,557**	104,626	12,931	*12%*
Weighted average shares outstanding	**117,557**	104,626	12,931	*12%*	**110,471**	104,626	5,845	*6%*

*(1) Please refer to the section **Non-GAAP Measures** for definitions and reconciliation.*

(2) As at March 13, 2019, the Company had 117,557,112 common shares, 2,702,649 common share purchase warrants, 2,249,127 options, and 241,824 Integration Incentive Units ("IIUs") issued and outstanding. The IIUs may be settled through issuance of shares.

Industry Benchmarks

	Three Months Ended December 31				Year Ended December 31			
			Increase				Increase	
	2018	2017	(Decrease)	*% Change*	**2018**	2017	(Decrease)	*% Change*
Average WTI (USD / bbl)[(1)]	**$58.79**	$55.46	$3.33	*6%*	**$64.86**	$50.92	$13.94	*27%*
Edmonton Mixed Sweet (USD / bbl)[(1)]	**$36.27**	$52.58	($16.31)	*-31%*	**$53.41**	$48.31	$5.10	*11%*
WCS (USD / bbl)[(1)]	**$25.48**	$38.60	($13.12)	*-34%*	**$38.53**	$38.20	$0.33	*1%*
AECO (CAD / MMbtu)[(1)]	**$1.52**	$1.61	($0.09)	*-6%*	**$1.44**	$2.07	($0.63)	*-30%*
Average Oil Production (Mbbl/d)[(2)]	**4,579**	4,213	366	*9%*	**4,762**	4,419	343	*8%*
Average Gas Production (MMcf/d)[(2)]	**16,097**	15,522	575	*4%*	**15,852**	16,125	(273)	*-2%*
Meters drilled (000's of meters drilled)[(3)]	**4,790**	4,880	(90)	*-2%*	**19,420**	19,210	210	*1%*

(1) Information from Bloomberg.

(2) Information from National Energy Board, Estimated Production of Canadian Crude Oil and Equivalent and Marketable Natural Gas Production in Canada.

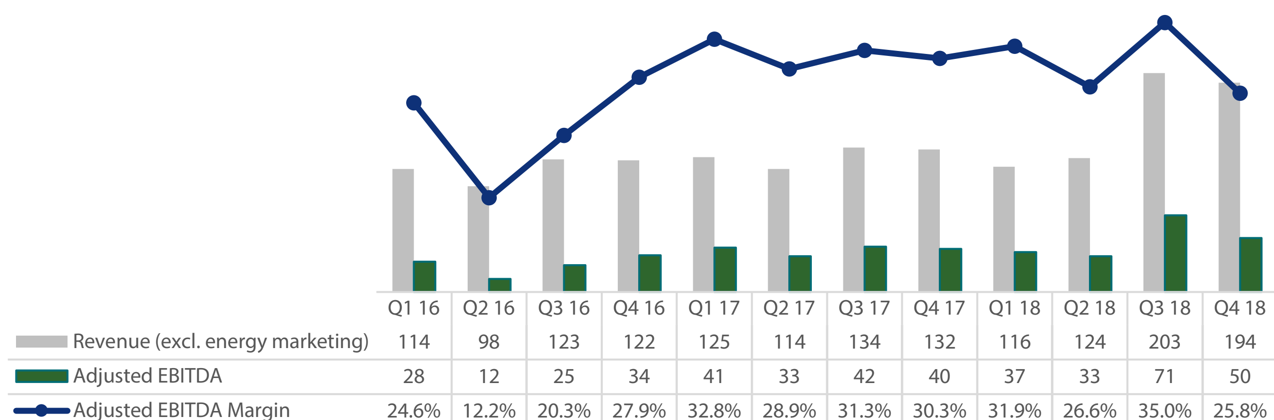
(3) Information from JuneWarren-Nickle's Energy Group and pertains to Canada.

Select Three Year Comparative Information

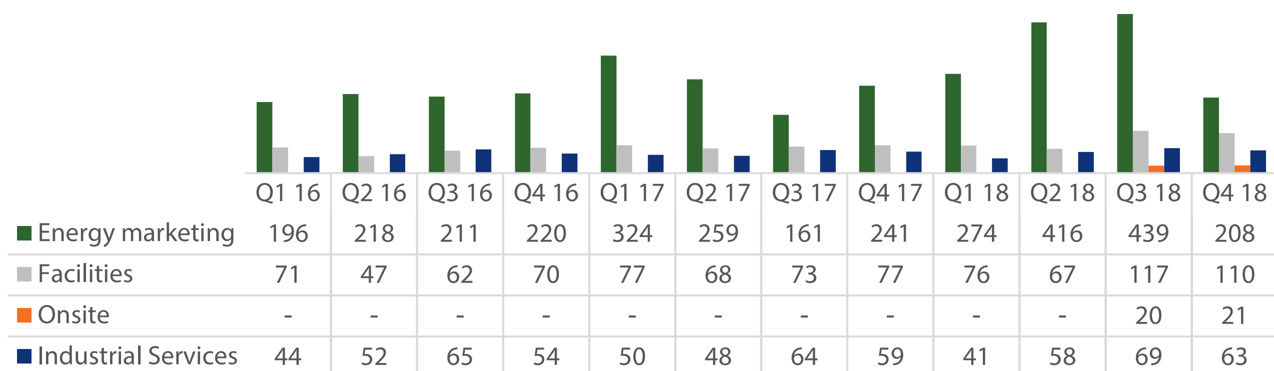
	Year ended December 31		
	2018	2017	2016
Revenue (excluding energy marketing)	**637**	505	457
Energy marketing revenue	**1,337**	985	845
Total revenue	**1,974**	1,490	1,302
Profit (loss) from continuing operations	**(74)**	(82)	675
- per share ($), basic and diluted	**(0.67)**	(0.78)	0.38
Net profit (loss)	**(74)**	(81)	654
- per share ($), basic and diluted	**(0.67)**	(0.77)	0.37
Adjusted EBITDA[1]	**191**	156	99
Total assets	**1,809**	1,226	1,245
Non-current financial liabilities	**824**	476	481
Shares as at December 31 (000's of shares)			
Shares outstanding	**117,557**	104,626	104,626
Weighted average shares outstanding - basic and diluted	**110,471**	104,626	1,759,875

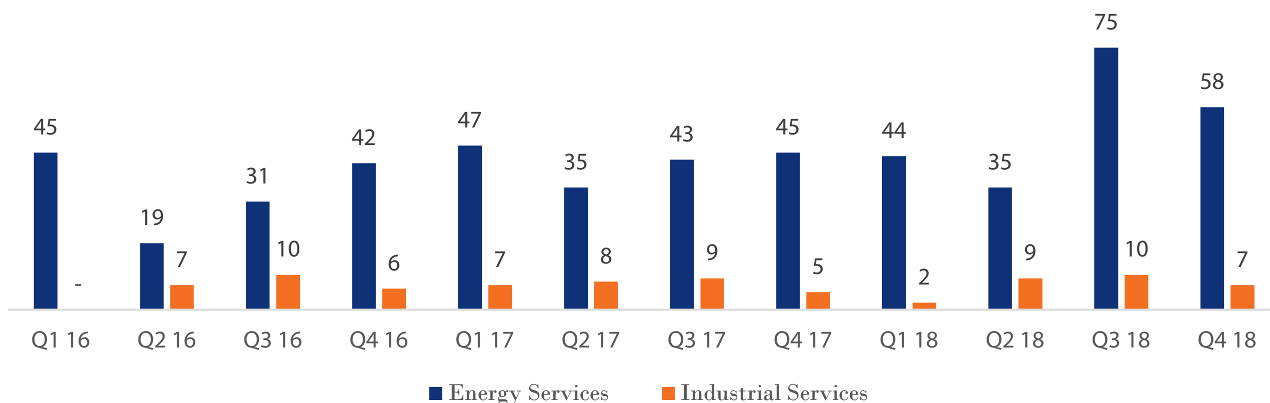
[1] *Please refer to the section* ***Non-GAAP Measures*** *for definitions and reconciliation.*

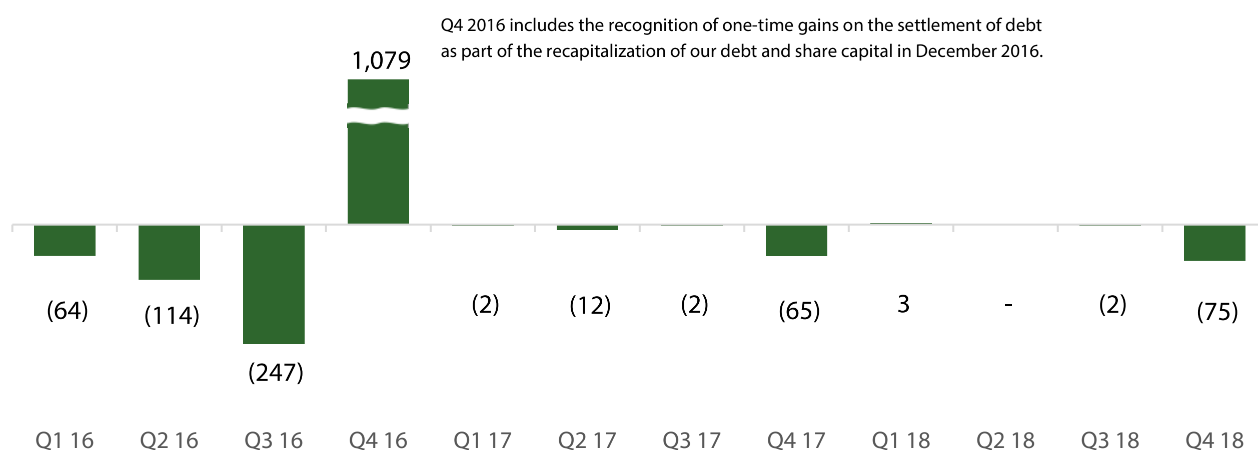
Quarterly Revenue and Adjusted EBITDA

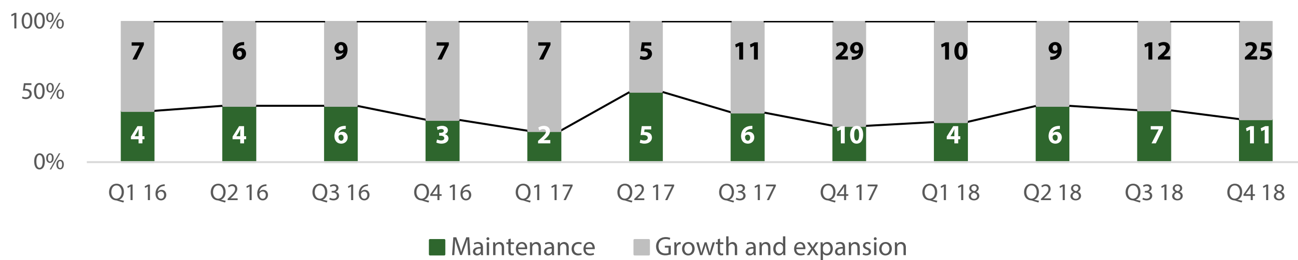


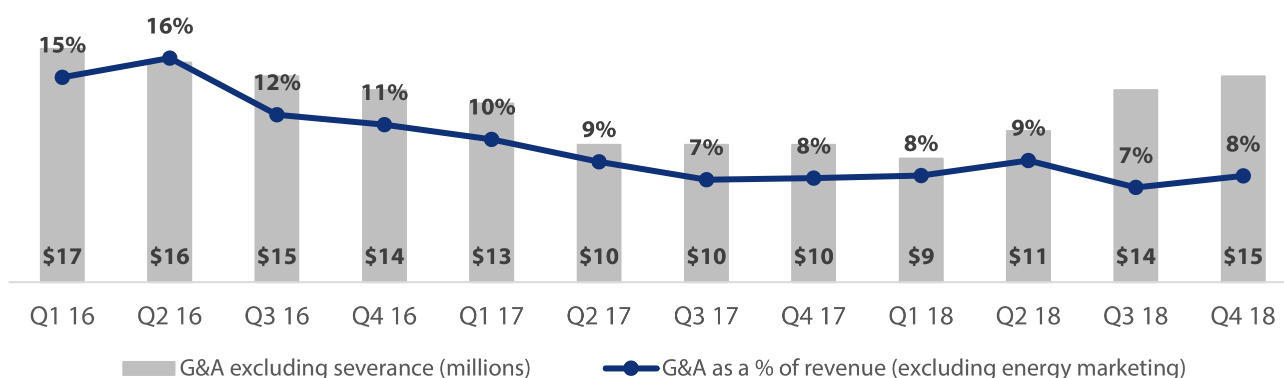
Revenue Before Intersegment Eliminations ($ millions)




Divisional EBITDA ($ millions)
45
-
19
7
31
10
42
6
47
7
35
8
43
9
45
5
44
2
35
9
75
10
58
7
Q1 16
Q2 16
Q3 16
Q4 16
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Energy Services
Industrial Services


Net Profit (Loss) ($ millions)
Q4 2016 includes the recognition of one-time gains on the settlement of debt as part of the recapitalization of our debt and share capital in December 2016.
1,079
(64)
(114)
(247)
(2)
(12)
(2)
(65)
3
-
(2)
(75)
Q1 16
Q2 16
Q3 16
Q4 16
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18


Capital Expenditure by Type as % of Total Spend ($ millions)
100%
50%
0%
7
6
9
7
7
5
11
29
10
9
12
25
4
4
6
3
2
5
6
10
4
6
7
11
Q1 16
Q2 16
Q3 16
Q4 16
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Maintenance
Growth and expansion



Fourth Quarter Results

Overview and Highlights

- Tervita's Q4 2018 revenues, Adjusted EBITDA, and Adjusted EBITDA per share all grew over the same period in 2017, despite the macro environment. We believe these increases reflect the continued focus on our core strategies of consolidating capacity in the markets in which we operate to realize efficiencies, and executing our pipeline of growth projects to meet our customers' continued growth needs with a focus on containing overhead costs.
- During Q4, 2018, the Western Canadian Sedimentary Basin ("WCSB") experienced significant volatility:
  - Average West Texas Intermediate ("WTI") prices fell from US$69.43 per barrel in Q3 2018 to US$58.79 per barrel in Q4 2018.
  - Continued growth in oil production rose beyond the available egress capacity significantly impacting the price for Western Canadian heavy oil blends and, eventually, light oil and condensates.
  - Drilling programs were suspended and voluntary shut-ins began, with a decline of rig activity by 30% in Q4 2018 compared to Q4 2017. In response, the Government of Alberta implemented mandatory production curtailments.
- Production-related waste volumes through our Energy Services facilities rose 42% in Q4 2018 over Q4 2017. 63% of Q4 2018 facilities revenue (excluding revenue from oil volumes) was earned from production-related activities.
- Marketed-oil volumes rose 29% to 710 thousand m^3 in Q4 2018 (excluding Newalta volumes marketed by a third party), due to continued success in attracting customer volumes to our facilities and the positive impact of growth capital investments to expand capacity at facilities during 2018.
- We have made excellent progress on the integration of Newalta operations and workforce in Q4 2018. Transaction synergies of $9 million were realized in Q4 2018. At December 31, 2018, the annualized run-rate of achieved synergies was $32 million, ahead of our targeted $20 - $22 million by the end of 2018. To date, we have incurred $18 million to achieve these synergies.
- Tervita's Q4 2018 results were impacted by a decrease in Energy Services' Divisional EBITDA Margin, from 58% in Q4 2017 to 44% in Q4 2018, due to the following:
  - While volumes at our facilities in the high activity Montney region grew from the prior year, this region remains very competitive. Treatment and disposal prices at several of our facilities in this region principally, but also across our network, were lower in Q4 2018 compared to the same quarter of 2017.
  - A decrease in recovered oil volumes (down 8% from the prior year) and prices, which was due to the significant volatility in Canadian oil prices and volumes, also reduced margins by $3 million (2% negative impact to Energy Services' Divisional EBITDA Margin).
  - Repairs and maintenance costs were $5 million higher in Q4 2018 (4% negative impact to Energy Services' Divisional EBITDA Margin), primarily from work completed at acquired Newalta facilities.

- The newly added onsite facilities business from Newalta offers more stable long-term contracted revenue but at a lower margin. Full year 2018 Energy Services Divisional EBITDA margins were 52%. We anticipate annual divisional margins in the 45 - 50% range in 2019.

Q4 Revenue Increases 8% to $402 Million

- Q4 2018 revenue of $402 million increased by $29 million and 8% over Q4 2017's revenue of $373 million. This increase in revenue reflects the continued successful execution of our strategic plan to invest in targeted and accretive growth and expansion opportunities, enlarging our facility infrastructure in Energy Services and Industrial Services, and enhancing our service line offerings to our customers. Our acquisitions of Newalta in Q3 2018, 3K Oil Services Ltd. ("3K") in Q4 2017, and two metals operations in Q3 2017, resulted in higher revenue through increased waste and commodities volumes. Our acquisition of Newalta also added onsite services to our existing Energy Services offerings, which contributed $21 million of incremental revenue in Q4 2018. Our increased network of Energy Services facilities also provided us with a larger geographic footprint into the US and expanded our reach in the WCSB, providing new sources of revenue.
- Production-related and drilling-related waste volumes through our Energy Services facilities increased by 42% and 8%, respectively, in Q4 2018 compared to Q4 2017, reflecting incremental volumes associated with our acquired facilities and our ability to capitalize on activity in the Montney region.
- Marketed oil volumes were 29% higher than Q4 2017 as our facilities in the Montney were at or near capacity. However, extreme volatility and weakness in differentials resulted in decreased energy marketing direct expenses and revenue and a reduction in recovered oil volumes of 8% in Q4 2018 compared to Q4 2017.

Q4 Divisional EBITDA Increases by $15 Million and 30%

- Q4 2018 Divisional EBITDA of $65 million was a $15 million and 30% increase over Q4 2017 Divisional EBITDA of $50 million, primarily driven by the $29 million increase in revenues offset somewhat by higher direct expenses, particularly at Energy Services facilities.
- Energy Services' Q4 2018 Divisional EBITDA of $58 million increased $13 million over Q4 2017 Divisional EBITDA of $45 million. Net Energy Services' revenue increased by $54 million in Q4 2018 compared to Q4 2017, driven by our investment in growth and expansion opportunities in 2018 and 2017, including our acquisition of Newalta. Direct expenses increased by $40 million in Q4 2018 compared to the same period in 2017, primarily due to operating costs associated with higher waste and oil volumes through our facilities and the addition of onsite services. Direct expenses were also impacted by some additional discretionary cost, including higher repairs and maintenance at some acquired facilities as they were transitioned to Tervita's maintenance program.
- Industrial Services' Q4 Divisional EBITDA of $7 million was $2 million and 40% higher than Q4 2017. This increase was driven by an improvement in revenue of $4 million resulting from higher ferrous prices and incremental contributions from acquired waste services facilities (Newalta) and two metals recycling yards.

Q4 Adjusted EBITDA Increases by $10 Million and 25%

- Q4 2018 Adjusted EBITDA was $50 million, a $10 million and 25% improvement over Q4 2017 Adjusted EBITDA of $40 million. This improvement reflects increased Divisional EBITDA contributions of $15 million offset by $5 million of higher G&A expense in Q4 2018 compared to the same quarter in 2017, adjusted for $1 million of severance included in Q4 2017 G&A expense. The increase in G&A expense was primarily a result of the integration of acquired Newalta corporate activities.
- Q4 2018 Adjusted EBITDA Margin was 26%, a decrease of 4% when compared to Q4 2017. This decrease was primarily a result of a decline in Energy Services' Divisional EBITDA Margin due to the acquisition of onsite services with Newalta, a lower margin service line, combined with somewhat higher direct operating expenses in other service lines.

Q4 2018 Net Loss of $75 Million Primarily Due to Transaction Costs and Non-Cash Impairment

- The Q4 2018 net loss of $75 million was a $10 million increase over the net loss of $65 million in Q4 2017. Included in the net loss for Q4 2018 was $43 million of transaction costs associated with the acquisition of Newalta, comprised of $5 million of one-time integration costs and $38 million of impairment of assets for acquired inactive sites primarily due to a change in discount rate on related decommissioning obligations.

- Excluding the Newalta transaction costs, our Q4 2018 net loss was $32 million, a $33 million improvement from the Q4 2017 net loss of $65 million. This improvement was primarily due to the $10 million increase in Adjusted EBITDA and a $49 million decrease in impairment expense. Q4 2018 impairment expense included $23 million of goodwill impairment in Industrial Services. Q4 2017 included $74 million of impairment expense in Energy Services, comprised of $57 million of goodwill impairment, and $17 million of asset impairment largely a result of waste slumps at two landfills.

Full Year Results

2018 Revenue Increases 32% to $1.974 Billion

- Revenue increased by $484 million, from $1.490 billion in 2017 to $1.974 billion in 2018. This 32% increase in revenue reflects our strategic investment in growth and expansion opportunities in 2017 and 2018, including: our acquisitions of Newalta, 3K, and two metals recycling yards; our investment in pipeline takeaway capacity; and other growth and expansion capital spend that provided additional waste disposal, storage and blending capacity in Energy Services. Our increased network of Energy Services facilities provided us with a larger geographic footprint in the WCSB and into the US. We also increased our service line offerings and customer base by adding onsite services to Energy Services, which provides specialized services for heavy oil producers involved in mining and in situ production, as well as drill site processing services for solids control and drill cutting management. This expansion into onsite services provided incremental revenue of $41 million in 2018.
- These growth and expansion investments contributed to a 25% increase in production-related waste volumes through our facilities in 2018 when compared to 2017.The higher revenue earned by these increased volumes was somewhat offset by continued pricing pressure in the highly competitive Montney and a shift in product mix as certain customers continued their vertical integration of disposal capacity, particularly for produced water.
- Marketed oil volumes in 2018 were 18% higher than 2017 due to production market growth (24% improvement year-over-year) and wider differential pricing from a shortage of pipeline capacity to exit the WCSB.
- Industrial Services contributed an additional $10 million of revenue in 2018 as compared to 2017 reflecting contributions from our strategic investments, higher ferrous pricing driven by strong global demand for steel, and an increase in rail services work.

2018 Divisional EBITDA Increases by $41 Million and 21%

- 2018 Divisional EBITDA of $240 million was a 21% increase over our 2017 Divisional EBITDA of $199 million. This $41 million increase in Divisional EBITDA was primarily a result of higher revenues earned in both Energy Services and Industrial Services, somewhat offset by increased operating expenses in both segments.
- Energy Services' 2018 Divisional EBITDA of $212 million was a $42 million and 25% increase over 2017's Divisional EBITDA of $170 million. This increase reflects the positive contributions from our investment in growth and expansion, higher throughput of oil volumes, and contributions from our expanded service offering with onsite, offset somewhat by higher expenses, particularly some repairs and maintenance at acquired facilities, and lower WCSB pricing.
- Industrial Services' Divisional EBITDA of $28 million was a $1 million decrease from the 2017 Divisional EBITDA of $29 million. Higher revenues for ferrous sales and project-based work, including rail services, was more than offset by lower contributions from facility-based services, particularly in the first half of 2018. Facility-based services revenue declined 13% year-over-year due to a highly competitive market and the impact of the loss of a significant contract at end of Q4 2017. However, direct expenses in the first half of the year remained higher, reflecting the time needed to adjust the fixed-cost component of the business.

2018 Adjusted EBITDA Increases by $35 Million

- 2018 Adjusted EBITDA of $191 million was a $35 million and 22% improvement compared to 2017's Adjusted EBITDA of $156 million. This improvement was a result of increased contribution from Divisional EBITDA of $41 million offset by higher G&A expense (excluding severance) of $6 million. The increase in G&A expense was primarily due to the acquisition of Newalta.

- Our Newalta integration activities in 2018 resulted in realized pro forma synergies of $13 million ($7 million in operations and $6 million in corporate G&A expense) with an annualized synergy run rate of approximately $32 million.

2018 Net Loss of $74 Million Primarily Due to Transaction Costs and Non-Cash Impairment

- The 2018 net loss of $74 million was an improvement of $7 million over the 2017 net loss of $81 million. Included in the 2018 net loss was $69 million of transaction costs associated with the acquisition of Newalta, comprised of $13 million of costs incurred to complete the Arrangement, $18 million of integration costs, and $38 million of non-cash impairment of assets for inactive sites related to a change in discount rate on associated decommissioning obligations. Not including these transaction costs, our 2018 net loss would have been $5 million, an improvement of $76 million compared to the 2017 net loss of $81 million.

- Compared to the prior year, the 2018 net loss included the $35 million increase in Adjusted EBITDA, a $51 million decrease in impairment expense, and a reduction in changes to onerous and legal provision of $13 million. These reductions were somewhat offset by transaction costs of $69 million, higher depreciation and amortization expense on new assets of $16 million, and increased finance costs of $14 million associated with the issuance of new debt.

2018 Capital Spend

- During 2018, our Board of Directors approved $140 million in projects aimed primarily at growing our ability to meet customer demands in the Montney and Duvernay regions of Alberta and British Columbia. Cash spend towards these growth and expansion projects (excluding the Newalta acquisition) was $56 million, $4 million higher than 2017, and consistent with our focus on identifying, planning, and executing a growth capital portfolio. The acquisition and integration of the Newalta facilities, as well as the subsequent review of the incremental growth capital opportunities, resulted in a modest deferral of planned capital spending in the second half of 2018. Growth and expansion capital spend during 2018 included:

    - growth at two of our TRD facilities in the Montney region, including the addition of two new disposal wells to be completed and tied-in during 2019;

    - preliminary spending towards the growth of a third TRD facility;

    - the completion of projects at key energy marketing facility locations to expand capacity; and

    - the construction of new waste cells at three of our landfills.

- 2018 cash spend on maintenance capital was $28 million, $5 million higher than the $23 million spent in 2017 and reflective of the acquisition of additional facilities into our infrastructure. Maintenance capital of $28 million was below our original estimate of $35 - $40 million reflecting the deferral of certain, non-critical discretionary projects including heavy equipment replacements.

Discretionary and Free Cash Flow

- Tervita generated $81 million of Discretionary Free Cash Flow in 2018, a 16% increase from the $70 million generated in 2017. Excluding the cash transaction costs incurred as part of the Newalta acquisition, 2018 Discretionary Free Cash Flow was $103 million or 47% higher than 2017. Discretionary Free Cash Flow was more than sufficient to fund the $56 million of growth and expansion capital spend in 2018.

- Tervita's Discretionary Free Cash Flow reduced by $7 million in Q4 2018 compared to Q4 2017 primarily due to the additional interest expense on the US$250 million senior secured notes and the cash transaction costs incurred as part of the Newalta acquisition.

- Tervita's existing facility network, underpinned by a significant exposure to production-based revenues, generates stable Discretionary Free Cash Flows, providing confidence in Tervita's ability to fund its ongoing growth and expansion capital programs.

Full Year 2017 Versus Full Year 2016 Comparative Highlights

- Revenue in 2017 was higher than 2016 due to increased activity in our core WCSB markets reflecting an improvement in WTI prices and higher volumes and prices for ferrous metal.
- 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 associated with waste movement at two facilities, and a provision of $13 million for onerous contracts for vacated floors in our head office. Excluding these items, the 2017 profit from continuing operations reflects improved business results and significantly lower interest costs compared to 2016.
- In 2016, profit from continuing operations included $286 million of realized foreign exchange gains on the settlement of debt and debt-related swaps and the effects of a recapitalization transaction under section 192 of the Canada Business Corporations Act (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 service lines.
- The results of discontinued operations are added to profit (loss) from continuing operations to arrive at net profit (loss). 2016's net profit incorporated $21 million of loss from discontinued operations, primarily comprised of the loss on the disposal of our production services operating segment.
- 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 total assets in 2017 compared to 2016 reflects an increase in cash from improved working capital more than offset by impairments of goodwill and property, plant and equipment.
- Our non-current financial liabilities and outstanding share capital for 2017 and 2016 reflect the Recapitalization Transaction in December 2016, which significantly reduced our debt and changed our equity structure.

OUTLOOK

MARKET OUTLOOK

- With 63% of Tervita's 2018 Energy Services revenue excluding energy marketing coming from anticipated stable oil and gas production-related activities, we believe that Tervita's Energy Services business remains resilient even during the current challenging environment. While reduced drilling activity is expected to result in partially lower drilling and completions related revenues, particularly in the first half of 2019, we remain focused on what is under our control. We believe that the contribution from a full year of results from the acquired Newalta operations, the continued successful execution of Newalta integration synergies, additional contributions from growth capital spending, and steady improvements from our Industrial Services businesses, will result in continued sustained growth in Tervita's Adjusted EBITDA in 2019 vs 2018.
- Following the early 2019 recovery of WTI to US$50 - $55 per barrel and the return of Canadian oil price differentials to fundamental ranges, we anticipate relatively stable oil and gas prices in 2019.
- While egress challenges persist, Western Canadian oil and gas production is anticipated to remain at levels matching takeaway capacity in 2019. We anticipate the continued increase in crude by rail capacity will likely be sufficient to support higher industry drilling activity in the second half of the year assuming a stable price environment.
- We continue to expect to find opportunities to attract and optimize crude oil volumes throughout our expansive network of facilities, while continuing to assist our customers to maximize the price they receive for their products in this challenging environment. This includes the internalization of oil marketing activities at the newly added Newalta facilities. These volumes were marketed by a third party until December 31, 2018.
- For Industrial Services, we expect moderate market growth in-line with GDP growth across Western Canada. Our metals recycling business is expected to continue to grow with our investment in additional rail cars to increase our capacity to ship metal to end markets. Business lines with higher exposure to energy activity will fluctuate with those

activity levels and capital spending by our customers. Although environmental project opportunities increased in 2018, the average revenue available on those projects decreased compared to prior years, particularly in Alberta, and we do not anticipate this will change in 2019. Since the close of the Newalta acquisition, we have identified several field-based service lines that are common in a variety of geographies. During 2019, we intend to reorganize these field services and rationalize service offerings across a single-field organization. Overall, while revenues from these various service lines is expected to fall, we anticipate lower costs will more than compensate for this decrease in revenue, resulting in higher overall contributions to Industrial Services' Divisional EBITDA in 2019.

NEWALTA INTEGRATION

- We continue to expect that the integration of Newalta will realize annualized synergies of $40 - $45 million of Adjusted EBITDA. Due to identified repairs and maintenance required at certain facilities, we have increased the estimated one-time costs from $20 million to $21 - $23 million, of which the remaining $3 - $5 million will be spent in 2019.
- We realized synergies of $13 million in 2018 ($7 million in operations and $6 million in corporate) representing an annualized synergy run rate at December 31, 2018 of approximately $32 million. In 2019, we expect to realize $35 - $40 million of synergies and to have almost fully realized the $40 - $45 million in annualized synergies by the end of 2019. Effective January 1, 2019, we have assumed the marketing of all oil volumes previously marketed on behalf of Newalta by a third party. As well, with the conversion of all legacy accounting, payroll and operating systems onto Tervita's systems effective January 1, 2019, the remainder of the corporate-based synergies are expected to be completed in the first half of 2019.

CAPITAL SPEND

- 2018 maintenance capital was $28 million, in line with our Q3 2018 reported range of $25 - $30 million and below our original $35 - $40 million expectations set at the beginning of 2018. We anticipate maintenance capital in the $30 - $35 million range for 2019, reflecting the full-year impact of the added Newalta facilities. Our 2019 maintenance capital program is focused on delivering stable and significant Discretionary Free Cash Flow to the business appropriate to fully fund our pipeline of growth and expansion projects and continue to reduce balance sheet leverage.
- 2018 growth and expansion capital was $56 million. During 2019 we anticipate spending approximately $60 - $100 million on expansion and growth projects. The capital program will depend on the success of our drilling programs and will be closely monitored against operating results and overall industry activity levels in the current environment. Spending will be largely focused in our Energy Services segment and includes:
  - the completion and tie-in of two new disposal wells drilled in 2018. This will expand our capacity to serve customers at two highly utilized existing facilities in the Montney oil and gas region;
  - drilling and completion of new disposal wells at two additional facilities (one existing and one greenfield), including the expansion of surface facilities to meet increasing customer demand for produced water treatment and disposal infrastructure;
  - expansions at four of our facilities to add to energy marketing capabilities;
  - the construction of new cells at three of our landfills and the continued washing of new caverns at our Lindbergh facility; and
  - growth capital in Industrial Services will include new rail cars to expand our metals delivery capacity and the purchase of equipment to continue growing our water management customer service lines.
- We remain focused on evaluation and planning of expansion and growth opportunities. In this current environment, we continue to see customer demand for an attractive pipeline of organic growth capital projects. Assuming stable levels of market activity, and in addition to Newalta transaction synergies, the pipeline of organic capital projects (including tuck-in acquisitions) continues to support low double-digit growth in Adjusted EBITDA over the next two to three years.
- Our expansion and growth capital program is expected to be funded from Discretionary Free Cash Flows generated by the business with any excess cash directed to the balance sheet to reduce net debt.
- We anticipate total 2019 capital spending, including maintenance, growth and expansion, to be in the range of $90 - $135 million.

NEWALTA ACQUISITION

PLAN OF ARRANGEMENT

On July 19, 2018, Tervita and Newalta completed the Arrangement, culminating in the amalgamation of the two companies into one publicly-traded company, Tervita Corporation. Tervita's common shares and common share purchase warrants ("warrants") trade on the Toronto Stock Exchange ("TSX") under the trading symbols "TEV" and "TEV.WT", respectively. Financial results for Q4 2018 and full year 2018 were materially impacted by the Arrangement. Refer to note 3 of the Financial Statements for details regarding the terms of the Arrangement.

Under the terms of the Arrangement, Tervita completed the acquisition of 100% of Newalta's issued and outstanding shares through the issuance of common shares and warrants valued at $110 million and $1 million, respectively, and the defeasance of Newalta's debt for cash of $394 million, which was partially financed from the proceeds on issuance of the US$250 million senior secured notes. Immediately after close of the Arrangement, Tervita Corporation had 117,557,112 common shares and 2,702,649 warrants issued and outstanding, and an additional US$250 million of 7.625% senior secured notes due December 2021.

The waiting period under the Competition Act (Canada) ("the Act") expired prior to the closing of the Arrangement; however, the Act permits the Commissioner of Competition to make an application to the Competition Tribunal in respect of an acquisition transaction within a period of one year after its implementation. As of March 13, 2019, Tervita was not aware of any such application being filed.

PURCHASE PRICE ALLOCATION

The Arrangement has been accounted for as a business combination using the acquisition method under which the assets acquired and liabilities assumed are recorded at fair value. The fair value of the identifiable assets and liabilities acquired were:

Cash and cash equivalents	19
Trade and other receivables	45
Inventory	4
Other current assets	5
Property, plant and equipment	506
Intangible assets	16
Other assets	5
Trade and other payables	(52)
Capital leases	(13)
Provisions	(62)
Total identifiable net assets	473
Goodwill	32
Purchase consideration	505

PRO FORMA STATEMENT OF PROFIT (LOSS)

The following is an unaudited pro forma statement of profit (loss) for the year ended December 31, 2018 as if the Arrangement had been completed on January 1, 2018. This unaudited pro forma statement of profit (loss) is for illustrative purposes and is not necessarily indicative of the results of operations that would have resulted had the acquisition occurred on January 1, 2018, or of future results:

	Tervita [1]	Newalta [2]	Pro Forma Adjustments [3]	Pro Forma Consolidated
Revenue	**1,974**	132	-	2,106
Operating expenses				
Direct operating expenses	**(1,734)**	(93)	-	(1,827)
General and administrative	**(50)**	(14)	-	(64)
Depreciation and amortization	**(96)**	(33)	-	(129)
Impairment expense	**(25)**	-	-	(25)
Operating profit (loss)	**69**	(8)	-	61
Finance costs	**(69)**	(23)	9	(83)
Transaction costs	**(69)**	(19)	88	-
Other income (expense)	**(4)**	(1)	-	(5)
Profit (loss) before tax	**(73)**	(51)	97	(27)

(1) *From our Consolidated Statements of Comprehensive Profit (Loss) ("Statements of Profit (Loss)") for the year ended December 31, 2018, and includes revenue of $108 million and net loss of $58 million in relation to Newalta's operations from the Acquisition Date to December 31, 2018.*
(2) *Reflects financial results for Newalta's operations from January 1, 2018 to the Acquisition Date.*
(3) *Proforma adjustments to finance costs reflect the finance costs that would have been incurred if the US$250 million senior secured notes were issued on January 1, 2018 and exclude the finance costs that were incurred under Newalta's long-term debt.*

The unaudited pro forma Adjusted EBITDA for the year ended December 31, 2018 was as follows:

	Pro Forma Consolidated 2018
Net profit (loss)	**(27)**
Add back:	
Severance costs	**1**
Depreciation and amortization	**129**
Impairment expense	**25**
Finance costs	**83**
Other expense (income)	**5**
Adjusted EBITDA[1]	**216**
Adjusted EBITDA Margin [1]	***28%***

(1) *Please refer to the section **Non-GAAP Measures** for definitions and reconciliation.*

NON-GAAP MEASURES

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

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

We believe Adjusted EBITDA is useful in measuring Tervita's operating performance. Adjusted EBITDA is derived from the Statements of Profit (Loss) and is defined as net profit (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 and transaction costs, if any.

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

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

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue excluding energy marketing.

Adjusted EBITDA and Adjusted EBITDA Margin for the three months and year ended December 31, 2018 included financial results for Newalta from the Acquisition Date.

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

	Three Months Ended December 31		Year Ended December 31	
	2018	2017	**2018**	2017
Net profit (loss)	**(75)**	(65)	**(74)**	(81)
Add back:				
Severance costs (excluding Newalta transaction costs)	**-**	2	**1**	10
Depreciation and amortization	**32**	19	**96**	80
Impairment expense	**25**	74	**25**	76
Finance costs	**21**	11	**69**	49
Other expense (income)	**4**	2	**4**	26
Transaction costs	**43**	-	**69**	-
Income taxes expense (recovery)	**-**	(3)	**1**	(3)
Loss (profit) from discontinued operations, net of tax	**-**	-	**-**	(1)
Adjusted EBITDA	**50**	40	**191**	156
Adjusted EBITDA Margin	***26%***	*30%*	***30%***	*31%*

DIVISIONAL EBITDA AND DIVISIONAL EBITDA MARGIN

We believe Divisional EBITDA is useful in measuring our reporting segments' performance. Divisional EBITDA is defined as Adjusted EBITDA excluding general and administrative expenses and severance costs. Divisional EBITDA provides an indication of the results generated by the reporting segments' principal business activities prior to how those activities are financed and assets are depreciated, amortized, or impaired. We believe Divisional EBITDA provides improved comparability of our reporting segments' results over time and, as such, is also an important indicator of Tervita's ability to generate future profitability.

Divisional EBITDA is calculated including directly attributable costs (such as those related to reporting segment leadership, business development, environmental health and safety, and sales and marketing) with no allocation of Corporate G&A expenses, other expenses (income), or income tax expense (recovery).

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

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

	Three Months Ended December 31		Year Ended December 31	
	2018	2017	**2018**	2017
Net profit (loss)	**(75)**	(65)	**(74)**	(81)
Add back:				
Severance costs (excluding Newalta transaction costs)	**-**	2	**1**	10
Depreciation and amortization	**32**	19	**96**	80
Impairment expense	**25**	74	**25**	76
Finance costs	**21**	11	**69**	49
Other expense (income)	**4**	2	**4**	26
Transaction costs	**43**	-	**69**	-
Income taxes expense (recovery)	**-**	(3)	**1**	(3)
Loss (profit) from discontinued operations, net of tax	**-**	-	**-**	(1)
Adjusted EBITDA	**50**	40	**191**	156
Add back:				
General and administrative expenses	**15**	11	**50**	52
Severance costs in general and administrative expenses (excluding Newalta transaction costs)	**-**	(1)	**(1)**	(9)
Divisional EBITDA	**65**	50	**240**	199
Divisional EBITDA by reporting segment				
Energy Services	**58**	45	**212**	170
Industrial Services	**7**	5	**28**	29
Divisional EBITDA	**65**	50	**240**	199
Divisional EBITDA Margin				
Energy Services	***44%***	*58%*	***52%***	*58%*
Industrial Services	***11%***	*8%*	***12%***	*13%*

DISCRETIONARY FREE CASH FLOW

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

For the three months and year ended December 31, Discretionary Free Cash Flow was as follows:

	Three Months Ended December 31		Year Ended December 31	
	2018	2017	**2018**	2017
Funds from (used in) operations	**10**	13	**102**	87
Less:				
Cash spend on maintenance capital	**(11)**	(10)	**(28)**	(23)
Add:				
Proceeds on disposition of long-lived assets	**-**	3	**7**	6
Discretionary Free Cash Flow	**(1)**	6	**81**	70
Add:				
Cash spend on transaction costs	**3**	-	**22**	-
Discretionary Free Cash Flow before transaction costs	**2**	6	**103**	70

NET DEBT TO ADJUSTED EBITDA (PRO FORMA LTM)

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

Tervita's Net Debt to Adjusted EBITDA (Pro Forma LTM) at December 31, 2018 was as follows:

	Pro Forma LTM December 31, 2018
Net profit (loss)	(125)
Add back:	
Depreciation and amortization	129
Impairment expense	25
Finance costs	92
Other expense (income)	5
Transaction costs	88
Income taxes expense (recovery)	1
Eligible adjustments:	
Severance costs (excluding Newalta transaction costs)	1
Adjusted EBITDA (Pro Forma LTM)	216

	As at December 31, 2018
Current portion of capital leases	4
Long-term debt	814
Derivative liabilities	-
Less: unrestricted cash and cash equivalents	(46)
Net debt	772
Net Debt to Adjusted EBITDA (Pro Forma LTM)	*3.57*

COVENANT EBITDA

The terms of our revolving credit facility require the Company to comply with certain financial and non-financial covenants, as defined by its lenders. Covenant EBITDA is defined as Adjusted EBITDA (Pro Forma LTM) excluding the Adjusted EBITDA (Pro Forma LTM) of our unrestricted subsidiary.

Tervita's Covenant EBITDA at December 31, 2018 was as follows:

	Pro Forma LTM December 31, 2018
Net profit (loss)	(125)
Add back:	
Depreciation and amortization	129
Impairment expense	25
Finance costs	92
Other expense (income)	5
Transaction costs	88
Income taxes expense (recovery)	1
Eligible adjustments:	-
Severance costs (excluding Newalta transaction costs)	1
Adjusted EBITDA of unrestricted subsidiaries	(1)
Covenant EBITDA	215

ADJUSTED WORKING CAPITAL

Adjusted Working Capital is defined as trade and other receivables, inventories, and other current assets less trade and other payables. We believe Adjusted Working Capital is a useful metric as it demonstrates our ability to most efficiently manage our resources and meet our 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.

	As at December 31	
	2018	2017
Trade and other receivables	**180**	130
Inventory	**12**	9
Other current assets	**8**	4
Trade and other payables	**(122)**	(94)
Adjusted Working Capital	**78**	49

OPERATING RESULTS

ENERGY SERVICES

Facilities include our TRDs, caverns, disposal wells, and landfills, and represent activities related to the treatment, recovery, and disposal of fluids, the processing and disposal of solid materials used in and generated by natural resource and industrial production, and the disposal of oilfield waste.

Onsite represents specialized services provided on a customer's site including the use of centrifugation or other processes for heavy oil producers involved in mining and in situ production, as well as the supply and operation of drill site processing equipment, including equipment for solids control and drill cuttings management.

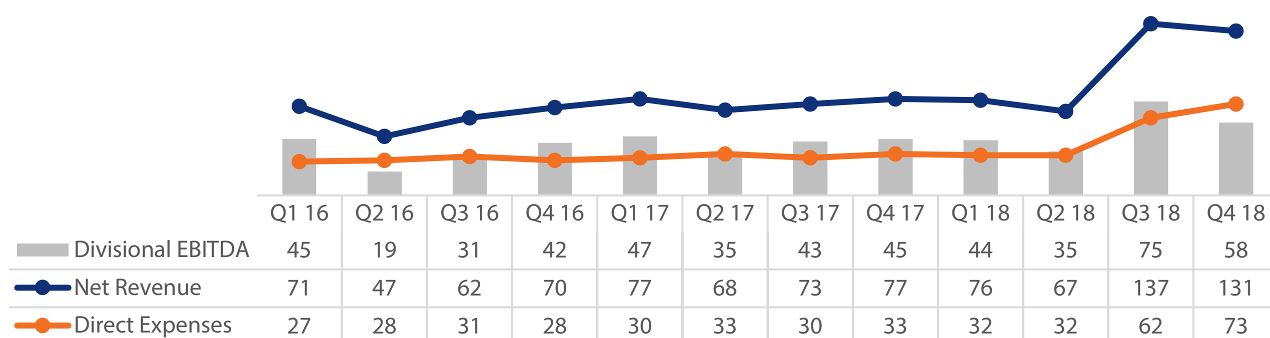
Energy marketing represents activities related to the purchase and resale of oil volumes associated with treatment, recovery, and disposal services. Revenue and direct expenses for energy marketing activities are recorded at the purchased cost of oil. Revenue related to services provided by TRD facilities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

Energy Services Financial Highlights

	Three Months Ended December 31				Year Ended December 31			
	2018	2017	Increase (Decrease)	*% Change*	**2018**	2017	Increase (Decrease)	*% Change*
Facilities revenue	**110**	77	33	*43%*	**370**	295	75	*25%*
Onsite revenue	**21**	-	21	*100%*	**41**	-	41	*100%*
Energy marketing revenue	**208**	241	(33)	*-14%*	**1,337**	985	352	*36%*
Less: energy marketing direct expenses	**(208)**	(241)	33	*14%*	**(1,337)**	(985)	(352)	*-36%*
Net Energy Services revenue	**131**	77	54	*70%*	**411**	295	116	*39%*
Facilities and onsite direct expenses	**(73)**	(33)	40	*121%*	**(199)**	(126)	73	*58%*
Depreciation and amortization	**(30)**	(16)	14	*88%*	**(82)**	(69)	13	*19%*
Impairment expense	**1**	(74)	(75)	*-101%*	**(1)**	(76)	(75)	*-99%*
Operating profit (loss)	**29**	(46)	75	*-163%*	**129**	24	105	*438%*
Finance costs	**(3)**	(1)	2	*200%*	**(10)**	(6)	4	*67%*
Transaction costs	**(12)**	-	12	*100%*	**(12)**	-	12	*100%*
Other income (expense)	**(2)**	-	2	*100%*	**1**	(2)	(3)	*-150%*
Net profit (loss)	**12**	(47)	59	*-126%*	**108**	16	92	*575%*
Divisional EBITDA[(1)]	**58**	45	13	*29%*	**212**	170	42	*25%*
Divisional EBITDA Margin [(1)]	***44%***	*58%*	*-14%*	*n/m*	***52%***	*58%*	*-6%*	*n/m*
Maintenance capital expenditures	**7**	7	-	*n/m*	**18**	17	1	*n/m*
Growth and expansion capital expenditures	**21**	28	(7)	*n/m*	**50**	47	3	*n/m*

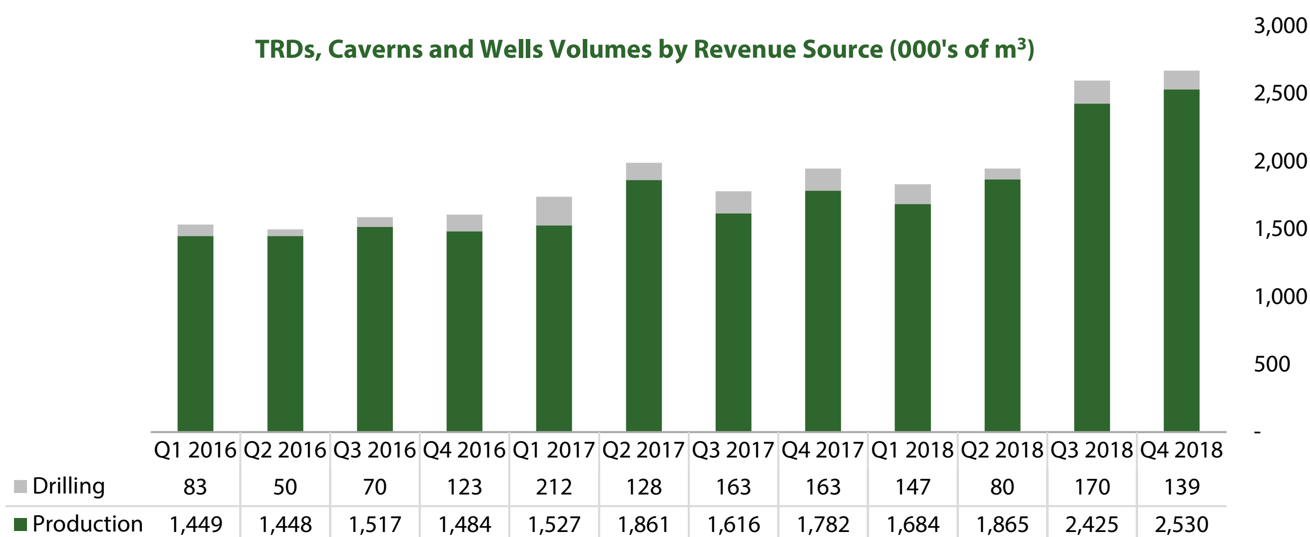
(1) *Please refer to the section **Non-GAAP Measures** for definitions and reconciliations.*

Energy Services Quarterly Results ($millions)



	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
Divisional EBITDA	45	19	31	42	47	35	43	45	44	35	75	58
Net Revenue	71	47	62	70	77	68	73	77	76	67	137	131
Direct Expenses	27	28	31	28	30	33	30	33	32	32	62	73

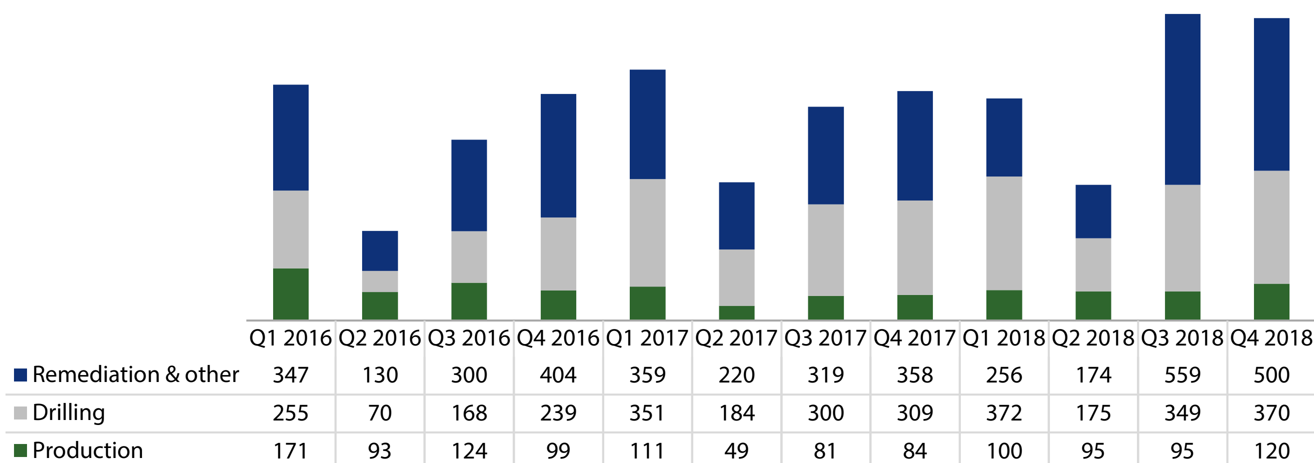
TRDs, Caverns and Wells Volumes by Revenue Source (000's of m^3)



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Drilling	83	50	70	123	212	128	163	163	147	80	170	139
Production	1,449	1,448	1,517	1,484	1,527	1,861	1,616	1,782	1,684	1,865	2,425	2,530

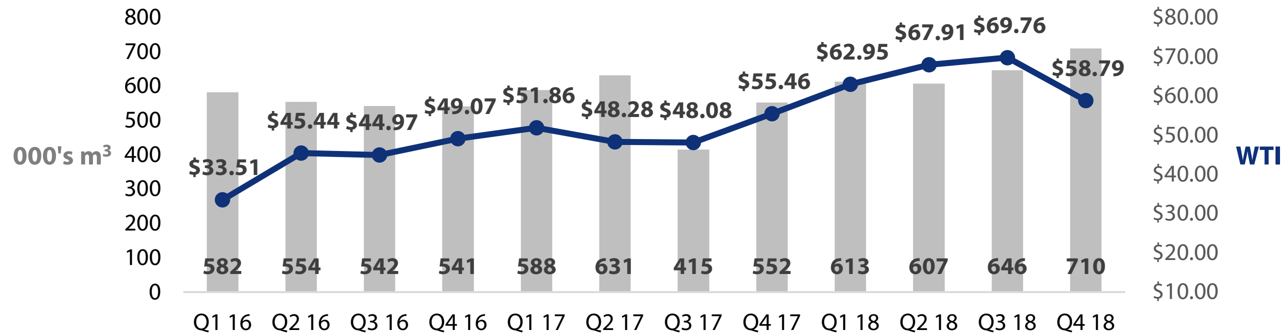
- *Production volumes are related to oil and gas production operations and include volumes for treatment, terminalling, and disposal activities for emulsion and produced water.*
- *Drilling volumes are related to oil and gas drilling activities and include volumes for processing and disposal of waste and waste water.*

Landfill Volumes by Revenue Source (000's of tonnes)



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Remediation & other	347	130	300	404	359	220	319	358	256	174	559	500
Drilling	255	70	168	239	351	184	300	309	372	175	349	370
Production	171	93	124	99	111	49	81	84	100	95	95	120

- *Production volumes are related to oil and gas production operations and include volumes for disposal activities for emulsion.*
- *Drilling volumes are related to oil and gas drilling activities and include volumes for drill cuttings.*
- *Remediation & other volumes are related to the processing and disposal of solid waste from spill cleanup and remediation or reclamation activities, revenue earned on managed landfills, and other service-related activities.*



- *Q3 18 and Q4 18 marketed oil volumes exclude volumes marketed by a third party. Beginning January 1, 2019, these excluded volumes are marketed by Tervita.*

Energy Services Fourth Quarter Results

Q4 Divisional EBITDA Increases By $13 Million

- Energy Services' Divisional EBITDA increased by 29% to $58 million in Q4 2018 compared to $45 million in Q4 2017 primarily due to the execution of our strategic plan to invest in growth and expansion opportunities in the WCSB, expanding our facility infrastructure and enhancing our service line offerings to our customers. Our investments in Newalta in Q3 2018 and 3K in Q4 2017 contributed to higher revenue and waste volumes through our facilities, as production-related and drilling-related volumes increased 42% and 8%, respectively, in Q4 2018 compared to the same quarter in 2017. In addition to these volumes, our soil volumes at landfills, reflecting higher customer remediation and reclamation activities, increased by 40%.
- Our investment in Newalta introduced onsite services, a new complement of service offerings for our customers, particularly heavy oil producers. Onsite services contributed 16% of our total revenue for the quarter.
- Marketed oil volumes increased by 29% in Q4 2018 compared to Q4 2017, due to increased industry activity and higher takeaway capacity across our network, including pipeline connections added at two sites in 2018. However, revenue on those volumes decreased by 12% due to the exceptionally wide differentials in the WCSB experienced in Q4 2018. The decline in WCSB pricing resulted in 37% lower revenue for recovered oil, which was impacted by both lower price and 8% lower volume due to less development activity.
- Energy Services' Divisional EBITDA Margin for Q4 2018 was 44%, a 14% decrease from the 58% earned in Q4 2017. This decrease in margin reflects the impact of onsite services, a lower margin operation, as well as an increase in facilities direct expenses, particularly repairs and maintenance, as acquired facilities transitioned to Tervita's maintenance program.

Q4 Net Profit Improves By $59 Million

- Energy Services' Q4 2018 net profit was $12 million, an improvement of $59 million over the net loss of $47 million in Q4 2017. In addition to the $13 million increased contribution from Divisional EBITDA, the increase in net profit was primarily due to lower impairment expense somewhat offset by higher depreciation and amortization expense for acquired assets, increased finance costs associated with letters of credit in our facilities and energy marketing operations, and transaction costs related to the Newalta acquisition.
- Q4 2017's net loss included $57 million of goodwill impairment, and $17 million of asset impairment largely a result of waste slumps at two landfills.
- Included in Energy Services' Q4 2018 net profit was $12 million of transaction costs related to the Newalta acquisition, comprised of a non-cash impairment expense associated with a change in discount rate on decommissioning obligations for inactive sites. Excluding these transaction costs, Energy Services' Q4 2018 net profit was $24 million, a $71 million improvement over Q4 2017.

Q4 Net Revenue Increases $54 Million to $131 Million

- The 70% and $54 million increase in Energy Services net revenue in Q4 2018 compared to Q4 2017 was primarily driven by our investments in new facility infrastructure and onsite services in 2018 and 2017, including our acquisition of Newalta and 3K, the completion of two new pipeline connections at existing TRD facilities, and other growth and expansion capital spend that provided additional waste disposal, storage and blending capacity.
- TRD facilities volumes increased by 37% or 724 thousand m^3 in Q4 2018 versus Q4 2017, a result of our acquisitions in Newalta and 3K and higher production-related volumes at existing Tervita facilities driven by activity in the Montney. Revenue from these increased production-related volumes, however, was offset by lower realized prices due to a combination of downward pricing pressure from competitive activity and of product mix. Product mix was impacted by vertical integration of disposal capacity by some producers, particularly for produced water in key regions. Consistent with lower rig activity in the market, drilling volumes decreased, however, this was offset by increased revenue from better pricing in some regions and a change in product mix.
- Landfill volumes increased by 32% or 239 thousand tonnes in Q4 2018 compared to the same quarter in 2017. Soil volumes received from customer remediation projects increased 40%, contributing an additional 14% in revenue quarter-over-quarter. Both production and drilling related volumes increased in Q4 2018 compared to Q4 2017, particularly in the Montney. However, revenue from these volumes remained flat primarily due to product mix and lower pricing for drilling-related volumes.
- The acquisition of Newalta provided us an opportunity to expand our service offerings to heavy oil and other producers in the WCSB and US. Approximately 28% of onsite revenue in Q4 2018 was related to long-term service contracts.
- In Q4 2017, the market was still recovering after the completion of the Peace Pipeline Expansion in Q3 2017 and Tervita's energy marketing volumes continued to be impacted by the increased pipeline capacity in the Montney region and, we believe, increased producer direct pipeline access which resulted in lower available volumes on truck and increased competition for available oil. For most of Q4 2018, Tervita's Alberta facilities in these regions operated near capacity and volumes surpassed pre-Peace Pipeline Expansion levels, primarily due to production growth in the region and wide and volatile differentials, which supported the ability to improve producer netbacks and attract volumes to our network. Higher WTI prices and higher marketed volumes were more than offset by wider differentials, leading to decreased oil purchase costs compared with the same period in 2017, resulting in lower energy marketing direct expenses and revenue.
- Q4 2018 energy marketing volumes were also positively impacted by our completion of facility expansions which allowed for increased ability to gather volumes into these sites.
- Marketed oil volumes were negatively impacted by an 8% reduction in associated recovered oil volumes at TRDs driven by a 34% decline in average Canadian crude oil pricing and associated reduction in development activity.

Energy Services Full Year 2018 Results

2018 Divisional EBITDA Increases by $42 Million

- Energy Services' 2018 Divisional EBITDA was $212 million, a $42 million and 25% increase over the $170 million reported in 2017, reflecting the positive contributions from our strategic Newalta and 3K acquisitions, as well as increased earnings from higher throughput of oil volumes. Our investments in Newalta and 3K resulted in 25% higher production-related waste volumes through our facilities in 2018 when compared to 2017.
- Our investment in Newalta introduced onsite services, a new complement of service offerings for our customers, particularly heavy oil producers. This investment contributed 10% of our total revenue for the year.
- Marketed oil volumes were 18% higher in 2018 compared to 2017, due to increased industry activity and facilities expansions which increased takeaway capacity. Recovered oil volumes decreased as stable volumes received throughout the first three quarters of the year were offset by a decrease in volumes in Q4 2018 due to the decline in Canadian crude oil pricing.
- Energy Services' 2018 Divisional EBITDA Margin was 52%, a decrease of 6% when compared to 2017's Divisional EBITDA Margin of 58%. This decrease in margin reflects the impact of onsite services, a lower margin operation, as well as an increase in direct expenses at facilities, particularly repairs and maintenance at acquired facilities.

2018 Net Profit Increases by $92 Million

- Energy Services' 2018 net profit was $108 million, an improvement of $92 million over the net profit of $16 million in 2017. In addition to the $42 million increased contribution from Divisional EBITDA, the increase in net profit was primarily due to lower impairment expense offset somewhat by higher depreciation and amortization for acquired assets, and transaction costs associated with the Newalta acquisition.
- 2017's net loss included $57 million of goodwill impairment, and $19 million of asset impairment largely a result of waste slumps at two landfills.
- Included in Energy Services' 2018 net profit was $12 million of transaction costs associated with the Newalta acquisition, comprised of non-cash charges associated with a change in discount rates on decommissioning obligations for inactive sites. Excluding these transaction costs, Energy Services' 2018 net profit was $120 million, a $104 million improvement over 2017.

2018 Net Revenue Increases by 39% to $411 Million

- Energy Services' 2018 net revenue was $411 million, an increase of $116 million and 39% compared to 2017's net revenue of $295 million. This increase was driven by our investments in new facility infrastructure and onsite services in 2018 and 2017, including our acquisitions of Newalta and 3K, the completion of two new pipeline connections at existing TRD facilities, and other growth and expansion capital spend that provided additional waste disposal, storage and blending capacity.
- TRD facilities volumes increased by 21% or 1.587 million m^3 in 2018 versus 2017, a result of our acquisitions in Newalta and 3K and higher production-related volumes at existing Tervita facilities driven by activity in the Montney. Consistent with lower rig activity in the market, drilling volumes decreased by 131 thousand m^3.
- Landfill volumes increased by 16% or 440 thousand tonnes in 2018 compared to the same quarter in 2017. Soil volumes received from customer remediation projects increased 19%, contributing an additional 14% in revenue year-over-year. Both production and drilling related volumes increased by 86 thousand tonnes and 121 thousand tonnes, respectively, in 2018 compared to 2017, reflecting additional volumes from our acquisitions as well as higher activity in some existing Tervita facilities.
- Revenue from higher waste volumes received at facilities was somewhat offset by negative pricing impacts associated with downward pricing pressure in some key competitive regions as well as a shift in waste mix.
- The addition of onsite services through our acquisition of Newalta contributed $41 million of incremental revenue, comprising approximately 10% of total Energy Services' revenue for the year.
- Strong Montney development and higher WTI prices and wider differential pricing due to a shortage of pipeline capacity to exit the WCSB led to strong energy marketing volumes in 2018, higher than volumes in the same period in 2017. These were positive results, particularly after the reduced volumes experienced in the second half of 2017 due to the Peace Pipeline Expansion. 2018 energy marketing volumes were also positively impacted by our completion of two new pipeline connections at existing TRD facilities in the first half of 2018, which allowed for increased ability to gather volumes into these sites. The decline in recovered oil volumes in Q4 2018 as compared to Q4 2017 also contributed to a 2% decline in recovered oil volumes for full year 2018 when compared to full year 2017. The negative impact of this decline in revenue, however, was more than offset by higher realized earnings on these volumes of 14%.
- Increasing WTI prices led to higher oil purchase costs, resulting in greater energy marketing direct expenses and, accordingly, direct revenue for 2018 when compared to 2017.

INDUSTRIAL SERVICES

Industrial Services is comprised of four operating segments: waste services, metals recycling, rail services, and environmental services. Revenue from these operating segments is derived from: commodity-based sales from ferrous and non-ferrous metals; facility-based services including hazardous and non-hazardous waste management, and waste transportation and classification; and project-based services including site remediation, facility decommissioning, environmental construction and technologies, emergency response, and rail services.

Industrial Services Financial Highlights

	Three Months Ended December 31				Year Ended December 31			
			Increase				Increase	
	2018	2017	(Decrease)	*% Change*	**2018**	2017	(Decrease)	*% Change*
Commodity-based sales	**14**	11	3	*27%*	**49**	44	5	*11%*
Facility-based services	**10**	9	1	*11%*	**33**	38	(5)	*-13%*
Project-based services	**39**	39	-	*0%*	**149**	139	10	*7%*
Total revenue	**63**	59	4	*7%*	**231**	221	10	*5%*
Direct expenses	**(56)**	(54)	2	*4%*	**(203)**	(192)	11	*6%*
Depreciation and amortization	**(2)**	(2)	-	*0%*	**(9)**	(7)	2	*29%*
Impairment expense	**(23)**	-	23	*100%*	**(23)**	-	23	*100%*
Operating profit (loss)	**(18)**	3	(21)	*-700%*	**(4)**	22	(26)	*-118%*
Finance costs	**-**	1	1	*-100%*	**-**	-	-	*0%*
Other income (expense)	**(1)**	-	1	*100%*	**(2)**	(1)	1	*100%*
Net profit (loss)	**(19)**	4	(23)	*-575%*	**(6)**	21	(27)	*-129%*
Divisional EBITDA[(1)]	**7**	5	2	*40%*	**28**	29	(1)	*-3%*
Divisional EBITDA Margin[(1)]	***11%***	*8%*	*3%*	*n/m*	***12%***	*13%*	*-1%*	*n/m*
Maintenance capital expenditures	**3**	3	-	*0%*	**6**	6	-	*0%*
Growth and expansion capital expenditures	**4**	1	3	*300%*	**6**	5	1	*20%*

[(1)] *Please refer to the section **Non-GAAP Measures** for definitions and reconciliations.*

Industrial Services Fourth Quarter Results

Q4 Divisional EBITDA Contributes $7 Million

- Industrial Services' Q4 2018 Divisional EBITDA of $7 million was a $2 million and 40% increase from the Q4 2017 Divisional EBITDA, driven by an improvement in revenue of $4 million from higher ferrous prices and incremental contributions from acquired waste services facilities (Newalta) and two metals recycling yards.
- Industrial Services' Q4 2018 Divisional EBITDA Margin of 11% was a 3% increase over the 8% in Q4 2017. This primarily reflects higher margins earned on commodity sales.

Q4 Net Loss of $19 Million Driven by Non-Cash Impairment Expense

- Industrial Services' Q4 2018 net loss of $19 million was $23 million lower than the $4 million net profit in the same period in 2017, primarily due to goodwill impairment in our waste services operating segment due to ongoing challenges in a highly competitive market.

Q4 Revenue Increases 7%

- Industrial Services' Q4 2018 of $63 million, a $4 million and 7% increase when compared to the $59 million of revenue in Q4 2017, due to contributions from our acquired Newalta operations and higher ferrous pricing consistent volumes. The impact of higher ferrous prices was primarily responsible for the increase in commodity-based sales revenue in Q4 2018 compared to Q4 2017 and reflects the strong global demand for steel. The 11% increase in facility-based revenue is primarily due to our new facilities from our acquisition of Newalta. Q4 2018 project-based service revenue was consistent with Q4 2017. Although project activity increased in Q4 2018 compared to Q4 2017, the average revenue per project decreased reflecting changes in the scope and complexity of the work, customer base, and the competitive environment.

Industrial Services Full Year 2018 Results

2018 Divisional EBITDA of $28 Million

- Industrial Services' 2018 Divisional EBITDA of $28 million was $1 million less than 2017 and was primarily a result of lower facility-based service revenues with a trailing decrease in related direct expenses, in part due to the fixed cost nature of some facility expenses.

2018 Net Loss of $6 Million

- Full year 2018 net loss was $6 million, a decrease of $27 million compared to the net profit of $21 million in 2017. The net loss was primarily due to the $23 million goodwill impairment in the waste services' operating segment.

2018 Revenue Increases by $10 Million

- Industrial Services' 2018 revenue was $231 million, $10 million and 5% higher than 2017. This increase in revenue primarily reflects contributions from strategic growth investments, including operations acquired from Newalta in Q3 2018, and two metals operations acquired in Q3 2017.
- Commodity-based sales revenue increased 11% in 2018 compared to 2017. Ferrous sales volumes decreased 7% in 2018 compared to 2017, primarily due to rail logistical challenges in the first half of the year that limited our ability to move the metals to market. However, strong ferrous prices due to higher demand for steel led to an overall increase in commodity-based sales for the year.
- Facility-based services revenue decreased by 13% in 2018 compared to 2017, resulting from continued competitive activity, particularly in the first half of 2018, and the current year impact of a significant lost contract at the end of 2017.
- Higher project-based services revenue of 7% was primarily a result of increased rail services work for both emergency response for rail disruptions driven by increased rail traffic, as well as planned rail services work.

CORPORATE

	Three Months Ended December 31				Year Ended December 31			
	2018	2017	Increase (Decrease)	*% Change*	**2018**	2017	Increase (Decrease)	*% Change*
Revenue - intersegment eliminations	**-**	(4)	(4)	*-100%*	**(5)**	(11)	(6)	*-55%*
Direct costs - intersegment eliminations	**-**	4	4	*100%*	**5**	11	6	*55%*
General and administrative expenses	**(15)**	(11)	4	*36%*	**(50)**	(52)	(2)	*-4%*
Depreciation and amortization	**-**	(1)	(1)	*-100%*	**(5)**	(4)	1	*25%*
Impairment expense	**(3)**	-	3	*100%*	**(1)**	-	1	*100%*
Finance costs	**(18)**	(11)	7	*64%*	**(59)**	(43)	16	*37%*
Transaction costs	**(31)**	-	31	*100%*	**(57)**	-	57	*100%*
Other income (expense)	**(1)**	(2)	(1)	*-50%*	**(3)**	(23)	(20)	*-87%*
Income tax recovery (expense)	**-**	3	3	*100%*	**(1)**	3	4	*133%*
Total corporate expenses	**(68)**	(22)	46	*209%*	**(176)**	(119)	57	*48%*
G&A as a % of revenue	***8%***	*8%*	*-1%*	*n/m*	***8%***	*10%*	*-2%*	*n/m*
Maintenance capital expenditures	**1**	-	1	*100%*	**4**	-	4	*100%*

General and Administrative Expenses

- Q4 2018 G&A expenses increased by $4 million in Q4 2018 when compared to Q4 2017, primarily due to the Newalta acquisition.
- Full year 2018 G&A expense was $50 million, a decrease of $2 million or 4% when compared to full year 2017. Included in 2017 G&A was $9 million of severance expense compared to $1 million in 2018. Excluding 2017 severance costs, G&A in 2018 increased by $6 million and was attributable to the acquired Newalta corporate operations.
- Since the acquisition of Newalta in Q3 2018, we have realized $6 million of corporate synergies with an expected $15 million of annualized savings.

Finance Costs

	Three Months Ended December 31				Year Ended December 31			
			Increase				Increase	
	2018	2017	(Decrease)	*% Change*	**2018**	2017	(Decrease)	*% Change*
Interest expense	**(16)**	(10)	6	*60%*	**(52)**	(39)	13	*33%*
Amortization of debt issue costs	**(2)**	(1)	1	*100%*	**(7)**	(4)	3	*75%*
Finance costs	**(18)**	(11)	7	*64%*	**(59)**	(43)	16	*37%*

- The increase in finance costs in Q4 and YTD was due to the issuance of the additional US$250 million senior secured notes in 2018 for the acquisition of Newalta.

Transaction Costs

- Q4 2018 transaction costs included $1 million legal and advisory fees, $4 million of integration costs, and $26 million on non-cash impairment expense on inactive sites. Certain assets acquired with Newalta were non-operating as at the Acquisition Date. As these assets were and will continue to be inactive, Tervita has not assigned them to an operating segment. $26 million of impairment expense, recorded under transaction costs, is associated with certain of these assets and is primarily related to the change in discount rate on related decommissioning obligations.
- Full year 2018 transactions costs included $13 million of expenses incurred for the completion of the Arrangement and Joint Information Circular with Newalta, $18 million of integration costs, including those related to severance, branding, site suspension, employee compensation, onerous contracts, and information technology, and $26 million of non-cash impairment expense on related decommissioning obligations.

Other Income (Expense)

	Three Months Ended December 31				Year Ended December 31			
			Increase				Increase	
	2018	2017	(Decrease)	*% Change*	**2018**	2017	(Decrease)	*% Change*
Gain (loss) on sale of assets	**1**	-	1	*100%*	**5**	-	5	*100%*
Share-based compensation	**-**	(1)	1	*-100%*	**(4)**	(3)	(1)	*33%*
Gain (loss) on provisions	**(4)**	(1)	(3)	*300%*	**(5)**	(19)	14	*-74%*
Foreign exchange gain (loss)	**2**	-	2	*100%*	**1**	(1)	2	*-200%*
Other	**-**	-	-	*0%*	**-**	-	-	*0%*
Other income (expense)	**(1)**	(2)	1	*-50%*	**(3)**	(23)	20	*-87%*

- The YTD 2017 loss on provisions included $13 million for onerous contracts associated with vacated office space and legal claims that were settled in 2018. This settlement resulted in a $2 million gain on provision in 2018, which was partially offset by a $7 million loss for adjustments to existing onerous provisions.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY AND LIQUIDITY RISK

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

Our debt structure as at December 31, 2018 included: (i) an undrawn $275 million revolving credit facility; and (ii) US$610 million senior secured notes issued December 2016 (US$360 million) and July 2018 (US$250 million). The senior secured

notes bear a coupon rate of 7.625%, with interest payable semi-annually on June 1 and December 1, and mature on December 1, 2021.

On December 21, 2018, Tervita renewed and upsized its revolving credit facility from $200 million to $275 million. In addition, the maturity date of the credit facility was extended from December 2019 to June 2021.

On June 1, 2018, Tervita issued US$250 million of escrow notes to partly finance the Newalta Acquisition. On the closing of the Newalta Acquisition, the escrow notes were exchanged for the July 2018 US$250 million senior secured notes described above.

At December 31, 2018, Tervita had $87 million in letters of credit ("LCs") issued against our revolving credit facility. The remaining $188 million of capacity, combined with $46 million of cash and cash equivalents, provided $234 million in available liquidity. The credit facility has a scheduled termination date of June 1, 2021, with normal course extension provisions under the credit agreement.

For the year ended December 31, 2018, not including cash invested and related finance costs associated with the Newalta acquisition, Tervita generated $96 million (2017 - $104 million) from operations (net of working capital) and invested approximately $77 million (net of dispositions) (2017 - $68 million). Tervita did not require any additional liability to support continuing operations.

Adjusted Working Capital at December 31, 2018 was $78 million (December 31, 2017 - $49 million). The change in Adjusted Working Capital was a result of the Newalta acquisition, implementation of a new Enterprise Resource Planning system, and the integration of Newalta operations. Adjusted Working Capital is sufficient to meet our planned strategy and achieve intended results.

At current activity levels, we have ample liquidity to meet our ongoing commitments and operational requirements of the business.

For the year ended December 31, 2018, Discretionary Free Cash Flow (before transaction costs) was $103 million compared to $70 million in 2017. Discretionary Free Cash Flow represents Tervita's capacity to fund its ongoing growth capital spending and reduce net debt. For the year ended December 31, 2018, Discretionary Free Cash Flow was more than sufficient to fund the $56 million of growth and expansion capital spend.

Net Debt to Adjusted EBITDA (Pro Forma LTM) at December 31, 2018 was 3.57.

SOURCES OF CASH

Our liquidity needs can be sourced in several ways, including: funds from operations, borrowings against or increases in our revolving credit facility, new debt instruments, return of letters of credit or replacement of letters of credit with other types of financial security, proceeds from the sale of long-term assets, and issuance of share capital.

At December 31, 2018, Tervita had cash and cash equivalents of $46 million.

Revolving Credit Facility

At December 31, 2018, $188 million was available and undrawn under our revolving credit facility for general corporate purposes, as well as to provide LCs to third parties. The maximum amount of LC's which can be issued under the LC program is $200 million.

Under the terms of Tervita's revolving credit facility, we must comply with certain financial and non-financial covenants: 1) Total Leverage Ratio; 2) Secured Leverage Ratio; and 3) Interest Coverage Ratio.

Total Leverage Ratio

Total Leverage Ratio is calculated as the ratio of Total Indebtedness to Covenant EBITDA. Total Indebtedness consists of the outstanding principal value of the senior secured notes, reported in C$ and reflecting the impact of cross currency swaps, plus the amount of capital lease obligations, and less cash balances up to a total of $75 million.

Tervita's Total Leverage Ratio cannot exceed 5.00 to 1.00 in 2018 and 4.50 to 1.00 thereafter.

Secured Leverage Ratio

Secured Leverage Ratio is defined as Secured Indebtedness to Covenant EBITDA. Secured Indebtedness consists of the outstanding LC's (which reduce the borrowing availability under the revolving credit facility) less cash balances up to a total of $75 million.

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

Interest Coverage Ratio

Interest Coverage Ratio is defined as Covenant EBITDA to Interest Expense, where Interest Expense consists of interest payments on the senior secured notes for the last twelve months and interest due on LC's and standby fees.

Tervita must maintain an Interest Coverage Ratio greater than 1.75 to 1.00 for the year ended December 31, 2018 and 2.00 to 1.00 thereafter.

Covenant Compliance at December 31, 2018

The Company complied with its covenants at December 31, 2018, as follows:

	Required	Achieved
Total Leverage Ratio	Less than 5.00	**3.56**
Secured Leverage Ratio	Less than 2.50	**0.20**
Interest Coverage Ratio	Greater than 1.75	**3.21**

Proceeds from the Sale of Assets

Proceeds from the sale of assets for the three months and year ended December 31, 2018 were $nil and $7 million, respectively, and primarily relate to the sale of a non-core landfill and the disposal of miscellaneous equipment. For the three months and year ended December 31, 2017, we received proceeds of $3 million and $6 million, respectively, from the sales of a landfill and vacant land.

USES OF CASH

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

Capital Expenditures

Capital expenditures are classified as either growth and expansion capital or maintenance capital. Growth and expansion capital expenditures are cash spend to expand existing facilities, primarily cell expansion at our landfills and cavern development, or with the intent of expanding existing businesses, or entering into new locations or markets. Maintenance capital expenditures are 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.

Cash spend on capital, excluding the Newalta acquisition, for the three months and year ended December 31 was as follows:

	Three months ended December 31				Year Ended December 31			
	2018	2017	Increase (Decrease)	*% Change*	**2018**	2017	Increase (Decrease)	*% Change*
Capital expenditures								
Growth and expansion	**25**	29	(4)	*-14%*	**56**	52	4	*8%*
Maintenance	**11**	10	1	*10%*	**28**	23	5	*22%*
	36	39	(3)	*-8%*	**84**	75	9	*12%*

Management evaluates capital projects based on their internal rate of return, timing of payback, fit with our corporate strategy, and the risk associated with the projects, among other factors. Capital spending is prioritized towards projects

that provide stable cash flows and where there is a high degree of certainty of completing the project on time and on budget.

In 2018, we continued our 2017 initiative of identifying, planning, and executing a growth capital portfolio. Please refer to ***Outlook*** section for a discussion of expected capital spend for 2019.

Commitments

As at December 31, 2018, commitments for 2019 and thereafter were as follows:

	2019	2020-21	2022-23	Thereafter	Total
Interest	64	127	-	-	191
Office and facility leases	10	19	17	42	88
Operating leases	1	1	-	-	2
Pipeline transportation commitment	22	7	-	-	29
Utility purchase commitments	2	2	-	-	4
Investment commitment	1	-	-	-	1
Total commitments	100	156	17	42	315

SUMMARY OF QUARTERLY RESULTS

SEASONALITY

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. As a result, Energy Services tends to earn lower revenue (excluding energy marketing) and operating profit in the second fiscal quarter. If the spring weather or wet weather causes the ground to be unstable for longer than usual, operating results may be negatively impacted.

QUARTERLY REVIEW SUMMARY

	Q4 2018	**Q3 2018**	**Q2 2018**	**Q1 2018**	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue (excluding energy marketing)	**194**	**203**	**124**	**116**	132	134	114	125
Energy marketing revenue	**208**	**439**	**416**	**274**	241	161	259	324
Revenue	**402**	**642**	**540**	**390**	373	295	373	449
Profit (loss) from continuing operations	**(75)**	**(2)**	**-**	**3**	(65)	(2)	(13)	(2)
- per share ($), basic and diluted	**(0.64)**	**(0.02)**	**-**	**0.03**	(0.62)	(0.02)	(0.12)	(0.02)
Net profit (loss)	**(75)**	**(2)**	**-**	**3**	(65)	(2)	(12)	(2)
- per share ($), basic and diluted	**(0.64)**	**(0.02)**	**-**	**0.03**	(0.62)	(0.02)	(0.11)	(0.02)

Q3 2018 to Q4 2018

- The decrease in revenue was primarily attributable to the decline in energy marketing revenue due to the extreme widening of differentials during Q4 2018.
- Net loss increased primarily due to transaction and finance costs incurred on the Arrangement, goodwill impairment in Industrial Services, and an impairment of assets associated with inactive sites in Energy Services.

Q2 2018 to Q3 2018

- Revenue increased primarily due to the acquisition of Newalta operations as well as higher WTI prices on greater than Q2 2018 marketed oil volumes.
- Net profit decreased primarily due to transaction and finance costs incurred on the Arrangement. The increase in these costs were largely offset by the increase in operating profit.

Q1 2018 to Q2 2018

- Revenue increased primarily from higher energy marketing volumes and WTI prices, and increased project-related revenue in Industrial Services.

	• Net profit decreased due to the interest expense incurred on the escrow notes.
Q4 2017 to Q1 2018	• Revenue increased primarily from higher energy marketing volumes and WTI prices, offset slightly by a decrease in project-related activity in Industrial Services. • Net profit increased due to the impairments of goodwill and certain landfill assets in Q4 2017.
Q3 2017 to Q4 2017	• Volumes recovered at facilities increased due to production growth and development in some key regions, which resulted in higher energy marketing revenue. • Net loss increased due to the impairments of goodwill and certain landfill assets in Q4 2017.
Q2 2017 to Q3 2017	• Revenue was negatively impacted by the Peace Pipeline Expansion, which increased pipeline capacity and intensified competition for trucked volumes. • Net loss decreased as Industrial Services saw higher project-related activity.
Q1 2017 to Q2 2017	• Revenue decreased due to a decline in WTI prices. • Net loss increased due to recognition of a provision for onerous contracts and legal claims.

OTHER ITEMS

FINANCIAL INSTRUMENTS

As at December 31, 2018, financial instruments included cash and cash equivalents, trade and other receivables, equity investments, trade and other payables, long-term debt, interest payable, derivative assets (liabilities) and contingent considerations. Excluding long-term debt, the fair values of the financial instruments approximated their carrying values due to the short-term maturities.

In December 2016, Tervita issued US$360 million senior secured notes as part of the recapitalization of our debt and share capital. Our risk management strategy for the senior secured notes is to mitigate the foreign currency risk due to movements in the US$ to C$ exchange rates. As a result, at the same time as the issuance of the US$ 360 million senior secured notes, Tervita entered into cross-currency swap agreements ("cross currency swaps") and applied hedge accounting to the transactions to mitigate foreign exchange risk and variability in cash flows due to interest rate risk ("Designated Hedge"). All gains and losses related to these senior secured notes and the cross-currency swaps are recognized in accumulated other comprehensive profit (loss), except for gains or losses recognized in profit (loss) related to the portion of hedge deemed to be ineffective. During 2018, the Designated Hedge was deemed to be effective and $39 million was recognized in accumulated other comprehensive profit (loss). The carrying value of the US$360 million senior secured notes and the fair value of the cross-currency swaps were disclosed in the Financial Statements. The fair value of the cross-currency swaps is a Level 2 valuation based on observable inputs.

In May 2018, Tervita entered into swap agreements (the "swaps") to provide a fixed US$ to C$ conversion rate on the US$250 million proceeds from the June 1, 2018 issuance of the escrow notes. On July 19, 2018 the swaps were settled in conjunction with the close of the Arrangement. Tervita recognized a loss of $8 million in the Statements of Profit (Loss) with the settlement of the swaps.

In May 2018, Tervita entered into forward contract swap agreements ("forward swaps") to mitigate the foreign exchange risk on the escrow notes. The forward swaps have a maturity date of December 2019 with a fixed foreign exchange US$ to C$ rate at 0.7809. The forward swaps were not settled at the close of the Arrangement and continue to mitigate the foreign exchange risk on the repayment of principal related to the US$250 million senior secured notes. All gains and losses associated with changes to the fair value of the forward swaps are included in profit (loss). The fair value of the forward swaps is a Level 2 valuation based on observable inputs. During 2018, $18 million was recognized in the Statements of Profit (Loss) associated with unrealized changes in the fair value of the forward swaps.

Tervita is exposed to foreign currency risk with respect to its US$ debt. Tervita manages this exposure through its cross-currency swaps, thereby fixing the exchange rate on certain US$ debt. Absent the swap agreements, a $0.01 change in the US$ to C$ exchange rate would result in a change to net profit (loss) of $6 million (2017 - $4 million).

Tervita's cash and cash equivalents, trade and other receivables and derivative assets are associated with credit risk. The credit risk on cash and cash equivalents is presumed to be low since deposits are held with highly-rated financial

institutions. We are currently monitoring certain customers for risk of default, however, we believe that this risk is mitigated by the size, reputation and diversified nature and number of the customers to which Tervita extends credit, with no customer individually making up more than 10% of our credit exposure. Tervita is exposed to counterparty credit risk and internal credit risk on the US$360 million senior secured notes issued and the Designated Hedge. We have not hedged the credit risk as part of the hedging relationship, however, changes in credit risk did not result in significant changes in the fair value of the derivative asset as at December 31, 2018.

For further information regarding our financial and other instruments as well as how we manage the risk associated with these instruments, refer to notes 2, 19, 20 and 23 of the Financial Statements and the ***Liquidity and Liquidity Risk*** section of this MD&A.

Off-balance Sheet Arrangements

In the normal course of operations, Tervita engages in a variety of transactions that, under IFRS, are either not recorded on our consolidated balance sheets or are recorded at amounts that differ from the full contract amounts. As at December 31, 2018 and December 31, 2017, the Company did not have any off-balance sheet arrangements, other than the commitments, contingencies and guarantees discussed in notes 27, 28 and 29, respectively, of the Financial Statements. These commitments include operating leases, agreements to pay interest on our long-term debt, and pipeline transportation commitments.

We do not reasonably expect any presently known trend or uncertainty to affect our ability to continue using these off-balance sheet arrangements. Tevita does not believe that it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the company's financial performance or financial condition, results of operations, liquidity, or capital expenditures.

Related Party Transactions

As at December 31, 2018, Tervita identified its related parties as being its key management personnel ("KMP"), which comprise the Board members, majority equity owners, Tervita's executive leadership, and certain other individuals employed by Tervita, as well as their close family members.

Two of the equity owners can exert significant influence over Tervita through their investment in Tervita's share capital. During 2018, one of these equity owners, who also has representation on the Board of Directors, earned fees for issuance of the escrow notes of $4 million (note 3).

Other material transactions with related parties included share-based compensation and payment of interest on their proportionate holdings in the US$360 million senior secured notes and US$250 million senior secured notes. During 2018, equity owners and certain members of the Board of Directors earned US$2 million in interest income (2017 - US$2 million). The share-based compensation expense regarding the KMP in 2018 was $2 million (2017 - $1 million).

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

Other than the interest payable on the US$610 million senior secured notes and settlements under the share-based compensation plans, there were no other ongoing commitments to the KMP.

For more information on Tervita's transactions with the KMP and a summary of compensation of KMP, refer to note 26 of the Financial Statements.

Legal and Environmental Matters

Refer to note 28 of the Consolidated Financial Statements for disclosure of legal and environmental matters.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments and estimates that affect the application of accounting policies and the reported assets, liabilities, revenues, expenses and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and available information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have

been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition, or financial performance.

Tervita uses critical estimates and judgments in arriving at the carrying values disclosed in the Financial Statements, in the following areas:

Fair Values

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value estimates were used in arriving at the Purchase Price Allocation ("PPA") of the Arrangement. Tervita utilised the services of a third-party business valuator to estimate the fair values of a majority of the assets acquired that form part of the PPA.

The fair value of Tervita's cash generating units ("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 10% to 11% (2017 – 13% to 14%) based on comparable companies using a cross-section of industry peers. The discounted cash flows assume average annual revenue and expense growth rates of two 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 the 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 capital spending opportunities, and economic conditions.

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. For CGUs that experienced significant growth in prior periods due to acquisitions, we consider the increased scale of operations, new markets entered, or services offered to estimate future revenue and earnings. 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 strategic plan 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 and 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.

Revenue

Revenue is assessed for certain revenue streams on a portfolio basis, as the contracts in the portfolio have similar characteristics and performance obligations, and Tervita does not expect the effects of applying IFRS 15 to the portfolio of contracts would differ materially from applying it to the individual contracts. Judgment is required in the assessment of contract characteristics and performance obligations to determine if application of IFRS 15 on a portfolio basis appropriately presents the nature and timing of those contracts on an individual basis.

Timing of the satisfaction of the performance obligations associated with revenue recognition involves an understanding of the nature of the performance obligations and contracts. Judgment is required in determining the methods used to recognize revenue for the transfer of inventory and rendering of services. Transfer of inventory generally occurs when control of the inventory transfers to the buyer, and the Company must assess whether the indicators of a transfer of control are satisfied. Rendering of services generally occurs when Tervita has a right to invoice, and the Company must determine

the appropriate criteria to use to assess achievement of performance obligations and how performance obligations are to be allocated to the contract purchase price under fixed-pricing arrangements.

Determination of the transaction price and allocation of it to each performance obligation involves an understanding of the fair value of goods and services provided. Judgment is required in determining the stand-alone selling prices for contracts under which the transaction price is a lump-sum fixed-fee arrangement.

Tervita records revenue for certain services based on an estimate of the completion of the performance obligations for those services. The achievement of performance obligations and the total anticipated activity are subject to significant estimates by management.

Decommissioning Liabilities

Determination of decommissioning liabilities 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 liabilities, which is assessed quarterly and updated when there is a material change in the rate. Estimates are based upon Tervita's best 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.

The risk-free rates used to estimate the decommissioning liabilities at December 31, 2018 ranged from 1.86% to 2.50% (December 31, 2017 – 1.68% to 2.26%) and an inflation rate of two per cent (December 31, 2017 – two per cent), and were specific to the timing of the cash flows and the jurisdiction of the obligations. The undiscounted cash flows associated with Tervita's liabilities at December 31, 2018 were estimated at $837 million (December 31, 2017 – $511 million). Payments to settle the decommissioning liabilities occur on an ongoing basis and will continue over the remaining lives of the operating assets, which are up to 106 years.

Onerous Contracts

The determination of an onerous contract provision often requires an estimation of the potential outcomes of different courses of action, the likelihood of these outcomes occurring, and the appropriate discount rate.

The risk-free rates used to estimate the onerous provisions at December 31, 2018 ranged from 1.86% to 1.96% (December 31, 2017 – 1.68% to 2.04%) and an inflation rate of five per cent to reflect the terms of the onerous contracts (December 31, 2017 – five per cent), and were specific to the timing of the cash flows. The undiscounted cash flows associated with Tervita's liabilities at December 31, 2018 were estimated at $74 million (December 31, 2017 – $38 million). Payments to settle the onerous contracts occur on an ongoing basis and will continue over the remaining lives of the operating assets, which are up to 14 years.

There were no material changes to our accounting estimates or judgments during 2018 other than those disclosed in note 2 of the Financial Statements related to the transition to IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".

Tervita is not aware of any trends or uncertainties that is expected to reasonably impact the estimates used or the assumptions described.

IMPACT OF NEW ACCOUNTING STANDARDS

Revenue from Contracts with Customers

Tervita adopted IFRS 15 "Revenue from Contract with Customers" ("IFRS 15") on January 1, 2018, using the cumulative effect method and practical expedients, with any impact of initial application recognized in accumulated earnings (deficit) on January 1, 2018. Accordingly, the comparative financial results for 2017 were not restated and have been presented as previously reported under IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.

The Company applied three practical expedients upon adoption of IFRS 15:

- Revenue was recognized for certain contracts when Tervita had the right to invoice, as the value provided to the customer under such contracts corresponded directly to the work billed to date;
- The transaction price allocated to remaining performance obligations and the timing of revenue recognition related to those unsatisfied performance obligations was not disclosed on contracts where Tervita recognized revenue using the right to invoice; and

- Revenue was assessed for certain revenue streams on a portfolio basis, as the contracts in the portfolio had similar characteristics and performance obligations and Tervita determined that the effects of applying this standard to the portfolio of contracts would not differ materially from applying it to the individual contracts.

The Company's accounting policies in relation to revenue recognition were not substantially impacted by the transition to IFRS 15. However, there were changes to the timing or recognition of revenue for certain energy marketing pipeline activities and lump-sum fixed price contracts.

The following table summarizes the impact of adopting IFRS 15 on the Company's Statements of Profit (Loss) for the year ended December 31, 2018 for each of the line items affected:

	Three Months Ended December 31			**Year Ended December 31**		
	Amounts Without IFRS 15 Adoption	Adjustments	December 31, 2018 Reported	Amounts Without IFRS 15 Adoption	Adjustments	December 31, 2018 Reported
Revenue	590	(188)	**402**	3,031	(1,057)	**1,974**
Direct expenses	(525)	188	**(337)**	(2,791)	1,057	**(1,734)**

There was no material impact to the Company's Consolidated Statements of Financial Position ("Statements of Financial Position") as at December 31, 2018 and its Consolidated Statements of Cash Flows ("Statements of Cash Flows") for the year then ended.

The transition to IFRS 15 resulted in a change to the timing of revenue recognition on these types of contracts, which is now recorded when control of performance obligations is transferred to the customer. Under IAS 18, the transfer of risks and rewards was used to determine the timing and amount of revenue to be recognized. The change in timing of revenue recognition may result in the recognition of contract assets and liabilities. As at December 31, 2018, contract assets and liabilities were $nil.

There were no potential effects on Tervita's business from the adoption of IFRS 15.

Financial Instruments

Tervita adopted IFRS 9 "Financial Instruments" ("IFRS 9") using retrospective application on January 1, 2018, except for hedge accounting requirements, which were required to be adopted prospectively.

Tervita elected to exercise a transition exemption whereby prior periods were not restated for the classification and measurement requirements of IFRS 9 that were adopted and disclosed retrospectively. Except for changes in classification of certain financial instruments, the application of IFRS 9 did not have an impact on the Financial Statements.

IFRS 9 eliminated several financial asset categories under IAS 39: available for sale, held to maturity, and loans and receivables. Tervita's transition to IFRS 9 resulted in the reclassification of cash and cash equivalents and trade and other receivables from fair value through profit or loss ("FVTPL") and loans and receivables, respectively, to amortized cost. Financial assets measured at amortized cost under IFRS 9 are held within a business model whose objective is to collect contractual cash flows arising from payments of principal and interest. This did not result in any changes to carrying value of the financial assets at the date of initial application.

Impairment of financial assets changed from an incurred loss model under IAS 39 to an expected credit loss ("ECL") model under IFRS 9. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the difference between the cash flows due to the Company under a contract and the cash flows that Tervita expects to receive. Tervita uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments are initially recognized. The Company assessed receivables for indicators of a significant increase in credit risk since initial recognition and noted no changes to the previous assessment.

Tervita elected to adopt the new general hedge accounting model in IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Requirements for hedge effectiveness include the existence of an economic relationship between the hedging instrument and hedged item, that the effect of credit risk does not dominate the value changes that result from that economic relationship, and that the hedge ratio is maintained. IFRS 9 also requires that the unrecoverable amount of cash flow reserves held at a loss is recognized in profit (loss) at the

time of discontinuation. This compares to the hedging requirements of IAS 39, which required a retrospective analysis of hedge effectiveness, and assessed hedge effectiveness using quantitative limits. These changes had no material impact on the accounting for hedging relationships at Tervita, but require additional disclosure of qualitative assessments. Hedging relationships previously designated under IAS 39 were determined at the date of initial application to meet the criteria for hedge accounting under IFRS 9, and there was no change to the hedge ratio of 1:1.

Share-Based Compensation

The IASB issued amendments to IFRS 2 ''Share-Based Payment'' ("IFRS 2") in June 2016, which required prospective application effective for annual periods beginning on or after January 1, 2018.

The amendments provide clarification on the classification and measurement of share-based compensation 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.

Tervita assessed there was no impact on the measurement and classification of share-based compensation from implementation of the amendments.

Leases

IFRS 16 ''Leases'' ("IFRS 16") was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 ''Leases'' ("IAS 17"), IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases-Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, which requires lessees to account for operating leases on the Statements of Financial Position like accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset during the lease term.

Tervita has elected to adopt IFRS 16 using the modified retrospective transition approach, whereby the right-of-use asset is measured at the value of the lease liability upon the date of initial application. The modified retrospective approach does not require restatement of prior periods. Tervita has applied certain practical expedients that are available under this adopted approach and has elected to apply recognition exemptions for short-term and low-value leases. As a lessee, Tervita's most significant lease contracts relate to real estate, equipment, and surfaces. Tervita does not have any material lease agreements where Tervita acts as lessor.

IFRS 16 requires lessees and lessors to disclose additional key information regarding the lease arrangements. The complete impact of adopting IFRS 16 will be disclosed in the Financial Statements for the first quarter of 2019.

Tervita does not expect these changes to impact compliance with the financial covenants that form part of our long-term debt.

KEY RISKS

General economic conditions and dependency on exploration and production activity levels in the markets

Demand for Tervita's services in all 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. 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.

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, as companies with operations in numerous countries determine their capital allocations and financial investors determine the companies and countries they intend to invest in.

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.

Changes in Environmental Regulations

Tervita's business is subject to extensive Canadian federal, provincial, territorial, state 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 monitors and assesses the environmental impact of its operations as part of its internal environmental liability management program. The program also includes soil and groundwater management and remediation as required. 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.

In addition, 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, which could result in adverse impacts on demand for Tervita’s services.

Increase in Market Competition

There are many competitors of our businesses, including waste treatment, recovery and disposal, environmental site remediation, metals recycling and waste services businesses. In addition, many of Tervita's customers manage a portion of their own waste internally without the use of a third-party service providers. Many of Tervita's customer relationships can be short-term in nature as 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 emerging 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 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 emerging 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.

Additionally, 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.

Changes in Industry Practices

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.

For information regarding risks pertaining to our liquidity and financial and other instruments as well as how we manage the risk associated with these instruments, refer to the ***Liquidity and Liquidity Risk*** and ***Financial Instruments*** sections of this MD&A.

Additional discussion regarding Tervita's risk factors is presented in our most recent Annual Information Form filed with the Canadian securities commissions at www.sedar.com.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have documented risks, controls, results of testing, and reporting procedures based on criterion established in the Internal Control – Integrated Framework (2013) ("COSO 2013") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Chief Executive Officer and the Chief Financial Officer (collectively, the "Certifying Officers") have evaluated the design and effectiveness of our disclosure controls and procedures, and the operational effectiveness of our internal controls over financial reporting using COSO 2013. As of December 31, 2018, the Certifying Officers have concluded that such disclosure controls and procedures and internal controls over financial reporting were effective.

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;
- market outlook with respect to drilling activity, relatively stable oil and gas prices, Western Canadian oil and gas production levels, and moderate market growth and GDP growth across Western Canada;
- 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;
- governmental regulation of the oil and gas industry, permits and other legal requirements, including Tervita's expectations with respect to permits;
- expected continued benefits of the Arrangement;
- plans and objectives for future operations;
- anticipated operational and financial performance (including expected synergies and cost reductions) for each operating segment;
- ability to execute on our growth strategy; and
- expectations regarding future cash flow, liquidity and financial position, our maintenance capital spending, growth and expansion capital projects, and sources of funding for our capital program.

Forward-looking statements relating to our business contain uncertainties and assumptions, 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 ability of the Company to realize the expected synergies from the Arrangement;
- 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;
- risk of implementation of controls or tariffs on competitor-owned pipelines which impede Tervita's ability to physically or economically access the pipelines that may affect 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 treatment, 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.

For a more detailed discussion of risks relating to Tervita see our most recent Annual Information Form.

These factors should not be construed as exhaustive. The forward-looking statements included in this MD&A are made only as of the date hereof and Tervita does not undertake to publicly update these forward-looking statements for new information, future events or otherwise, except as required by applicable laws. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

The estimates regarding Tervita's future financial performance, including estimates regarding Tervita's expected realization of synergies from the Arrangement, are based on assumptions about future events, including economic conditions and proposed course of action, based on management's assessment of the relevant information currently available. See "Outlook". The estimates of certain of Tervita's financial results for the year ended December 31, 2018, assuming the Arrangement had been completed as of January 1, 2018 may constitute financial outlook, but they are not a forecast or projection of future results, and are based on management's assessment of the relevant information currently available. See "Newalta Acquisition". The estimates are based on the same assumptions and risk factors set forth above and are based on Tervita's historical results of operations. The financial outlook or potential financial outlook set forth in this MD&A were approved by management as of the date of this MD&A for the purpose of providing investors with an estimation of: (a) the outlook for Tervita for 2019 and onwards, where applicable; and (b) results for the year ended December 31, 2018, assuming the Arrangement had been completed at January 1, 2018. Readers are cautioned that any such financial outlook contained herein should not be used for purposes other than those for which it is disclosed herein. The prospective financial information set forth in this MD&A has been prepared by management. Tervita and management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgements, and represents, to the best of management's knowledge and opinion, Tervita's expected course of action in developing and executing its business strategy and growth opportunities relating to its business operations. However, actual results may vary from the prospective financial information set forth in this MD&A. See above for a discussion of the risks that could cause actual results to vary. The prospective financial information set forth in this MD&A should not be relied on as necessarily indicative of future results.