TERVITA

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Months Ended March 31, 2017

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") was prepared by management and is a summary of the financial position and result of operations of Tervita Corporation ("Tervita", "the Company", "we", "our", "us" and similar expressions) for the three months ended March 31, 2017 and as compared to the three months ended March 31, 2016. Tervita's Board of Directors carries out its responsibility for review of the MD&A through its Audit Committee, which reviewed and approved this disclosure on May 9, 2017.

The MD&A is a review of the financial results of Tervita, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with our Interim Condensed Consolidated Financial Statements and accompanying notes (the "Financial Statements") for the three months ended March 31, 2017, and our Annual MD&A and audited Consolidated Financial Statements for the year ended December 31, 2016.

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

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

COMPANY AND MARKET OVERVIEW

COMPANY OVERVIEW

Tervita is one of the largest environmentally focused midstream and waste management service providers in Canada. The Company primarily serves the oil and gas industry, as well as the industrial and natural resource sectors, predominantly in Western Canada. Our network of fixed facilities consists of more than 70 modern waste processing, disposal and industrial facilities, including 23 treating, recovery and disposal facilities, six salt water disposal wells, two cavern disposal facilities, 20 engineered landfills, seven transfer stations, 12 bioremediation facilities and four metals recycling facilities, as well as a fleet of specialized equipment and assets.

OPERATING SEGMENTS

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

- **Energy Services** provides a number of services to the oil and gas sector, with a focus primarily on the upstream and midstream segments. Services include the treating, recovering and disposing of fluids and the processing, recovery and disposal of solid materials used in, and generated by, natural resource and industrial production and the disposal of oilfield waste. In conjunction with the operation of its waste processing facilities, the segment also engages in energy marketing activities.
- **Industrial Services** focuses on downstream activities in the oil and gas industry as well as services to other industries. This segment provides comprehensive environmental solutions, including site remediation, facility decommissioning, environmental construction and technologies, hazardous and non-hazardous waste management, emergency response, and recycling services. Its recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations. Other offerings include waste transportation, classification, and tracking services.

In addition to our two operating segments, Tervita's other expenses within operating profit relate to corporate and shared services activities. These include: general and administrative expenses for executive leadership, human resources, information technology, finance, accounting, and legal and regulatory; depreciation and amortization for corporate and shared services assets; and intersegment profit eliminations including those related to the build and transfer of long-lived assets between operating segments.

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

Market Overview

West Texas Intermediate ("WTI") benchmark prices were up 56% in the first three months of 2017 compared to the first three months of 2016, with increased WTI translating into increased capital spending within the Western Canadian Sedimentary Basin of 22% over that same time period. Rigs released were 2,348 wells across Canada in the first three months of 2017, an increase of 115% from 1,091 wells drilled in the first three months a year ago.

NON-GAAP MEASURES AND DEFINITIONS

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

Non-GAAP Measures

EBITDA

We believe that investors, analysts and ratings agencies consider EBITDA to be useful in measuring Tervita's operating performance. The presentation of EBITDA should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items. 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.

EBITDA is defined as profit or loss before tax, other income (expense), finance costs, impairment expense and depreciation and amortization, and any other items that are considered non-recurring in nature. For this MD&A, we have deducted the gain (loss) on debt restructuring, if any.

For the three months ended March 31, Tervita's profit (loss) before taxes has been reconciled to EBITDA as follows:

	2017	2016
Profit (loss) from continuing operations before tax	(2)	(73)
Adjustments:		
Other expense (income)	2	(97)
(Gain) loss on debt restructuring	-	1
Finance costs	13	72
Impairment expense	-	93
Depreciation and amortization	22	29
EBITDA	35	25

Working capital

Working capital is defined as trade and other receivables, inventories and other current assets less trade and other payables.

Definitions

Recapitalization Transaction

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

Average WTI price

Average WTI prices referred to in the MD&A are a key driver of the Company's business. Average prices used by Tervita are based on monthly average WTI published US$ prices.

RESULTS OF OPERATIONS

Operating Results For the Three Months Ended March 31

	Energy Services		Industrial Services		Corporate		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Energy marketing revenue	**554**	336	**-**	-	**-**	-	**554**	336
Revenue (excluding energy marketing)	**77**	71	**50**	44	**(2)**	(1)	**125**	114
	631	407	**50**	44	**(2)**	(1)	**679**	450
Energy marketing direct expenses	**(554)**	(336)	**-**	-	**-**	-	**(554)**	(336)
Direct expenses (excluding energy marketing)	**(28)**	(27)	**(42)**	(44)	**2**	1	**(68)**	(70)
General and administrative expenses	**-**	-	**-**	-	**(22)**	(19)	**(22)**	(19)
	(582)	(363)	**(42)**	(44)	**(20)**	(18)	**(644)**	(425)
EBITDA	**49**	44	**8**	-	**(22)**	(19)	**35**	25
Depreciation and amortization	**(19)**	(25)	**(2)**	(3)	**(1)**	(1)	**(22)**	(29)
Operating profit (loss)	**30**	19	**6**	(3)	**(23)**	(20)	**13**	(4)
Impairment expense	**-**	(92)	**-**	(1)	**-**	-	**-**	(93)
Finance costs	**-**	-	**-**	-	**(13)**	(72)	**(13)**	(72)
Other income (expense)	**-**	-	**-**	-	**(2)**	97	**(2)**	97
Gain (loss) on debt restructuring	**-**	-	**-**	-	**-**	(1)	**-**	(1)
Income taxes recovery (expense)	**-**	-	**-**	-	**-**	8	**-**	8
Profit (loss) from continuing operations	**30**	(73)	**6**	(4)	**(38)**	12	**(2)**	(65)
Profit (loss) from discontinued operations, net of tax	**-**	-	**-**	-	**-**	1	**-**	1
Net profit (loss)	**30**	(73)	**6**	(4)	**(38)**	13	**(2)**	(64)

Energy Services

Revenue

Energy marketing revenue increased 65% primarily due to higher average realized WTI prices in 2017, from an average of US$33.45/bbl in the first quarter of 2016 to US$51.91/bbl in the first quarter of 2017.

The delayed spring breakup and higher market activity in 2017 positively impacted waste processing's prices and volumes, resulting in an increase of 8% in revenue over the prior year.

Direct expenses

Energy marketing direct expenses increased 65% compared to 2016, consistent with the increase in revenue.

For waste processing, higher direct variable expenses reflecting increased operating activity was mostly offset by the realization of cost savings from staff reductions in 2016.

Depreciation and amortization

Depreciation and amortization decreased by 24% compared to 2016 due to a change in depreciation method for certain assets during the fourth quarter of 2016 and the reduction in decommissioning assets as a result of changes in provision estimates in December 2016.

Impairment expense

In 2017, there were no indicators of impairment. In 2016, due to the slowdown in the oil and gas sector and general economic uncertainty, we identified $91 million of goodwill impairment and $1 million of asset impairment.

Industrial Services

Revenue

Revenue was 14% higher compared to 2016, primarily due to the increased worldwide demand and price for ferrous metal as well as the increase in environmental service projects. These increases were partially offset by reduced market activity in field services.

Direct expenses

The decrease in direct expenses of 5% from 2016 was due to repair work performed on equipment in 2016 that was subsequently sold as well as the realization of cost savings from staff reductions in 2016, partially offset by a higher cost of sales from increased volumes of ferrous sales and environmental services activity.

Corporate

General and administrative expenses

The 16% increase in general and administrative expenses was due to severance costs incurred in 2017. Excluding these costs, general and administrative expenses were lower in 2017 reflecting staff reductions in 2016 and 2017, reduced IT expenses as a result of outsourcing IT support in the third quarter of 2016, and office cost savings from a reduction in rent at the Calgary head office. Some vacated office space was also reclassified to onerous contracts in late 2016.

Finance costs

	2017	2016
Interest on debt	11	68
Amortization of debt issue costs	1	2
Accretion of decommissioning liabilities	1	2
Finance costs	13	72

The decrease in interest expense was a result of significantly lower average long term debt in 2017 as a result of the Recapitalization Transaction, which was completed in December 2016.

Other income (expense)

	2017	2016
Onerous contract provision	-	(3)
Realized foreign exchange gain (loss)	-	302
Unrealized foreign exchange gain (loss)	(1)	(215)
Other	(1)	13
Other income (expense)	(2)	97

We applied hedge accounting treatment on entering into our new debt and swaps agreements, with any foreign exchange fluctuations related to the revaluation of debt being fully offset by reclassification of other comprehensive income associated with the revaluation of swap agreements into net income.

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

Our 2016 results include the revaluation of puttable minority interest, for which there is no comparable instrument in 2017.

Severance costs

There was $6 million of severance expense included in direct expenses and general and administrative expenses for the three months ended March 31, 2017 (March 31, 2016 - $3 million).

SUMMARY OF QUARTERLY RESULTS

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	**679**	540	512	501	450	556	644	771
Revenue - excluding EM	**125**	103	106	85	114	128	141	120
Direct expenses	**(622)**	(492)	(472)	(473)	(406)	(488)	(582)	(721)
General and administrative expense	**(22)**	(17)	(17)	(17)	(19)	(16)	(20)	(30)
Depreciation and amortization	**(22)**	(18)	(34)	(27)	(29)	(18)	(29)	(21)
Operating profit (loss)	**13**	13	(11)	(16)	(4)	34	13	(1)
Net profit (loss)	**(2)**	1,079	(247)	(114)	(64)	(746)	(73)	(74)
EBITDA	**35**	31	23	11	25	52	42	20

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

LIQUIDITY AND CAPITAL RESOURCES

RECAPITALIZATION TRANSACTION

On December 14, 2016, the Company completed a Recapitalization Transaction pursuant to a Court approved plan of arrangement (the "Plan") under the Canada Business Corporations Act. The Plan included a private placement of class A voting preferred shares for proceeds of $404 million (the "Private Placement") and the issuance by the Company of US $360 million of senior secured notes (the "Notes"). The Company's secured debt, unsecured debt and subordinated debt were settled through the utilization of cash on hand and proceeds from the Private Placement and the Notes, along with the issuance of class A voting preferred shares and class A voting common shares. All of Tervita's issued and outstanding share capital existing prior to the completion of the Restructuring Transaction was cancelled in exchange for the right to receive 20% of the net proceeds that may be received by the Company from any full and final determination of the Secure Energy Services Inc. litigation.

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

CREDIT FACILITIES AND RELATED DEBT COVENANTS

Tervita has a $200 million syndicated revolving credit facility expiring December 2019. At March 31, 2017, Tervita had $109 million in letters of credit issued against this facility. The remaining $91 million of capacity, combined with $107 million of cash and cash equivalents, provided $198 million in available liquidity at March 31, 2017. For the first quarter of 2017, Tervita generated $17 million of cash flow, net of financing and investing activity, and did not require any additional liquidity to support continuing operations.

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

Adjusted EBITDA	Adjusted EBITDA is determined by the credit agreement and is defined as EBITDA for the last twelve months ("LTM") adjusted by other extraordinary, non-recurring, or unusual losses, charges or expenses. Adjusted EBITDA is used in the determination of compliance with debt covenants and is not a recognized measure under IFRS. For the twelve months ended March 31, 2017, Tervita's EBITDA has been reconciled to Adjusted EBITDA as follows:

EBITDA	**100**
Eligible adjustments	**16**
Adjusted EBITDA	**116**

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

Financial Covenants

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

As at March 31, 2017, the Company was in compliance with all of its covenants, as follows:

	Required	**Achieved**
Total Leverage Ratio	Less than 5.50	**3.68**
Secured Leverage Ratio	Less than 2.50	**0.51**
Interest Coverage Ratio	Greater than 1.50	**2.75**

CHANGES IN CASH

Cash and cash equivalents at March 31, 2017 was $107 million (March 31, 2016 - $481 million).

Cash Provided by Operations

	Three Months Ended March 31		
	2017	2016	Increase / (Decrease)
Cash provided by (used in) operating activities	**26**	50	(24)

The decrease in cash provided by operations reflects higher EBITDA compared to 2016 more than offset by an increase in net working capital generated from higher market activity.

Cash Provided by Financing Activities

	Three Months Ended March 31		
	2017	2016	Increase / (Decrease)
Repayment of long-term debt	**-**	(3)	3
Cash on settlement of swaps	**-**	304	(304)
Debt issue costs	**(1)**	-	(1)
Cash interest paid	**-**	(34)	34
Issuance (redemption) of trust units	**-**	(1)	1
Cash provided by (used in) financing activities	**(1)**	266	(267)

The decrease in cash provided by financing activities was a result of the Recapitalization Transaction. There are no principal repayments required on the Notes until 2021, and interest payments are due in June and December of each year. In 2016, the cash inflow related to the proceeds on the settlement of swap agreements, which was partially offset by interest payments and the repayment of debt principal.

Cash Provided by Investing Activities

	Three Months Ended March 31		
	2017	2016	Increase / (Decrease)
Capital expenditures			
Maintenance	**(8)**	(8)	-
Growth	**(1)**	(3)	2
	(9)	(11)	2
Cash from sale of property, plant and equipment	**1**	-	1
Cash provided by (used in) investing activities	**(8)**	(11)	3

Maintenance and sustaining capital	Maintenance and sustaining capital expenditures are defined as cash spend on capital asset additions, replacements or improvements required to maintain existing levels of service or to replace utilized capacity. Expenditures in 2017 are consistent with the prior year.
Growth capital	Growth capital expenditures have the intent to expand existing businesses, enter into new locations or markets, or complete a business acquisition. 2016 growth capital included $2 million for a well acquisition.

FINANCIAL POSITION

	March 31 2017	December 31 2016	Increase / (Decrease)
Assets			
Cash and cash equivalents	**107**	89	18
Accounts receivable	**138**	129	9
Assets held for sale	**6**	6	-
Other current assets	**10**	11	(1)
Property, plant, and equipment	**613**	627	(14)
Intangible assets	**7**	7	-
Goodwill	**376**	376	-
Liabilities			
Trade and other payables	**60**	57	3
Income taxes payable	**13**	13	-
Interest payable	**12**	2	10
Liabilities held for sale	**5**	5	-
Debt (current and long-term)	**462**	466	(4)
Provisions (current and long-term)	**283**	283	-
Derivative liabilities	**13**	6	7
Other long-term liabilities	**7**	7	-

Accounts receivable	Increase due to higher activity and revenue for the period.
Property, plant and equipment	Decrease due to depreciation expense in excess of capital expenditures.
Interest payable	Increase due to accrued interest on the Notes, payable in June.
Debt	Decrease due to impact of weakening US$ on the revaluation of the Notes.
Derivative liabilities	Increase due to changes in the fair value of our swaps.

LEGAL AND ENVIRONMENTAL MATTERS

There have been no significant changes to our legal and environmental matters since our 2016 Annual MD&A.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In 2017, we reorganized our reporting structure into two operating segments, as described in our Financial Statements. Detailed information regarding our other accounting estimates and judgements is provided in our 2016 Annual Financial Statements.

IMPACT OF NEW ACCOUNTING STANDARDS

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee have issued standards and amendments or interpretations to existing standards that were not yet effective and not applied as at March 31, 2017. Tervita does not anticipate early adoption of these standards at this time. Detailed information related to the impact of these standards is provided in our 2016 Annual MD&A.

RISKS

Readers of the Financial Statements and MD&A should carefully consider Tervita's risk factors, as described in our 2016 Annual MD&A. If any of these risks or uncertainties actually occurs, our business, financial position, results of operations and cash flows could be materially adversely affected.

OUTLOOK

During the first quarter of 2017, crude oil prices have stabilized with WTI in a US$47/bbl to US$54/bbl range. Accordingly, and as anticipated, energy industry activity in Western Canada has increased appreciably from 2016. Western Canadian rig counts increased 75% in the first quarter of 2017 as compared to the same quarter of 2016, and industry forecasts indicate an expectation for capital and drilling to remain meaningfully above last year's levels for the remainder of 2017. More stable winter weather in 2017, including a relatively late breakup, also benefited industry activity. These market conditions have largely translated into stronger results in the first quarter of 2017 for our Energy Services segment, particularly in areas within the Montney and Duvernay. In addition, stronger ferrous metal pricing and a focus on project costs and execution have generated improved results in our Industrial Services segment.

Assuming a continuation of the current market and commodity price conditions, we believe results will continue to compare favorably to 2016.

Overall, our 2017 focus will remain on:

- Optimizing Tervita's significant existing infrastructure footprint, including targeted investments to increase capacity and profitability of our fixed facilities in areas with strong industry activity; and
- Continued efforts to rationalize Tervita's legacy cost structure. Significant progress has already been made in the first quarter of 2017, exclusive of severance and restructuring costs, and will continue throughout the year.

During 2017, we anticipate spending approximately $70 to $80 million of capital comprised of approximately $55 million of maintenance and sustaining capital. The remaining balance is growth capital focused principally on enhancing our energy marketing capability and upgrading/expanding facilities in our Energy Services segment.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements or 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 a number of 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. This MD&A contains forward-looking statements, pertaining to, among other things, the following:

- Results of operations;
- Business plans and strategy;
- Cost structure rationalization;
- Capital expenditures; and
- Sources of working capital.

The forward-looking statements contained in this MD&A reflect several material factors, expectations and assumptions of Tervita, and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements as described in our 2016 Annual MD&A. No assurances can be given as to future results, levels of activity, and achievements and such statements are not guarantees of future performance. Tervita's actual results may differ materially from those expressed or implied in forward-looking statements and readers should not place undue importance or reliance on the forward-looking statements. Tervita disclaims any intention or obligation to publically update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

Certain information set out herein may be considered as financial outlook within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Tervita's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.