TERVITA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT OR LOSS

(millions of dollars) (unaudited)	*Note*	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
NET PROFIT (LOSS)					
Revenue		**607**	501	**1,286**	951
Operating expenses					
Direct expenses		**(565)**	(474)	**(1,187)**	(880)
General and administrative expenses		**(13)**	(19)	**(35)**	(38)
Depreciation and amortization		**(16)**	(26)	**(38)**	(55)
Operating profit (loss)		**13**	(18)	**26**	(22)
Impairment expense		**(1)**	(36)	**(1)**	(129)
Finance costs	*5*	**(12)**	(66)	**(25)**	(138)
Other income (expense)	*6*	**(13)**	15	**(15)**	112
Gain (loss) on debt restructuring		**-**	(7)	**-**	(8)
Profit (loss) before tax		**(13)**	(112)	**(15)**	(185)
Income taxes recovery (expense)		**-**	-	**-**	8
Profit (loss) from continuing operations		**(13)**	(112)	**(15)**	(177)
Profit (loss) from discontinued operations, net of tax		**1**	(2)	**1**	(1)
NET PROFIT (LOSS)		**(12)**	(114)	**(14)**	(178)
Profit (loss) attributable to parent		**(12)**	(114)	**(14)**	(178)
NET PROFIT (LOSS)		**(12)**	(114)	**(14)**	(178)
Items that may be subsequently reclassified to net profit (loss):					
Foreign operations - foreign currency translation differences		**(1)**	-	**(1)**	1
Net gain (loss) on cash flow hedges		**5**	-	**3**	-
OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX		**4**	-	**2**	1
TOTAL COMPREHENSIVE PROFIT (LOSS)		**(8)**	(114)	**(12)**	(177)

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

(millions of dollars) (unaudited)	*Note*	**June 30, 2017**	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		**133**	89
Trade and other receivables		**109**	129
Assets held for sale		**-**	6
Other current assets		**12**	11
		254	235
Property, plant and equipment		**600**	627
Intangible assets		**7**	7
Goodwill		**376**	376
TOTAL ASSETS		**1,237**	1,245
LIABILITIES			
Current liabilities			
Trade and other payables		**61**	57
Income taxes payable		**13**	13
Interest payable		**4**	2
Liabilities held for sale		**-**	5
Current portion of decommissioning liabilities		**6**	4
Current portion of provisions		**16**	12
		100	93
Long-term debt	*7*	**451**	466
Decommissioning liabilities		**240**	246
Provisions		**27**	21
Derivative liabilities		**19**	6
Other long-term liabilities		**6**	7
TOTAL LIABILITIES		**843**	839
EQUITY			
Share capital		**837**	837
Accumulated earnings (deficit)		**(452)**	(438)
Accumulated other comprehensive profit (loss)		**9**	7
TOTAL EQUITY		**394**	406
TOTAL LIABILITIES AND EQUITY		**1,237**	1,245

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of dollars) (unaudited)	Note	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating activities					
Profit (loss) from continuing operations		**(13)**	(112)	**(15)**	(177)
Adjustments for:					
Finance costs	5	**12**	66	**25**	138
Impairment expense		**1**	36	**1**	129
Depreciation and amortization		**16**	26	**38**	55
Income taxes (recovery) expense		**-**	-	**-**	(8)
Cash settlement of provisions		**(4)**	(1)	**(5)**	(3)
Unrealized foreign exchange (gain) loss	6	**-**	(24)	**1**	191
Realized foreign exchange (gain) loss on debt and derivatives	6	**-**	16	**-**	(287)
Realized foreign exchange (gain) loss - other	6	**-**	(4)	**-**	(3)
Other		**12**	3	**13**	(9)
Changes in:					
Trade and other receivables		**31**	13	**20**	44
Other current assets		**(2)**	(3)	**(1)**	2
Trade and other payables		**1**	4	**3**	(2)
Cash provided by (used in) operating activities		**54**	20	**80**	70
Financing activities					
Proceeds on settlement of debt-related derivatives		**-**	-	**-**	304
Repayment of long-term debt		**-**	(70)	**-**	(73)
Debt issue costs		**-**	-	**(1)**	-
Interest paid		**(19)**	(83)	**(19)**	(117)
Employee Trust unit redemptions		**-**	-	**-**	(1)
Cash provided by (used in) financing activities		**(19)**	(153)	**(20)**	113
Investing activities					
Additions to property, plant and equipment and intangible assets		**(10)**	(11)	**(19)**	(22)
Proceeds from sale of property, plant and equipment		**1**	12	**2**	12
Cash provided by (used in) investing activities		**(9)**	1	**(17)**	(10)
Effect of exchange rate changes on cash and cash equivalents		**-**	(1)	**-**	(20)
Increase (decrease) in cash and cash equivalents from continuing operations		**26**	(133)	**43**	153
Cash provided by (used in) discontinued operations		**-**	(3)	**1**	3
Cash and cash equivalents, beginning of period		**107**	481	**89**	189
CASH AND CASH EQUIVALENTS, END OF PERIOD		**133**	345	**133**	345

See accompanying notes

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(millions of dollars) (unaudited)	**Share capital**	**Accumulated earnings (deficit)**	Foreign currency translation reserve	Cash flow hedge reserve	**Accumulated other comprehensive profit (loss)**	**Non-controlling interest**	**Total equity**
As at January 1, 2017	**837**	**(438)**	6	1	**7**	-	**406**
Net profit (loss)	**-**	**(14)**	-	-	**-**	-	**(14)**
Effective portion of cash flow hedges	**-**	**-**	-	(13)	**(13)**	-	**(13)**
Reclassified to net profit (loss)	**-**	**-**	(1)	16	**15**	-	**15**
As at June 30, 2017	**837**	**(452)**	5	4	**9**	-	**394**
As at January 1, 2016	1,841	(2,930)	10	-	10	(3)	(1,082)
Net profit (loss)	-	(178)	-	-	-	-	(178)
Foreign currency translation differences	-	-	1	-	1	-	1
As at June 30, 2016	1,841	(3,108)	11	-	11	(3)	(1,259)

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended June 30, 2017 and 2016

(unaudited)

1. CORPORATE MANAGEMENT

Tervita Corporation is incorporated under the laws of Canada. Our head office is located at 500, 140 – 10 Avenue S.E., Calgary, Alberta, Canada. In these Interim Condensed Consolidated Financial Statements (the "Financial Statements"), "we", "us", "our", "Tervita", and "Company" mean Tervita Corporation, its subsidiaries and joint arrangements.

The Executive Committee ("Ex Comm") was comprised of the following officers at the date of the release of the Financial Statements:

- President and Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer

Ex Comm is responsible for strategic decision making, resource allocation, and assessing financial performance, and is identified as our Chief Operating Decision Maker ("CODM") for the purposes of reporting segment operations under International Financial Reporting Standards ("IFRS"). The CODM reviews the results of our operations and financial position on consolidated and operating segment levels. We manage our business through two operating segments: Energy Services and Industrial Services.

Some costs included in general and administrative expenses in the Interim Condensed Consolidated Statements of Comprehensive Profit or Loss ("Statement of Profit or Loss") are related to various support functions, including finance, human resources, information technology, legal, supply chain management, and pricing, are considered shared services costs, and are not allocated to the operating segments.

ENERGY SERVICES

Energy Services provides a number of services to the oil and gas sector, including the processing, recovering and disposing of fluids used in, and generated by, natural resource and industrial production at its treatment, recovery and disposal facilities ("TRDs") and disposal of oilfield waste at its caverns and water disposal wells. The segment also provides clients with processing, recovery and disposal of solid materials generated predominately as waste streams in natural resource and industrial operations at its engineered landfill facilities. In conjunction with operation of its waste processing facilities, the segment also engages in energy marketing activities.

INDUSTRIAL SERVICES

Industrial Services provides comprehensive environmental solutions, including site remediation, facility decommissioning, environmental construction and technologies, hazardous and non-hazardous waste management, emergency response, and recycling services. The 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.

2. BASIS OF PRESENTATION

These Financial Statements for the three and six months ended June 30, 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been consistently applied throughout all periods presented, except where noted.

These Financial Statements should be read in conjunction with the Company's Annual Consolidated Financial Statements as at and for the year ended December 31, 2016 ("Annual Financial Statements").

These Financial Statements provide comparative information in respect of the previous year and are presented rounded to the nearest million Canadian dollars ("C$"), unless otherwise stated. They are prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, and certain assets listed as held for sale, which are revalued to fair value less costs of disposal as required under IFRS.

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

These Financial Statements were approved by the Audit Committee on behalf of the Board of Directors on August 9, 2017.

3. SEASONALITY

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.

4. OPERATING SEGMENTS

Accounting Policies, Judgments and Estimates

Significant judgments

Tervita exercises judgment in aggregating certain operating segment information to determine its reportable segments based on shared economic characteristics. The reportable operating segment information is consistent with how the CODM reviews the segments in order to assess performance and make resource allocation decisions.

In 2017, Tervita reorganized the reporting structure into two operating segments: Energy Services and Industrial Services. The segment information for the three and six months ended June 30, 2016 has been restated to conform to the current segment composition.

Financial Information For Operating Segments

	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Energy Services	**Industrial Services**	**Total**	Energy Services	Industrial Services	Total
External revenue	**560**	**47**	**607**	449	52	501
Inter-segment revenue	**2**	**-**	**2**	1	-	1
Segment revenue	**562**	**47**	**609**	450	52	502
Depreciation and amortization	**(14)**	**(1)**	**(15)**	(23)	(1)	(24)
Segment operating profit (loss) before tax	**22**	**5**	**27**	(3)	6	3
Impairment expense	**(1)**	**-**	**(1)**	(36)	-	(36)
Assets - as at June 30, 2017 and December 31, 2016	**947**	**126**	**1,073**	981	139	1,120
Cash outflow for property, plant and equipment and intangible assets	**9**	**1**	**10**	8	3	11

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Energy Services	**Industrial Services**	**Total**	Energy Services	Industrial Services	Total
External revenue	**1,189**	**97**	**1,286**	856	95	951
Inter-segment revenue	**4**	**-**	**4**	1	1	2
Segment revenue	**1,193**	**97**	**1,290**	857	96	953
Depreciation and amortization	**(33)**	**(3)**	**(36)**	(48)	(4)	(52)
Segment operating profit (loss) before tax	**52**	**11**	**63**	16	3	19
Impairment expense	**(1)**	**-**	**(1)**	(128)	(1)	(129)
Assets - as at June 30, 2017 and December 31, 2016	**947**	**126**	**1,073**	981	139	1,120
Additions to property, plant and equipment and intangible assets	**17**	**2**	**19**	18	4	22

The majority of Tervita's revenues and direct expenses from Energy Services and Industrial Services were derived in Canada.

Reconciliation of Information on Operating Segments to IFRS measures

	Note	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Revenue					
Total revenue for operating segments		**609**	502	**1,290**	953
Elimination of inter-segment revenue		**(2)**	(1)	**(4)**	(2)
Consolidated revenue		**607**	501	**1,286**	951
Profit (Loss) Before Tax					
Total segment operating profit (loss) before tax		**27**	3	**63**	19
Unallocated general and administrative		**(13)**	(19)	**(35)**	(38)
Unallocated depreciation and amortization		**(1)**	(2)	**(2)**	(3)
Operating profit (loss)		**13**	(18)	**26**	(22)
Operating segment impairment expense		**(1)**	(36)	**(1)**	(129)
Unallocated finance costs	*5*	**(12)**	(66)	**(25)**	(138)
Unallocated other income (expense)	*6*	**(13)**	15	**(15)**	112
Unallocated gain (loss) on debt restructuring		**-**	(7)	**-**	(8)
Profit (loss) before tax		**(13)**	(112)	**(15)**	(185)

As at	June 30, 2017	December 31, 2016
Total Assets		
Total assets for operating segments	**1,073**	1,120
Unallocated assets	**164**	125
Consolidated total assets	**1,237**	1,245

5. FINANCE COSTS

	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Interest expense	**10**	62	**21**	130
Amortization of debt issue costs	**1**	3	**2**	5
Accretion of decommissioning liabilities	**1**	1	**2**	3
Finance costs	**12**	66	**25**	138

6. OTHER INCOME (EXPENSE)

	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Gain (loss) on puttable non-controlling interest	**-**	1	**-**	14
Gain (loss) on sale of assets	**(1)**	8	**(1)**	8
Provisions	**(12)**	(6)	**(13)**	(9)
Realized foreign exchange gain (loss) on debt and derivatives	**-**	(16)	**-**	287
Realized foreign exchange gain (loss) - other	**-**	4	**-**	3
Unrealized foreign exchange gain (loss) on debt and derivatives	**1**	29	**-**	(170)
Unrealized foreign exchange gain (loss) - other	**(1)**	(5)	**(1)**	(21)
Total other income (expense)	**(13)**	15	**(15)**	112

For the six months ended June 30, 2016, Tervita settled swap agreements for total cash proceeds of $304 million and realized a net foreign exchange gain of $304 million.

7. LONG-TERM DEBT

Debt covenants

Under the terms of the $200 million revolving credit facility due December 2019, Tervita must comply with certain financial and non-financial covenants, as defined by its lenders. As at June 30, 2017, Tervita was in compliance with all covenants.

Letters of Credit

Outstanding letters of credit at June 30, 2017 totalled $98 million (December 31, 2016 - $153 million). The outstanding letters of credit reduce the borrowing availability under the revolving credit facility.

8. FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Sources of estimation uncertainty

The fair value of Level 2 financial instruments is determined using discounted cash flows. For derivative liabilities, estimates include contractual payments under the swaps, forward foreign exchange and forward interest rate swaps, and the credit ratings of Tervita and counterparties. Estimates with respect to future commodity prices, cavern capacity, cash flows and discount rates may impact the fair value of contingent consideration.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments is as follows:

			Carrying Value As At		Estimated Fair Value As At	
Financial instrument	Classification	Level	**June 30, 2017**	December 31, 2016	**June 30, 2017**	December 31, 2016
Cash and cash equivalents	FVTPL	1	**133**	89	**133**	89
Trade and other receivables	Loans and receivables	-	**109**	129	**109**	129
Trade and other payables	Other financial liabilities	-	**(61)**	(57)	**(61)**	(57)
Interest payable	Other financial liabilities	-	**(4)**	(2)	**(4)**	(2)
Long-term debt	Other financial liabilities	-	**(451)**	(466)	**(474)**	(494)
Derivative liabilities	Designated hedge	2	**(19)**	(6)	**(19)**	(6)
Contingent consideration	FVTPL	2	**(9)**	(10)	**(9)**	(10)

There were no transfers between levels of the fair value hierarchy in either 2017 or 2016.

9. SHARE-BASED COMPENSATION

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Accounting policies

In 2017, Tervita implemented a stock option plan ("Option Plan") and a restricted stock units plan ("RSU Plan") for eligible employees and directors of Tervita.

Option Plan

The Option Plan is equity settled and is accounted for using the fair value method. The fair value of each stock option ("option") granted is estimated on the date of grant and that value is recorded as share-based compensation expense with an offset to share-based compensation reserve in the Interim Condensed Consolidated Statements of Financial Position ("Statement of Financial Position") over the vesting period of those grants, adjusted to reflect estimated and actual forfeitures. Forfeitures are initially estimated on the grant date, and subsequently adjusted at each period end to reflect actual forfeitures. Unless otherwise determined by the Board of Directors, options vest in equal thirds on each of the first three anniversaries of the grant date, and expire five years after the grant date. On the exercise of stock options, the consideration received and the amounts previously recognized in share-based compensation reserve are recorded as an increase to issued capital.

RSU Plan

Restricted stock units ("RSUs") issued under the RSU Plan are accounted for as cash-settled transactions, whereby share-based compensation expense is accrued and recognized over the vesting period of the award. At each reporting period end between the grant date and maturity, the fair value of the liability is revalued with any changes recognized in share-based compensation expense in the Statement of Profit or Loss.

Unless otherwise determined by the Board of Directors, RSUs vest in full 36 months after the grant date (the "Maturity Date"), and are payable in cash based on the fair market value of Tervita's share capital on the Maturity Date. A forfeiture rate is estimated on the grant date and is adjusted throughout the vesting period to reflect the actual number of RSUs that vest, based on the number of active months of employment during the vesting period. Awards are fully cancelled if an employee resigns at any time during the vesting period. When the awards are surrendered for cash, the cash paid reduces the outstanding liability.

Sources of estimation uncertainty

Determining the fair value of Tervita's options 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 option liability outstanding in a reporting period. The following key areas of estimation were used by Tervita:

- Expected annual volatility – as Tervita has no traded market price history, the volatility was determined based on comparable company trading data;
- Expected life – options can only be exercised if certain liquidity or partial liquidity events (as defined in the Option Plan documentation) occur. Therefore, the estimation of expected life is based on the contractual life of the options as Tervita has limited experience with similar options and is unable to predict the occurrence and timing of future events;
- Forfeiture rate – estimates of forfeiture rates are based on internal analysis of the pool of the employees and directors who received the grants, and will be reviewed against actual forfeitures throughout the vesting periods;
- Market price –Tervita has determined the current fair value of its share capital to be $10 per share; and
- Dividend yield – Tervita has not historically paid dividends, and has no expectation to do so in the future. As such, the dividend yield is assumed to be nil.

SUPPORTING INFORMATION

Option Plan

During the six months ended June 30, 2017, Tervita issued 1,133,297 stock options to certain employees and directors under the Option Plan. The options vest in equal thirds in January 2018, 2019 and 2020, and expire in January 2022. The options can only be exercised based on the occurrence of certain liquidity events including, but not limited to, Tervita completing an initial public offering. The options have an exercise price of $10, and a grant date fair value of $3.70, as determined using a Black Scholes option pricing model. For the six months ended June 30, 2017, share-based compensation expense was nominal. As at June 30, 2017, the options had a remaining contractual life of 4.5 years.

The inputs to the Black Scholes model to determine the grant date fair value of the options were as follows:

		2017
Market price per unit	$	10.00
Expected annual volatility		43%
Expected expiry period		4.6 years
Risk-free interest rate		1.1%
Expected annual dividend yield		-
Expected annual forfeitures		5%
Weighted average fair value per option granted during period	$	3.70

RSU Plan

During the six months ended June 30, 2017, the Company issued 586,028 RSUs to certain employees under the RSU Plan. The RSUs vest fully in January 2020, and the grant date fair value was $10 per unit. An estimated annual forfeiture rate of 5% was used in determining the fair value of the liability. For the six months ended June 30, 2017, total share-based compensation expense was nominal. As at June 30, 2017, the RSUs had a remaining life to maturity of 30 months.

10. SUBSEQUENT EVENTS

In July 2017, Tervita and a major customer came to an agreement to finalize a portion of a previously settled claim, which will result in the set off of $6 million of Tervita's accounts receivable against the claim provision, leaving $1 million of the claim and provision outstanding.