dexterra
GROUP

2020 Annual Report

SUCCESS THROUGH SERVICE

dexterra GROUP

PAN-CANADIAN INFRASTRUCTURE SUPPORT SERVICES

Legend

Offices

Manufacturing Facilities

Baker Lake, NU

Yellowknife, NT

Grande Prairie, AB

Edmonton, AB

Kamloops, BC

Calgary, AB

Vancouver, BC

Winnipeg, MB

Thunder Bay, ON

Amos, QC

Oromocto, NB

Halifax, NS

Montreal, QC

Ottawa, ON

Mississauga, ON

Cambridge, ON

Grimsby, ON

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LETTER FROM THE BOARD CHAIR

R. William McFarland

To all shareholders:

The year 2020 was quite a ride – COVID-19 closed down the global and Canadian economies, we completed the merger of Dexterra and Horizon North and moved forward in charting a new path and vision. It was a year to remember!

Thank you for the trust you have placed in the Board of Directors and management team. I also want to personally thank all of our 6,000-plus employees across the country for responding with enthusiasm to serve our customers, stay safe and give back to our communities where we work and live. We not only met the 2020 test but exceeded expectations. We have dramatically transformed your company by building a pan-Canadian support services company to lead the way in the creation, management and operation of vital infrastructure while delivering value for shareholders.

Our emphasis on building shareholder value and holding ourselves accountable is not a passing fade but rather a way of doing business. It was evidenced by the reinstatement of our dividend, our commitment to reduce the debt level, our focus on operational excellence and cost containment and the reduction in our capital spending. Solid operating results in a COVID-19 environment, significant synergies realized from the transaction and the successful negotiation of a new credit facility present great foundational pieces to build upon.

Looking forward, I and your management team led by John Mac Cuish are committed to and excited about building a Canadian services champion with $1 billion in revenue and over $100 million in EBITDA. A company that builds quality into everything we do and also makes our communities and society stronger.

We look forward to you joining us virtually for our shareholders meeting and to answering your questions. We are very fortunate to have supportive and loyal shareholders and don't take that for granted. We will work hard in the coming year to continue to build and earn your trust and confidence.

Bill McFarland

R. William McFarland
Chairman

LETTER FROM THE CEO

Success Through Service

To our Dexterra Group stakeholders:

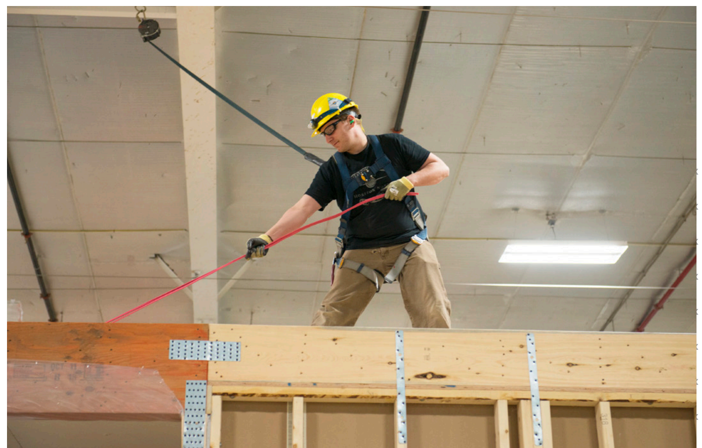
2020 was an unusual, yet exciting, year for our company. Challenged by the COVID-19 pandemic like many other Canadian businesses, we were nevertheless able to complete a significant transaction to lead our company into the future – the combination of Horizon North and Dexterra that created Dexterra Group.

The ambitious 90-day integration plan that followed the transaction was extremely successful in building teams and working together to achieve common goals and delivering substantial cost synergies. The annualized savings are $22 million and most of the benefits were realized in 2020. It is important to our success that we continue to deliver on the cost savings over the long term and operate in an efficient manner. To that effect, we have adopted a decentralized model with nimble and accountable business units and fewer layers of management that push our decision making closer to our clients.

I want to thank the more than 6,000 Dexterra Group employees across Canada who have done an outstanding job supporting our customers over the course of both the pandemic and our own business merger. Our employees' continued to focus on delivering best-in-class quality service as we work and adapt to an ever changing environment.

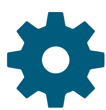
Striving for the safety of our clients and their customers and working closely with them to navigate economic uncertainty is a demonstration of why we are a partner of choice in our chosen market segments. I strongly believe this client-centric approach is fundamental to being a growth organization and it is a critical part of our strategy to become a pan-Canadian leader in infrastructure support services. The value that we create for clients is powered by the passionate people at Dexterra Group who maintain and enhance the integrity of their environments, optimize the utility of their assets and deliver infrastructure and service to support their organizational goals.

The quality of our employees, their engagement and their focus are significant factors in our ability to achieve our purpose of enabling the higher performance and productivity of our clients and playing a vital role in our communities and economies. We create value for our team members by promoting a healthy, safe, and inclusive work culture, supporting their career objectives with opportunities for growth and development, and by inspiring them to embrace initiative and drive innovation.



We are also investing in the tools and resources to create a high-performance culture that will allow us to attract, retain and develop quality people across our organization and create opportunities for top talent while being leaders in cost competitiveness. Our culture is one where employees are focused on delivering on their goals, where they feel engaged, empowered and are recognized for outstanding work and where everyone is included and has a voice.

As part of our integration work and informed by a multitude of touchpoints from our people across Canada, we developed and are implementing a new set of values that will create an environment for delivering market leading performance in quality, health and safety, operational delivery, financial performance and client experience. The values are discussed below.



Accountability - We don't just walk by. We own our successes and failures. If we see something wrong, we act to resolve it. If we see something right, we celebrate it.

Diversity - Everyone has a voice. Sharing is how we learn. It's how we make progress and move forward as a team.

Partnership - Service is what we sell. By asking for, listening to and acting on client feedback, we create long-term, successful partnerships that will help us grow our business.

Trust - Our actions speak louder than our words. Earned through clarity, compassion and competence. It is our commitment to our clients, our colleagues and our communities.

These values will guide us as we strive to deliver for each of our key stakeholder groups – employees, clients and shareholders. Our future is bright. We are delivering on our promises to you our stakeholders: profitable revenue growth, wise and strategic spending, high-quality client-centric products and services and a great place to work.

I want to thank again all those who have supported us over the previous year as we have undertaken both an exciting company transition and a health event of a magnitude which most of us hopefully will never see again. It has been my privilege as CEO to work directly with many of our stakeholders and navigate through these challenging times.

John Mac Cuish
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

This MD&A has been prepared as at March 10, 2021.

The following Management's Discussion and Analysis ("MD&A") prepared as at March 10, 2021 for Dexterra Group Inc. ("Dexterra Group" or the "Corporation"), provides information concerning Dexterra Group's financial condition and results of operations. This MD&A should be read in conjunction with the Corporation's audited Consolidated Financial Statements ("2020 Financial Statements") for the year ended December 31, 2020 and 2019. Additional information about the Corporation, including its Annual Information Form ("AIF") for the year ended December 31, 2020 can be found on SEDAR and sedar.com. Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors including those described elsewhere in this MD&A and AIF.

On November 13, 2020, the shareholders of the Corporation approved a name change to Dexterra Group Inc. (previously Horizon North Logistics Inc. ("Horizon North")). The common shares now trade on the Toronto Stock Exchange ("TSX") under the ticker symbol "DXT". Adopting a new corporate name reflects the corporate transformation into a pan-Canadian, diversified support services organization and marks a new phase in the Corporation's history as it focuses on delivering quality solutions for the creation, management, and operation of infrastructure.

The accompanying 2020 Financial Statements of Dexterra Group as at and for the year ended December 31, 2020 and December 31, 2019 are the responsibility of Dexterra Group's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

Financial Summary

	Three months ended December 31,		Years ended December 31,	
(000's except per share amounts)	2020	2019	2020	2019
Total Revenue[1]	$ 164,418	$ 64,134	$ 477,815	$ 261,059
EBITDA[2][4]	18,713	3,240	77,190	16,465
Adjusted EBITDA[2][4][5]	17,477	3,315	71,087	16,540
Operating income[4]	6,731	2,031	50,752	12,826
Net earnings[3][4]	27	1,455	64,479	9,304
Earnings per share				
Basic[6]	$ 0.00	$ 0.04	$ 1.25	$ 0.28
Diluted[6]	$ 0.00	$ 0.04	$ 1.24	$ 0.28
Total assets	$ 513,523	$ 174,830	$ 513,523	$ 174,830
Total loans and borrowings	$ 85,369	$ 5,453	$ 85,369	$ 5,453
Net capital proceeds (spending)	$ (1,242)	$ (1,465)	$ 1,430	$ (3,869)

(1) Revenue for the year ended December 31, 2020 includes $6.6 million related to amounts awarded on two legal proceedings with former customers.
(2) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA.
(3) Net earnings for the three months and year ended December 31, 2020 includes $(4.2) million and $29.9 million, respectively Bargain purchase (reduction)/gain resulting from the Acquisition.
(4) Includes $4.2 million and $32.9 million of pre-tax Canada Emergency Wage Subsidy for the three months and year ended December 31, 2020, respectively .
(5) Non-recurring items excluded from Adjusted EBITDA for Q4 2020 relate to legal costs recovered through legal proceedings with a former customer and for the year ended December 31, 2020 incrementally adjusts for acquisition costs and the revenue in item (1) above.
(6) All share and per share data presented has been retroactively adjusted to reflect the share Consolidation discussed in the "Outstanding Shares" section of the MD&A.

Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. Non-GAAP measures include "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, depreciation from equity investment, share based compensation, bargain purchase gain (reduction) and gain/loss on disposal of property, plant and equipment, "Adjusted EBITDA", calculated as EBITDA before acquisition costs, other revenue and non-recurring items, "EBITDA as a % of revenue", calculated as EBITDA divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less maintenance capital expenditures, payments for lease liabilities and finance costs, to provide investors with supplemental measures of Dexterra Group's operating performance and thus highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Dexterra Group also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Dexterra Group's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to net earnings and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly,

may not be comparable to measures used by other entities. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures".

Management's Discussion and Analysis

Core Business

Dexterra Group is a publicly listed corporation (TSX: DXT.TO) delivering quality solutions to create, manage and operate infrastructure, offering both experience and regional expertise across Canada under its three operating business units: Facilities Management, Workforce Accommodations, Forestry and Energy Services ("WAFES"), and Modular Solutions.

Our Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defense, retail, healthcare, education and government. Our WAFES business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the mining, forestry, construction and other natural resource sectors. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for social and affordable housing, commercial, residential and industrial clients. As a result of our diverse product and service offerings, Dexterra Group is uniquely positioned to meet the needs of our customers in numerous sectors across Canada.

On May 29, 2020, Dexterra Group (previously Horizon North) entered into a transaction (the "Acquisition") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited ("Fairfax Financial"). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra's sole shareholder, 9477179 Canada Inc. ("Dexterra Parent"), a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintain a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group.

For accounting purposes, the Acquisition constituted a reverse acquisition that involved a change of control of Dexterra Group and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Dexterra Group Inc. Based on the guidance in IFRS 3, Business Combinations ("IFRS 3"), it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls the Corporation. As a result, 2019 comparative information included herein is solely Dexterra. Horizon North financial results are included subsequent to the Acquisition closing date. Refer to Note 4 of the 2020 Financial Statements for further information.

Consolidated Results for 2020

Annual sales totaled $477.8 million compared to $261.1 million in the prior year, an increase of $216.7 million, primarily due to the Acquisition and partially offset by the pandemic impact on the legacy Facilities Management results. The Corporation reported consolidated net earnings of $64.5 million compared to consolidated net earnings of $9.3 million in the prior year. The net earnings increase of $55.2 million includes a $29.9 million non-cash bargain purchase gain ("BPG") related to the Acquisition. This BPG was based on the fair value of the consideration received by Fairfax Financial which was equal to the share price at the close date in the amount of $100.9 million. The BPG equates to the difference between the estimated fair value of the net assets acquired of Horizon North of $130.8 million and the consideration received by Fairfax Financial, as disclosed in the 2020 Financial Statements.

Fourth Quarter Results and Overview

Highlights

- Consolidated Q4 2020 revenue of $164.4 million and EBITDA of $18.7 million, an increase of $100.3 million and $15.5 million respectively, when compared to Q4 2019. The increase is mainly attributable to $97.3 million of revenue from the Acquisition.
- Net earnings increased by $2.8 million when compared with Q4 2019, excluding the non-cash bargain purchase reduction of $4.2 million in Q4 2020 with the finalization of the purchase price equation related to the Acquisition;
- Dexterra Group generated net cash flows from operating activities in Q4 2020 of $34.0 million, compared to the $2.5 million used in Q4 2019, an increase of $31.5 million, primarily reflecting improvements in EBITDA and in accounts receivable collections;
- Consolidated Adjusted EBITDA for Q4 2020 was $17.5 million compared to $3.3 million in 2019 and included $4.2 million from the Canada Emergency Wage Subsidy ("CEWS") program;
- The Facilities Management business had Q4 2020 revenue of $38.5 million, a decrease of $6.2 million or 14% from Q4 2019. EBITDA for the same period was $2.6 million, a decrease of $0.6 million when compared to Q4 2019;

- The Modular Solutions business had Q4 2020 revenue of $48.2 million and EBITDA of $4.4 million. Revenue in Q4 2020 increased by $8.7 million when compared to Q3 2020. Backlog[1] for social housing was $61.2 million at December 31, 2020, excluding recurring modular business for school portables and specialty commercial structures worth approximately $40 million per annum. Continued growth in Modular solutions revenues in the back half of 2021 and beyond is expected;
- The WAFES business had Q4 2020 revenue of $78.2 million, an increase of 302%, from Q4 2019. EBITDA for the same period was $14.4 million, an increase of $12.6 million when compared to Q4 2019;
- The Corporation has leased a facility in Cambridge, Ontario for NRB Modular Solutions. The capital cost of the plant is estimated to be $7 million and it will provide incremental annual production capacity in excess of $100 million. The facility will be operational by the end of the second quarter of 2021 and will ramp-up production through the remainder of 2021; and
- Dexterra Group paid a dividend of $0.075 per share on January 15, 2021 to shareholders of record on December 31, 2020, and declared a dividend for the first quarter of 2021 of $0.075 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2021, to be paid on April 15, 2021.

Operational Analysis

	Three months ended December 31,		Years ended December 31,	
(000's)	2020	2019	2020	2019
Revenue:				
Facilities Management	$ 38,522	$ 44,698	$ 147,229	$ 166,761
WAFES	78,225	19,436	234,681	94,298
Modular Solutions	48,212	—	98,767	—
Inter-segment eliminations	(541)	—	(2,862)	—
Total Revenue	$ 164,418	$ 64,134	$ 477,815	$ 261,059
EBITDA:				
Facilities Management	$ 2,609	$ 3,195	$ 21,345	$ 9,778
WAFES	14,391	1,744	57,245	11,403
Modular Solutions	4,360	—	10,636	—
Total EBITDA(1)	21,360	4,939	89,226	21,181
Other Revenue	—	—	(6,569)	—
Corporate and non-recurring items(2)	(3,883)	(1,624)	(11,570)	(4,641)
Total Adjusted EBITDA(1)	$ 17,477	$ 3,315	$ 71,087	$ 16,540

(1) Includes CEWS of $4.2 million and $32.9 million for Q4 2020 and the year ended December 31, 2020, respectively.
(2) Includes $1.3 million of legal cost recoveries in Q4 2020 which was applied against expenses and relates to the legal settlement award in Q3 2020 and for the year ended December 31, 2020 incrementally adjusts for transaction costs and $6.6 million awarded in two legal proceedings.

Facilities Management

For 2020, Facilities Management revenues were $147.2 million and decreased by $19.6 million or 12% from the $166.8 million in 2019. Facilities Management revenue decreased primarily due to the temporary closure or reduction in operations at certain facilities as a result of COVID-19. In particular, the aviation and retail sectors decreased by $32.1 million compared to 2019. This was partially offset by new business.

EBITDA as a percentage of revenue increased to 14% in 2020 from 6% in 2019 due to the inclusion of $13.7 million CEWS in 2020. When adjusting for wage subsidies, EBITDA margin decreased to 5% for 2020 in comparison to 6% for the same period in the prior year, mainly due to the increased costs in the healthcare and defense sector, and other costs associated with operating in COVID-19 environment. See "Non-GAAP measures" above for the definition of "EBITDA as a percentage of revenue".

Facilities Management revenues in Q4 2020 were $38.5 million, which represents a decrease of $6.2 million or 14% from the $44.7 million in Q4 2019. Facilities Management revenue decreased primarily due to lower aviation and retail revenue, which decreased by $8.4 million compared to Q4 2019. This was partially offset by new business.

EBITDA as a percentage of revenue was consistent at 7% in both Q4 2020 and Q4 2019 due to the inclusion of $1.0 million in CEWS in Q4 2020 which offset the decrease in revenue from Q4 2019. When adjusting for wage subsidies, EBITDA margin was

[1] Backlog is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Dexterra Group, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months.

4% for Q4 2020 or 3% lower than Q4 2019, due to a restructuring and reorganization in Q4 2020, the increased costs in the healthcare and defense sector, and other costs associated with operating in a COVID-19 environment.

Direct Costs

Direct Costs for the year ended December 31, 2020 were $121.8 million compared to $153.7 million in 2019, a decrease of $31.9 million or 21% mainly due to the inclusion of $13.7 million CEWS in 2020 and decreased activity. When adjusting for wage subsidies, direct costs as a percentage of revenue were at 92% in 2020 which is consistent with the prior year.

Direct Costs for Q4 2020 were $34.8 million compared to $40.7 million in Q4 2019, a decrease of $5.9 million or 14%, mainly due to the inclusion of $1.0 million in CEWS in Q4 2020 and the decrease in costs associated with the lower revenue. When adjusting for wage subsidies, direct costs as a percentage of revenue were at 93% in Q4 2020 compared to 91% in Q4 2019.

Workforce Accommodations, Forestry and Energy Services ("WAFES")

WAFES is comprised of two revenue streams: Workforce accommodations & Forestry and Energy Services.

WAFES revenue performance has been strong in a COVID-19 environment. Revenues from the WAFES segment for the year ended December 31, 2020 were $234.7 million, an increase of $140.4 million compared to same period in 2019. The increase in segment revenues was primarily driven by the Acquisition which added $132.5 million of revenue. Also, WAFES had other revenue of $6.6 million related to amounts awarded for legal proceedings with two former customers.

For 2020, EBITDA as a percentage of revenue increased to 24% from 12% in the same period in 2019 mainly due to the inclusion of $14.7 million CEWS and $6.6 million in legal settlements. When adjusting for wage subsidies and the legal settlements, EBITDA as a percentage of revenue is at 15.3% which is an increase of 3% compared to 2019. This increase in margin is related to stronger occupancy at higher margin camps.

Revenues from the WAFES segment for Q4 2020 were $78.2 million, an increase of $58.8 million compared to Q4 2019. The increase in Q4 2020 segment revenues was primarily driven by the Acquisition which added $49.6 million of revenue growth in catering and infrastructure install and rental activities.

EBITDA as a percentage of revenue increased to 18% in Q4 2020 from 9% in Q4 2019 mainly due to the inclusion of $2.8 million CEWS and stronger occupancy at higher margin camps. When adjusting for wage subsidies, EBITDA as a percentage of revenue is 15% which is an increase of 6% compared to Q4 2019. This increase in margin is related to stronger occupancy at higher margin camps.

Workforce accommodations and forestry revenue

Revenues from workforce accommodations and forestry for 2020 were $216.3 million, an increase of $122.0 million when compared to 2019. The increase in revenues was primarily driven by the Acquisition. When adjusting 2020 revenue to remove acquisition related revenue of $114.1 million, revenue for the workforce accommodation and forestry increased by $7.9 million. The increase in revenue was primarily due to increased activity under catering, infrastructure install and rental activities as a result of new contracts that started in Q1 2020, which was partially offset by a decrease in seasonal work under forestry services, mainly for fire camps and firefighting services and reductions in revenue associated with temporary closure and reduction in operations at certain client facilities as a result of COVID-19.

Revenues from workforce accommodations and forestry for Q4 2020 were $71.8 million and increased by $52.3 million compared to Q4 2019. The increase in Q4 2020 was mainly driven by the Acquisition. When adjusting Q4 2020 revenue to remove Acquisition related revenue of $43.1 million, revenue for the workforce accommodation and forestry increased by $9.2 million to $28.6 million. This was due to increased activity in catering and infrastructure install and rental activities.

Energy Services

Revenues from energy services were $6.5 million and $18.4 million for the three months and year ended December 31, 2020, respectively. The energy services business was part of the Acquisition. Revenue for energy services is primarily from mat and relocatable structures rentals combined with equipment sales and installation. The Corporation has temporarily closed the mat manufacturing plant due to lower business activity, however, the relocatables structures business experienced high utilization throughout 2020.

Direct Costs

Direct costs in the WAFES business unit for the year ended December 31, 2020 were $175.1 million or 75% of revenue compared to $81.3 million or 86% of revenue for 2019. Direct costs in 2020 includes $101.3 million of costs associated with the acquired operations, partially offset by $14.7 million of CEWS. When adjusting for wage subsidies, direct costs were 81% of

revenue, which is a decrease of 6% compared to the prior year. This decrease as a percentage of revenue is the result of increased revenue from higher margin services and Acquisition synergies achieved in by combining the WAFES operations.

Direct costs in the WAFES business unit for Q4 2020 were $63.0 million or 80% of revenue compared to $17.3 million or 89% of revenue for Q4 2019. Direct costs in Q4 2020 includes $41.1 million of costs from the acquired operations, partially offset by $2.8 million of CEWS. When adjusting for wage subsidies, direct costs were 84% of revenue, which is a decrease of 5% compared to the prior period and reflects acquisition synergies, partially offset by the lower volumes in Q4 when compared to the rest of 2020.

Modular Solutions

The Modular Solutions business was part of the Acquisition which closed on May 29, 2020. Modular Solutions segment revenues for Q4 2020 and the year ended December 31, 2020 were $48.2 million and $98.8 million, respectively. These revenues are primarily focused on social and affordable housing, industrial projects and portable classrooms.

EBITDA for Q4 2020 and for the 2020 post-Acquisition period, were $4.4 million and $10.6 million, respectively which included $0.4 million and $3.3 million of CEWS impact. The results reflect the focus on social and affordable housing projects where performance and execution have been strong as well as the positive impact of cost reductions and improved efficiencies in our western Canada operations combined with continued strong performance from eastern Canada as we improved resource utilization.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit will be to secure and increase backlog, which was $61.2 million for social housing at the end of Q4 2020. Additionally, Modular Solutions has recurring modular business beyond social housing worth approximately $40 million per annum.

Direct Costs

Direct costs are comprised of labour, raw materials and transportation which vary directly with revenues, and a relatively fixed component which includes rent, utilities and the design and technical services required in the bidding cycle and post award manufacturing and installation of the product.

Direct costs were 89% and 86% of revenue for the three months and year ended December 31, 2020, respectively. Direct costs are driven by labour and were positively impacted by $0.4 million and $3.3 million of CEWS for the three months and year ended December 31, 2020, respectively.

Other Items

Selling, General & Administrative Expense

Selling, general & administrative expenses are comprised of corporate costs reflecting head and corporate office costs including the executive officers and directors of the Corporation, and shared services including information technology, corporate accounting staff and the associated costs of supporting a public company.

Selling, general & administrative expenses for the year ended December 31, 2020 were $22.1 million, an increase of $12.6 million compared to 2019, mainly due to the Acquisition, acquisition costs of $1.7 million incurred for the Acquisition and higher business development costs to support future growth, which was partially offset by non-recurring recoveries of $1.2 million recorded in Q4 2020 related to legal costs recovered through legal proceedings with a former customer and CEWS of $1.2 million. After adjusting for acquisition costs, non-recurring items and wage subsidies, selling and administrative expenses were 5% of total revenue in 2020, which is a 1% increase from 2019.

Selling, general & administrative expenses for Q4 2020 were $6.2 million, an increase of $3.4 million compared to Q4 2019, mainly due to the Acquisition, which was partially offset by the impacts of the items described above. After adjusting for transaction costs, non-recurring items and wage subsidies, selling and administrative expenses were 5% of total revenue in Q4 2020 and 4% in Q4 2019.

Depreciation and Amortization

	Three months ended December 31,		Years ended December 31,	
(000's)	2020	2019	2020	2019
Depreciation of property, plant and equipment and right-of-use assets	$ 10,232	$ 499	$ 22,139	$ 2,309
Amortization of intangibles	905	425	2,925	1,532
Total depreciation and amortization	$ 11,137	$ 924	$ 25,064	$ 3,841

For 2020, depreciation and amortization was $25.1 million, an increase of $21.2 million compared to 2019, due to the increase in Property, plant and equipment and lease liabilities from the Acquisition. For Q4 2020, depreciation and amortization was $11.1 million, an increase of $10.2 million compared to Q4 2019, for the same reasons as the increase during the year. The Corporation's plan for capital light operations will reduce depreciation expense in upcoming years.

Bargain Purchase Gain ("BPG")

A BPG of $29.9 million was recorded for the year ended December 31, 2020. The BPG equates to the difference between the estimated fair value of the net assets acquired of Horizon North of $130.8 million and the consideration received by Fairfax Financial, as disclosed in Note 4 "Business combination" of the 2020 Financial Statements. The BPG was reduced by $4.2 million in Q4 2020 which was primarily due to a further writedown of the fair value of the inventory related to the Fairfield by Marriott hotel project in Kitimat, British Columbia. The pandemic continues to have a significant impact on the hospitality industry affecting the Corporation's ability to obtain a buyer for the hotel project. Manufacturing for the hotel project was stopped earlier in the year and the Corporation is assessing amicable resolutions to obligations associated with the hotel project, which have been impacted by the pandemic.

Finance costs

Finance costs include interest on loans and borrowings, interest on lease liabilities and accretion. For 2020, finance costs were $4.6 million, an increase of $4.4 million compared to 2019. This related to the increase in loans and borrowings as well as the lease liabilities from the Acquisition. For Q4 2020, finance costs were $1.5 million, an increase of $1.5 million compared to Q4 2019.

The effective interest rate on loans and borrowings for the year ended December 31, 2020 was 4.3%. The interest rate is impacted by the debt level and tiered interest rate structure of the credit facility. The rate ranges from bank prime rate plus 1.00% to 3.25%.

Goodwill and intangible assets

Goodwill of $98.6 million is made up of $96.0 million recognized on the acquisition of certain assets and associated liabilities comprising the services business carried on by Carillion Canada and certain of its affiliates (the "Carillion Services Assets") in 2018 and $2.6 million recognized on the acquisition of the Powerful Group of Companies in 2019. Goodwill is not amortized. The goodwill relating to the Carillion Services Assets is deductible for tax purposes via amortization. The Corporation concluded there was no impairment of its goodwill or intangibles at December 31, 2020.

Gain/Loss on disposal

For 2020, the loss on disposal was $0.04 million compared to a gain on disposal of $0.2 million in 2019. For Q4 2020, the loss on disposal was $0.2 million compared to a loss on disposal of $0.3 million in Q4 2019. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets and rationalization of idle assets.

Non-controlling interest

Dexterra Group owns 49% of Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik") and controls its operations. As a result, the results of Tangmaarvik are consolidated with the results of Dexterra Group and a non-controlling interest is recorded. For the three months and year ended December 31, 2020 non-controlling interest of $0.1 million and $0.4 million was recorded, respectively, compared to $0.1 million and $0.3 million in the same periods of the prior year.

Joint Venture

Dexterra Group owns 49% of Gitxaala Horizon North Services LP ("Gitxaala"). This equity investment is recorded at cost and increases or decreases to recognize the Corporation's share of the profit or loss of the entity. Earnings for the year ended December 31, 2020 were $0.7 million. The transactions with Gitxaala are described in Note 23 of the 2020 Financial Statements.

Income taxes

For the year ended December 31, 2020, the Corporation's effective income tax rate was 15.9% (2019 - 26.2%). The lower tax rate for 2020 was primarily due to impact of the non-taxable BPG.

The Corporation has non-capital losses for Canadian tax purposes of $76.3 million available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $0.8 million available to reduce future taxable income in the United States. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of $2.0 million have not been recognized in respect of $7.2 million of tax losses because it is not probable that future taxable profit will be generated against which the subsidiary of the Corporation can utilize the benefits.

The Corporation has completed the first phase of its restructuring plan to reduce cash taxes payable in 2021 and future years.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. Some of Dexterra Group's businesses are being classified as "essential services" in various cities and regions and are playing an important role in fighting the COVID-19 virus. Dexterra Group and its employees are playing a vital role in keeping client operations and infrastructure safe and virus free. The safety of employees and customers continues to be a top priority.

Dexterra Group's financial results continue to be impacted significantly as a result of the COVID-19 pandemic. The Facilities Management segment continues to experience reductions in revenue as a result of reduced services, mainly in the Aviation and Retail markets. The WAFES and Modular Solutions segments have seen less significant declines in revenue but have still been impacted due to lower activity in camp/catering services, the British Columbia government shutdowns in early 2021 and the delay of social and affordable housing projects and timing of portable classroom builds. New business opportunities in the pipeline have also been affected and are expected to shift to future periods. It is impossible to forecast the duration and full scope of the economic downturn caused by the COVID-19 pandemic and the related consequences it will have on the Corporation and its business, including the potential impact on its services once these social distancing policies are lifted. At this time, it is unknown to the Corporation how the COVID-19 pandemic will evolve and impact demand for the Corporation's services, which may lead to lower revenue, changes to the federal and provincial governments' support programs for businesses to help offset the impact of COVID-19, impact on the Corporation's customers and their solvency and on the Corporation's supply chain and safety of its workforce.

The Corporation is expecting to continue to experience lower revenue in 2021, due to the impacts of the pandemic and the restrictions put in place by both the provincial and federal governments. The management team has implemented plans to modify the cost structure to mitigate the impact of COVID-19, while continuing to provide essential services to its clients. Additionally, the Corporation has applied for government support programs and qualified for $4.2 million and $32.9 million of CEWS funding for the three months and year ended December 31, 2020, respectively. Based on the current changes to the CEWS program, the benefit to the Corporation of any subsidies after December 31, 2020 is declining.

Outlook

Operations Outlook

The Corporation is focused on growth post pandemic, with both organic growth and growth through selective accretive acquisitions. Timing of the acquisitions is unknown and will depend on opportunities.

The Corporation significantly improved its leverage and liquidity position subsequent to the Acquisition as well as increased its available capital by negotiating the amended and extended credit facility with an increased limit to $175 million. Since the Acquisition, approximately $53 million on its credit facility has been repaid. As at December 31, 2020, the Corporation had $81.6 million of available liquidity which provides it with significant financial flexibility. Debt reduction will pause in the first quarter of 2021 due to an increased COVID-19 impact on our WAFES business in British Columbia, and the NRB Modular Solutions plant expansion discussed below.

With the recent announcement by Canada's federal government and CMHC to provide $1 billion of funding to various cities across the country for rapid housing, the Corporation is in a strong position to win a significant portion of that business. As such, the Corporation has leased an NRB Modular Solutions plant in Cambridge, Ontario. The estimated capital cost to build the factory is $7 million and estimated incremental annual production capacity exceeds $100 million annually, though the investment plan assumes a graduated ramp up. Continued growth in Modular solutions revenues in the back half of 2021 and beyond is expected.

In the Facilities Management business, the growth prospects are significant and based on compound annual growth rates for the market which are estimated to be double digit over the next several years. The pandemic has delayed this growth opportunity. There will be no significant rebound in the aviation sector until the population receives vaccinations and has confidence to travel. The Facilities Management business has line of sight to over $300 million of annual revenue being competitively bid in the next three years.

The Crossroads Lodge in Kitimat, British Columbia and Coastal GasLink pipeline camps have been temporarily closed during the first quarter of 2021 given the provincial governments restrictions and impact on the construction of the LNG Canada facility. This short-term decline in revenue and EBITDA is expected to be offset by wins in our Eastern Canadian business and CEWS funding. The management team has implemented plans to modify the cost structure to mitigate the impact of COVID-19, while continuing to provide essential services to its clients.

Seasonality

Dexterra Group's earnings are affected by seasonality in certain operating segments. Historically, earnings in the second and third quarters are positively impacted by the seasonal Forestry operations, which is part of the WAFES segment. For the Workforce Accommodations portion of the WAFES segment, camp occupancy is historically at its lowest level during the holiday season. This, in conjunction with the Forestry Services low revenue winter season, causes revenues to be at their lowest levels

in the first and fourth quarters. The Modular Solutions and Facilities Management segments include project work that may also not be evenly distributed throughout the fiscal year.

Liquidity and Capital Resources

For the year ended December 31, 2020, cash generated by operating activities was $72.8 million, compared to $1.6 million in the same period of 2019. The variance was driven primarily by the $55.2 million increase in net earnings for the period and was used to repay debt post-Acquisition.

The significant improvement in cash flow from investing activities for the year ended December 31, 2020, compared to the same period in 2019, is mainly related to 2019 payments of $17.6 million to former shareholders of Carillion Canada in connection with the acquisition of the Carillion Services assets and $12.5 million for the acquisition of the PGC and the Carillion Canada purchase price finalization, as well as 2020 asset sales as a result of the capital light operating model and low capital expenditures.

Cash flows from financing activities decreased due to the significant repayments on the credit facility of $57.9 million and increased lease payments and finance costs related to the Acquisition, compared to the $17.6 million in proceeds received in exchange for common shares in 2019. Finance activities include payments on loans and borrowings, finance costs paid and the cash impact of finance leases.

Working capital at December 31, 2020 was $67.7 million, compared to $19.6 million at December 31, 2019, an increase of $48.1 million. This was mainly due to working capital related to the Acquisition. Working capital investment in the business is also higher in the first and third quarters.

Borrowing capacity *(000's)*	December 31, 2020	December 31, 2019
Bank borrowing:		
Available credit facility	$ 175,000	$ 32,000
Drawings on credit facility	86,411	5,453
Letters of credit	6,963	2,915
Borrowing capacity[(1)]	$ 81,626	$ 23,632

(1) Calculated as available bank lines less drawings on credit facility and letters of credit.

On June 30, 2020, Dexterra Group reached an agreement with its lenders to amend its credit facility and extend the maturity date to December 30, 2022. The credit facility has an available limit of $175.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. The Corporation is required to maintain a Debt to EBITDA ratio of less than 3.50:1:00 and an interest coverage ratio greater than 2:50:1:00 as at December 31, 2020. Amounts drawn on the credit facility incur interest at bank prime rate plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. The credit facility has a standby fee ranging from 0.50% to 0.81%. The operating facility in place at December 31, 2019 was Dexterra's stand-alone facility prior to the Acquisition. The facility was repaid on May 29, 2020 upon closing the Acquisition.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of $64.0 million in 2020. In future quarters, principal sources of liquidity include generated Free Cash Flow and proceeds from the disposal of idle or underutilized assets across its operating segments. As at December 31, 2020, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

Capital Spending

For the year ended December 31, 2020, gross capital spending was $3.5 million compared to $4.4 million in the same period of 2019. Capital spending in Q4 2020 was mainly focused on small equipment and is in line with the Corporation's capital light strategy.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net capital proceeds of $1.4 million for the year ended December 31, 2020 compared to net capital spending of $3.9 million in the same period of 2019. Capital spending was offset by the proceeds received on selling underutilized energy services assets.

As noted in the Outlook section, the Corporation leased a NRB Modular Solutions plant in Cambridge, Ontario, with an estimated capital cost of $7 million and annual production capacity exceeding $100 million in annual sales revenue. This plant will be used to meet the recent surge in social affordable housing demand and will open for production in Q2 2021. Management expects normalized recurring capital spending to approximate $5 million per annum, excluding the new NRB plant.

Quarterly Summary of Results

(000's except per share amounts)	Three months ended 2020 December	2020 September	2020 June	2020 March
Revenue[(1)]	$ 164,418	$ 176,918	$ 76,106	$ 60,373
EBITDA[(2)]	18,713	33,444	22,885	2,147
Net earnings (loss) attributable to shareholders	(103)	16,131	47,139	864
Net earnings per share, basic	0.00	0.25	1.08	0.03
Net earnings per share, diluted	0.00	0.24	1.08	0.03

(000's except per share amounts)	Three months ended 2019 December	2019 September	2019 June	2019 March
Revenue	$ 64,134	$ 76,151	$ 66,493	$ 54,281
EBITDA	3,240	5,185	6,164	1,876
Net earnings attributable to shareholders	1,370	3,330	3,566	752
Net earnings per share, basic and diluted	0.04	0.10	0.11	0.02

(1) Revenue for the third quarter of 2020 includes $6.6 million related to amounts awarded on two legal proceedings with former customers.
(2) EBITDA for the fourth quarter of 2020 includes 1.2 million in non-recurring items. EBITDA for the third quarter of 2020 includes the $6.6 million impact of other revenue.

Revenue increased in the fourth quarter of 2020 compared to the same period in 2019 primarily due to the revenue from the Acquisition of $97.3 million, partially offset by the impacts of COVID-19 on operations. EBITDA increased significantly in the fourth quarter of 2020 when compared to the same period in 2019 due primarily to the Acquisition, combined with the $4.2 million in wage subsidies and was partially offset by the impacts of COVID-19 on operations. Net earnings in Q4 2020 were impacted by the $4.2 million non-cash reduction in the bargain purchase gain.

When compared to Q3 2020, revenue has decreased by $25.0 million for the WAFES segment, due to the inclusion of $6.6 million of revenue in Q3 2020 related to amounts awarded on two legal proceedings; low levels of camp occupancy during the Q4 holiday season; and the impact of Forestry's low revenue winter season. This decrease was partially offset by revenue increases from Q3 2020 to Q4 2020 for Facilities Management and Modular Solutions as these operations are not impacted by seasonality to the same extent as WAFES. EBITDA was negatively impacted by CEWS decreasing by $5.1 million from Q3 2020 to Q4 2020.

Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

(000's)	Three months ended December 31,		Years ended December 31,	
	2020	2019	2020	2019
Net earnings	$ 27	$ 1,455	$ 64,479	$ 9,304
Add:				
Share based compensation	148	—	354	—
Depreciation & amortization	11,137	924	25,064	3,841
Equity investment depreciation	141	—	296	—
Finance costs	1,538	59	4,632	222
Bargain purchase gain	4,247	—	(29,881)	—
Loss (Gain) on disposal of property, plant and equipment	156	285	36	(202)
Income tax expense	1,319	517	12,210	3,300
EBITDA	$ 18,713	$ 3,240	$ 77,190	$ 16,465
Acquisition costs	—	75	1,702	75
Other revenue[(1)]	—	—	(6,569)	—
Non-recurring items[(2)]	(1,236)	—	(1,236)	—
Adjusted EBITDA[(3)]	$ 17,477	$ 3,315	$ 71,087	$ 16,540

(1) Other revenue includes amounts awarded to the Corporation through legal proceedings with two former customers.
(2) Non-recurring items relate to legal costs recovered through legal proceedings with a former customer.
(3) Includes $4.2 million and $32.9 million of pre-tax CEWS for the three months and year ended December 31, 2020, respectively .

(000's)	Three months ended December 31,		Years ended December 31,	
	2020	2019	2020	2019
Net cash flows from operating activities	$ 34,018	$ 2,544	$ 72,806	$ 1,561
Net capital proceeds (spending)	(1,242)	(1,465)	1,430	(3,869)
Finance costs paid	(1,379)	(59)	(4,989)	(222)
Lease payments	(2,328)	(189)	(5,231)	(605)
Free Cash Flow	$ 29,069	$ 831	$ 64,016	$ (3,135)

Changes in Accounting Policies

Dexterra Group's IFRS accounting policies are provided in Note 3 to the 2020 Financial Statements for the years ended December 31, 2020 and 2019.

Outstanding Shares

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares ("the Consolidation"). Prior to the Consolidation, a total of 324,346,871 common shares were issued and outstanding and after the Consolidation the Corporation has 64,869,417 issued and outstanding common shares. All share and per share data presented in the 2020 Financial Statements and MD&A has been retroactively adjusted to reflect the Share Consolidation. The post-Consolidation Common Shares continue to be listed on the Toronto Stock Exchange (TSX) under the trading symbol "DXT". Dexterra Group had 64,869,417 voting common shares issued and outstanding as at March 10, 2021, of which 49% or 31,785,993 are owned by subsidiaries of Fairfax Financial Holdings Limited.

Off-Balance Sheet Financing

Dexterra Group has no off-balance sheet financing.

Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Throughout 2021, Dexterra Group will continue to evaluate its DC&P, making modifications from time-to-time as deemed necessary. There were no changes in Dexterra Group's DC&P that occurred during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Dexterra Group's DC&P.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") as defined in NI 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2020. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2020.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Risks and Uncertainties

The financial risks, critical accounting estimates and judgements, and risk factors related to Dexterra Group and its business, which should be carefully considered, are disclosed in the Annual Information Form under "Risk Factors" and in the 2020 Financial Statements under Note 22, both dated March 10, 2021, and this MD&A should be read in conjunction with them. Such risks may not be the only risks facing Dexterra Group. Additional risks not currently known may also impair Dexterra Group's business operations and results of operation.

Critical Accounting Estimates and Judgements

This MD&A of Dexterra Group's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The MD&A should be read in conjunction with the 2020 Financial Statements and the changes to the areas of estimation and judgement are disclosed in Note 3 "Significant accounting policies and determination of fair values".

Financial Instruments and Risk Management

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the 2020 Financial Statements and the changes in the risk management or in any risk management policies as disclosed in Note 22 "Financial risk management".

Forward-Looking Information

Certain statements contained in this MD&A may constitute forward-looking information under applicable securities law. Forward-looking information may relate to Dexterra Group's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Dexterra Group's future operating results and economic performance, its leverage, the NRB Modular Solutions plant in Cambridge, and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions, including expected growth, results of operations, performance and business prospects and opportunities regarding Dexterra Group, which Dexterra Group believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Dexterra Group, they may prove to be incorrect. Forward-looking information is also subject to certain known and unknown risks, uncertainties and other factors that could cause Dexterra Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward- looking information, including, but not limited to: the ability to retain clients, renew existing contracts and obtain new business; an outbreak of contagious disease that could disrupt its business; the highly competitive nature of the industries in which Dexterra Group operates; reliance on suppliers and subcontractors could have a material adverse effect on its business; profitability could be adversely affected by cost inflation; volatility of industry conditions could impact demand for its services; a reduction in the availability of credit could reduce demand for Dexterra Group's products and services; Dexterra Group's significant shareholder may substantially influence its direction and operations and its interests may not align with other shareholders; its significant shareholder's 49% ownership interest may impact the liquidity of the common shares; cash flow may not be sufficient to fund its ongoing activities at all times; loss of key personnel; the failure to receive or renew permits or security clearances; risks related to significant legal proceedings or regulatory proceedings/changes; environmental damage and liability is an operating risk in the industries in which Dexterra Group operates; climate changes could increase Dexterra Group's operating costs and reduce demand for its services; liabilities for failure to comply with public procurement laws and regulations; any deterioration in safety performance could result in a decline in the demand for its products and services; failure to realize anticipated benefits of acquisitions and dispositions; inability to develop and maintain relationships with Indigenous communities; the seasonality of Dexterra Group's business; inability to restore or replace critical capacity in a timely manner; reputational, competitive and financial risk related to cyber-attacks and breaches; failure to effectively identify and manage disruptive technology; economic downturns can reduce demand for Dexterra Group's services; its insurance program may not fully cover losses. Additional risks and uncertainties are described in Note 22 of the Corporation's Consolidated Financial Statements for the years ended December 31, 2020 and 2019 contained in our most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at sedar.com. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Dexterra Group is under no obligation and does not undertake to update or alter this information at any time, except as may be required by applicable securities law.

MANAGEMENT'S REPORT TO SHAREHOLDERS

MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying consolidated financial statements of Dexterra Group Inc. ("Dexterra Group" or the "Corporation") have been approved by the Board of Directors (the "Board") of Dexterra Group and have been prepared by management in accordance with International Financial Reporting Standards. Financial statements will, by necessity, include certain amounts based on estimates and judgments. The financial information contained throughout this report has been reviewed to ensure consistency with these consolidated financial statements.

Management has overall responsibility for internal controls and maintains accounting systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information. The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting and have concluded that they are effective.

The Board oversees the management of the business and affairs of Dexterra Group; including ensuring management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which consists of four independent directors. An independent firm of chartered accountants, appointed as external auditor by the shareholders, has audited the consolidated financial statements and its report is included herein. The Audit Committee has reviewed the consolidated financial statements with management and the external auditor.

John Mac Cuish
President and Chief Executive Officer

Drew Knight
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO SHAREHOLDERS

Independent auditor's report

To the Shareholders of Dexterra Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dexterra Group Inc. and its subsidiaries (together, the Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of a significant portion of the property, plant and equipment acquired in a business combination *Refer to note 1 – Reporting entity, note 2 – Statement of compliance and note 4 – Business combination to the consolidated financial statements.* On May 29, 2020, Dexterra Group Inc. (previously Horizon North) acquired 100% of the issued and outstanding shares of Dexterra Integrated Facilities Management (Dexterra). The business combination between Horizon North and Dexterra is being accounted for as a reverse acquisition, whereby the assets and liabilities of Horizon North are recorded at their fair values on the date of the transaction. The fair value of the assets acquired included $191.5 million in property, plant and equipment. Management applied significant judgment in estimating the fair value of property, plant and equipment. For a significant portion of property, plant and equipment, management used a cost approach adjusted for economic obsolescence (valuation method) to value these assets. Management developed significant assumptions with respect to the cost approach, which included the replacement costs, inflation indices, physical depreciation and obsolescence considerations in the valuation of a significant portion of property, plant and equipment. Adjustments for economic obsolescence were based on discounted cash flow models, which included the following assumptions: forecasted cash flows, growth rates and discount rates.	Our approach to addressing the matter involved the following procedures, among others: • Tested how management estimated the fair values of a significant portion of the property, plant and equipment, which included the following: – Read the purchase agreement. – Tested the mathematical accuracy of management's discounted cash flow models to determine the economic obsolescence. – Evaluated the reasonableness of the significant assumptions used by management to determine the economic obsolescence adjustments related to forecasted cash flows and growth rates by considering management's budget, strategy and business plan approved by the Board of Directors and the current and past performance of Horizon North. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's valuation method, as well as the reasonableness of significant assumptions, which included replacement costs, inflation indices, physical depreciation and obsolescence considerations and the discount rates applied.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment applied by management in estimating the fair values of a significant portion of property, plant and equipment, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	– Tested the underlying data used in the discounted cash flow models.
Impairment assessment of goodwill *Refer to note 2 – Statement of compliance, note 3 – Significant accounting policies and determination of fair values and note 9 – Intangible assets and goodwill to the consolidated financial statements.* The Corporation had goodwill of $98.6 million as at December 31, 2020 and is allocated to cash generating units (CGUs). Goodwill is subject to impairment testing on an annual basis and at the end of each reporting period during the year if an indicator of impairment exists. Impairment exists when the carrying value of a CGU exceeds its recoverable amount. Management applied significant judgment in determining the recoverable amounts. The recoverable amounts of the CGUs were based on a value-in-use method using discounted cash flow models. Significant assumptions used in the discounted cash flow models included forecasted cash flows, growth rates and discount rates. Management concluded that there was no impairment of goodwill as at December 31, 2020.	Our approach to addressing the matter involved the following procedures, amongst others: • Evaluated how management determined the recoverable amounts of the CGUs, which included the following: – Assessed the appropriateness of the method used and tested the mathematical accuracy of the discounted cash flow models. – Evaluated the reasonableness of significant assumptions such as forecasted cash flows and growth rates applied by management in the discounted cash flow models by considering management’s budget, strategy and business plan approved by the Board of Directors, current and past performance of the CGUs and industry data published by third parties. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management’s value-in-use method and testing the reasonableness of the discount rates. – Tested the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significant judgment applied by management in determining the recoverable amounts of the CGUs, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	• Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of the significant assumptions used.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael Hawtin.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 10, 2021

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and December 31, 2019

Consolidated statement of financial position

dexterra GROUP

(000's)	Note	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash		$ —	$ 2,577
Trade and other receivables	5,14	149,532	35,432
Inventories	6	12,445	4,451
Prepaid expenses and other		5,981	1,781
Income tax receivable		—	965
Total current assets		167,958	45,206
Non-current assets			
Property, plant and equipment	7	184,047	8,254
Right-of-use assets	8	22,052	1,672
Intangible assets	9	23,457	21,058
Goodwill	9	98,640	98,640
Deferred income taxes	17	2,587	—
Other assets	10	14,782	—
Total non-current assets		345,565	129,624
Total assets		$ 513,523	$ 174,830
Liabilities			
Current liabilities			
Loans and borrowings	11	$ —	5,453
Trade and other payables		81,815	16,229
Deferred revenue	14	3,310	2,867
Income taxes payable		2,895	—
Asset retirement obligations	12	5,102	—
Lease liabilities	8	7,160	614
Contingent consideration		—	400
Total current liabilities		100,282	25,563
Non-current liabilities			
Lease liabilities	8	18,921	1,061
Contingent consideration		1,448	1,439
Asset retirement obligations	12	6,527	—
Loans and borrowings	11	85,369	—
Deferred income taxes	17	—	1,644
Non-current liabilities		112,265	4,144
Total liabilities		$ 212,547	$ 29,707
Shareholders' Equity			
Share capital	13	232,348	131,543
Contributed surplus		354	—
Retained earnings		66,451	12,150
Non-controlling interest		1,823	1,430
Total shareholders' equity		300,976	145,123
Total liabilities and shareholders' equity		$ 513,523	$ 174,830

The accompanying notes are an integral part of the consolidated financial statements.

Mary Garden
Director, Audit Committee Chair

John MacCuish
Director, Chief Executive Officer

dexterra GROUP

Consolidated statement of comprehensive income

(000's except per share amounts)	Note	Years ended December 31, 2020	2019
Revenue			
Revenue from operations	14	$ 471,246	$ 261,059
Other revenue	14	6,569	—
Total revenue		477,815	261,059
Operating expenses			
Direct costs	15	379,502	235,072
Selling, general and administrative expenses	16	22,107	9,522
Depreciation	7,8	22,139	2,309
Amortization of intangible assets	9	2,925	1,532
Share based compensation	13	354	—
Loss (gain) on disposal of property, plant and equipment		36	(202)
Operating income		50,752	12,826
Finance costs		4,632	222
Earnings from equity investment		(688)	—
Bargain purchase gain	4	(29,881)	—
Earnings before income taxes		76,689	12,604
Income tax			
Income tax expense	17	12,210	3,300
Net earnings		64,479	9,304
Net Earnings Attributable to:			
Non-controlling interest		448	286
Shareholders		64,031	9,018
Earnings per common share:			
Net earnings per share, basic	19	$ 1.25	$ 0.28
Net earnings per share, diluted	19	$ 1.24	$ 0.28
Weighted average common shares outstanding:			
Basic	19	51,311	31,755
Diluted	19	51,447	31,755

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(000's)	Note	Share Capital - Number of Shares	Share Capital	Contributed Surplus	Retained Earnings	Non-Controlling Interest	Total
Balance as at December 31, 2018		27,525	$ 113,908	$ —	$ 6,132	$ 1,258	$ 121,298
Issuance of common shares		4,261	17,635	—	—	—	17,635
Dividends		—	—	—	(3,000)	(114)	(3,114)
Net income		—	—	—	9,018	286	9,304
Balance as at Balance as at December 31, 2019		31,786	$ 131,543	$ —	$ 12,150	$ 1,430	$ 145,123
Acquisition	4	33,083	100,904	—	—	—	100,904
Dividends	20	—	—	—	(9,730)	(55)	(9,785)
Share issue costs	4	—	(99)	—	—	—	(99)
Share based compensation	13	—	—	354	—	—	354
Net income		—	—	—	64,031	448	64,479
Balance as at December 31, 2020		64,869	$ 232,348	$ 354	$ 66,451	$ 1,823	$ 300,976

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

(000's)	Note	Years ended December 31, 2020	2019
Cash provided by (used in):			
Operating activities:			
Net earnings		$ 64,479	$ 9,304
Adjustments for:			
Depreciation	7,8	22,139	2,309
Amortization of intangible assets	9	2,925	1,532
Share based compensation	13	354	—
Loss (gain) on disposal of property, plant and equipment		36	(202)
Bargain purchase gain	4	(29,881)	—
Book value of used fleet sales transferred to inventory		2,067	—
Purchase of rental fleet		(2,283)	—
Earnings on equity investments		(688)	—
Asset retirement obligation settled	12	(1,360)	—
Finance costs		4,632	222
Income tax expense	17	12,210	3,300
Changes in non-cash working capital	18	1,467	(9,769)
Income taxes paid		(3,291)	(5,135)
Net cash flows from operating activities		72,806	1,561
Investing activities:			
Acquisition of Powerful Group of Companies and Carillion Canada	4	—	(12,513)
Purchase of property, plant and equipment		(3,462)	(4,382)
Purchase of intangible assets		(1,524)	(374)
Equity investment		(2,264)	—
Proceeds on sale of property, plant and equipment		4,892	513
Deferred payment to former shareholder		—	(17,635)
Net cash flows used in investing activities		(2,358)	(34,391)
Financing activities:			
Issuance of common shares		—	17,635
Payments for lease liabilities		(5,231)	(605)
Proceeds from (payments on) loans and borrowings		(57,885)	5,453
Finance costs paid		(4,989)	(222)
Dividends paid		(4,920)	(3,114)
Net cash flows from (used in) financing activities		(73,025)	19,147
Change in cash position		(2,577)	(13,683)
Cash, beginning of year		2,577	16,260
Cash, end of year		$ —	$ 2,577

The accompanying notes are an integral part of the consolidated financial statements.

1. Reporting entity

Dexterra Group Inc. ("Dexterra Group" or the "Corporation") is a corporation registered and domiciled in Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol DXT. The Corporation's head office is at 5915 Airport Road, Suite 425, Mississauga, ON L4V 1T1. The consolidated financial statements of the Corporation as at and for the year ended December 31, 2020 are comprised of the Corporation and its subsidiaries and the Corporation's interest in jointly controlled entities. Dexterra Group is a pan-Canadian support services platform which operates across eleven provinces and territories and diversified end markets. Our Facilities Management business delivers operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence and security, retail, healthcare, education and government. Our Workforce Accommodations, Forestry and Energy Services ("WAFES") business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the energy, mining, forestry and construction sectors among others. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for social and affordable housing, commercial, residential and industrial clients.

On May 29, 2020, Dexterra Group (previously Horizon North Logistics Inc. ("Horizon North")) entered into a transaction (the "Acquisition") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management (“Dexterra”), a subsidiary of Fairfax Financial Holdings Limited (TSX: FFH and FFH.U) (“Fairfax Financial”). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra’s sole shareholder, 9477179 Canada Inc. (“Dexterra Parent”), a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintain a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group.

For accounting purposes, the Acquisition constituted a reverse acquisition that involved a change of control of Dexterra Group and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Dexterra Group Inc.. Based on the guidance in IFRS 3, Business Combinations ("IFRS 3"), it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls the Corporation. As a result, 2019 comparative information included herein is solely Dexterra. Horizon North financial results are included subsequent to the Acquisition closing date. Refer to Note 4 for further information.

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares (“the Consolidation”). Prior to the Consolidation, a total of 324,346,871 common shares were issued and outstanding, and after the Consolidation the Corporation has 64,869,417 issued and outstanding common shares. All share and per share data presented in the Corporation’s consolidated financial statements, including share options outstanding, has been retroactively adjusted to reflect the Consolidation, unless otherwise noted.

On November 13, 2020, the shareholders of the Corporation approved the name change to Dexterra Group Inc. The common shares now trade on the TSX under the ticker symbol “DXT”. Adopting a new corporate name reflects the transformation into a pan-Canadian, diversified support services organization and marks a new phase in the Corporation's history as it focuses on delivering quality solutions for the creation, management, and operation of infrastructure.

2. Statement of compliance

Basis of Preparation

a. Statement of compliance

   The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

   The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2021.

b. Basis of measurement

   The consolidated financial statements have been prepared using the historical cost basis.

c. Change in Accounting Policy

   Effective January 1, 2020, the Corporation changed its accounting policy of presenting expenses recognized in the consolidated statement of comprehensive income from nature to function in accordance with IAS 1 - Presentation of financial statements. There are also presentation changes to the segment information disclosure. The Corporation believes presenting an analysis of expenses recognized by function and presentation amendments provide more reliable and relevant financial information to users of its financial statements.

d. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Corporation and subsidiaries' functional currency with the exception of a United States ("US") operational entity which has a US dollar ("USD") functional currency.

e. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes may differ from these estimates. The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The judgments, estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are as follows:

Estimates & Judgements

- Purchase price equations - The acquired assets and assumed liabilities are generally recognized at fair value on the date the Corporation obtains control of a business. The measurement of each business combination is based on the information available on the acquisition date. Management applied significant judgment in estimating the fair value of property, plant and equipment. For a significant portion of the property, plant and equipment, management used a cost approach adjusted for economic obsolescence to value these assets. Significant assumptions were developed with respect to the cost approach including the replacement costs, inflation indices, physical depreciation and obsolescence considerations in the valuation of property, plant and equipment. Adjustments for economic obsolescence were based on discounted cash flow models which included the following assumptions: forecasted cash flows, growth rates and discount rates attributable to these assets. The estimate of fair value of the acquired intangible assets and other assets and the liabilities are largely based on projected cash flows, discount rates, and market conditions at the date of acquisition.
- Impairment - Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCOD") and its value in use ("VIU"). The FVLCOD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Corporation uses the VIU method, which is based on a discounted cash flow models. Management applied significant judgment in determining the recoverable amounts. The most significant assumptions in estimating the recoverable amount of each CGU include forecasted cash flows, growth rates and discount rates. Forecasted cash flows include assumptions around EBITDA (Earnings before interest, taxes, depreciation, amortization, depreciation from equity investment, share based compensation, bargain purchase gain and gain/loss on disposal of property, plant and equipment).
- Revenue Recognition Estimate - The Corporation recognized revenue at a point in time or upon transfer of control for its construction contracts and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project.
- Construction Receivable Estimate - The Corporation recognizes that the price of many construction contracts may change over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions resulting in possible disputes or claims regarding additional amounts owing may arise. Construction work related to a change order or claim may proceed, and costs may be incurred, in advance of final determination of the value of the change order. As many change orders and claims may not be settled until the end of the construction project, management estimates what changes orders to include in the determination of revenue recognized and changes in these estimates could result in significant increases or decreases in revenue and income during any particular accounting period.
- Collectability of receivables - The Corporation estimates the collectability of accounts receivable, including unbilled accounts receivable related to current period service revenue. An analysis of historical bad debts, client creditworthiness, the age of accounts receivable and current economic trends and conditions are used to evaluate the adequacy of the provision for expected credit losses and the collectability of receivables. Significant estimates must be made and used in connection with establishing the provision in any accounting period. Material differences may result if management made different judgments or utilized different estimates.
- Asset Retirement Obligation ("ARO") - The Corporation recognizes an asset retirement obligation to account for future demobilisation and reclamation of specific camps. Use of an ARO requires estimates of the asset retirement costs, timing of payments, present value discount rate and inflation rate to determine the amount recognized in accordance with the accounting policy set out in Note 3(i).

- Share-based compensation transactions - The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience and general option holder behavior), the forfeiture rate, the expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

3. Significant accounting policies and determination of fair values

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Corporation.

ii. Joint ventures

The Corporation's joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

iii. Special purpose entities

The Corporation has established a number of special purpose entities ("SPE") for operating purposes. An SPE is consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE's risks and rewards, the Corporation concludes that it controls the SPE. Control exists when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Corporation's interest in the investee.

v. Non-controlling interest

The Corporation owns 49% of Tangmaarvik Inland Camp Services Inc. and control exists. As a result, the results of Tangmaarvik Inland Camp Services Inc. are consolidated with the results of the Corporation and a non-controlling interest is recorded.

(b) Business combinations

Business combinations are accounted for using the acquisition method. Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. If the acquisition meets the definition of a business combination, the assets acquired and assumed liabilities are classified or designated based on the contractual terms, economic conditions, the Corporation's operating and accounting policies, and other factors that exist on the acquisition date. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Furthermore, any excess of the fair value of the net assets acquired over the purchase price is recognized as a bargain purchase gain.

Acquisition costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(c) Financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through the consolidated statement of comprehensive income ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The "expected credit loss" model applies to financial assets measured at amortized cost, and contract assets and debt instruments at FVOCI.

i. Non-derivative financial assets

The initial classification of a financial asset depends upon the Corporation's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Corporation classified its financial assets:

Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;

FVOCI: Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or

FVTPL: Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through the consolidated statement of comprehensive income. This includes all derivative financial assets.

The Corporation initially recognizes trade and other receivables on the date that they originate. All other financial assets are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation's financial assets, trade and other receivables, are initially recognized at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legal right to offset the amounts and the Corporation intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

ii. Non-derivative financial liabilities

The Corporation's financial liabilities are categorized as measured at amortized cost. The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Bank overdrafts and swinglines that are repayable on demand and form an integral part of the Corporation's cash management are included as a component of loans and borrowings for the purpose of the statement of cash flows.

Liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

iii. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including non-recoverable indirect taxes, acquisition costs including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Costs related to assets under construction are capitalized when incurred. Assets under construction are not depreciated until they are completed and available for use in the manner intended by management. When this occurs, the asset is transferred to property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within operating expenses in the consolidated statement of comprehensive income.

Proceeds from the sale of rental equipment that is routinely sold before the end of its useful life are included in revenue and net cash flows from operating activities. The investments in the acquisition or manufacturing of rental equipment is also included in net cash flows from operating activities if the assets are expected to be predominantly sold before the end of their useful life, otherwise the investments are included in net cash flows from investing activities.

ii. Subsequent costs

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced major component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of comprehensive income as incurred.

iii. Depreciation

Depreciation is calculated using the depreciable amount, which is the cost of an asset, less its residual value. Depreciation is recognized in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Method	Useful life
Buildings	Straight-line	25 years
Furniture & fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease
Computer hardware & software	Straight-line	5 years
Automotive	Straight-line	4-8 years
Mats	Straight-line pool	6 years
Camp facilities (residual value of 20%)	Straight-line	15 years
Camp & catering supplies	Straight-line pool	3 years
Equipment	Straight-line	5-10 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate. Land and assets under construction are not depreciated.

(e) Intangible assets

i. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortized but is tested at least annually for impairment and at the end of each reporting period during the year if an indicator of impairment exists.

ii. Assets acquired

Intangible assets are acquired as a result of a business combination or the purchase of other contractual or legal rights which are transferable or separable. Intangibles acquired as part of a business combinations are measured at fair value on initial recognition. Intangible assets purchased are measured at cost. Amortization is charged on a straight line basis to the consolidated statement of comprehensive income over their expected useful lives, as follows:

Assets	Method	Useful life
Customer relationships	Straight-line	10 - 25 years
Trade Names	Straight-line	7 years
Software and other	Straight-line	3 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average or standard cost principle and includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

i. Financial assets

An impairment loss in respect of a financial asset measured at amortized cost is calculated using the “expected credit loss” model and recognizes expected credit losses as a loss allowance. The Corporation recognizes an amount equal to the lifetime expected credit losses based on the Corporation’s historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statement of financial position is net of any loss allowance. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

ii. Non-financial assets

The carrying amounts of the Corporation’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). The Corporation has identified four CGUs: Workforce Accommodations and Forestry, Energy Services, Facilities Management, and Modular Solutions. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the business combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the group of CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units), on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

(h) Employee benefits

i. Defined contribution plan

The Corporation's defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income when they are due.

ii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii. Share based compensation transactions

Equity-settled transactions

The grant date fair value of share-based compensation awards granted to officers and employees is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Cash-settled transactions

The Corporation has a Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") plan for its eligible officers and employees. The fair value of the amount payable to officers and employees in respect of the RSUs and PSUs, for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, adjusted by the performance criteria for the PSUs, is recognized as an expense with a corresponding increase in liabilities over the period that the employees and officers provide the related service and become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as share based compensation expense in the consolidated statement of comprehensive income.

(i) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. As at December 31, 2020 the Corporation has recognized a provision for Asset Retirement Obligations and a contingent consideration related to the Powerful Group of Companies 2019 acquisition.

(j) Revenue

The Corporation uses IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 provides a model for the recognition and measurement of all revenue flowing from contracts with customers. The core principle is that revenue recognition should align with the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The Corporation recognizes revenues over time as it fulfills its performance obligations to clients in line with contracted terms. A performance obligation is a promise in a contract to transfer a distinct good or service to a client. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenues when, or as, the performance obligation is satisfied. If a client contract has multiple performance obligations, the consideration in the contract is allocated to the separate performance obligations based on stand-alone selling prices. Any modifications or variations to contracts-in-progress are assessed to determine if they fall under the scope of the existing contract performance obligation(s) or form part of a new performance obligation.

Revenues are derived mainly from the following types of client contracts and major products and services:

i. Facilities Management

Facilities management provides solutions for ongoing maintenance and operations of high-quality infrastructure. Ongoing facility management services are generally similar each month and are provided to customers at a contracted price based on the amount of hours of service by the Corporation's employees and the amount of supplies required. Revenue is recognized over time as the services are provided to the customer. If a contract has distinct performance

obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

ii. Construction Contract Revenue

Construction contract revenue includes the initial amount agreed to in the contract plus any variations in contract work, claims, and incentive payments, to the extent that it is highly probable that a significant revenue reversal will not occur. The Corporation recognizes revenue over time for its construction contracts, and estimates progress of these contracts by comparing costs incurred to the total expected costs of the project. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in the consolidated statement of comprehensive income.

iii. Workforce Accommodation

Workforce accommodation includes the management, supply and installation of modular and exploration facilities and catering. In the workforce accommodation business, distinct performance obligations include the supply and installation of the facilities, catering and maintenance of the facilities. Revenue is recognized when the supply and installation of the facilities is complete and when catering services are provided to the customer. Catering services are provided to customers at a contract price per unit served. If a contract has distinct performance obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

iv. Forestry Services

Forestry services includes reforestation solutions, forest thinning and firefighting services. Revenue is recognized over time as the services are provided to the customer. Reforestation, forest thinning solutions and firefighting services are provided to customers at a contracted price per unit. If a contract has distinct performance obligations, the transaction price is allocated to each performance obligation and recognized as revenue as the performance obligation is satisfied.

v. Energy Services

The Corporation provides access mat rental, relocatable structure rental, and transportation services to customers. Revenue from rendering of these services are recognized over time. Rental days are used to measure the rental fleet revenue. Revenue is recognized at the applicable day rate for each asset rented, based on rates specified in each contract, and as the services are performed.

vi. Sale of used fleet

The Corporation routinely sells items of property, plant and equipment that it has held for rental and such assets are transferred to inventories at their carrying amount when they cease to be held for rent. The proceeds from the sale of such assets are recognized as revenue at a point in time when control of the assets transfers.

vii. Sale of other goods

Revenue from the sale of other goods is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Corporation to its customer, collectability is reasonably assured, the associated costs can be estimated reliably, and there is no continuing management involvement with the goods. The Corporation recognizes revenue from the sale of other goods at a point in time.

(k) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Corporation has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Corporation's estimate or the amount expected to be payable under the residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination period.

The Corporation presents right-of-use assets and finance lease liabilities in the consolidated statement of financial position.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have an expected lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Corporation acts as a lessor, it determines at inception whether each lease is a finance lease or an operating lease.

The Corporation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incremental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Corporation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If the contract contains lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration in the contract.

(l) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, using the effective interest method.

Finance costs comprise of interest expense on loans and borrowings, unwinding of the discount on ARO provisions, and changes in the fair value of financial assets at fair value through the consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in the consolidated statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per share

The Corporation presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which is comprised of share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Corporation that is engaged either in providing related products or services (business segment) which is subject to risks and returns that are different from those of other segments. The business segments are determined based on the Corporation’s management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(p) Foreign currency translation

The consolidated financial statements are presented in CAD.

Foreign currency transactions entered into are translated into the functional currency of the operations at the exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency using the exchange rate on the period end date. Foreign currency translation gains and losses resulting from the settlement of transactions and the re-translation at period end are recognized in the consolidated statement of comprehensive income within total profit. Non-monetary items that originated in a foreign currency are translated at the exchange rate from the original transaction date.

The US entity has a USD functional currency therefore translated to be included in the consolidated financial statements in CAD as follows: income and expenses are translated into CAD using the exchange rates on the dates of the transactions and the assets and liabilities on the consolidated statement of financial position are translated into CAD at the period end exchange rate. The effect of translation is recognized in other comprehensive income and included as translation of foreign operations in accumulated other comprehensive income within equity.

Foreign currency gains and losses arising from monetary items receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur, form a part of the exchange differences in the net investment in the foreign operations and are recognized initially in other comprehensive income. Upon disposal or partial disposal of an entity with a functional currency other than CAD, any accumulated exchange differences will be reclassified to the consolidated statement of comprehensive income within total profit.

(q) Government Assistance

IAS 20 "Accounting for government grants and disclosure of government assistance" ("IAS 20") sets out the standard for accounting of government grants and other forms of government assistance. Government assistance is not recognized until there is reasonable assurance that the Corporation will comply with the associated conditions, and that the grant will be received. Government grants shall be recognized in the consolidated statement of comprehensive income on a systematic basis over the periods in which the entity recognizes the expenses for the related costs for which the assistance is intended to compensate. For government assistance that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognized in the consolidated statement of comprehensive income for the period in which it becomes receivable. The Corporation recognized government assistance as a reduction in the related expense, through the consolidated statement of comprehensive income.

(r) Adoption of new IFRS standards

Definition of a Business

In October 2018, the International Accounting Standards Board ("IASB") issued '*Definition of a Business (Amendments to IFRS 3)*' which is intended to clarify the definition of a business. The amendment includes an election to use a concentration test. This simplified assessment results in the treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar assets. If the election to use the concentration test is not made or the test fails, then the assessment focuses on the existence of a substantive process. Goodwill may only be recognized as a result of acquiring a business, not as a result of an asset acquisition. The Corporation adopted the amendment as at the effective date of January 1, 2020, with no impact to the consolidated financial statements as a result of initial application.

Definition of Material

In October 2018, the IASB issued '*Definition of Material (amendments to IAS 1 and IAS 8*)' which clarified and aligned the definition of material in order to improve consistency in the application of that concept. The Corporation adopted the amendment as at the effective date of January 1, 2020, with no impact to the consolidated financial statements as a result of initial application.

(s) New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations not yet effective for the year ended December 31, 2020, and not applied in preparing these consolidated financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective on January 1, 2022.

In May 2020, the IAS issued '*Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*' which amends the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Costs of fulfilling a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Corporation is still assessing the impact this amendment will have on its consolidated financial statements, if any.

4. Business combination

On May 29, 2020, Dexterra Group Inc. (previously Horizon North), acquired 100% of the issued and outstanding shares of Dexterra through issuing 31,785,993 shares of the Corporation to Dexterra Parent, as described in Note 1. Management performed an analysis under IFRS 3 and determined that Dexterra is the accounting acquirer of Horizon North. As such, the Acquisition constitutes a Reverse Take Over for accounting purposes. Therefore, Dexterra is deemed to be the continuing enterprise for accounting purposes and accordingly its assets and liabilities are included in these consolidated financial statements at historical cost. Horizon North, being the acquired enterprise for accounting purposes, has its assets and liabilities included in these financial statements at their fair value on the date of the acquisition in accordance with IFRS 3.

The acquisition is being accounted for using the acquisition method whereby the assets and liabilities of the acquiree are recorded at their fair values, with the deficit of the aggregate consideration relative to the fair value of the identifiable net assets recorded as a bargain purchase gain. The Corporation assessed the fair values of the net assets acquired based on management's best estimate of the fair value, which takes into consideration the condition of the assets acquired, current industry conditions and the discounted future cash flows expected to be received from the assets as well as the amount it is expected to cost to settle the outstanding liabilities. The purchase equation is final as at December 31, 2020.

Consideration:		**(000's)**
Share consideration	$	100,904

Recognized fair value amounts of assets acquired and liabilities assumed:		**(000's)**
Trade & other receivables (net)[(1)]	$	110,843
Inventories		12,668
Prepaid expenses and other		7,897
Property, plant and equipment		191,462
Right-of-use assets		21,878
Intangible assets - trade names		3,800
Deferred income tax asset		8,250
Income taxes receivable		357
Other assets[(2)]		10,479
Trade and other payables		(60,200)
Deferred revenue		(2,079)
Asset retirement obligations		(11,100)
Lease liabilities		(25,285)
Loans and borrowings		(138,185)
Total identifiable net assets	$	130,785
Bargain purchase gain on acquisition	$	(29,881)

(1) Trade and other receivables included a provision for expected credit losses of $3.9 million.
(2) Other assets at May 29, 2020 included an equity accounted investment in Gitxaala Horizon North Services Limited Partnership ($8.8 million), a joint venture that is 49% owned by the Corporation, and the long term portion of finance lease receivable.

The share consideration was determined based on the number of Dexterra Group common shares not acquired by Dexterra as part of the Acquisition, which amounted to 33,083,424 common shares at $3.05 per common share. The amount per share was based on Dexterra Group's closing price on the TSX on May 29, 2020, the date of the closing of the Acquisition, retroactively adjusted for the Consolidation. A bargain purchase gain was recorded with this business combination as the share consideration is based upon a share price at closing which was lower than the fair value of the identifiable net assets.

From the date of acquisition to December 31, 2020, the former Horizon North operations contributed $228.4 million of revenue and $17.4 million of income before tax to the Corporation. If the business combination had been completed on January 1, 2020, the revenue and income before income tax for the year ending December 31, 2020 for the combined entity, adjusting for the former Horizon North's Q1 2020 impairment loss and the lower depreciation expense from the assets being recorded at fair value, would have been $640.7 million and $67.1 million, respectively, which includes the $29.9 million bargain purchase gain and $4.9 million in transaction costs.

Dexterra incurred costs related to the acquisition of Dexterra Group of $1.8 million relating to share issuance, legal, due diligence and external advisory fees. The cost related to the share issuance totaling $0.1 million were included in share capital on the consolidated statement of financial position. The costs related to the due diligence and external advisory fees totaling $1.7 million were included in selling, general & administrative expenses on the consolidated statement of comprehensive income.

2019 Business Combination

On November 1, 2019, Dexterra acquired 100% of the voting shares of the Powerful Group of Companies Inc. ("PGC") and certain affiliates, which provides HVAC, electrical, plumbing, interior renovation, carpentry, communications, fire safety and energy management services. The acquisition of PGC expanded the Corporation's capabilities and services it can offer to its facility management clients. Total consideration was $6.5 million, with $3.9 million in total identifiable net assets, resulting in Goodwill of $2.57 million. Contingent consideration of $1.8 million was recorded, of which $1.4 million remains as at December 31, 2020.

Revenue and net earnings for the year ended December 31, 2019, would have been $7.3 million and $0.9 million higher, respectively, if the acquisition had occurred on January 1, 2019. Subsequent to the acquisition date of November 1, 2019, PGC contributed revenue and net earnings of $1.3 million and $0.01 million, respectively, to the Facilities Management segment for the year ended December 31, 2019.

5. Trade and other receivables

(000's)		December 31, 2020		December 31, 2019
Trade receivables	$	64,954	$	26,573
Accrued receivables		68,922		8,877
Construction receivables		11,867		—
Other receivables		5,513		134
	$	151,256	$	35,584
Provision for expected credit losses		(1,724)		(152)
Trade and Other receivables	$	149,532	$	35,432
Holdbacks		(11,185)		(811)
Trade and Other receivables excluding holdbacks	$	138,347	$	34,621

Construction receivables represent progress billings to customers under open construction contracts, holdback amounts billed on construction contracts which are not due until the contract work is substantially completed and amounts recognized as revenue under open construction contracts not billed to customers. The Corporation estimates that the carrying value of financial assets within trade and other receivables approximate their fair value.

6. Inventories

(000's)	December 31, 2020	December 31, 2019
Raw materials	$ 4,082	$ —
Work-in-progress	1,114	—
Finished goods and supplies	7,249	4,451
Inventories	$ 12,445	$ 4,451

7. Property, plant and equipment

Carrying Amounts (000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Furniture, fixtures & other equipment	Total
Cost					
December 31, 2018	$ 3,283	$ 1,062	$ 336	$ 2,813	$ 7,494
Acquisition	—	—	—	382	382
Additions	2,228	476	228	1,528	4,460
Disposals	(414)	(12)	(42)	(355)	(823)
December 31, 2019	5,097	1,526	522	4,368	11,513
Acquisition	142,688	26,405	18,838	2,962	190,893
Acquisition - Assets under construction	19	—	—	550	569
Additions	3,757	(217)	695	223	4,458
Assets under construction	12	—	—	102	114
Asset Retirement Obligation	1,865	—	—	—	1,865
Disposals	(4,989)	(30)	(2,597)	(38)	(7,654)
December 31, 2020	$ 148,449	$ 27,684	$ 17,458	$ 8,167	$ 201,758
Accumulated Depreciation					
December 31, 2018	$ 899	$ 264	$ 56	$ 769	$ 1,988
Depreciation	838	38	56	772	1,704
Disposals	(210)	(12)	(14)	(197)	(433)
December 31, 2019	1,527	290	98	1,344	3,259
Depreciation	9,823	922	3,866	1,716	16,327
Disposals	(1,799)	(7)	(54)	(15)	(1,875)
December 31, 2020	$ 9,551	$ 1,205	$ 3,910	$ 3,045	$ 17,711
Net book value					
December 31, 2020	$ 138,898	$ 26,479	$ 13,548	$ 5,122	$ 184,047
December 31, 2019	$ 3,570	$ 1,236	$ 424	$ 3,024	$ 8,254

8. Leases

(i) Right-of-use assets

(000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Furniture, fixtures & other equipment	Total
Cost					
January 1, 2019	$ —	$ —	$ —	$ —	$ —
Adoption of IFRS 16	—	886	476	—	1,362
Additions	—	33	698	184	915
December 31, 2019	—	919	1,174	184	2,277
Acquisition	2,445	19,316	75	42	21,878
Additions	3,524	788	391	219	4,922
Disposals	(376)	(638)	—	—	(1,014)
December 31, 2020	$ 5,593	$ 20,385	$ 1,640	$ 445	$ 28,063
Accumulated Depreciation					
January 1, 2019	$ —	$ —	$ —	$ —	$ —
Depreciation	—	316	243	46	605
December 31, 2019	—	316	243	46	605
Depreciation	2,510	2,806	378	118	5,812
Disposals	(377)	(29)	—	—	(406)
December 31, 2020	$ 2,133	$ 3,093	$ 621	$ 164	$ 6,011
Net book value					
December 31, 2020	$ 3,460	$ 17,292	$ 1,019	$ 281	$ 22,052
December 31, 2019	$ —	$ 603	$ 931	$ 138	$ 1,672

(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows	(000's)
Year 1	$ 8,394
Year 2	5,474
Year 3	3,888
Year 4	2,600
Year 5 and beyond	10,041
Total undiscounted lease payable as at December 31, 2020	$ 30,397
Lease liabilities included in the statement of financial position at December 31, 2020	$ 26,081
Current	7,160
Non-current	18,921

At December 31, 2020, the Corporation has not sub-leased any right-of-use assets, there were no restrictions or covenants imposed by leases that would create a material impact on the financial statements and there were no sale and leaseback transactions.

The amount of lease interest expense recognized during the year ended December 31, 2020 is $0.8 million (2019 - $0.1 million).

9. Intangible assets and Goodwill

Intangible assets at the consolidated statement of financial position date are as follows:

(000's)	Trade Names	Customer Relationships	Computer software and other	Total
Cost				
As at December 31, 2018	$ —	$ 20,000	$ 751	$ 20,751
Acquisition	—	2,483	—	2,483
Additions	—	—	374	374
As at December 31, 2019	—	22,483	1,125	23,608
Acquisition	3,800	—	—	3,800
Additions	—	—	1,524	1,524
December 31, 2020	$ 3,800	$ 22,483	$ 2,649	$ 28,932
Accumulated Amortization				
As at December 31, 2018	$ —	$ 973	$ 45	$ 1,018
Amortization	—	1,190	342	1,532
As at December 31, 2019	—	2,163	387	2,550
Amortization	380	1,854	691	2,925
December 31, 2020	$ 380	$ 4,017	$ 1,078	$ 5,475
Net book value				
December 31, 2020	$ 3,420	$ 18,466	$ 1,571	$ 23,457
December 31, 2019	$ —	$ 20,320	$ 738	$ 21,058

Goodwill at the consolidated statement of financial position date is as follows:

(000's)	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 98,640	$ 96,070
Acquisitions (Note 4)	—	2,570
Balance, end of year	$ 98,640	$ 98,640

Impairment of Goodwill

The Corporation assesses indicators of impairment at the end of each reporting period and performs a detailed impairment test at least annually. At December 31, 2020, an impairment test was performed for all CGUs with allocated goodwill, which comprise Facilities Management and Workforce Accommodations and Forestry. No impairment was identified.

The recoverable amount of the CGUs was calculated based on the VIU method, which is based on discounted cash flow models. The cash flows are derived from the Corporation's board approved budget and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGUs being tested. The calculation of the value in use was based on the following key assumptions:

- The discount rate was estimated based on the Corporation's weighted average cost of capital, taking into account the nature of the assets being valued and their specific risk profile. The after-tax discount rates used in determining the recoverable amount for both CGUs was 12.7% (2019 - 12.9%).
- The revenue growth rates for the first five years are based on management's internal budgets and projections. The projections for Facilities Management take into account the impacts of the pandemic on the aviation and retail sectors, which are forecasted to have an impact on the 2021 and 2022 forecasted cash flows. Annual revenue growth rates between 15% to 23% and 0% to 4% were used for the Facilities Management and Workforce Accommodation and Forestry CGUs, respectively. The long-term growth rate for both CGUs used in determining the recoverable amount is 2.5% (2019 - 2.5%).

Sensitivities

The most sensitive inputs to the VIU model are the discount rate and the revenue growth rate. All else being equal, a 5% decrease in the revenue growth rates would cause an impairment of $5.3 million for Facilities Management and no impairment for Workforce Accommodations & Forestry. All else being equal, a 1% increase in the discount rate would cause an $5.0 million impairment for Facilities Management and no impairment for Workforce Accommodations & Forestry. The impairment analysis is impacted due to the pandemic's effect on the Facilities Management results and forecasts in the near term, even though the Corporation expects there would be significant improvement in a post-pandemic environment.

10. Other assets

Other assets at December 31, 2020 include an equity accounted investment in Gitxaala Horizon North Services Limited Partnership, a joint venture that is 49% owned by the Corporation ($11.7 million) and long-term lease receivables ($3.1 million), all of which were acquired as part of the Acquisition.

11. Loans and borrowings

(000's)	December 31, 2020	December 31, 2019
Committed credit facility	$ 86,411	$ 5,453
Unamortized financing costs	(1,042)	—
Total borrowings	$ 85,369	$ 5,453

The carrying value of Dexterra Group's debt approximates its fair value, as debt bears interest at variable rates which approximate market rates.

On June 30, 2020, Dexterra Group reached an agreement with its lenders to amend its credit facility and extend the maturity date to December 30, 2022. The credit facility has an available limit of $175.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. The Corporation is required to maintain a Debt to EBITDA ratio of less than 3.50:1:00 and an interest coverage ratio greater than 2:50:1:00 as at December 31, 2020. Amounts drawn on the credit facility incur interest at bank prime rate plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. The credit facility has a standby fee ranging from 0.50% to 0.81%.

As at December 31, 2020, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility and available borrowing capacity was $81.6 million, which includes $7.0 million in letters of credit.

The operating facility in place at December 31, 2019 was Dexterra's stand-alone facility prior to the Acquisition. The facility was repaid and cancelled upon closing the Acquisition.

12. Asset retirement obligations

Provisions include constructive site restoration obligations for camp projects to restore lands to previous condition when camp facilities are dismantled and removed.

(000's)	December 31, 2020	December 31, 2019
Balance, beginning of year	$ —	$ —
Acquisition	11,100	—
Additions	1,419	—
Asset retirement obligations settled	(1,360)	—
Change in estimate	448	—
Accretion of provisions	22	—
Balance, end of year	$ 11,629	$ —

The estimated present value of rehabilitating the sites at the end of their useful lives has been estimated using existing technology, adjusted for inflation and discounted using a risk-free rate. The future value amount of $11.8 million at December 31, 2020 (December 31, 2019 - nil) was determined using a risk free interest rate of 0.53% and an inflation rate of 0.30%. The timing of these payments is dependent on various factors, such as the estimated lives of the equipment and industry activity in the region but is anticipated to occur between 2021 and 2028.

(000's)	December 31, 2020	December 31, 2019
Current	$ 5,102	$ —
Non-current	6,527	—
Balance, end of year	$ 11,629	$ —

13. Share capital

As described under Note 1, on July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares. All current and prior period share and per share data presented below, including share options outstanding, has been retroactively adjusted to reflect the Consolidation unless otherwise noted.

(a) Authorized and issued

The Corporation is authorized to issue an unlimited number of voting common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The number of common shares and share capital are presented in the table below:

(In 000's other than number of shares)	Total number of shares	Total share capital
Balance, December 31, 2018	27,524,764	$ 113,908
Issuance of common shares	4,261,229	17,635
Balance, December 31, 2019	31,785,993	$ 131,543
Acquisition	33,083,424	100,904
Share issue costs	—	(99)
Balance, December 31, 2020	64,869,417	$ 232,348

On May 29, 2020, Dexterra Group acquired 100% of the issued and outstanding shares of Dexterra through issuing 31,785,993 shares of Dexterra Group to Dexterra Parent, as described in Note 1 and Note 4. As Dexterra was determined to be the accounting acquirer, the number of common shares outstanding as at December 31, 2019 has been adjusted retrospectively to reflect the capital of Dexterra using the exchange ratio established in the acquisition agreement.

(b) Long-term incentive plans

Share option plan

The Corporation adopted a plan in 2020 for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, or 6,486,942 options, subject to certain terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and current options issued vest over three years in three equal portions on the first, second and third anniversary from the grant date, except for 200,000 options which vest and expire on March 12, 2021. All share options are equity settled with a weighted average remaining contractual life of 4.4 years as at December 31, 2020 and the current options granted have a maximum term of 5 years.

	Year ended December 31, 2020	
	Outstanding options	Weighted average exercise price
Balance, beginning of period	—	$ —
Granted	1,055,000	3.21
Forfeited	(65,000)	3.05
Balance, end of period	990,000	$ 3.22

The exercise prices for options outstanding and exercisable at December 31, 2020 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$3.05	940,000	$ 3.05	4.4	—	$ —
$6.21 to $6.53	50,000	$ 6.37	5.0	—	$ —

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair value of all options granted during the period and the assumptions used in their determination are as follows:

	December 31, 2020
Fair value per option	$ 1.25
Forfeiture rate	9.96 %
Grant price	$ 3.21
Expected life	3.0 years
Risk free interest rate	0.30 %
Dividend yield rate	0.23 %
Volatility	62.74 %

Expected volatility is estimated by considering historic average share price volatility. For the year ended December 31, 2020, share based compensation for share options included in net earnings amounted to $0.4 million (2019 - nil).

Subsequent to year-end, the Corporation issued 527,272 share options under the plan.

Restricted Share Units ("RSU") and Performance Share Units ("PSU") incentive award plan

The Corporation has a RSU Plan and a PSU Plan whereby RSUs and PSUs may be granted, subject to certain terms and conditions.

Under the terms of the RSU plan, the awarded units vest in three equal portions on the first, second and third anniversary from the grant date, and will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. There are no RSUs outstanding as at December 31, 2020. Subsequent to year-end, the Corporation issued 28,970 RSUs to directors which will be settled in cash upon vesting.

Under the terms of the PSU plan, the awarded units vest on the third anniversary of the grant date according to the vesting criteria, and the vested units will be settled in cash in the amount equal to the fair market value of the Corporation's share price on that date. The vesting criteria is fixed by the Board of Directors. Performance Criteria set by the Board at the time of the grant of PSUs, may include i) total shareholder return, including dividends; ii) the participant's satisfactory individual performance; and (iii) any other terms and conditions the Board may in its discretion determine with respect to vesting. There are no PSUs outstanding as at December 31, 2020. Subsequent to year-end, the Corporation issued 301,454 PSUs to its officers and key employees which will be settled in cash upon vesting, if the performance criteria are met.

14. Revenue & other revenue

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

(000's)	December 31, 2020	December 31, 2019
Contract assets, which are included in trade and other accounts receivables	$ 35,241	$ 1,355
Contract liabilities, which are included in deferred revenue	$ 3,310	$ 2,867

The contract assets relate to the Corporation's rights for work completed but not billed at the reporting date, mainly related to the modular business, and are included in trade and other receivables. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Corporation completes a construction milestone under the agreed upon contract. The balance is made up of $24.0 million in accrued construction receivables, net of holdbacks of $5.1 million, and $11.2 million in holdbacks receivable from customers, which are generally due within three to six months of services being completed. The contract liabilities relate to payments received from customers for which revenue is recognized over time.

The amount of $2.9 million recognized in contract liabilities at the beginning of the year has been recognized as revenue for the year ended December 31, 2020, with the exception of $0.5 million included in deferred revenue as at December 31, 2019, which is being amortized over 1.5 years.

As all contracts have an expected duration of one year or less, the Corporation has taken the practical expedient and not disclosed the remaining performance obligations as at December 31, 2020.

Other revenue

Other revenue of $6.6 million comprises amounts awarded to the Corporation through legal proceedings with two former customers. The recovery of expenses of $1.3 million was recorded against legal costs in selling, general and administrative expenses.

15. Direct costs

(000's)	Years ended December 31, 2020	2019
Wages and benefits	$ 161,771	$ 153,926
Subcontracting	69,503	28,730
Product cost	48,683	29,048
Equipment and repairs	7,943	5,102
Vehicles	8,621	3,754
Cost of goods manufactured - materials	32,167	—
Cost of goods manufactured - labour	16,007	—
Partnership profit sharing	4,924	—
Workforce accommodations operating costs	9,718	708
Other operating expense	20,165	13,804
	$ 379,502	$ 235,072

The amount of inventories recognized as an expense during the year ended December 31, 2020 is $48.2 million (2019 - nil).

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy, which reduced wages and benefits by $31.7 million for the year ended December 31, 2020.

16. Selling, general and administrative expenses

(000's)	Years ended December 31, 2020	2019
Wages and benefits	$ 17,395	$ 3,560
Other selling and administrative expenses	4,712	5,962
	$ 22,107	$ 9,522

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy, which reduced wages and benefits by $1.2 million for the year ended December 31, 2020.

17. Income taxes

For the year ended December 31, 2020, the Corporation's effective income tax rate was 16%. The lower tax rate for the year was primarily due to the Acquisition and related non-taxable bargain purchase gain.

For the year ended December 31, 2019, the Corporation's effective income tax rate of 26% was relatively consistent with the statutory rate.

The Corporation has non-capital losses for Canadian tax purposes of $76.3 million available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $0.8 million available to reduce future taxable income in the United States. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of $2.0 million have not been recognized in respect of $7.2 million of tax losses because it is not probable that future taxable profit will be generated against which the subsidiary of the Corporation can utilize the benefits.

The current and deferred tax expense breakdown is as follows:

Income tax expense (000's):	Years ended December 31, 2020	2019
Current	$ 8,258	$ 2,100
Deferred	3,952	1,200
	$ 12,210	$ 3,300

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the differences is as follows:

	Years ended December 31,	
(000's)	2020	2019
Earnings before income tax	$ 76,689	$ 12,604
Combined federal and provincial income tax rate	26 %	26 %
Expected income tax expense	$ 19,939	$ 3,277
Non-deductible share based compensation	89	—
Changes in tax rates	(31)	—
Non-taxable portion of capital gain	282	—
Non-deductible bargain purchase gain	(7,919)	—
Non-deductible and other	(150)	23
	$ 12,210	$ 3,300

18. Cash flow information

The details of the changes in non-cash working capital are as follows:

	Years ended December 31,	
(000's)	2020	2019
Trade and other receivables	$ (2,181)	$ 2,117
Inventories	4,674	(839)
Prepaid expenses and other	2,346	493
Trade and other payables	(659)	(11,540)
Deferred revenue	(2,713)	—
	$ 1,467	$ (9,769)

19. Net earnings per share

A summary of the common shares used in calculating earnings per share is as follows:

	Years ended December 31,	
	2020	2019
Number of common shares, beginning of period	31,785,993	27,524,764
Common shares issued	—	4,230,012
Acquisition	19,524,619	—
Weighted average common shares outstanding - basic	51,310,612	31,754,776
Effect of share purchase options[(1)]	135,972	—
Weighted average common shares outstanding - diluted	51,446,584	31,754,776

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common stock during the period exceeds the exercise price of the option.

20. Dividends

A dividend of $0.075 per share was declared for the quarter ended December 31, 2020 and has been accrued in trade and other payables as at December 31, 2020. The dividend is payable to shareholders of record at the close of business on December 31, 2020 to be paid on January 15, 2021.

(ooo's except per share amounts)	2020		2019	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ —	$ —	$ —	$ —
June 30	—	—	—	—
September 30	0.075	4,865	—	—
December 31	0.075	4,865	0.094	3,000
Total dividend	$ 0.15	$ 9,730	$ 0.094	$ 3,000

21. Reportable segment information

The Corporation operates through three operating segments: Facilities Management, WAFES and Modular Solutions.

The Facilities Management business delivers operation and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence and security, retail, healthcare, education and government. The WAFES segment combines the workforce accommodations operations, forestry and associated services as well as energy services such as access matting and relocatable rentals. The Modular Solutions segment comprises all modular manufacturing and installation operations for social and affordable housing, commercial and residential end markets. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Year ended December 31, 2020 (*000's*)	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 147,229	$ 228,112	$ 98,767	$ —	$ (2,862)	$ 471,246
Other revenue	—	6,569	—	—	—	6,569
Total revenue	147,229	234,681	98,767	—	(2,862)	477,815
Operating expenses						
Direct costs	121,791	175,085	85,285	—	(2,659)	379,502
Selling, general and administrative expenses	4,093	3,335	2,847	11,832	—	22,107
Depreciation and amortization	3,343	18,129	2,485	1,107	—	25,064
Share based compensation	—	—	—	354	—	354
(Gain) loss on disposal of property, plant and equipment	(4)	(20)	60	—	—	36
Operating income (loss)	18,006	38,152	8,090	(13,293)	(203)	50,752
Earnings on equity investment	—	(688)	—	—	—	(688)
Bargain purchase gain	—	—	—	(29,881)	—	(29,881)
Finance costs	—	253	663	3,716	—	4,632
Earnings (loss) before income taxes	$ 18,006	$ 38,587	$ 7,427	$ 12,872	$ (203)	$ 76,689
Total assets	$ 183,221	$ 246,465	$ 74,008	$ 11,041	$ (1,212)	$ 513,523

Year ended December 31, 2019 (*000's*)[(1)]	Facilities Management	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	$ 166,761	$ 94,298	$ —	$ —	$ —	$ 261,059
Operating expenses						
Direct costs	153,746	81,326	—	—	—	235,072
Selling, general and administrative expenses	3,237	1,570	—	4,715	—	9,522
Depreciation and amortization	2,261	1,210	—	370	—	3,841
(Gain) loss on disposal of property, plant and equipment	50	(233)	—	(19)	—	(202)
Operating income (loss)	7,517	10,425	—	(5,066)	—	12,826
Finance costs	—	—	—	222	—	222
Earnings (loss) before income taxes	$ 7,517	$ 10,425	$ —	$ (5,288)	$ —	$ 12,604
Total assets	$ 111,587	$ 61,277	$ —	$ 1,966	$ —	$ 174,830

(1) Certain prior year amounts have been reclassified to conform to the current year's presentation.

22. Financial risk management

Overview

The Corporation is exposed to a number of different financial risks arising from the normal course of business operations as well as through the Corporation's financial instruments comprised of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. These risk factors include credit risk, liquidity risk, and market risk, including currency exchange risk and interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The following presents information about the Corporation's exposure to each of the risks and the Corporation's objectives, policies and processes for measuring and managing risk. For additional risks and uncertainties regarding the Corporation, please refer to Risk Factors in Appendix A of the Annual Information Form.

COVID-19 Pandemic

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The Corporation's business relies, to a certain extent, on free movement of goods, services, and capital within Canada, which has been significantly restricted as a result of the COVID-19 pandemic. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Corporation's business in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada. Such further developments could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The management team has implemented plans to modify the cost structure to mitigate the impact of COVID-19, while continuing to provide essential services to its clients. Additionally, the Corporation has applied for government support programs and qualified for $32.9 million of Canada Emergency Wage Subsidy ("CEWS") funding for the year ended December 31, 2020, which has helped to offset the negative earnings impact of COVID-19.

The Corporation continues to monitor the recoverability of trade receivables and the impact of current and expected future credit losses are reflected in the expected credit loss provisions. There was no significant impact to expected future credit losses due to COVID-19 at December 31, 2020. Further developments related to the economy in Canada, which were unforeseen as at December 31, 2020, could have an adverse effect on the recoverability of trade receivables and the expected credit loss provision. The ultimate impact of COVID-19 on the Corporation's liquidity and future cash flows may not be fully known for an extended period of time.

Credit risk

The following shows the aged balances of trade and other receivables:

(000's)	December 31, 2020	December 31, 2019
Trade receivables		
Neither impaired nor past due	$ 52,860	$ 14,099
Outstanding 31-60 days	7,798	8,649
Outstanding 61-90 days	1,152	2,214
Outstanding more than 90 days	3,144	1,611
Total trade receivables	64,954	26,573
Construction receivables		
Neither impaired nor past due	6,325	—
Outstanding 31-60 days	3,527	—
Outstanding 61-90 days	1,309	—
Outstanding more than 90 days	706	—
Total construction receivables	11,867	—
Accrued receivables	39,796	8,877
Accrued construction receivables	29,126	—
Other receivables	5,513	134
Provision for expected credit losses	(1,724)	(152)
Total trade and other receivables	$ 149,532	$ 35,432

As at December 31, 2020, the Corporation provided for expected credit losses in the amount of $1.7 million. Due to the COVID-19 pandemic and the resulting material disruption to businesses globally, combined with the significant decline in commodity prices, the provision includes $0.7 million recorded for the year ended December 31, 2020 that specifically relates to higher risk receivables from customers operating in the oil & gas and mining industries.

The Corporation had no major customers who generated greater than 10% of revenue in 2020, compared to one major customer who generated 12% of total revenues in 2019.

Liquidity risk

The following shows the timing of cash outflows relating to trade and other payables, lease liabilities and loans and borrowings:

	December 31, 2020			December 31, 2019		
(000's)	Trade and other payables[(1)]	Lease liabilities[(2)]	Loans and borrowings[(3)]	Trade and other payables[(1)]	Lease liabilities[(2)]	Loans and borrowings[(3)]
Year 1	$ 81,815	$ 8,394	$ —	$ 16,629	$ 692	$ 5,453
Year 2	767	5,474	86,411	383	972	—
Year 3	—	3,888	—	375	208	—
Year 4	—	2,600	—	—	—	—
Year 5 and beyond	681	10,041	—	681	—	—
	$ 83,263	$ 30,397	$ 86,411	$ 18,068	$ 1,872	$ 5,453

(1) Trade and other payables include trade and other payables and contingent consideration.
(2) Lease liabilities include total undiscounted lease payments.
(3) Loans and borrowings include Dexterra Group's senior secured revolving term credit facility. The timing and amount of interest payments will fluctuate depending on balances outstanding and applicable interest rates.

(b) **Market risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on future performance of the Corporation. The market price movements that could adversely affect the value of the Corporation’s financial assets, liabilities and expected future cash flows include foreign currency exchange risk and interest rate risk. As the Corporation’s exposure to foreign currency exchange risk and interest rate risk is limited, the Corporation does not currently hedge its

financial instruments.

i. Foreign currency exchange risk

The Corporation has limited exposure to foreign currency exchange risk as sales and purchases are typically denominated in CAD. The Corporation's exposure to foreign currency exchange risk arises from the purchase of some raw materials, which are denominated in USD, and foreign operations with USD functional currency.

As the foreign currency exchange risks are primarily based on the realized foreign exchange, the following sensitivity analysis is to determine the impact on cash used in operating activities. The effect of a $0.01 increase in the USD/CAD exchange rate would decrease cash used in operating activities for the year ended 2020 by approximately $0.02 million (December 31, 2019 - $0.06 million). This assumes that the quantity of USD raw material purchases and the foreign operations in the year remain unchanged and that the change in the USD/CAD exchange rate is effective from the beginning of the year.

ii. Interest rate risk

The Corporation is exposed to interest rate risk as changes in interest rates may affect interest expense and future cash flows. The primary exposure is related to the Corporation's revolving credit facility which bears interest at a rate of prime plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately $0.7 million for the year ended December 31, 2020. This assumes that the amount and mix of fixed and floating rate debt in the period remains unchanged and that the change in interest rates is effective from the beginning of the period.

23. Related parties

(000's)	December 31, 2020	December 31, 2019
Joint Venture		
Revenue	$ 2,931	$ —
Recovery of administrative overhead	285	—
Included in accounts receivable	9,335	—

The Corporation earned revenue of $2.9 million for the year ended December 31, 2020 for the manufacturing, installation and transportation of relocatable units provided to Gitxaala Horizon North Services LP, a joint venture that is 49% owned by the Corporation. There was also $0.3 million in management fees and cost recoveries for administrative overhead related to accounting and management services. $9.3 million is owed to Dexterra Group from Gitxaala Horizon North Services LP. Of this amount, $6.9 million is amounts due from third parties and the remaining $2.4 million is receivable from Gitxaala First Nation, the entity that owns 51% of the joint venture.

As at December 31, 2020, Dexterra Group has performance and labour bonds outstanding with Northbridge General Insurance Corporation, a company with the same controlling shareholder as Dexterra Group, totaling $56.7 million. $0.4 million in fees for these bonds were paid through an intermediary broker, including broker commission, for the year ended December 31, 2020 (2019 - $0.9 million).

All outstanding balances are to be settled with cash, and none of the balances are secured.

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel of the Corporation include its named executive officers and the board of directors.

Key management personnel compensation for the year ended December 31, 2020 and 2019 is comprised as follows:

	Years ended December 31,	
(000's)	2020	2019[(1)]
Short-term employee benefits	$ 3,086	$ 1,778
Post-employment benefits	82	120
Share based compensation	274	—
	$ 3,442	$ 1,898

(1) Certain prior year amounts have been amended to conform to the current year's presentation.

24. Significant subsidiaries

The consolidated financial statements of the Corporation include the accounts of its one wholly-owned partnership, as well as twelve special purpose entities:

		Ownership Interest (%)	
Subsidiary Name	Country of Incorporation	December 31, 2020	December 31, 2019
Horizon North Camp & Catering Partnership	Canada	100	—
Kitikmeot Camp Solutions Limited (“Kitikmeot”)	Canada	49	—
Acho Horizon North Camp Services Limited Partnership (“Acho”)	Canada	49	—
Secwepemc Camp & Catering Limited Partnership (“Secwepemc”)	Canada	49	—
Halfway River Horizon North Camp Services Limited Partnership (“HRHN”)	Canada	49	—
Two Lakes Horizon North Camp Services Limited Partnership (“TLHN”)	Canada	49	—
Tahltan Horizon North Services Inc. ("Tahltan")	Canada	49	—
Acden Horizon North Limited Partnership ("Acden")	Canada	49	—
Sekui Limited Partnership ("Sekui")	Canada	49	—
Eclipse Camp Solutions Incorporated ("Eclipse")	Canada	49	—
Deninu Kue Horizon North Camp & Catering Limited Partnership ("DKHN")	Canada	49	—
Skin Tyee Horizon North Camp Services Limited Partnership ("STHN")	Canada	49	—
Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik")	Canada	49	49

The Partnership is the primary operating entity of the Corporation.

(a) Special purpose entities

The Corporation has a 49% interest in the ownership and voting rights of Kitikmeot, Acho, Secwepemc, HRHN, TLHN, Tahltan, Acden, Sekui, Eclipse, DKHN, STHN and Tangmaarvik and maintains two out of four board of director seats in these special purpose entities (“SPE”). These SPE’s are consolidated when, based on an evaluation of the substance of its relationship with the Corporation and the SPE’s risks and rewards, the Corporation concludes that it controls the SPE. The SPE’s, other than Tangmaarvik, do not have net earnings but rather have limited assets and the only non-flow through expenses are management fees paid to the partners. An aboriginal billing vehicle or partnership is required to achieve aboriginal participation and secure projects in specific regions of Canada. The Corporation’s control is established under terms that impose strict limitations on the decision-making powers of the SPE’s management. The control results in the Corporation receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPE’s activities and retaining the majority of the residual or ownership risks related to the SPE’s or their assets. The SPE's, other than Tangmaarvik, were acquired as part of the Acquisition.

CORPORATE INFORMATION

Board of Directors

R. William McFarland (1)(2)
Chair of the Board
Toronto, Ontario

Mary Garden (1)(2)
Victoria, British Columbia

Rod Graham
Calgary, Alberta

David Johnston (2)(3)
Ottawa, Ontario

Simon Landy (1)(3)
Toronto, Ontario

John MacCuish
Burlington, Ontario

Kevin Nabholz (2)(3)
Calgary, Alberta

Russell Newmark (1)(3)
Inuvik, Northwest Territories

(1) Audit Committee Member
(2) Corporate Governance and Compensation Committee Member
(3) Enterprise Risk Management Committee Member

Auditor

PricewaterhouseCoopers LLP
Toronto, Ontario

Transfer Agent

AST Trust Company (Canada)
1 Toronto Street, Suite 1200
Toronto, Ontario M5C 2V6

Annual Meeting of Shareholders

Wednesday, May 19, 2021 at 10:00 a.m. Eastern Time
Virtual Meeting: Live Webcast :
https://web.lumiagm.com/170453125

Senior Leadership Team

John MacCuish
Chief Executive Officer &
President Facilities Management

R. Drew Knight
Chief Financial Officer

Cindy G. McArthur
Chief Human Resources Officer

Mark Becker
Chief Operating Officer & President Workforce
Accommodations, Forestry and Energy Services

Dawn Nigro
President, NRB Modular Solutions

Christos Gazeas
Executive Vice President,
Legal and General Counsel

Lee-Anne Lyon-Bartley
Executive Vice President,
Health, Safety, Environment and Quality

JD MacCuish
Executive Vice President,
Strategy & Corporate Planning

Head Office

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Stock Exchange Listing

Toronto Stock Exchange
Symbol: DXT

Website

dexterra.com

SUCCESS THROUGH SERVICE

We've been serving Canadian clients for over 75 years. The companies that began independently and now form Dexterra Group have an outstanding record of supporting the infrastructure and built assets that play a vital role in our society. We bring the right teams with the right skills together – offering both experience and regional expertise so companies can operate their day to day, confidently and successfully.

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