TERVITA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

September 30, 2019

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at (millions of dollars)	*Note*	**September 30 2019**	December 31 2018
ASSETS			
Current assets			
Cash and cash equivalents	*11*	**81**	46
Trade and other receivables	*11*	**215**	180
Inventory		**11**	12
Current portion of derivative assets	*11*	**10**	18
Other current assets	*2, 11*	**14**	8
		331	264
Property, plant and equipment	*2, 8*	**1,196**	1,157
Intangible assets		**40**	42
Goodwill		**333**	333
Derivative assets	*11*	**—**	8
Other assets	*2, 11*	**10**	5
TOTAL ASSETS		**1,910**	1,809
LIABILITIES			
Current liabilities			
Trade and other payables	*11, 12*	**198**	122
Income taxes payable		**4**	14
Interest payable	*11*	**21**	6
Current portion of decommissioning liabilities		**7**	14
Current portion of obligations under leases	*2, 8, 11*	**16**	15
Current portion of other provisions	*2*	**1**	1
Other current liabilities	*10*	**4**	—
		251	172
Long-term debt	*2, 9, 11*	**788**	805
Obligations under leases	*2, 8, 11*	**93**	46
Decommissioning liabilities		**399**	399
Other provisions	*2*	**9**	10
Derivative liabilities	*11*	**1**	—
Other long-term liabilities	*10*	**6**	6
TOTAL LIABILITIES		**1,547**	1,438
EQUITY			
Share capital	*12*	**923**	947
Contributed surplus	*12*	**5**	1
Share-based compensation reserve	*10*	**7**	5
Accumulated earnings (deficit)		**(586)**	(593)
Accumulated other comprehensive profit (loss)		**14**	11
TOTAL EQUITY		**363**	371
TOTAL LIABILITIES AND EQUITY		**1,910**	1,809

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT (LOSS)

(unaudited)

		Three Months Ended September 30		Nine Months Ended September 30	
(millions of dollars, except for per share amounts)	***Note***	**2019**	2018	**2019**	2018
NET PROFIT (LOSS)					
Revenue	*3*	**611**	642	**1,732**	1,572
Operating expenses					
Direct expenses		**(535)**	(557)	**(1,524)**	(1,397)
General and administrative expenses		**(11)**	(14)	**(37)**	(35)
Depreciation and amortization	*2, 8*	**(35)**	(31)	**(103)**	(63)
Restructuring costs		**(1)**	—	**(3)**	—
Impairment reversal (expense)	*2*	**4**	(2)	**6**	(2)
Operating profit (loss)	*2*	**33**	38	**71**	75
Finance costs	*2, 5*	**(23)**	(21)	**(68)**	(48)
Transaction costs	*2*	**(2)**	(61)	**(6)**	(66)
Other income (expense)	*2, 6*	**2**	—	**(1)**	(1)
Profit (loss) before tax	*2*	**10**	(44)	**(4)**	(40)
Income taxes recovery (expense)	*13*	**—**	—	**11**	(1)
NET PROFIT (LOSS)	*2*	**10**	(44)	**7**	(41)
Items that are or may be subsequently reclassified to net profit (loss):					
Foreign operations - foreign currency translation differences		**1**	(2)	**(3)**	(3)
Net gain (loss) on cash flow hedges		**3**	(2)	**6**	(7)
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX		**4**	(4)	**3**	(10)
TOTAL COMPREHENSIVE PROFIT (LOSS)	*2*	**14**	(48)	**10**	(51)
Earnings per share - basic and diluted	*2, 7*	**0.09**	(0.38)	**0.06**	(0.38)
Weighted average shares outstanding - basic		**116,355,648**	114,886,511	**117,101,015**	108,083,608
Weighted average shares outstanding - diluted		**116,639,860**	114,886,511	**117,364,793**	108,083,608

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(millions of dollars)	Note	Three Months Ended September 30 2019	Three Months Ended September 30 2018	Nine Months Ended September 30 2019	Nine Months Ended September 30 2018
OPERATING ACTIVITIES					
Net profit (loss)	2	**10**	(44)	**7**	(41)
Adjustments for:					
Finance costs	5	**23**	21	**68**	48
Impairment (reversal) expense	2	**(4)**	2	**(6)**	2
Depreciation and amortization	2	**35**	31	**103**	63
Income taxes (recovery) expense		**—**	—	**(11)**	1
Cash interest paid	8	**(1)**	(1)	**(38)**	(21)
Cash settlement of provisions	2	**(3)**	(1)	**(10)**	(3)
Realized foreign exchange (gain) loss - debt and derivatives	6	**—**	8	**—**	8
Unrealized foreign exchange (gain) loss	6	**—**	(7)	**(2)**	(7)
Other adjustments	2	**(4)**	44	**(4)**	42
Funds from (used in) operations		**56**	53	**107**	92
Changes in non-cash working capital:					
Trade and other receivables		**(37)**	(48)	**(34)**	(51)
Inventory		**2**	(2)	**1**	(4)
Other current assets		**(1)**	—	**(3)**	(1)
Trade and other payables		**25**	19	**39**	19
Changes in total non-cash working capital		**(11)**	(31)	**3**	(37)
Cash provided by (used in) operating activities		**45**	22	**110**	55
FINANCING ACTIVITIES					
Issuance of long-term debt	9	**—**	—	**—**	326
Settlement of debt-related derivatives	9	**—**	(8)	**—**	(8)
Debt issue costs	9	**—**	(11)	**—**	(19)
Contingent consideration payments		**(1)**	—	**(1)**	—
Repurchase of common shares	12	**(8)**	—	**(12)**	—
Payment of principal portion of lease liabilities	8	**(4)**	(1)	**(13)**	(1)
Sublease payments received		**1**	—	**2**	—
Cash provided by (used in) financing activities		**(12)**	(20)	**(24)**	298
INVESTING ACTIVITIES					
Additions to property, plant and equipment		**(39)**	(22)	**(84)**	(48)
Additions to intangible assets		**(3)**	(1)	**(3)**	(3)
Acquisitions		**—**	(375)	**—**	(376)
Investment income		**—**	—	**2**	1
Proceeds from sale of property, plant and equipment		**1**	3	**2**	7
Change in non-cash working capital		**22**	4	**32**	3
Cash provided by (used in) investing activities		**(19)**	(391)	**(51)**	(416)
Effect of exchange rate changes on cash and cash equivalents		**—**	(1)	**—**	5
Increase (decrease) in cash and cash equivalents		**14**	(390)	**35**	(58)
Cash and cash equivalents, beginning of period		**67**	456	**46**	124
CASH AND CASH EQUIVALENTS, END OF PERIOD		**81**	66	**81**	66

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(unaudited)

(millions of dollars)	*Note*	Share capital	Contributed surplus	Share-based compensation reserve	Accumulated earnings (deficit)	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated other comprehensive profit (loss)	Total equity
As at January 1, 2019		**947**	**1**	**5**	**(593)**	5	6	**11**	**371**
Net profit (loss)		**—**	**—**	**—**	**7**	—	—	**—**	**7**
Repurchase of common shares	*12*	**(15)**	**3**	**—**	**—**	—	—	**—**	**(12)**
Provision for repurchase of common shares	*12*	**(9)**	**1**	**—**	**—**	—	—	**—**	**(8)**
Effective portion of cash flow hedges		**—**	**—**	**—**	**—**	—	(9)	**(9)**	**(9)**
Reclassified to net profit (loss)		**—**	**—**	**—**	**—**	—	15	**15**	**15**
Foreign currency translation differences		**—**	**—**	**—**	**—**	(3)	—	**(3)**	**(3)**
Share-based compensation	*6, 10*	**—**	**—**	**2**	**—**	—	—	**—**	**2**
As at September 30, 2019		**923**	**5**	**7**	**(586)**	2	12	**14**	**363**
As at January 1, 2018		837	—	2	(519)	6	7	13	333
Net profit (loss)	*2*	—	—	—	(41)	—	—	—	(41)
Cancellation of shares	*2*	(837)	—	—	—	—	—	—	(837)
Issuance of shares	*2*	947	—	—	—	—	—	—	947
Issuance of warrants	*2*	—	1	—	—	—	—	—	1
Effective portion of cash flow hedges		—	—	—	—	—	6	6	6
Reclassified to net profit (loss)		—	—	—	—	(1)	(13)	(14)	(14)
Foreign currency translation differences		—	—	—	—	(2)	—	(2)	(2)
Share-based compensation	*6, 10*	—	—	2	—	—	—	—	2
As at September 30, 2018		947	1	4	(560)	3	—	3	395

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2019 and 2018

(unaudited)

1. DESCRIPTION OF BUSINESS

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

Tervita is a leading waste and environmental solutions provider offering waste processing, treating, recycling, and disposal services to customers in the oil and gas, mining, and industrial sectors. Tervita provides a comprehensive suite of environmental solutions covering every stage of our customers' project life cycle, from development to reclamation, helping to minimize environmental impact while maximizing recovery of valuable resources. Tervita serves customers onsite, and through a network of facilities located in Canada and the United States ("US").

2. BASIS OF PRESENTATION

These Interim Financial Statements for the three and nine months ended September 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The accounting policies have been consistently applied throughout all periods presented, except where noted.

These Interim Financial Statements should be read in conjunction with the Company's audited annual Consolidated Financial Statements as at and for the year ended December 31, 2018 ("Annual Financial Statements").

These Interim Financial Statements provide comparative information in respect of the previous year and are presented in millions of Canadian ("C$") dollars, unless otherwise stated. They are prepared on a historical cost basis, except for certain assets that are measured at fair value, as detailed in the accounting policies under the respective notes.

Unless otherwise noted, these Interim Financial Statements were prepared using the same accounting policies, critical accounting judgments, and key estimates as used in the Annual Financial Statements.

These Interim Financial Statements were approved by the Board of Directors on November 7, 2019.

CHANGES TO COMPARATIVE FIGURES

Certain prior period comparative figures have been reclassified to conform to current year's presentation. In addition, in accordance with IFRS 3 "Business Combinations", certain 2018 comparative figures pertaining to Tervita's acquisition of Newalta Corporation ("Newalta") have been retrospectively adjusted to reflect the finalized measurement period adjustments. The Annual Financial Statements included the finalized Purchase Price Allocation ("PPA") related to Tervita's acquisition of Newalta on July 19, 2018, however, the Interim Financial Statements for the three and nine months ended September 30, 2018 included provisional amounts based on the Company's best estimate at that time.

The Interim Condensed Consolidated Statements of Comprehensive Profit (Loss) ("Statements of Profit (Loss)") and the Interim Condensed Consolidated Statements of Cash Flows ("Statements of Cash Flows") for the three and nine months ended September 30, 2018 have been adjusted for the finalized PPA, as follows:

- Depreciation and amortization decreased $1 million as a result of the fair value adjustment to property, plant and equipment;
- Transaction costs increased $40 million as a result of the re-measurement of acquired decommissioning liabilities for certain inactive sites ($38 million) and onerous contracts ($1 million) from the credit-adjusted discount rate required under IFRS 3 "Business Combinations" to a risk-free rate in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and the impact of other re-measurements on the PPA at the acquisition date ($1 million);

- Impairment reversal decreased by $2 million. The decommissioning liabilities for certain acquired inactive assets was remeasured to align the discount rate and methodology to that used by Tervita. As a result, a $2 million impairment reversal that had previously been recognized in the three and nine months ended September 30, 2018 is no longer required;
- Other expense increased $1 million as a result of the re-measurement of acquired onerous contracts from the discount rate and methodology used by Newalta to that used by Tervita at September 30, 2018; and
- In addition, other adjustments in the Statements of Cash Flows increased $41 million as a result of transaction costs and changes to other expense, as described above.

These adjustments resulted in a $42 million increase to net loss and in the Statements of Profit (Loss) for the three and nine months ended September 30, 2018 and did not result in any changes to cash provided by (used in) operating, finance or investing activities in the Statements of Cash Flows.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new standards, interpretations, and amendments to existing standards were issued by the IASB and were mandatory for accounting periods beginning on or after January 1, 2019 (the "date of initial application").

Leases

Transition and Application

IFRS 16 "Leases" ("IFRS 16") was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019 and replaces IAS 17 "Leases" ("IAS 17"), International Financial Reporting Interpretations Committee ("IFRIC") 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), Standards Interpretation Committee ("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 under a single on-balance sheet model in a manner similar to the previous accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognizes a liability to make lease payments and a right-of-use asset ("ROU asset") representing the right to use the underlying asset during the lease term.

Lessor accounting under IFRS 16 is substantially the same as IAS 17, under which lessors will continue to classify leases as either operating or finance leases. IFRS 16 did not have an impact for leases where Tervita is the lessor.

Tervita adopted IFRS 16 using the modified retrospective transition approach, whereby the ROU asset was measured at the value of the lease liability on the date of initial application. The modified retrospective approach does not require restatement of prior periods. Comparative financial results for 2018 were not restated and have been presented as previously reported under IAS 17 and related interpretations.

Tervita applied the following practical expedients available for transition to IFRS 16 under this approach:

- Used a single discount rate for portfolios of leases with reasonably similar characteristics;
- Relied on our assessment of whether leases were onerous immediately before the date of initial application as an alternative to performing an impairment review;
- Applied the recognition and measurement exemption available for low-value and short-term leases, or leases for which the term ended within 12 months of the date of initial application;
- Used hindsight in determining the lease term if the contract contained options to extend or terminate the lease;
- Excluded initial direct costs in the measurement of the ROU asset; and
- Applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4.

Impact to the Financial Statements

The following tables summarize the impact of adoption of IFRS 16 on the Interim Condensed Consolidated Statements of Financial Position ("Statements of Financial Position") at the date of initial application and the Statements of Profit (Loss) for the three and nine months ended September 30, 2019.

Statements of Financial Position

	Description	As at December 31 2018	IFRS 16 Adjustment	As at January 1 2019
Assets				
Property, plant and equipment	Capital leases (IAS 17)	13	(13)	—
Property, plant and equipment	ROU assets	—	65	65
Other assets	Sublease receivable	—	5	5
Total impact on assets		**13**	**57**	**70**
Liabilities				
Obligations under leases	Obligations under leases	—	101	101
Long-term debt	Capital leases (IAS 17)	13	(13)	—
Other provisions	Onerous contracts	48	(31)	17
Total impact on liabilities		**61**	**57**	**118**

Property, plant and equipment pertaining to ROU assets were adjusted by $31 million of onerous contracts provision upon transition to IFRS 16.

Other assets pertain to the current and non-current portion of lease receivable for subleases.

The amount remaining in onerous contracts provision on the date of initial application pertains to non-lease components that are not considered part of the lease liability under IFRS 16.

Statements of Profit (Loss)

	Description	Three Months Ended September 30 2019	Nine Months Ended September 30 2019
Leases under IFRS 16:			
Depreciation and amortization	Depreciation	2	6
Finance costs	Interest on obligations under leases	2	5
Other (income) expense	Gain (loss) on lease modification	(1)	(1)
Decrease to net profit (loss)		3	10
Leases under IAS 17:			
Direct expenses	Rent expense	(2)	(5)
General and administrative expenses	Rent expense	—	(1)
Increase to net profit (loss)		(2)	(6)
Decrease (increase) to net profit (loss)		**1**	**4**

Income taxes

IFRIC 23 "Uncertainty Over Income Tax Treatments" ("IFRIC 23") was issued in June 2017 and is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 addresses the accounting for tax treatments under IAS 12 "Income Taxes" ("IAS 12") when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation specifically addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the tax treatment by taxation authorities; how an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

Uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty: either the most likely amount or the expected value. The key test is whether it is probable that the tax authorities will accept a company's chosen tax treatment. A company must reassess the judgments and estimates applied if facts and circumstances change and it is possible that a previous tax amount recognized may change, if challenged by the tax authorities. Uncertainty about an income tax treatment is reflected in the measurement of current and deferred tax.

We reviewed our uncertain tax positions and, based on our tax compliance, determined there were no material changes required on adoption of IFRIC 23.

3. SEGMENT INFORMATION

Our activities are carried out through five operating segments: Energy Services, waste services, metals recycling, rail services, and environmental services. Our executive leadership is responsible for strategic decision making, resource allocation, and assessing financial performance and, as a group, is identified as our chief operating decision maker for the purposes of reporting segment information under IFRS. Tervita's executive leadership is comprised of the following:

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

The operating segments of waste services, metals recycling, rail services, and environmental services have been aggregated into one reportable segment named Industrial Services.

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

Financial Information for Reportable Segments and Reconciliation to IFRS Measures

	Three Months Ended September 30, 2019				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	420	11	—	—	431
Facility-based services	109	13	—	—	122
Project-based services	10	48	—	—	58
Revenue - external	539	72	—	—	611
Revenue - intersegment	3	—	—	(3)	—
Revenue - total	542	72	—	(3)	611
Operating expenses					
Direct expenses	(478)	(60)	—	3	(535)
General and administrative expenses	—	—	(11)	—	(11)
Depreciation and amortization	(29)	(4)	(2)	—	(35)
Restructuring costs	—	(1)	—	—	(1)
Impairment reversal (expense)	—	—	4	—	4
Operating profit (loss)	35	7	(9)	—	33
Finance costs	(3)	—	(20)	—	(23)
Transaction costs	—	—	(2)	—	(2)
Other income (expense)	1	2	(1)	—	2
Profit (loss) before tax	33	9	(32)	—	10
Additions to property, plant and equipment and intangible assets, net of change in non-cash working capital	(16)	(3)	(1)	—	(20)

	Three Months Ended September 30, 2018				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	439	12	—	—	451
Facility-based services	121	8	—	—	129
Project-based services	14	48	—	—	62
Revenue - external	574	68	—	—	642
Revenue - intersegment	2	1	—	(3)	—
Revenue - total	576	69	—	(3)	642
Operating expenses					
Direct expenses	(501)	(59)	—	3	(557)
General and administrative expenses	—	—	(14)	—	(14)
Depreciation and amortization	(27)	(2)	(2)	—	(31)
Impairment reversal (expense)	(4)	(1)	3	—	(2)
Operating profit (loss)	44	7	(13)	—	38
Finance costs	(3)	—	(18)	—	(21)
Transaction costs	(12)	—	(49)	—	(61)
Other income (expense)	—	1	(1)	—	—
Profit (loss) before tax	29	8	(81)	—	(44)
Additions to property, plant and equipment and intangible assets, net of change in non-cash working capital	(16)	(2)	(1)	—	(19)
Acquisitions	—	—	(375)	—	(375)

	Nine Months Ended September 30, 2019				
	Energy Services	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Commodity-based sales	**1,191**	**36**	**—**	**—**	**1,227**
Facility-based services	**320**	**33**	**—**	**—**	**353**
Project-based services	**35**	**117**	**—**	**—**	**152**
Revenue - external	**1,546**	**186**	**—**	**—**	**1,732**
Revenue - intersegment	**3**	**—**	**—**	**(3)**	**—**
Revenue - total	**1,549**	**186**	**—**	**(3)**	**1,732**
Operating expenses					
Direct expenses	**(1,370)**	**(157)**	**—**	**3**	**(1,524)**
General and administrative expenses	**—**	**—**	**(37)**	**—**	**(37)**
Depreciation and amortization	**(88)**	**(10)**	**(5)**	**—**	**(103)**
Restructuring costs	**—**	**(3)**	**—**	**—**	**(3)**
Impairment reversal (expense)	**4**	**—**	**2**	**—**	**6**
Operating profit (loss)	**95**	**16**	**(40)**	**—**	**71**
Finance costs	**(9)**	**(1)**	**(58)**	**—**	**(68)**
Transaction costs	**—**	**—**	**(6)**	**—**	**(6)**
Other income (expense)	**1**	**2**	**(4)**	**—**	**(1)**
Profit (loss) before tax	**87**	**17**	**(108)**	**—**	**(4)**
Additions to property, plant and equipment and intangible assets, net of change in non-cash working capital	**(43)**	**(10)**	**(2)**	**—**	**(55)**

	Nine Months Ended September 30, 2018				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Commodity-based sales	1,129	35	—	—	1,164
Facility-based services	262	23	—	—	285
Project-based services	14	109	—	—	123
Revenue - external	1,405	167	—	—	1,572
Revenue - intersegment	4	1	—	(5)	—
Revenue - total	1,409	168	—	(5)	1,572
Operating expenses					
Direct expenses	(1,255)	(147)	—	5	(1,397)
General and administrative expenses	—	—	(35)	—	(35)
Depreciation and amortization	(53)	(7)	(3)	—	(63)
Impairment reversal (expense)	(4)	(1)	3	—	(2)
Operating profit (loss)	97	13	(35)	—	75
Finance costs	(7)	—	(41)	—	(48)
Transaction costs	(12)	—	(54)	—	(66)
Other income (expense)	3	(1)	(3)	—	(1)
Profit (loss) before tax	81	12	(133)	—	(40)
Additions to property, plant and equipment and intangible assets, net of change in non-cash working capital	(40)	(5)	(3)	—	(48)
Acquisitions	—	—	(376)	—	(376)

	As at September 30, 2019				
	Energy Services	**Industrial Services**	**Corporate**	**Eliminations**	**Total**
Total assets	**1,565**	**184**	**161**	**—**	**1,910**

	As at December 31, 2018				
	Energy Services	Industrial Services	Corporate	Eliminations	Total
Total assets	1,542	157	110	—	1,809

Geographic Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	**2019**	2018
Revenue by location of services				
Canada	**602**	632	**1,702**	1,562
US	**9**	10	**30**	10
Revenue - total by locations of services	**611**	642	**1,732**	1,572

As at	**September 30 2019**	December 31 2018
Non-current assets		
Canada	**1,500**	1,456
US	**76**	77
Total non-current assets	**1,576**	1,533

4. SEASONALITY

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

5. FINANCE COSTS

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2019**	2018	**2019**	2018
Interest on long-term debt	*9*	**17**	16	**49**	38
Amortization of debt issue costs	*9*	**2**	3	**7**	5
Accretion of decommissioning liabilities		**2**	2	**6**	5
Interest on obligations under leases	*8*	**2**	—	**6**	—
Finance costs		**23**	21	**68**	48

6. OTHER INCOME (EXPENSE)

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2019**	2018	**2019**	2018
Gain (loss) on sale of assets		**4**	5	**4**	7
Gain (loss) on equity investment		**—**	—	**1**	—
Share-based compensation	*10*	**(3)**	(2)	**(7)**	(4)
Gain (loss) on provisions	*2*	**—**	(2)	**(1)**	(3)
Gain (loss) on lease modification	*8*	**1**	—	**1**	—
Realized foreign exchange gain (loss) - debt and derivatives		**—**	(8)	**—**	(8)
Unrealized foreign exchange gain (loss) - debt and derivatives		**—**	13	**2**	7
Unrealized foreign exchange gain (loss) - other		**—**	(6)	**(1)**	—
Other income (expense)		**2**	—	**(1)**	(1)

7. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing earnings attributable to common shareholders by the weighted average number of common shares issued and outstanding. The diluted weighted average number of common shares is computed using the treasury stock method.

8. LEASES

ACCOUNTING POLICIES, JUDGMENTS, AND ESTIMATES

Accounting policies

Lessee

An arrangement in which Tervita controls the use of an identified asset for a period of time and has a right to obtain substantially all of the output of the asset, in exchange for consideration, is classified as a lease. On the commencement date of a lease, Tervita recognizes an ROU asset at cost, which is equal to the total of the lease liability at the commencement date, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred, and an estimate of costs to be incurred by Tervita in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent to initial measurement, Tervita recognizes an ROU asset at cost less accumulated depreciation and impairment losses. Tervita expects to use an ROU asset evenly over the term of the lease, due to which the ROU asset is depreciated on a straight-line basis over the lease term.

If Tervita subleases an ROU asset, the ROU asset is de-recognized to the extent Tervita does not control the use of the asset or the right to the output of the asset. The ROU asset is tested for impairment if the sublease income does not exceed Tervita's costs related to the ROU asset. As an intermediate lessor, Tervita recognizes a lease receivable for the sublease.

At the commencement date of the lease, Tervita recognizes a lease liability at the present value of the lease payments over the expected lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, exercise price of a purchase option if Tervita is reasonably certain to exercise that option, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or rate are recognized as an expense when the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Tervita uses an incremental borrowing rate at the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

Subsequent to initial measurement, the lease liabilities increase by interest accrued and decrease by lease payments made. Tervita remeasures the lease liabilities for changes to the lease term, in-substance fixed lease payments, or assessments to purchase the underlying asset.

In addition, the carrying amount of the ROU asset and lease liability is remeasured if there is a modification, a change in the lease term, a change to the in-substance fixed payments or a change in the assessment to purchase the underlying asset.

Tervita recognizes short-term and low-value leases, which are exempt from IFRS 16 treatment, in direct expenses or general and administrative expenses in the Statements of Profit (Loss) on a straight-line basis over the lease term, unless another systematic basis represents the benefits of the ROU asset.

Tervita determines the lease term to be the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if Tervita is reasonably certain to exercise the option.

Lessor

When substantially all the risks and rewards of ownership of an asset are transferred to a third party, Tervita recognizes a financial asset at an amount equal to the net investment in the lease plus any initial direct costs. After initial recognition, the financial asset is carried at amortized cost and the asset is depreciated in a consistent manner for similar owned assets.

If substantially all the risks and rewards of ownership of the asset are not transferred to a third party, Tervita recognizes rental income from an operating lease on a straight-line basis over the lease term, in direct expenses (for operating segments) or general and administrative expenses in the Statements of Profit (Loss), unless another systematic basis represents the time pattern in which the benefit is derived from the leased asset.

Significant judgments

A transaction or a series of transactions may not take the legal form of a lease, however, may be a lease in-substance if the arrangement conveys a right to use an asset in return for a payment or series of payments. Judgment is required when identifying and determining the proper accounting treatment for lease transactions, including the incremental borrowing rate to measure a lease liability, identifying whether Tervita has the right to control the operations of the asset and obtain substantially all of the output from the asset, and the lease term.

SUPPORTING INFORMATION

ROU Assets

The amount of ROU assets included in property, plant and equipment is as follows:

	Note	Land	Buildings	Equipment	Other	Total
As at January 1, 2019	2	5	45	13	2	65
Additions		1	5	1	—	7
Subleased properties		—	(6)	—	—	(6)
Depreciation		—	(4)	(4)	(1)	(9)
Impairment reversal (expense)		—	1	—	—	1
As at September 30, 2019		6	41	10	1	58

Sublease Receivable

The amount of sublease receivable included in other current assets and other assets is as follows:

	Note	Sublease Receivable
As at January 1, 2019	2	5
Additions		6
Modifications		1
Payments received		(2)
As at September 30, 2019		10
Less: current portion		3
Long-term portion		7

Obligations Under Leases

	Note	Lease Liabilities	Onerous Leases	Total Obligations Under Leases
As at January 1, 2019	2	101	17	118
Additions		7	—	7
Interest	5	6	—	6
Payments		(19)	(3)	(22)
As at September 30, 2019		95	14	109
Less: current portion		13	3	16
Long-term portion		82	11	93

9. LONG-TERM DEBT

As at	Principal	Issuance	Maturity	September 30 2019	December 31 2018
Senior secured notes	US$360	Dec 2016	Dec 2021	**477**	491
Senior secured notes	US$250	Jul 2018	Dec 2021	**331**	341
Long-term debt				**808**	832
Premium on senior secured notes (US$250)				**1**	1
Unamortized debt costs				**(21)**	(28)
Total long-term debt				**788**	805

Debt Covenants

Tervita has a senior secured revolving credit facility ("Revolver" or "credit facility") with a syndicate of Canadian banks, which requires compliance with certain financial and non-financial covenants as defined by the lenders. Pursuant to the credit facility, these financial covenants are calculated based on lease accounting that would apply under IAS 17.

As at September 30, 2019, Tervita was in compliance with all covenants.

Outstanding Letters of Credit

Outstanding letters of credit at September 30, 2019 totalled $75 million (December 31, 2018 – $87 million). The outstanding letters of credit reduce the borrowing capacity under the Revolver.

10. SHARE-BASED COMPENSATION

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Accounting policies

Tervita has five share-based compensation plans under which units are granted to members of Tervita's Board of Directors, executive leadership, senior management, and eligible employees. The share-based compensation plans include options, restricted share units ("RSUs"), integration incentive units ("IIUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). These plans are accounted for as cash-settled plans or equity-settled plans depending on the terms of settlement.

Under a cash-settled plan, Tervita recognizes changes in the fair value of units over the vesting period in other income (expense) (note 6) in the Statements of Profit (Loss), and other current liabilities and other long-term liabilities in the Statements of Financial Position. Settlement of the vested units reduces the outstanding liability.

Under an equity-settled plan, Tervita recognizes changes in the fair value of units over the vesting period in other income (expense) (note 6) in the Statements of Profit (Loss) and share-based compensation reserve in the Statements of Financial Position. Upon exercise, the consideration received and the amounts previously recognized in share-based compensation reserve are recorded as an increase to issued share capital.

Option Plan

Options are granted to members of Tervita's executive leadership and senior management, and are accounted for as equity-settled.

The fair value of the options is estimated on the grant date using the Black-Scholes model. Unless otherwise determined by Tervita's Board of Directors, the options vest annually on the grant date anniversary over a period of three years, and expire five years after the grant date.

RSU Plan

RSUs are granted to eligible employees, and are accounted for as cash-settled.

The fair value of the RSUs is measured at each reporting date using Tervita's closing share price at that date. RSUs issued before 2019 vest in full three years after the grant date, and RSUs issued in 2019 vest annually on the grant date anniversary over a period of three years.

IIU Plan

IIUs are granted to Tervita's executive leadership and senior management as incentive to achieve targeted synergies with respect to the acquisition and integration of Newalta Corporation, and are accounted for as cash-settled.

The fair value of the IIUs is measured at each reporting date using Tervita's closing share price at that date and is adjusted based on estimated achievement of the targeted synergies. IIUs vest in full two years after the grant date.

DSU Plan

DSUs are granted to members of Tervita's Board of Directors, and are accounted for as cash-settled.

The fair value of the DSUs is measured at each reporting date using Tervita's closing share price at that date. DSUs vest quarterly over a period of one year.

The DSUs are settled when both the vesting period is completed and the board member no longer holds a position on Tervita's Board of Directors.

PSU Plan

PSUs are granted to Tervita's executive leadership and senior management as incentive to achieve performance criteria, and are accounted for as cash-settled.

The fair value of the PSUs is measured at each reporting date using Tervita's closing share price at that date and is adjusted based on estimated achievement of the performance criteria. PSUs vest in full three years after grant date.

Sources of estimation uncertainty

Determining the fair value of the units under the various plans requires the use of assumptions in applying valuation techniques. Significant changes to one or more of these assumptions could result in a material adjustment to the carrying value of the respective plans at the end of a reporting period. The following key assumptions were used by Tervita in arriving at the fair values of the plans:

- Expected annual volatility – for option plans issued before 2019, the volatility was determined based on publicly available trading data of comparable companies as Tervita did not have sufficient trading history. For option plans issued in 2019, the volatility was determined based on Tervita's publicly available trading data;
- Expected life – the expected life is estimated based on the contractual life or estimated life;
- Forfeiture rate – the actual forfeitures of the group of Tervita's executive leadership, senior management, and eligible employees who received the grants were used in estimating future forfeiture rates;
- Market price – the market price is determined based on the closing share price at each reporting date;
- Dividend yield – Tervita has not historically paid dividends, and the dividend yield is assumed to be $nil; and
- Performance condition – the fair values of IIUs and PSUs are based on the Company’s best estimate of the achievement of performance criteria.

SUPPORTING INFORMATION

	Weighted Average Exercise Price (Canadian dollars)	Weighted Average Contractual Life Remaining (years)	Units Outstanding as at	
			September 30 2019	December 31 2018
Option Plan	**8.48**	**3.53**	**2,586,828**	2,303,728
RSU Plan	**8.03**	**1.74**	**1,737,346**	1,000,503
IIU Plan	**6.54**	**1.25**	**196,948**	251,147
DSU Plan	**6.17**	**Not Applicable**	**177,227**	—
PSU Plan	**6.17**	**2.51**	**348,521**	—

For the three and nine months ended September 30, 2019, Tervita recognized share-based compensation expense of $3 million and $7 million, respectively (September 30, 2018 - $2 million and $4 million, respectively). As at September 30, 2019, the liability under the cash-settled plans was $8 million (December 31, 2018 - $2 million) and the share-based compensation reserve under the equity-settled plans was $7 million (December 31, 2018 - $5 million).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

				Carrying Value		Estimated Fair Value	
As at	***Note***	Classification	Level	**September 30 2019**	December 31 2018	**September 30 2019**	December 31 2018
Cash and cash equivalents		Amortized cost	—	**81**	46	**81**	46
Trade and other receivables		Amortized cost	—	**215**	180	**215**	180
Sublease receivable	***8***	Amortized cost	—	**10**	—	**10**	—
Equity investment		FVTPL	3	**3**	4	**3**	4
Trade and other payables		Other financial liabilities	—	**(198)**	(122)	**(198)**	(122)
Interest payable		Other financial liabilities	—	**(21)**	(6)	**(21)**	(6)
Long-term debt	***9***	Other financial liabilities	—	**(788)**	(805)	**(821)**	(793)
Lease liabilities	***8***	Other financial liabilities	—	**(95)**	(13)	**(95)**	(13)
Derivative assets (liabilities)		Designated hedge	2	**(1)**	8	**(1)**	8
Derivative assets (liabilities)		FVTPL	2	**10**	18	**10**	18
Contingent consideration		FVTPL	2	**(10)**	(11)	**(10)**	(11)

There were no transfers between levels of the fair value hierarchy in either 2019 or 2018.

On October 29, 2019, Tervita exited the forward-contract swap agreements associated with the US$250 million senior secured notes for proceeds of $6 million. These are classified as fair value through profit and loss.

The fair value of debt is based on third party observable quotes and may not reflect actual amounts payable by Tervita.

12. NORMAL COURSE ISSUER BID

	Issued (number of shares)	**Share Capital (millions of C$)**	**Contributed Surplus (millions of C$)**
As at January 1, 2019	**117,557,112**	**947**	**1**
Repurchase of common shares	**(1,770,430)**	**(15)**	**3**
Provision for repurchase of common shares	**(1,007,936)**	**(9)**	**1**
As at September 30, 2019	**114,778,746**	**923**	**5**

On May 7, 2019, Tervita commenced a Normal Course Issuer Bid ("NCIB") to repurchase up to $20 million of common shares until May 6, 2020.

On May 21, 2019, Tervita entered into an Automatic Share Purchase Plan, which permits an independent broker to repurchase shares under the NCIB during blackout periods. Tervita recognized a provision for the repurchase of common shares in trade and other payables as at September 30, 2019 as an estimate of the number of shares that may be repurchased during the blackout period.

13. COMMITMENTS AND CONTINGENCIES

Commitments

In April 2019, Tervita extended the duration of an existing pipeline transportation arrangement by one year resulting in an additional $22 million commitment.

Legal and Environmental Matters

On December 21, 2007, Tervita commenced an action in the Alberta Court of Queen's Bench (the "Court") seeking alleged damages against Secure Energy Services ("Secure") and several of its personnel ("former Tervita employees") in their individual capacities. The claim alleges that, among other things, the former Tervita employees breached their employment contracts and fiduciary duties, and engaged in other unlawful conduct by improperly taking confidential Tervita information to enable Secure's business in direct competition with Tervita's business (the "claim"). Secure filed a defense and counterclaim in November 2008 claiming damages for alleged conduct in contravention of the Competition Act (*Canada)* ("the Act").

After evaluation from Tervita's management and Board of Directors, Tervita has determined the claim against Secure has merit and has accordingly moved to set a Court date, which has been set for early 2022.

Regulatory Matters

Newalta Corporation — Tervita closed its acquisition of Newalta Corporation by way of a plan of arrangement on July 19, 2018. 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 July 19, 2019, no such application had been made to the Competition Tribunal and, pursuant to the Act, the time to make such an application has now lapsed.

Income Taxes — During the nine months ended September 30, 2019, the Company resolved certain tax matters relating to prior periods and recorded an income tax recovery of $11 million.