TERVITA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

September 30, 2020

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

As at (millions of dollars)	*Note*	**September 30 2020**	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	*10*	**52**	22
Trade and other receivables	*4, 10*	**128**	192
Inventory		**9**	12
Other current assets	*10*	**12**	12
		201	238
Property, plant and equipment	*7*	**989**	1,043
Intangible assets		**37**	37
Goodwill	*7*	**332**	332
Derivative assets	*10*	**2**	—
Other assets	*10*	**12**	12
TOTAL ASSETS		**1,573**	1,662
LIABILITIES			
Current liabilities			
Trade and other payables	*10, 11*	**88**	180
Income taxes payable		**—**	2
Interest payable	*9, 10*	**21**	5
Current portion of obligations under leases	*10*	**20**	18
Current portion of provisions	*10*	**5**	6
Other current liabilities		**2**	5
		136	216
Senior secured notes	*9, 10*	**776**	750
Obligations under leases	*10*	**83**	95
Provisions	*10*	**362**	358
Derivative liabilities	*10*	**—**	10
Other liabilities		**7**	9
TOTAL LIABILITIES		**1,364**	1,438
EQUITY			
Share capital	*11*	**909**	905
Contributed surplus	*11*	**7**	7
Share-based compensation reserve		**8**	7
Accumulated earnings (deficit)		**(730)**	(709)
Accumulated other comprehensive profit (loss)		**15**	14
TOTAL EQUITY		**209**	224
TOTAL LIABILITIES AND EQUITY		**1,573**	1,662

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT (LOSS)

(unaudited)

(millions of dollars, except for per share amounts)	Note	Three Months Ended September 30 **2020**	Three Months Ended September 30 2019	Nine Months Ended September 30 **2020**	Nine Months Ended September 30 2019
NET PROFIT (LOSS)					
Revenue	3	**335**	611	**1,036**	1,732
Operating expenses					
Direct expenses		**(280)**	(535)	**(877)**	(1,523)
General and administrative expenses		**(10)**	(11)	**(30)**	(35)
Canada Emergency Wage Subsidy	4	**11**	—	**25**	—
Depreciation and amortization		**(28)**	(35)	**(79)**	(103)
Restructuring costs		**—**	(1)	**(10)**	(6)
Impairment reversal (expense)	7	**3**	4	**(14)**	6
Operating profit (loss)		**31**	33	**51**	71
Finance costs		**(21)**	(23)	**(62)**	(68)
Transaction costs		**—**	(2)	**(1)**	(6)
Other income (expense)	5	**—**	2	**(11)**	(1)
Profit (loss) before tax		**10**	10	**(23)**	(4)
Income taxes recovery (expense)		**1**	—	**2**	11
NET PROFIT (LOSS)		**11**	10	**(21)**	7
Items that are or may be subsequently reclassified to net profit (loss):					
Foreign operations - foreign currency translation differences		**—**	1	**1**	(3)
Net gain (loss) on cash flow hedges		**1**	3	**—**	6
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX		**1**	4	**1**	3
TOTAL COMPREHENSIVE PROFIT (LOSS)		**12**	14	**(20)**	10
Earnings (loss) per share	6				
Basic and diluted		**0.10**	0.09	**(0.18)**	0.06
Weighted average shares outstanding	6				
Basic		**113,404,346**	116,355,648	**113,529,429**	117,101,015
Diluted		**113,715,474**	116,639,860	**113,762,485**	117,364,793

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(millions of dollars)	Note	Three Months Ended September 30 2020	Three Months Ended September 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
OPERATING ACTIVITIES					
Net profit (loss)		**11**	10	**(21)**	7
Adjustments for:					
Finance costs		**21**	23	**62**	68
Impairment (reversal) expense	7	**(3)**	(4)	**14**	(6)
Depreciation and amortization		**28**	35	**79**	103
Income taxes (recovery) expense		**(1)**	—	**(2)**	(11)
Cash interest paid		**(2)**	(1)	**(38)**	(38)
Cash settlement of decommissioning liabilities		**—**	(3)	**(2)**	(10)
Cash settlement of share-based compensation liability		**—**	—	**(3)**	—
Unrealized foreign exchange (gain) loss - debt and derivatives	5	**(7)**	—	**8**	(2)
Other adjustments		**4**	(4)	**(3)**	(4)
Funds from (used in) operations		**51**	56	**94**	107
Changes in non-cash working capital:					
Trade and other receivables		**(6)**	(37)	**64**	(34)
Inventory		**5**	2	**3**	1
Other current assets		**(2)**	(1)	**—**	(3)
Trade and other payables		**(2)**	25	**(52)**	39
Changes in total non-cash working capital		**(5)**	(11)	**15**	3
Cash provided by (used in) operating activities		**46**	45	**109**	110
FINANCING ACTIVITIES					
Draw on (repayment of) senior secured revolving credit facility	8	**(15)**	—	**—**	—
Contingent consideration payments		**(1)**	(1)	**(1)**	(1)
Repurchase of common shares	11	**—**	(8)	**(9)**	(12)
Payment of principal portion of lease liabilities		**(3)**	(4)	**(12)**	(13)
Sublease payments received		**—**	1	**1**	2
Cash provided by (used in) financing activities		**(19)**	(12)	**(21)**	(24)
INVESTING ACTIVITIES					
Additions to property, plant and equipment		**(7)**	(41)	**(34)**	(84)
Additions to intangible assets		**(2)**	(2)	**(8)**	(3)
Investment income		**—**	—	**1**	2
Proceeds from sale of property, plant and equipment		**1**	1	**10**	2
Change in non-cash working capital		**2**	23	**(27)**	32
Cash provided by (used in) investing activities		**(6)**	(19)	**(58)**	(51)
Effect of exchange rate changes on cash and cash equivalents		**—**	—	**—**	—
Increase (decrease) in cash and cash equivalents		**21**	14	**30**	35
Cash and cash equivalents, beginning of period		**31**	67	**22**	46
CASH AND CASH EQUIVALENTS, END OF PERIOD		**52**	81	**52**	81

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(unaudited)

(millions of dollars)	Note	Share capital	Contributed surplus	Share-based compensation reserve	Accumulated earnings (deficit)	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated other comprehensive profit (loss)	Total equity
As at January 1, 2020		**905**	**7**	**7**	**(709)**	1	13	**14**	**224**
Net profit (loss)		**—**	**—**	**—**	**(21)**	—	—	**—**	**(21)**
Reversal of share repurchase provision	*11*	**15**	**(2)**	**—**	**—**	—	—	**—**	**13**
Repurchase of common shares	*11*	**(11)**	**2**	**—**	**—**	—	—	**—**	**(9)**
Effective portion of cash flow hedges		**—**	**—**	**—**	**—**	—	12	**12**	**12**
Reclassified to net profit (loss)		**—**	**—**	**—**	**—**	—	(12)	**(12)**	**(12)**
Foreign currency translation differences		**—**	**—**	**—**	**—**	1	—	**1**	**1**
Share-based compensation		**—**	**—**	**1**	**—**	—	—	**—**	**1**
As at September 30, 2020		**909**	**7**	**8**	**(730)**	2	13	**15**	**209**
As at January 1, 2019		947	1	5	(593)	5	6	11	371
Net profit (loss)		—	—	—	7	—	—	—	7
Repurchase of common shares	*11*	(15)	3	—	—	—	—	—	(12)
Share repurchase provision	*11*	(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		—	—	2	—	—	—	—	2
As at September 30, 2019		923	5	7	(586)	2	12	14	363

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

(unaudited)

1. DESCRIPTION OF BUSINESS

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

Tervita is one of the largest waste and environmentally-focused service providers in Canada, providing a broad and integrated array of services and environmental management solutions for customers in the energy, industrial, and natural resource sectors, predominantly in Western Canada. Tervita provides a comprehensive suite of environmental solutions covering every stage of our customers' project life cycle, from development to reclamation, helping to minimize environmental impact while maximizing recovery of valuable resources.

2. BASIS OF PRESENTATION

These Interim Financial Statements for the three and nine months ended September 30, 2020 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" and were approved by the Board of Directors on October 29, 2020.

These Interim Financial Statements should be read in conjunction with the Company's audited annual Consolidated Financial Statements as at and for the year ended December 31, 2019 ("Annual Financial Statements"), as they were prepared using the same accounting policies, critical accounting judgments, and key estimates, unless otherwise noted.

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

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

3. REVENUE AND SEGMENT INFORMATION

Our activities are carried out through two reportable segments: Energy Services and Industrial Services. Our executive leadership is responsible for strategic decision making, resource allocation, and assessing financial performance and, as a group, is identified as our chief operating decision maker for the purposes of reporting segment information under International Financial Reporting Standards ("IFRS"). Tervita's executive leadership is comprised of the following:

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

Energy Services

Energy Services includes two service lines: facilities and energy marketing. These service lines collectively provide many services to the oil and gas sector, including: treatment, recovery, and disposal of fluids; oil terminalling; energy marketing; processing and disposal of solid materials used in, and generated by, natural resource and industrial production; disposal of oilfield-generated waste; providing specialized onsite services using centrifugation or other processes for heavy-oil producers involved in mining and in-situ production; and purchase and resale of oil volumes associated with treatment, recovery, terminalling, and disposal services, including preparing the oil volumes for entry to the pipeline.

Industrial Services

Industrial Services provides comprehensive environmental solutions through four service lines: waste services, metals recycling and rail services, water services, and environmental services. The services provided include site remediation, facility decommissioning, water treatment, sludge and slurry management, bio-remediation and technologies, technical services and environmental liability management, hazardous and non-hazardous waste management and disposal, emergency response, rail services, recycling services to oil and gas and other industrial companies, and waste transportation and classification. Recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations.

Seasonality

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

During the spring months specifically, and at some other times of the year, wet weather can make the ground unstable. Consequently, roads become impassable or municipalities and provincial transportation departments enforce road bans that restrict the movement of trucks, rigs, and other heavy equipment, reducing the activity levels and placing increased importance on the location of the equipment prior to the imposition of the road bans. As a result of these weather impacts, our Energy Services segment tends to earn lower revenue and operating profit in the second quarter.

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

Financial Information for Reportable Segments and Reconciliation to IFRS Measures

In addition to our two reportable segments, Tervita presents intersegment eliminations, general and administrative expenses, the Canada Emergency Wage Subsidy ("CEWS"), and other non-operating expenses as Corporate.

	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019			
	Energy Services	**Industrial Services**	**Corporate**	**Total**	Energy Services	Industrial Services	Corporate	Total
Commodity-based sales	**203**	**9**	**—**	**212**	420	11	—	431
Facility-based services	**76**	**12**	**—**	**88**	109	13	—	122
Project-based services	**—**	**35**	**—**	**35**	7	51	—	58
Revenue - external	**279**	**56**	**—**	**335**	536	75	—	611
Revenue - intersegment	**—**	**—**	**—**	**—**	3	—	(3)	—
Revenue - total	**279**	**56**	**—**	**335**	539	75	(3)	611
Operating expenses								
Direct expenses	**(235)**	**(45)**	**—**	**(280)**	(476)	(62)	3	(535)
General and administrative expenses	**—**	**—**	**(10)**	**(10)**	—	—	(11)	(11)
Canada Emergency Wage Subsidy	**—**	**—**	**11**	**11**	—	—	—	—
Depreciation and amortization	**(22)**	**(4)**	**(2)**	**(28)**	(28)	(5)	(2)	(35)
Restructuring costs	**—**	**—**	**—**	**—**	—	(1)	—	(1)
Impairment reversal (expense)	**1**	**—**	**2**	**3**	—	—	4	4
Operating profit (loss)	**23**	**7**	**1**	**31**	35	7	(9)	33
Finance costs	**(2)**	**—**	**(19)**	**(21)**	(2)	(1)	(20)	(23)
Transaction costs	**—**	**—**	**—**	**—**	—	—	(2)	(2)
Other income (expense)	**(4)**	**—**	**4**	**—**	1	2	(1)	2
Profit (loss) before tax	**17**	**7**	**(14)**	**10**	34	8	(32)	10
Additions to property, plant and equipment and intangible assets	**7**	**4**	**—**	**11**	40	2	1	43

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019			
	Energy Services	**Industrial Services**	**Corporate**	**Total**	Energy Services	Industrial Services	Corporate	Total
Commodity-based sales	**625**	**25**	**—**	**650**	1,191	36	—	1,227
Facility-based services	**242**	**32**	**—**	**274**	320	33	—	353
Project-based services	**5**	**107**	**—**	**112**	27	125	—	152
Revenue - external	**872**	**164**	**—**	**1,036**	1,538	194	—	1,732
Revenue - intersegment	**2**	**—**	**(2)**	**—**	3	—	(3)	—
Revenue - total	**874**	**164**	**(2)**	**1,036**	1,541	194	(3)	1,732
Operating expenses								
Direct expenses	**(742)**	**(137)**	**2**	**(877)**	(1,363)	(163)	3	(1,523)
General and administrative expenses	**—**	**—**	**(30)**	**(30)**	—	—	(35)	(35)
Canada Emergency Wage Subsidy	**—**	**—**	**25**	**25**	—	—	—	—
Depreciation and amortization	**(63)**	**(12)**	**(4)**	**(79)**	(83)	(15)	(5)	(103)
Restructuring costs	**(7)**	**(2)**	**(1)**	**(10)**	(1)	(3)	(2)	(6)
Impairment reversal (expense)	**(19)**	**—**	**5**	**(14)**	4	—	2	6
Operating profit (loss)	**43**	**13**	**(5)**	**51**	98	13	(40)	71
Finance costs	**(4)**	**(1)**	**(57)**	**(62)**	(8)	(2)	(58)	(68)
Transaction costs	**—**	**—**	**(1)**	**(1)**	—	—	(6)	(6)
Other income (expense)	**(4)**	**1**	**(8)**	**(11)**	1	2	(4)	(1)
Profit (loss) before tax	**35**	**13**	**(71)**	**(23)**	91	13	(108)	(4)
Additions to property, plant and equipment and intangible assets	**35**	**7**	**2**	**44**	78	8	1	87

	As at September 30, 2020				As at December 31, 2019			
	Energy Services	**Industrial Services**	**Corporate**	**Total**	Energy Services	Industrial Services	Corporate	Total
Total assets	**1,275**	**176**	**122**	**1,573**	1,378	197	87	1,662

Geographic Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Revenue by location of services				
Canada	**335**	602	**1,029**	1,702
United States ("US")	**—**	9	**7**	30
Revenue - total by location of services	**335**	611	**1,036**	1,732

As at	**September 30 2020**	December 31 2019
Non-current assets		
Canada	**1,358**	1,390
US	**—**	22
Non-current assets	**1,358**	1,412

Non-current assets include property, plant and equipment, intangible assets, and goodwill.

4. GOVERNMENT GRANTS

ACCOUNTING POLICIES

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

SUPPORTING INFORMATION

In response to the COVID-19 pandemic, the Government of Canada announced the CEWS program that was implemented in April 2020. For the three and nine months ended September 30, 2020, Tervita was eligible for $11 million and $25 million of CEWS, respectively, of which $2 million was included in trade and other receivables as at September 30, 2020.

5. OTHER INCOME (EXPENSE)

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	2020	2019	2020	2019
Gain (loss) on sale of assets		(5)	4	(4)	4
Gain (loss) on equity investment		—	—	—	1
Share-based compensation		(1)	(3)	1	(7)
Change in provisions and onerous lease contracts		(1)	—	(2)	(1)
Gain (loss) on lease modification		—	1	2	1
Gain (loss) on derivatives		1	—	—	—
Unrealized foreign exchange gain (loss) - debt and derivatives	9, 10	7	—	(8)	2
Unrealized foreign exchange gain (loss) - other		(1)	—	—	(1)
Other income (expense)		—	2	(11)	(1)

6. EARNINGS (LOSS) PER SHARE

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net profit (loss)	11	10	(21)	7
Weighted average shares outstanding - basic	113,404,346	116,355,648	113,529,429	117,101,015
Dilutive effect of accounting for share-based compensation plans	311,128	163,861	233,056	119,348
Dilutive effect of accounting for Normal Course Issuer Bid	—	120,351	—	144,430
Weighted average shares outstanding - diluted	113,715,474	116,639,860	113,762,485	117,364,793
Earnings (loss) per share				
Basic and diluted	0.10	0.09	(0.18)	0.06

7. IMPAIRMENT

Asset Specific

For the three and nine months ended September 30, 2020, Tervita recognized asset specific impairment to property, plant and equipment of $nil and $23 million, respectively, in our Energy Services segment. This impairment related to the suspension or closure of inactive facilities in March 2020. Reversal of impairment of $3 million and $9 million for the three and nine months ended September 30, 2020, respectively, was recognized in Energy Services and Corporate. The reversal was a result of the sublease of right-of-use assets that had previously been considered onerous, and the revaluation of certain provisions and associated assets.

Cash Generating Units and Goodwill

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

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

During the six months ended September 30, 2020 following the reassessment in March 2020, Tervita did not identify any indications of impairment or reversal of impairment.

8. SENIOR SECURED REVOLVING CREDIT FACILITY

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

As at	**September 30 2020**	December 31 2019
Maximum amount available	**275**	275
Less: letters of credit outstanding	**60**	77
Remaining amount available	**215**	198

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

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

9. SENIOR SECURED NOTES

As at	*Note*	Principal	Issuance	Maturity	**September 30 2020**	December 31 2019
2016 senior secured notes	*10*	US$360	Dec 2016	Dec 2021	**480**	468
2018 senior secured notes	*5, 10*	US$230	Jul 2018	Dec 2021	**307**	299
Senior secured notes					**787**	767
Premium on 2018 senior secured notes					**1**	1
Unamortized debt costs					**(12)**	(18)
Total senior secured notes					**776**	750

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

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

				Carrying Value		Estimated Fair Value	
As at	***Note***	Classification	Level	**September 30 2020**	December 31 2019	**September 30 2020**	December 31 2019
Cash and cash equivalents		Amortized cost	—	**52**	22	**52**	22
Trade and other receivables		Amortized cost	—	**128**	192	**128**	192
Sublease receivable		Amortized cost	—	**14**	13	**14**	13
Equity investment		FVTPL	3	**3**	3	**3**	3
Trade and other payables		Other financial liabilities	—	**(88)**	(180)	**(88)**	(180)
Interest payable	*9*	Other financial liabilities	—	**(21)**	(5)	**(21)**	(5)
Senior secured notes	*9*	Other financial liabilities	—	**(776)**	(750)	**(718)**	(771)
Lease liabilities		Other financial liabilities	—	**(90)**	(98)	**(90)**	(98)
Derivative assets (liabilities)		Designated hedge	2	**2**	(10)	**2**	(10)
Contingent consideration		FVTPL	2	**(9)**	(9)	**(9)**	(9)

There were no transfers between levels of the fair value hierarchy in either 2020 or 2019. The fair value of senior secured notes is based on third party observable quotes and may not reflect actual amounts payable by Tervita.

Counterparty Credit Risk

Counterparty credit risk is the financial risk associated with the non-performance of contractual obligations by counterparties. Tervita's maximum counterparty credit exposure as at September 30, 2020 was the total carrying value of cash and cash equivalents, trade and other receivables, sublease receivables, and derivative assets.

Concentration of Credit Risk

Concentration of credit risk exists when an entity's counterparties operate in the same industry, geographical region, or economic circumstances. Tervita’s revenue is primarily earned in the Canadian energy, industrial, and natural resource sectors, which have been constrained by global events such as the COVID-19 pandemic and the current oil price environment.

Tervita is exposed to credit risk through its trade and other receivables, as the Company generally extends unsecured credit to its customers. Management believes the concentration of credit risk is mitigated by the size, reputation, and diversified nature of the companies to which Tervita extends credit. Tervita reviews the financial strength of its customers and performs a detailed analysis of outstanding trade and other receivables on an ongoing basis. As at September 30, 2020 and December 31, 2019, none of Tervita's customers individually represented more than 10 per cent of Tervita’s total trade and other receivables.

Derivative contracts are entered into, and cash and cash equivalents are held, with major financial institutions. Management believes the credit risk is mitigated by the high credit rating of these financial institutions.

Expected Credit Losses

Tervita estimates the expected credit losses at each reporting date using a provision matrix that includes rates based on the number of days since the invoice date. Qualitative factors such as past events, customer-specific conditions, and expectations of future regional and global economic activity are used to adjust rates for specific customers in the provision matrix. As a result of these factors, Tervita's provision matrix for September 30, 2020 incorporated a rate increase across all customers and invoice dates. The provision for expected credit losses as at September 30, 2020 was $2 million (December 31, 2019 - $2 million).

Liquidity Risk

Liquidity risk occurs when an entity encounters difficulties meeting financial obligations as they become due. Tervita's liquidity position is largely driven by the Company's cash provided by operating activities, which is exposed to the effects of both credit and market risk. Uncertainty exists regarding the market impacts of recent global events, which restrict production and capital investment in Tervita's primary market.

Management has undertaken a comprehensive assessment of the expected impacts of a prolonged downturn on Tervita's liquidity and has taken actions to mitigate these impacts, which include a reduction to the Board of Directors' cash retainer, salary reductions for the executive leadership team, employee headcount reduction, and location optimization throughout our network. Management has also completed an organizational restructuring of the Industrial Services segment and Tervita's business services resulting in a reduction to the size of the executive leadership team, and continues to look for opportunities to reduce costs and improve efficiencies.

Management expects to rely on cash provided by operating activities as the primary source of liquidity, and believes the mitigation actions undertaken will provide sufficient internally-generated cash flows for the Company to meet its financial obligations over the next 12 months. The credit facility remains a source of liquidity to supplement cash flows from operations. At September 30, 2020, there was $215 million of borrowing capacity available under the credit facility (December 31, 2019 - $198 million) and $52 million in cash and cash equivalents available (December 31, 2019 - $22 million). The Company has received commitments from our lender syndicate to increase our existing credit facility from $275 million to $350 million and extend the maturity to two years from the effective date of the amended and restated credit facility, subject to the completion of Tervita's refinancing of the senior secured notes (note 9) and satisfaction of other customary closing conditions.

Market Risk

Market risk is the risk that the fair value or cash flows of Tervita's financial instruments will fluctuate as a result of changes in market prices, influenced by changes in foreign exchange, interest rates, equity prices, and commodity prices.

Foreign Exchange Risk

Foreign exchange risk exists when the fair value of future cash flows is impacted by fluctuations in foreign currency exchange rates. Tervita is exposed to foreign currency risk with respect to its US$-denominated senior secured notes.

Absent any cross-currency swap agreements, $0.01 change in the US$ to C$ exchange rate would result in a change to net profit (loss) of $6 million for the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 - $6 million). Tervita manages this exposure to foreign exchange risk by maintaining cross-currency swaps on a portion of its US$ debt (2016 senior secured notes). As a result of this risk management strategy, Tervita mitigated $12 million of unrealized foreign exchange loss for the nine months ended September 30, 2020, which was net of an unrealized foreign exchange gain for the three months ended September 30, 2020. On the remaining senior secured notes, the Company recognized an unrealized foreign exchange gain of $7 million and loss of $8 million for the three and nine months ended September 30, 2020, respectively.

Commodity Price Risk

Commodity price risk arises where an entity is impacted by price volatility in commodities related to its operations. Tervita provides environmental services to customers that are engaged in oil and gas exploration and production, including the marketing of recovered oil and gas products. Oil and gas exploration and, to a lesser extent, production is driven by oil and gas commodity prices, which in turn are impacted by resource availability and demand, costs to produce, and general economic activity. As a result, Tervita's financial performance is indirectly linked to oil and gas commodity prices.

The global oil and gas industry is currently being impacted by significant commodity price declines as a result of recent developments in the energy and world markets. Management mitigates its exposure to commodity price risk through continual review of the impact of commodity prices on the Company's future cash flows and managing operational costs.

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Issued (number of shares)	Share Capital	Contributed Surplus
Balance, net of provision, January 1, 2020	**112,622,274**	**905**	**7**
Reversal of share repurchase provision	**1,732,390**	**15**	**(2)**
Repurchase of common shares	**(1,247,524)**	**(11)**	**2**
Issuance of common shares on exercise of warrants	**11**	**—**	**—**
Balance, September 30, 2020	**113,107,151**	**909**	**7**

	Issued (number of shares)	Share Capital	Contributed Surplus
Balance, January 1, 2019	117,557,112	947	1
Repurchase of common shares	(1,770,430)	(15)	3
Balance, before provision, September 30, 2019	115,786,682	932	4
Share repurchase provision	(1,007,936)	(9)	1
Balance, net of provision, September 30, 2019	114,778,746	923	5

Normal Course Issuer Bid

In 2019, Tervita commenced a normal course issuer bid ("NCIB") to repurchase up to a maximum of 5,877,855 common shares until May 6, 2020. Tervita also entered into an Automatic Share Purchase Plan ("ASPP"), which permits an independent broker to repurchase shares under the NCIB during blackout periods.

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

Warrants

In 2018, as part of the acquisition of Newalta Corporation, Tervita issued 2,702,649 warrants, exercisable for one common share at $18.75 per share. In July 2020, 11 warrants were exercised and the remainder expired.