



**Unaudited Condensed Interim Report to the  
shareholders for the three and nine months  
ended September 30, 2021**

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## Management's Discussion and Analysis Three and nine months ended September 30, 2021 and 2020

The following Management's Discussion and Analysis ("MD&A") prepared as at November 9, 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 is based on unaudited condensed consolidated interim financial statements ("Financial Statements") for the three and nine months ended September 30, 2021 ("Q3 2021") and September 30, 2020 ("Q3 2020") respectively. Readers should also refer to Dexterra Group's most recent audited consolidated financial statements and MD&A for the years ended December 31, 2020 and 2019 and Annual Information Form ("AIF") available on SEDAR at [sedar.com](http://sedar.com) and Dexterra Group's website at [dexterra.com](http://dexterra.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.

The accompanying Q3 2021 Financial Statements of Dexterra Group as at and for the three and nine months ended September 30, 2021 and September 30, 2020 are the responsibility of Dexterra Group's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

### Financial Summary

(000's except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020 <sup>(6)</sup>
Total Revenue	\$ 202,760	\$ 176,918	\$ 531,792	\$ 313,397
EBITDA <sup>(1)(2)(5)</sup>	\$ 22,372	\$ 33,444	\$ 62,701	\$ 58,477
Adjusted EBITDA excluding CEWS <sup>(1)</sup>	\$ 22,372	\$ 17,551	\$ 53,601	\$ 24,870
Adjusted EBITDA excluding CEWS as a % of revenue	11%	10%	10%	8%
Net earnings <sup>(3)(6)</sup>	\$ 7,764	\$ 16,061	\$ 20,451	\$ 64,452
Earnings per share				
Basic & Diluted <sup>(4)</sup>	\$ 0.12	\$ 0.25	\$ 0.31	\$ 1.37
Total assets	\$ 540,477	\$ 547,257	\$ 540,477	\$ 547,257
Total loans and borrowings	\$ 79,635	\$ 108,499	\$ 79,635	\$ 108,499
Net capital proceeds (spending)	\$ (902)	\$ (194)	\$ (4,896)	\$ 1,307

(1) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA excluding CEWS.

(2) Includes nil and \$9.1 million of pre-tax Canada Emergency Wage Subsidy for the three and nine months ended September 30, 2021, respectively (2020 - \$9.5 million and \$28.7 million for the three and nine months ended September 30, 2020 results, respectively).

(3) Includes the recognition for the nine months ended September 30, 2021 of a tax benefit of \$1.1 million related to non-capital loss carryforwards based on the implementation of a new tax plan and the profitability of the related businesses.

(4) All 2020 share and per share data presented has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

(5) The Q3 2020 and YTD EBITDA comparatives include amounts awarded from legal proceedings in the amount of \$6.6 million. Acquisition costs of \$0.2 million and \$1.7 million for the three and nine months ended September 30, 2020, respectively were also included in EBITDA. These items are not expected to be recurring and have been excluded from Adjusted EBITDA excluding CEWS.

(6) 2020 YTD comparative includes a Bargain purchase gain in the amount of \$34.1 million from the acquisition of Horizon North Logistics Inc. 2020 comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition (as defined below under the heading "Core Business").

### Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures include "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, depreciation on equity investments, share based compensation, bargain purchase gain (reduction), and gain/loss on disposal of property, plant and equipment. "Adjusted EBITDA excluding CEWS as a percentage of revenue", calculated as EBITDA before acquisition costs and non-recurring items ("Adjusted EBITDA") and excluding Canada Emergency Wage Subsidy ("CEWS") ("Adjusted EBITDA excluding CEWS") divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less sustaining 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 Makers 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 indicators 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: Integrated Facilities Management, Workforce Accommodations, Forestry and Energy Services (“WAFES”), and Modular Solutions.

Our Integrated Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defence, 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 rapid affordable housing, specialty kiosks, 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 Logistics Inc.) completed 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., 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 maintained 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 Logistics Inc. and Dexterra. The Corporation also changed its name in 2020 to Dexterra Group Inc. As a result, 2020 comparative information included herein is solely Dexterra up until the Acquisition closing date of May 29, 2020. Horizon North financial results are included subsequent to the Acquisition closing date and a bargain purchase gain of \$34.1 million was recorded at the time of the Acquisition. Refer to the audited Consolidated Financial Statements for the years ended December 31, 2020 and 2019 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. All share and per share data presented, including share options outstanding, has been retroactively adjusted to reflect the share consolidation, unless otherwise noted.

## Third Quarter Results and Overview

### Highlights

- The Corporation generated consolidated revenue of \$202.8 million for Q3 2021 which increased \$29.1 million or 17% as compared to Q2 2021, and \$25.8 million, or 15%, as compared with Q3 2020. The increase in revenue from Q2 2021 is mainly attributed to growth in the WAFES business segment due to improved market conditions as COVID restrictions relaxed, new business obtained and the seasonal nature of the Forestry business;
- The Corporation’s EBITDA for Q3 2021 was \$22.4 million. After deducting the wage subsidies included in Q2 2021 of \$4.1 million, EBITDA was 22% higher when compared to Q2 2021;
- The Corporation reported consolidated net earnings of \$7.8 million for Q3 2021 compared to consolidated net earnings of \$8.2 million in Q2 2021, a decrease of \$0.4 million, or 5%. Excluding the wage subsidies recorded in Q2 2021, net earnings increased by \$3.7 million in Q3 2021;
- Dexterra Group generated net cash flows of \$1.8 million from operating activities in Q3 2021, primarily reflecting additional working capital investments in Q3 2021 related to higher revenue in the quarter including the modular education and forestry sectors;
- The Integrated Facilities Management business had Q3 2021 revenue of \$39.1 million, which is up 1% from Q2 2021 and 9% from Q3 2020. Adjusted EBITDA excluding CEWS for Q3 2021 was \$3.1 million, an increase of \$1.0 million as compared to Q3 2020 and generally consistent with Q2 2021. The increase was mainly due to a reduction of certain COVID-19 health measures and new business. The Q3 2021 Adjusted EBITDA excluding CEWS as a percentage of revenue is consistent with Q2 2021 at 8%;
- The WAFES business had Q3 2021 revenue of \$118.7 million, which is an increase of \$31.1 million and \$15.5 million when compared to Q2 2021 and Q3 2020, respectively. The increase in Q3 2021 compared to Q2 2021 is due to several factors, including the BC Coastal pipeline operations being included for a full quarter in Q3 2021, seasonal forestry activities, new contracts won and improved utilization of assets as COVID-19 restrictions were eased. Adjusted EBITDA excluding CEWS for the same period was \$20.9 million, an increase of \$6.1 million and \$3.3 million from Q2 2021 and Q3 2020, respectively.

## Management's Discussion and Analysis Three and nine months ended September 30, 2021 and 2020

The 2020 comparative numbers for revenue and EBITDA also included the one-time gain from legal proceedings of \$6.6 million;

- The Modular Solutions business had Q3 2021 revenue of \$45.1 million and EBITDA of \$2.8 million, a decrease of \$3.2 million and \$1.9 million, respectively, when compared to Q2 2021. The decrease is primarily due to customer delays in the rapid affordable housing projects which negatively impacts the optimization of plant capacity and the resolution of a historical contract dispute. The decrease in revenue does not represent lost revenue. Revenue from these delayed projects is expected to be recorded in Q4 2021 and early 2022;
- Modular Solutions Backlog<sup>1</sup> for rapid affordable housing was \$92.6 million at September 30, 2021. This excludes \$34.8 million of contracts being finalized with existing customers, the recurring modular business for education and specialty commercial structures of approximately \$40.0 million per annum and the backlog for Industrial and U.S. manufacturing supply projects of \$25.3 million won in Q3 2021;
- Debt was \$79.6 million at September 30, 2021, down from \$85.4 million at December 31, 2020. Debt increased \$7.7 million during Q3 2021 due to the aforementioned working capital investments for revenue growth and seasonal volumes in the education and forestry sectors. The Corporation extended its credit facility effective on September 7, 2021 for a three-year term. The amendment increases the available limit from \$175 million to \$200 million plus an uncommitted accordion of \$125 million. The Corporation has significant unused credit facilities to execute on its growth strategy;
- Dexterra Group was selected as the winner of the Avetta Award for Canada's Safest Employer in the Services Sector presented by Canadian Occupational Safety Magazine and Key Media; and
- Dexterra Group declared a dividend for the fourth quarter of 2021 of \$0.0875 per share for shareholders of record at December 30, 2021 to be paid January 17, 2022.

## Operational Analysis

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020 <sup>(3)</sup>	2021	2020 <sup>(3)</sup>
<b>Revenue:</b>				
Integrated Facilities Management	\$ 39,073	\$ 35,696	\$ 115,880	\$ 108,706
WAFES	118,680	103,160	281,874	156,456
Modular Solutions	45,055	39,511	135,228	50,555
Inter-segment eliminations	(48)	(1,449)	(1,190)	(2,320)
<b>Total Revenue</b>	<b>\$ 202,760</b>	<b>\$ 176,918</b>	<b>\$ 531,792</b>	<b>\$ 313,397</b>
<b>EBITDA:</b>				
Integrated Facilities Management	\$ 3,133	\$ 5,598	\$ 10,774	\$ 18,737
WAFES	20,915	28,532	53,847	42,855
Modular Solutions	2,782	3,935	10,400	6,260
Corporate costs and Inter-segment eliminations	(4,458)	(4,621)	(12,320)	(9,375)
<b>Total EBITDA<sup>(1)</sup></b>	<b>\$ 22,372</b>	<b>\$ 33,444</b>	<b>\$ 62,701</b>	<b>\$ 58,477</b>
Other revenue <sup>(2)</sup>	—	(6,569)	—	(6,569)
Acquisition costs	—	210	—	1,701
CEWS	—	(9,534)	(9,100)	(28,739)
<b>Adjusted EBITDA excluding CEWS</b>	<b>\$ 22,372</b>	<b>\$ 17,551</b>	<b>\$ 53,601</b>	<b>\$ 24,870</b>

(1) Includes CEWS of nil and \$9.1 million for the three and nine months ended Q3 2021: Integrated Facilities Management - \$1.7 million, WAFES - \$6.6 million, Modular Solutions - \$0.6 million, Corporate - \$0.2 million and CEWS of \$9.5 million and \$28.7 million for the three and nine months ended September 30, 2020: Integrated Facilities Management - \$12.7 million, WAFES - \$11.9 million, Modular Solutions - \$2.9 million, Corporate - \$1.2 million.

(2) Other revenue includes amounts awarded to the Corporation from legal proceedings with two former customers in the amount of \$6.6 million. These items are expected to be non-recurring.

(3) 2020 YTD comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition.

<sup>1</sup> 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.

## Integrated Facilities Management

For Q3 2021, Integrated Facilities Management revenues were \$39.1 million and increased by \$3.4 million, or 9%, from the \$35.7 million in Q3 2020. The increase is mainly attributable to the reduction of certain COVID-19 health measures and new business. Management expects this upward trend to continue as government COVID-19 restrictions are lifted, especially in the aviation and retail sectors, which continue to face challenges. Aviation volumes were approximately 50% of pre-COVID-19 levels in Q3 2021.

Adjusted EBITDA excluding CEWS as a percentage of revenue is 8.0% for Q3 2021, which is slightly below 8.6% in Q2 2021, and an improvement from 6.0% recorded in Q3 2020. The increased margin from Q3 2020 is due to management's focus on margin improvements and better resource utilization compared to 2020 costs of operating in a more restrictive COVID-19 environment.

Year to date, Integrated Facilities Management revenues were \$115.9 million and increased by \$7.2 million or 7% from the \$108.7 million in 2020. The growth in the segment is mainly attributable to the reduction of certain COVID-19 health measures and new contracts. Certain key industry sectors continue to have reduced volumes such as aviation and retail. Management expects the growth rate to improve as pandemic restrictions are lifted in Q4 2021. Management also expects increased bidding activity in the future periods as customers finalize their post-COVID plans.

Year-to-date Adjusted EBITDA excluding CEWS as a percentage of revenue for this segment is 8% which is consistent with Q2 2021 and improved from 6% in the same period in 2020.

### Direct Costs

Direct costs are comprised of labour, materials, supplies and transportation, which vary directly with revenues, and a relatively fixed component that includes rent and utilities. Direct Costs for Q3 2021 were \$34.7 million compared to \$29.0 million in Q3 2020, an increase of \$5.7 million, or 20%, due to the impact of CEWS in 2020 and costs associated with increased activity in the segment.

For the nine months ended September 30, 2021, direct costs were \$100.5 million, compared to \$86.9 million in 2020. This increase of \$13.6 million is primarily due to the \$11.0 million of additional CEWS received in 2020 when compared to 2021. The remaining increase was consistent with the factors driving the increase in 2021 volume.

## WAFES

WAFES is comprised of two revenue streams: Workforce accommodations ("WA") & Forestry and Energy Services. A significant portion of our WAFES business is support services which are not capital intensive and aligns closely with our integrated facilities management business. The remainder relates to owned services.

For Q3 2021, 48% of WAFES revenue relates to support services and is growing as we focus on building this revenue base.

Support services includes assisting clients with food and facilities services on-site at their remote locations. These services are "capital light" with little investment required. The Forestry services business is also part of WAFES support services.

Owned services represents remote WA activities in which the accommodation structures are owned and installed by Dexterra Group as part of an equipment supply contract or bundled with food and facilities services as in the case of turn-key camp contracts or the Corporation's open lodge operations. This category also includes Energy Services, where the Corporation owns the matting and relocatable structures, which are sold or rented to clients.

Revenue from the WAFES segment for the three months ended September 30, 2021 was \$118.7 million, an increase of \$15.5 million compared to Q3 2020. WAFES revenue performance was strong in Q3 2021 due to stronger camp occupancy, mobilization of new contracts with a significant oil-sands customer, and Q3 being the peak season for the Forestry business. Forestry, including Fire Camps, contributed \$19.5 million of revenue in Q3 2021, compared to \$12.7 million in Q3 2020. Pipeline camps in British Columbia rebounded strongly in September with good utilization, though our Kitimat open camp will likely continue to be closed until late Q2 2022 due to delays in scheduling of the LNG Canada project. The increase in all areas of the business included a \$6.2 million increase in Energy Services revenue related to the robust activity in the energy sector in the quarter. The comparative revenue for Q3 2020 also had revenues of \$8.7 million from the Kitimat open camp, which is temporarily closed in late 2021, as well as legal settlements of \$6.6 million, which did not reoccur in 2021.

The Q3 2021 Adjusted EBITDA excluding CEWS as a percentage of revenue is 18%, which is slightly higher than the Q3 2020 comparative of 17%.

Revenue from the WAFES segment for the nine months ended September 30, 2021 was \$281.9 million, an increase of \$125.4 million compared to Q3 2020. The increase in segment revenues was primarily driven by the Acquisition, which added \$70.3 million to revenue reported year to date in 2021. Adjusting for the Acquisition, revenue represents an increase of \$55.3 million over the prior period, which is attributable to growth throughout the business.

## Management's Discussion and Analysis Three and nine months ended September 30, 2021 and 2020

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Excluding the impact of CEWS and legal settlements, the Adjusted EBITDA excluding CEWS as a percentage of revenue was 16% in 2020 and it improved to 17% for the nine-month period ended September 2021. This increase in margin resulted from stronger support services revenue with the addition of new contracts and business.

Revenues from Energy Services were \$12.7 million and \$24.7 million for the three and nine months ended September 30, 2021, respectively. Q3 2021 revenues were up from the \$6.4 million in Q2 2021 and the \$9.2 million in Q3 2020, which included a \$2.5 million increase in mat sales. Both the relocatable structures and matting business are expected to continue to experience increasing utilization throughout the remainder of 2021 and into 2022 as the energy business rebounds.

### Direct Costs

Direct costs are comprised of labour, materials, supplies and transportation, which vary directly with revenues, and a relatively fixed component, that includes rent and utilities. Direct costs in the WAFES business unit for Q3 2021 were \$96.8 million or 81% of revenue, compared to 76% of revenue after excluding the CEWS impact of \$4.2 million for Q3 2020. In comparison, direct costs for Q2 2021 were 82% of revenue after excluding \$2.9 million CEWS. The increase in the percentage of direct costs when compared to the prior year is due to the positive impact in 2020 of the Kitimat open lodge and legal settlements of \$6.6 million in Q3 2020. Management continues to be focused on managing costs as we navigate the COVID-19 impacts to this business unit and the costs in 2021 are in line with expectations.

### Modular Solutions

Modular Solutions segment revenues for Q3 2021 were \$45.1 million, a decrease of \$3.2 million from Q2 2021. The decrease was caused by site and administrative delays in the rapid affordable housing projects with the City of Toronto, site access delays on projects in British Columbia and the resolution of a historical contract dispute. Revenue from these projects is expected to be recorded in Q4 2021 and Q1 2022. In comparison to Q3 2020, revenue for Q3 2021 increased by \$5.5 million, or 13.7%.

EBITDA for Q3 2021 was \$2.8 million, a decrease of \$1.9 million from Q2 2021. Adjusted EBITDA excluding CEWS as a percentage of revenue was 6% for the quarter compared to Q2 2021 of 9%. The timing of projects impacted the optimization of plant capacity and related overhead absorption. EBITDA margins are expected to rebound to normal levels in 2022 of approximately 7%.

Revenue from the Modular segment for the nine months ended September 30, 2021 was \$135.2 million, an increase of \$84.7 million, which is attributed to the timing of the Acquisition in 2020. Year-to-date EBITDA was \$10.4 million, which is \$4.1 million higher than the same period in 2020 due to the timing of the Acquisition. The Adjusted EBITDA excluding CEWS is higher by \$6.5 million. Adjusted EBITDA excluding CEWS as a percentage of revenue for the year-to-date Q3 2021 is consistent at 7% as compared to the prior year.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit is to secure and increase backlog, which was \$92.6 million for rapid affordable housing at the end of Q3 2021, excluding \$34.8 million of contracts being finalized with existing customers and \$25.3 million for Industrial and U.S. manufacturing supply projects signed in Q3 2021. Additionally, Modular Solutions has recurring modular business beyond the projects above worth approximately \$40 million per annum, which mainly consists of education modules, retail stores and kiosks. A key goal over time is also to diversify our modular product market verticals. The overall outlook remains positive with significant opportunities to increase revenue and EBITDA in the near term as our backlog grows.

### Direct Costs

Direct costs are comprised of labour, raw materials and transportation, which vary directly with revenues, and a relatively fixed component that 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 for the three and nine months ended September 30, 2021 were 91% and 89% of revenue, respectively, as compared to the 87% of revenue in Q2 2021, and 87% in Q3 2020. The increase in direct cost as a percentage of revenue reflects the lower revenue and overhead absorption in Q3 2021 caused by delays in several projects discussed above and the CEWS impact in 2020.

### Other Items

#### Selling, General & Administrative Expense

Selling, general & administrative ("SG&A") expenses are comprised of 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.

SG&A expenses for Q3 2021 were \$8.4 million, an increase of \$0.6 million when compared to Q3 2020. SG&A expenses were 4% of total revenue in Q3 2021, which is improved by 1% when compared to the 5% for both Q2 2021 and Q3 2020.



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SG&A expenses for the nine months ended September 30, 2021 were \$25.3 million, an increase of \$9.4 million compared to the same period in 2020, mainly due to the Acquisition. As a percentage of revenue, SG&A expenses were 5% of total revenue year to date for both 2021 and 2020 periods.

### Depreciation and Amortization

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Depreciation of property, plant and equipment and right-of-use assets	\$ 8,516	\$ 8,014	\$ 26,594	\$ 11,907
Amortization of intangibles	867	771	2,554	2,020
Total depreciation and amortization	\$ 9,383	\$ 8,785	\$ 29,148	\$ 13,927

For Q3 2021, depreciation and amortization was \$9.4 million, an increase of \$0.6 million compared to Q3 2020, which aligns with the small increase in property, plant and equipment and right-of-use assets in Q3 2021 comparing to Q3 2020. Depreciation and amortization expense was lower by \$0.3 million in Q3 2021 compared to \$9.7 million in Q2 2021 due to the positive impact of excess assets sold in the WAFES business unit. The Corporation's plan to operate in a capital light model should continue to reduce depreciation expense in the upcoming years as existing assets become fully depreciated and excess assets in the WAFES business are sold.

For the nine months ended September 30, 2021, depreciation and amortization was \$29.1 million, an increase of \$15.2 million compared to 2020, mainly due to the timing of the property, plant and equipment and right-of-use assets acquired in the Acquisition.

### Finance costs

Finance costs include interest on loans and borrowings, interest on lease liabilities and accretion of debt financing costs.

The effective interest rate on loans and borrowings for the nine months ended September 30, 2021 was 3.5%. 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 0.50% to 2.75% per annum.

### Goodwill

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. Goodwill relating to the Carillion Services Assets is deductible for tax purposes. The Corporation concluded there were no new indicators of impairment of its goodwill or intangibles as at September 30, 2021.

### Gain/Loss on disposal

For Q3 2021, the loss on disposal was \$0.4 million compared to a loss on disposal of \$0.4 million in Q3 2020. For the nine months ended September 30, 2021, the gain on disposal was \$0.1 million, which is consistent with the gain on disposal of \$0.1 million in 2020. The gains and losses on disposals are typically generated from rationalization of excess assets for conversion to cash.

### 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 recognized. For the three and nine months ended September 30, 2021, a loss of \$0.02 million and earnings of \$0.2 million were attributed to the non-controlling interest, respectively, compared to loss of \$0.1 million and earnings of \$0.3 million in the same periods of the prior year.

### Joint Venture

On September 2, 2021, the Corporation signed a new limited partnership agreement with an existing Aboriginal partner to form Big Spring Lodging Limited Partnership ("BSL LP"). The Corporation owns 49% of the newly formed partnership. During the period, the Corporation contributed assets to the BSL LP with a carrying value of \$1.8 million as a in-kind contribution to BSL LP. The Partnership is accounted for as a joint venture using the equity method.

Dexterra Group owns 49% of Gitxaala Horizon North Services LP ("Gitxaala"), which was part of the Acquisition. This equity investment is recorded at cost and increases or decreases with the Corporation's share of the profit or loss of Gitxaala and any capital contributions. Earnings for the three and nine months ended September 30, 2021 were \$0.4 million and \$1.7 million respectively.



### **Income taxes**

The Corporation's effective income tax rate for the three and nine months ended September 30, 2021 was 26.9% and 26.1%, compared to 26.8% and 14.5% in 2020. The effective tax rate for the three and nine months ended September 30, 2021 is consistent with the combined federal and provincial income tax rate after taking the tax benefit of non-capital loss carry forwards of \$1.1 million recorded in Q1 2021 into account and an adjustment upon filing of the 2020 tax returns. The effective rate in 2020 reflected the non-taxable nature of the bargain purchase gain of \$34.1 million.

The Corporation has non-capital losses for Canadian tax purposes of \$70.8 million at September 30, 2021 (December 31, 2020 - \$77.1 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 \$0.6 million have not been recognized in respect of \$2.4 million of tax losses as it is not probable that future taxable profit will be generated against which a subsidiary of the Corporation can utilize the benefits.

The Corporation has completed the first phase of its tax plan, which is helping to reduce cash taxes payable in 2021 and future years.

### **COVID-19 Pandemic**

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 or delayed 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.

Revenue growth may be slower due to COVID-19, as the economy rebounds from the impacts of the pandemic and the rapidly evolving restrictions put in place by both the provincial and federal governments. Management has continued to invest in resources for the future as it believes the COVID-19 pandemic will have a lessening impact on the business in the fourth quarter of 2021 and into 2022.

### **Outlook**

#### **Operations Outlook**

The Corporation is poised for strong growth in 2022. The traditional seasonality of the businesses impacts sequential quarter comparisons with Q2 and Q3 expected to be its strongest quarters. Nevertheless, Q4 2021 will exhibit growth compared to Q4 2020 despite having the Kitimat open camp closed. Management is focused on organic growth as well as selective acquisitions. Timing of the acquisitions is unknown and is dependent upon opportunities identified and the willingness of other parties to sell their businesses. The Corporation has taken steps to prepare for growth with the recently amended credit facility, an ERP implementation and by refining processes throughout the business to promote scalability. Hiring of new people continues to be a challenge that we are actively managing across all business segments.

With the opening of the NRB Modular Solutions plant in Cambridge in Q2 2021, production capacity for Modular Solutions has increased in excess of \$100 million annually. Growth in Modular Solutions revenues in Q4 2021 and into 2022 is expected.

In the Integrated Facilities Management business, the organic growth prospects are significant and compound annual growth rates for the overall market are estimated to be double digit over the next several years. Bidding activities are brisk and the Corporation won several smaller contracts during Q3 2021. Dexterra Group has also been significantly impacted in both the airport and retail sectors and expects the improvement in the aviation sector to have a positive impact on its results as the population receives vaccinations and federal restrictions on travel lessen. Management forecasts that this improvement will be very gradual through 2022 and into 2023. The focus of this business is on winning new bids and maintaining current profit margins while providing excellent service to existing clients.

The WAFES business in Q4 2021 is expected to be consistent with the prior year and lower than Q3 2021 due to seasonality of the business. WAFES is expected to continue to be strong in 2022, commensurate with market activity. The Kitimat open camp is expected to be fully open in the second half of 2022 which will have a significant impact on the results.

### **Liquidity and Capital Resources**

For the three months ended September 30, 2021, cash generated by operating activities was \$1.8 million, compared to \$21.2 million in the same period of 2020 and compared to \$20.2 million in Q2 2021. The decrease from Q2 2021 was driven primarily by the increase in working capital required to support the increase in revenue and the seasonality of the business in the forestry and education sectors. Cash flows from operating activities in Q3 2020 were also positively impacted by \$6.6 million in legal settlements and CEWS of \$9.5 million.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of \$24.6 million for the nine months ended September 30, 2021. Debt is lower by \$5.6 million year to date and will further decrease in Q4 2021 and into 2022, absent M&A activities.

## Management's Discussion and Analysis Three and nine months ended September 30, 2021 and 2020

### Capital Spending

For the nine months ended September 30, 2021, gross capital spending for property, plant and equipment was \$5.2 million compared to \$3.1 million in the same period of 2020. Capital spending in 2021 has been mainly focused on the NRB Cambridge plant expansion, totaling \$3.3 million, compared to the purchase of small equipment in 2020. Management expects sustaining capital spending for 2021 to be less than \$10 million, excluding the new NRB plant or other growth oriented investments.

### Quarterly Summary of Results

(000's except per share amounts)	Three months ended			
	2021 September	2021 June	2021 March	2020 December
Revenue	\$ 202,760	\$ 173,627	\$ 155,404	\$ 164,418
EBITDA	22,372	22,502	17,825	18,713
Adjusted EBITDA excluding CEWS	22,372	18,308	12,921	13,271
Net earnings (loss) attributable to shareholders	7,780	8,206	4,277	(103)
Net earnings per share, basic and diluted <sup>(2)</sup>	\$ 0.12	\$ 0.13	\$ 0.07	\$ 0.00

(000's except per share amounts)	Three months ended			
	2020 September	2020 June	2020 March	2019 December
Revenue <sup>(1)</sup>	\$ 176,918	\$ 76,106	\$ 60,373	\$ 64,134
EBITDA <sup>(1)</sup>	33,444	22,885	2,148	3,240
Adjusted EBITDA excluding CEWS	17,551	4,037	3,282	3,315
Net earnings attributable to shareholders	16,131	47,139	864	1,370
Net earnings per share, basic and diluted <sup>(2)</sup>	\$ 0.25	\$ 1.08	\$ 0.03	\$ 0.04

(1) Revenue and EBITDA for the third quarter of 2020 includes \$6.6 million related to amounts awarded on two legal proceedings with former customers.

(2) All share and per share data presented prior to Q3 2020 has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 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 September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net earnings	\$ 7,764	\$ 16,061	\$ 20,451	\$ 64,452
Add:				
Share based compensation	522	157	1,582	206
Depreciation & amortization	9,383	8,785	29,148	13,927
Equity investment depreciation	190	122	518	155
Finance costs	1,224	2,051	3,880	3,094
Bargain purchase gain	—	—	—	(34,128)
Loss (gain) on disposal of property, plant and equipment	428	385	(117)	(119)
Income tax expense	2,861	5,883	7,239	10,890
EBITDA <sup>(1)</sup>	\$ 22,372	\$ 33,444	\$ 62,701	\$ 58,477
Acquisition costs	—	210	—	1,701
Other revenue	—	(6,569)	—	(6,569)
CEWS	—	(9,534)	(9,100)	(28,739)
Adjusted EBITDA excluding CEWS	\$ 22,372	\$ 17,551	\$ 53,601	\$ 24,870

(1) Includes nil and \$9.1 million of pre-tax CEWS for the three and nine months ended September 30, 2021, respectively (\$9.5 million and \$28.7 million for the three and nine months ended September 30, 2020).

(2) Other revenue includes amounts awarded to the Corporation from legal proceedings with two former customers in the amount of \$6.6 million. These items are expected to be non-recurring.

(3) 2020 YTD comparative information includes the results of Horizon North Logistics Inc. from May 29, 2020 onwards which was the effective date of the Acquisition.

**Management's Discussion and Analysis**  
**Three and nine months ended September 30, 2021 and 2020**

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net cash flows from operating activities	\$ 1,819	\$ 21,213	\$ 39,883	\$ 39,793
Sustaining capital expenditures, net of proceeds <sup>(1)</sup>	(524)	(66)	(1,307)	1,670
Purchase of intangible assets	(151)	(128)	(1,579)	(363)
Finance costs paid	(1,814)	(2,102)	(4,200)	(3,610)
Lease payments	(2,078)	(2,035)	(8,205)	(2,904)
Free Cash Flow	\$ (2,748)	\$ 16,882	\$ 24,592	\$ 34,586

(1) Total capital expenditures for the three and nine months ended September 30, 2021 were \$0.9 million and \$5.2 million respectively, which includes \$0.4 million and \$3.6 million in growth capital mainly related to the NRB Cambridge plant.

## Accounting Policies

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

## Outstanding Shares

Dexterra Group had 65,151,083 voting common shares issued and outstanding as at November 9, 2021, of which 49% or 31,924,031 are owned by subsidiaries of Fairfax Financial.

## 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.

There were no changes in Dexterra Group's DC&P that occurred during the period ended September 30, 2021 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 September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

### 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 Corporation's Consolidated Financial Statements for the year ended December 31, 2020 under Note 22, 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 Q3 2021 Financial Statements.

## **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 Q3 2021 Financial Statements.

## **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, NRB Modular Solutions production capacity and backlog, 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; 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; 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 its most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at [sedar.com](http://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.

**Condensed consolidated statement of financial position (Unaudited)**

(000's)	Note	September 30, 2021	December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	4	\$ 185,344	\$ 149,532
Inventories	5	16,217	12,445
Prepaid expenses and other		6,070	5,981
Income tax receivable		464	—
<b>Total current assets</b>		<b>208,095</b>	<b>167,958</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	169,111	184,047
Right-of-use assets	7	24,025	22,052
Intangible assets	8	22,482	23,457
Goodwill		98,640	98,640
Deferred income taxes		683	2,587
Other assets	9	17,441	14,782
<b>Total non-current assets</b>		<b>332,382</b>	<b>345,565</b>
<b>Total assets</b>		<b>\$ 540,477</b>	<b>\$ 513,523</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 111,905	\$ 81,815
Deferred revenue		3,181	3,310
Income tax payable		—	2,895
Asset retirement obligations	11	4,704	5,102
Lease liabilities	7	6,881	7,160
<b>Total current liabilities</b>		<b>126,671</b>	<b>100,282</b>
<b>Non-current liabilities</b>			
Lease liabilities	7	20,260	18,921
Contingent consideration		1,448	1,448
Asset retirement obligations	11	6,833	6,527
Loans and borrowings	10	79,635	85,369
<b>Non-current liabilities</b>		<b>108,176</b>	<b>112,265</b>
<b>Total liabilities</b>		<b>\$ 234,847</b>	<b>\$ 212,547</b>
<b>Shareholders' Equity</b>			
Share capital	12	\$ 233,541	\$ 232,348
Contributed surplus		955	354
Retained earnings		71,248	66,451
Non-controlling interest		(114)	1,823
<b>Total shareholders' equity</b>		<b>305,630</b>	<b>300,976</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 540,477</b>	<b>\$ 513,523</b>

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

**Condensed consolidated statement of comprehensive income (Unaudited)**

(000's except per share amounts)	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Revenue</b>					
Revenue from operations	19	\$ 202,760	\$ 170,349	\$ 531,792	\$ 306,828
Other revenue	22	—	6,569	—	6,569
<b>Total revenue</b>		<b>202,760</b>	<b>176,918</b>	<b>531,792</b>	<b>313,397</b>
<b>Operating expenses</b>					
Direct costs	13	172,538	136,133	445,988	239,498
Selling, general and administrative expenses	14	8,424	7,816	25,305	15,865
Depreciation	6,7	8,516	8,014	26,594	11,907
Amortization of intangible assets	8	867	771	2,554	2,020
Share based compensation	12	522	157	1,582	206
Loss (gain) on disposal of property, plant and equipment		428	385	(117)	(119)
<b>Operating income</b>		<b>11,465</b>	<b>23,642</b>	<b>29,886</b>	<b>44,020</b>
Finance costs		1,224	2,051	3,880	3,094
Earnings from equity investments		(384)	(353)	(1,684)	(288)
Bargain purchase gain	1	—	—	—	(34,128)
<b>Earnings before income taxes</b>		<b>10,625</b>	<b>21,944</b>	<b>27,690</b>	<b>75,342</b>
<b>Income tax</b>					
Income tax expense	15	2,861	5,883	7,239	10,890
<b>Net earnings</b>		<b>\$ 7,764</b>	<b>\$ 16,061</b>	<b>\$ 20,451</b>	<b>\$ 64,452</b>
<b>Net Earnings Attributable to:</b>					
Shareholders		\$ 7,780	\$ 16,131	\$ 20,263	\$ 64,135
Non-controlling interest		\$ (16)	\$ (70)	\$ 188	\$ 317
<b>Earnings per common share:</b>					
Net earnings per share, basic	17	\$ 0.12	\$ 0.25	\$ 0.31	\$ 1.37
Net earnings per share, diluted	17	\$ 0.12	\$ 0.25	\$ 0.31	\$ 1.37
<b>Weighted average common shares outstanding:</b>					
Basic	17	65,145	64,869	65,049	46,758
Diluted	17	65,476	64,896	65,374	46,758

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

### Condensed consolidated statement of changes in equity (Unaudited)

(000's)	Note	Share capital - Number of Shares <sup>(1)</sup>	Share capital	Contributed surplus	Retained earnings	Non- controlling interest	Total
Balance as at December 31, 2020		64,869	\$ 232,348	\$ 354	\$ 66,451	\$ 1,823	\$ 300,976
Dividends	18	—	—	—	(15,466)	(2,125)	(17,591)
Exercise of stock options	12	282	1,193	(334)	—	—	859
Share based compensation	12	—	—	935	—	—	935
Net income (loss)		—	—	—	20,263	188	20,451
<b>Balance as at September 30, 2021</b>		<b>65,151</b>	<b>\$ 233,541</b>	<b>\$ 955</b>	<b>\$ 71,248</b>	<b>\$ (114)</b>	<b>\$ 305,630</b>
(000's)	Note	Share capital - Number of Shares <sup>(1)</sup>	Share capital	Contributed surplus	Retained earnings	Non- controlling interest	Total
Balance as at December 31, 2019		31,786	\$ 131,543	\$ —	\$ 12,150	\$ 1,430	\$ 145,123
Effect of reverse acquisition of Horizon North Logistics Inc.		33,083	100,904	—	—	—	100,904
Share issuance costs		—	(99)	—	—	—	(99)
Dividends	18	—	—	—	(4,865)	(43)	(4,908)
Share based compensation	12	—	—	206	—	—	206
Net income (loss)		—	—	—	64,135	317	64,452
<b>Balance as at September 30, 2020</b>		<b>64,869</b>	<b>\$ 232,348</b>	<b>\$ 206</b>	<b>\$ 71,420</b>	<b>\$ 1,704</b>	<b>\$ 305,678</b>

(1) Comparative information has been retroactively adjusted to reflect the five-to-one share consolidation which was completed on July 16, 2020.

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



**Condensed consolidated statement of cash flows (Unaudited)**

(000's)	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Cash provided by (used in):</b>					
<b>Operating activities:</b>					
Net earnings		\$ 7,764	\$ 16,061	\$ 20,451	\$ 64,452
Adjustments for:					
Depreciation	6,7	8,516	8,014	26,594	11,907
Amortization of intangible assets	8	867	771	2,554	2,020
Share based compensation	12	522	157	1,582	206
Loss (gain) on disposal of property, plant and equipment		428	385	(117)	(119)
Bargain purchase gain		—	—	—	(34,128)
Book value of used fleet transferred to inventory upon sale	6	707	277	4,359	375
Purchase of rental fleet	6	(2,099)	(1,357)	(4,356)	(1,357)
Earnings on equity investments		(384)	(353)	(1,684)	(288)
Asset retirement obligation settled	11	(242)	(951)	(1,091)	(1,216)
Finance costs		1,224	2,051	3,880	3,094
Income tax expense	15	2,861	5,883	7,239	10,890
Changes in non-cash working capital	16	(13,782)	(8,479)	(10,834)	(14,241)
Income taxes paid	15	(4,563)	(1,246)	(8,694)	(1,802)
<b>Net cash flows from operating activities</b>		<b>1,819</b>	<b>21,213</b>	<b>39,883</b>	<b>39,793</b>
<b>Investing activities:</b>					
Purchase of property, plant and equipment	6	(923)	(1,877)	(5,225)	(3,061)
Purchase of intangible assets	8	(151)	(128)	(1,579)	(363)
Equity investment		—	(1,335)	(899)	(2,152)
Proceeds on sale of property, plant and equipment		21	1,684	330	4,368
<b>Net cash flows used in investing activities</b>		<b>(1,053)</b>	<b>(1,656)</b>	<b>(7,373)</b>	<b>(1,208)</b>
<b>Financing activities:</b>					
Issuance of common shares	12	56	—	859	—
Payments for lease liabilities		(2,078)	(2,035)	(8,205)	(2,904)
Drawings (payments) on loans and borrowings		8,101	(15,420)	(5,620)	(34,605)
Finance costs paid		(1,814)	(2,102)	(4,200)	(3,610)
Dividends paid to non-controlling interest		(147)	—	(715)	(43)
Dividends paid to shareholders	18	(4,884)	—	(14,629)	—
<b>Net cash flows used in financing activities</b>		<b>(766)</b>	<b>(19,557)</b>	<b>(32,510)</b>	<b>(41,162)</b>
Change in cash position		—	—	—	(2,577)
Cash, beginning of period		—	—	—	2,577
<b>Cash, end of period</b>		<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The accompanying notes are an integral part of the condensed consolidated interim 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. Dexterra Group is a diversified support services organization delivering quality solutions for the creation, management, and operation of infrastructure across Canada. Our Integrated Facilities Management (“IFM”) 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 rapid affordable housing, commercial, residential and industrial clients.

On May 29, 2020, Dexterra Group (previously Horizon North Logistics Inc. (“Horizon North”)) completed 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., 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 maintained 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, the operations for Horizon North are included in the results from May 29, 2020 onwards and its assets and liabilities are valued at their fair value on the date of acquisition in accordance with IFRS 3 and a bargain purchase gain of \$34.1 million was recorded on Acquisition.

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

## **2. Statement of compliance**

These financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2020. The condensed consolidated interim financial statements do not include all of the information required for annual financial statements. These financial statements were approved by the board of directors of Dexterra Group on November 9, 2021.

## **3. Basis of Preparation**

The basis of preparation, and accounting policies and methods of their application in these condensed consolidated interim financial statements, including comparatives, are consistent with those used in Dexterra Group’s audited annual consolidated financial statements for the year ended December 31, 2020, and should be read in conjunction with those annual consolidated financial statements. The Corporation’s functional currency, and the preparation currency of the condensed consolidated interim financial statements is the Canadian dollar.

**Notes to the condensed consolidated interim financial statements (Unaudited)  
Three and nine months ended September 30, 2021 and 2020**

**4. Trade and other receivables**

<i>(000's)</i>	September 30, 2021	December 31, 2020 <sup>(1)</sup>
Trade receivables	\$ 94,048	\$ 64,954
Modular receivables	23,696	11,867
Holdbacks receivables	8,228	5,071
Deferred trade receivables	11,082	6,114
Total trade and modular receivables	\$ 137,054	\$ 88,006
Accrued trade receivables	24,633	33,681
Accrued modular receivables	15,941	19,716
Other	9,286	9,853
Allowance for expected credit losses	(1,570)	(1,724)
Total	\$ 185,344	\$ 149,532

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

Holdbacks receivables and deferred trade receivables of \$19.3 million (December 31, 2020 - \$11.2 million) represent amounts billed on contracts which are not due until the contract work is substantially complete and any lien period has expired. All holdbacks receivables and deferred trade receivables are expected to be collected within 12 months. Other receivable include amounts due from Gitxaala Horizon North Services LP of \$8.7 million (December 31, 2020 - \$9.3 million). Credit risks are further described in Note 20.

**5. Inventories**

<i>(000's)</i>	September 30, 2021	December 31, 2020
Raw materials	\$ 6,815	\$ 4,082
Work-in-progress	3,902	1,114
Finished goods and supplies	5,500	7,249
Inventories	\$ 16,217	\$ 12,445

**Notes to the condensed consolidated interim financial statements (Unaudited)  
Three and nine months ended September 30, 2021 and 2020**

**6. Property, plant and equipment**

Carrying Amounts (000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Manufacturing & other equipment	Total
<b>Cost</b>					
December 31, 2020	\$ 148,449	\$ 27,684	\$ 17,458	\$ 8,167	\$ 201,758
Additions	1,052	1,928	1,067	1,178	5,225
Asset retirement obligations (Note 11)	979	—	—	—	979
Transferred from inventory	4,356	—	—	—	4,356
Transferred to inventory for sale	(4,727)	—	—	—	(4,727)
Transfer to Big Spring Lodging LP (Note 9)	(1,972)	—	—	—	(1,972)
Disposals	(239)	(1)	(564)	(46)	(850)
September 30, 2021	\$ 147,898	\$ 29,611	\$ 17,961	\$ 9,299	\$ 204,769
<b>Accumulated Depreciation</b>					
December 31, 2020	\$ 9,551	\$ 1,205	\$ 3,910	\$ 3,045	\$ 17,711
Depreciation	11,329	1,002	4,807	1,527	18,665
Transferred to inventory for sale	(368)	—	—	—	(368)
Transferred to Big Spring Lodging LP (Note 9)	(124)	—	—	—	(124)
Disposals	(69)	—	(118)	(39)	(226)
September 30, 2021	\$ 20,319	\$ 2,207	\$ 8,599	\$ 4,533	\$ 35,658
<b>Net book value</b>					
September 30, 2021	\$ 127,579	\$ 27,404	\$ 9,362	\$ 4,766	\$ 169,111
December 31, 2020	\$ 138,898	\$ 26,479	\$ 13,548	\$ 5,122	\$ 184,047

**7. Leases**

(i) Right-of-use assets

(000's)	Camp equipment & mats	Land & buildings	Automotive & trucking equipment	Manufacturing & other equipment	Total
<b>Cost</b>					
December 31, 2020	\$ 5,593	\$ 20,385	\$ 1,640	\$ 445	\$ 28,063
Additions	2,217	11,487	1,078	75	14,857
Disposals	(769)	(5,673)	(326)	—	(6,768)
September 30, 2021	\$ 7,041	\$ 26,199	\$ 2,392	\$ 520	\$ 36,152
<b>Accumulated Depreciation</b>					
December 31, 2020	\$ 2,133	\$ 3,093	\$ 621	\$ 164	\$ 6,011
Depreciation	2,558	4,694	533	144	7,929
Disposals	(1,040)	(576)	(197)	—	(1,813)
September 30, 2021	\$ 3,651	\$ 7,211	\$ 957	\$ 308	\$ 12,127
<b>Net book value</b>					
September 30, 2021	\$ 3,390	\$ 18,988	\$ 1,435	\$ 212	\$ 24,025
December 31, 2020	\$ 3,460	\$ 17,292	\$ 1,019	\$ 281	\$ 22,052

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(ii) Lease liabilities

Maturity Analysis – contractual undiscounted cash flows		(000's)
Year 1	\$	9,333
Year 2		5,972
Year 3		4,085
Year 4		3,317
Year 5 and beyond		8,582
Total undiscounted lease payable as at September 30, 2021	\$	31,289
Lease liabilities included in the statement of financial position at September 30, 2021	\$	27,141
Current		6,881
Non-current		20,260

At September 30, 2021, the Corporation has not sub-leased any right-of-use assets, there were no restrictions or covenants imposed by leases of a material nature and there were no sale and leaseback transactions.

The amount of lease interest expense recognized during the three and nine months ended September 30, 2021 is \$0.2 million (2020 - \$0.3 million) and \$0.8 million, respectively (2020 - \$0.4 million).

## 8. Intangible assets

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

(000's)	Trade Names	Customer Relationships	Computer software and other	Total
<b>Cost</b>				
December 31, 2020	\$ 3,800	\$ 22,483	\$ 2,649	\$ 28,932
Additions	—	—	1,579	1,579
September 30, 2021	\$ 3,800	\$ 22,483	\$ 4,228	\$ 30,511
<b>Accumulated Amortization</b>				
December 31, 2020	\$ 380	\$ 4,017	\$ 1,078	\$ 5,475
Amortization	488	1,325	741	2,554
September 30, 2021	\$ 868	\$ 5,342	\$ 1,819	\$ 8,029
<b>Net book value</b>				
September 30, 2021	\$ 2,932	\$ 17,141	\$ 2,409	\$ 22,482
December 31, 2020	\$ 3,420	\$ 18,466	\$ 1,571	\$ 23,457

## 9. Other assets

On September 2, 2021, the Corporation signed a new limited partnership agreement with an existing Aboriginal partner to form Big Spring Lodging Limited Partnership (“BSL LP”). The Corporation owns 49% of the newly formed partnership. During the period, the Corporation contributed assets to the BSL LP with a carrying value of \$1.8 million as a in-kind contribution to BSL LP. The Partnership is accounted for as a joint venture using the equity method.

Other assets at September 30, 2021 include equity accounted investments in Gitxaala Horizon North Services Limited Partnership (“Gitxaala”) and BSL LP, both joint ventures that are 49% owned by the Corporation with carrying value of \$14.4 million (December 31, 2020 - \$11.7 million) and \$1.8 million (2020 - nil) respectively. In addition to the equity investments, the other assets include long-term lease receivables of \$1.2 million (December 31, 2020 - \$3.1 million).

## 10. Loans and borrowings

(000's)	September 30, 2021	December 31, 2020
Committed credit facility	\$ 80,791	\$ 86,411
Unamortized financing costs	(1,156)	(1,042)
Total borrowings	\$ 79,635	\$ 85,369

Effective September 7, 2021, the Corporation reached an agreement with its lenders to amend its credit facility and extend the maturity date to September 7, 2024. The amended credit facility has an available limit of \$200 million plus an uncommitted accordion of \$125 million and is secured by a \$400 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

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based on the Corporation's debt to EBITDA ratio. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. The credit facility has a standby fee ranging from 0.30% to 0.55% per annum.

As at September 30, 2021, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility and available borrowing capacity was \$107.7 million (September 2020 - \$58.6 million), after adjusting for \$11.5 million (September 30, 2020 - \$6.8 million) in letters of credit outstanding at September 30, 2021.

**11. Asset retirement obligations**

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

<i>(000's)</i>	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 11,629	\$ —
Acquisition	—	11,100
Additions	—	1,419
Asset retirement obligations settled	(1,091)	(1,360)
Change in estimate	979	448
Accretion of provisions	20	22
<b>Balance, end of period</b>	<b>\$ 11,537</b>	<b>\$ 11,629</b>

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 \$11.7 million at September 30, 2021 (December 31, 2020 - \$11.8 million) was determined using a risk free interest rate of 0.63% 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 up to 2028.

<i>(000's)</i>	September 30, 2021	December 31, 2020
Current	\$ 4,704	\$ 5,102
Non-current	6,833	6,527
<b>Balance, end of period</b>	<b>\$ 11,537</b>	<b>\$ 11,629</b>

**12. Share capital**

(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, of which no preferred shares are outstanding. The number of common shares and share capital are presented in the table below:

<i>(In 000's, other than number of shares)</i>	Total number of shares	Total share capital
Balance, December 31, 2020	64,869,417	\$ 232,348
Options exercised	281,666	1,193
<b>Balance, September 30, 2021</b>	<b>65,151,083</b>	<b>\$ 233,541</b>

(b) Long-term incentive plans

(i) Share option plan

	Outstanding options	Weighted average exercise price
Balance, December 31, 2020	990,000	\$ 3.22
Granted	527,272	6.49
Exercised	(281,666)	3.05
Forfeited	(35,466)	4.55
<b>Balance, September 30, 2021</b>	<b>1,200,140</b>	<b>\$ 4.66</b>

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The exercise prices for options outstanding and exercisable at September 30, 2021 are as follows:

Exercise price per share	Total options outstanding			Exercisable options	
	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
\$3.05	638,334	\$ 3.05	3.7	165,008	\$ 3.05
\$6.21 to \$6.53	561,806	6.48	4.3	—	—
	1,200,140	\$ 4.66	3.9	165,008	\$ 3.05

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:

Fair value per option	\$ 2.08
Forfeiture rate	10.00 %
Grant price	\$ 6.49
Expected life	3.0 years
Risk free interest rate	0.25 %
Dividend yield rate	4.62 %
Volatility	62.92 %

Expected volatility is estimated by considering historic average share price volatility. For the three and nine months ended September 30, 2021, share based compensation for share options included in net earnings amounted to \$0.3 million (2020 - \$0.2 million) and \$0.9 million (2020 - \$0.2 million), respectively.

(ii) Restricted Share Units (“RSU”) and Performance Share Units (“PSU”) incentive award plan

(a) RSUs

The Corporation has a RSU Plan whereby RSUs 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. The RSUs have been issued to directors of the Corporation.

The following table summarizes the RSU’s outstanding:

	Number
Units outstanding at December 31, 2020	—
Granted	28,970
Units outstanding at September 30, 2021	28,970

(b) PSUs

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

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. The PSUs have been issued to the Corporation’s officers and key employees and will be settled in cash upon vesting, if the performance criteria are met.

The following table summarizes the PSU’s outstanding:

	Number
Units outstanding at December 31, 2020	—
Granted	301,454
Forfeited	(9,692)
Units outstanding at September 30, 2021	291,762



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As at September 30, 2021, \$0.7 million (2020 - nil) was included in accounts payable and accrued liabilities for outstanding RSUs and PSUs. For the three and nine months ended September 30, 2021, share based compensation for RSUs included in net earnings amount to \$0.05 million and \$0.2 million, respectively (2020 - nil). Share based compensation for PSUs included in net earnings amounted to \$0.2 million and \$0.5 million, respectively (2020 - nil).

**13. Direct costs**

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cost of goods manufactured - materials and direct labour	\$ 38,970	\$ 20,402	\$ 88,634	\$ 26,592
Wages and benefits	68,887	56,260	172,348	109,166
Subcontracting	26,841	21,601	71,990	40,228
Product cost	17,158	19,310	55,967	32,053
Equipment and repairs	2,812	2,462	7,482	5,102
Transportation	4,362	3,579	8,597	5,124
Partnership profit sharing	461	226	1,528	226
Workforce accommodations operating costs	3,997	3,673	12,452	4,673
Other operating expense	9,050	8,620	26,990	16,334
	\$ 172,538	\$ 136,133	\$ 445,988	\$ 239,498

Included in wages and benefits is the impact of the Canada Emergency Wage Subsidy ("CEWS"), which reduced wages and benefits by nil (2020 - \$9.1 million) and \$8.9 million (2020 - \$27.5 million) for the three and nine months ended September 30, 2021, respectively.

**14. Selling, general and administrative expenses**

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Wages and benefits	\$ 4,575	\$ 5,358	\$ 14,690	\$ 12,971
Other selling and administrative expenses	3,849	2,458	10,615	2,894
	\$ 8,424	\$ 7,816	\$ 25,305	\$ 15,865

Included in wages and benefits is the impact of CEWS, which reduced wages and benefits by nil (2020 - \$0.4 million) and \$0.2 million (2020 - \$1.2 million) for the three and nine months ended September 30, 2021 respectively.

**15. Income taxes**

For the three and nine months ended September 30, 2021, the Corporation's effective income tax rate was 26.9% and 26.1%, respectively, compared to 26.8% and 14.5% in 2020. The effective tax rate for the three and nine months ended September 30, 2021 is consistent with the combined federal and provincial income tax rate after taking the tax benefit of non-capital loss carry forwards of \$1.1 million recorded in Q1 2021 into account and an adjustment upon filing of the 2020 tax returns.

The Corporation has non-capital losses for Canadian tax purposes of \$70.8 million at September 30, 2021 (December 31, 2020 - \$77.1 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 \$0.6 million have not been recognized in respect of \$2.4 million of tax losses as it is not probable that future taxable profit will be generated against which a subsidiary of the Corporation can utilize the benefits.

The Corporation paid \$4.6 million (2020 - \$1.2 million) and \$8.7 million (2020 - \$1.8 million) in income taxes for the three and nine months ended September 30, 2021 respectively. \$3.3 million of this amount related to amounts owing for the year ended December 31, 2020 and \$5.4 million was paid for 2021 tax installments.

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The current and deferred tax expense breakdown is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Income tax expense (000's):				
Current	\$ 2,494	\$ 3,303	\$ 5,335	\$ 8,125
Deferred	367	2,580	1,904	2,765
	\$ 2,861	\$ 5,883	\$ 7,239	\$ 10,890

## 16. Cash flow information

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

(000's)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Trade and other receivables	\$ (21,189)	(4,896)	\$ (35,812)	\$ (2,214)
Inventories	(1,592)	391	(3,772)	(524)
Prepaid expenses and other	1,300	131	1,684	2,678
Trade and other payables	9,017	(4,450)	27,195	(12,371)
Deferred revenue	(1,318)	345	(129)	(1,810)
	\$ (13,782)	\$ (8,479)	\$ (10,834)	\$ (14,241)

## 17. Net earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Number of common shares, beginning of period	65,132,750	64,869,417	64,869,417	31,785,993
Common shares issued, weighted average	12,391	—	179,286	—
Effect of reverse Acquisition of Horizon North	—	—	—	14,972,041
Weighted average common shares outstanding - basic	65,145,141	64,869,417	65,048,703	46,758,034
Effect of share purchase options <sup>(1)</sup>	330,737	26,423	325,779	—
Weighted average common shares outstanding - diluted	65,475,878	64,895,840	65,374,482	46,758,034

(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.

## 18. Dividends

A dividend of \$0.0875 per share was declared for the quarter ended September 30, 2021 and has been accrued in trade and other payables as at September 30, 2021. The dividend is payable to shareholders of record at the close of business on September 30, 2021 and was paid on October 15, 2021.

(000's except per share amounts)	2021		2020	
	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	\$ 0.075	\$ 4,880	\$ —	\$ —
June 30	0.075	4,884	—	—
September 30	0.0875	5,702	0.075	4,865
December 31	—	—	0.075	4,865
Total dividend	\$ 0.2375	\$ 15,466	\$ 0.15	\$ 9,730

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**19. Reportable segment information**

The Corporation operates through three operating segments: IFM, WAFES and Modular Solutions as described in Note 1. Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Three months ended September 30, 2021 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 39,073	\$ 118,680	\$ 45,055	\$ —	\$ (48)	\$ 202,760
Operating expenses						
Direct costs <sup>(2)</sup>	34,725	96,807	41,050	—	(44)	172,538
Selling, general and administrative expenses <sup>(2)</sup>	1,215	1,547	1,224	4,438	—	8,424
Depreciation and amortization	850	6,629	1,411	493	—	9,383
Share based compensation	41	95	61	325	—	522
Loss on disposal of property, plant and equipment	—	424	4	—	—	428
Operating income (loss) <sup>(2)</sup>	2,242	13,178	1,305	(5,256)	(4)	11,465
Finance costs	22	141	200	861	—	1,224
Earnings from equity investments	—	(384)	—	—	—	(384)
Earnings (loss) before income taxes	\$ 2,220	\$ 13,421	\$ 1,105	\$ (6,117)	\$ (4)	\$ 10,625
Total assets	\$ 109,050	\$ 333,828	\$ 93,501	\$ 5,418	\$ (1,320)	\$ 540,477
Three months ended September 30, 2020 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 35,696	\$ 103,160	\$ 39,511	\$ —	\$ (1,449)	\$ 176,918
Operating expenses						
Direct costs <sup>(2)</sup>	28,988	74,164	34,303	—	(1,322)	136,133
Selling, general and administrative expenses <sup>(2)</sup>	1,109	938	1,273	4,496	—	7,816
Depreciation and amortization	763	6,704	970	348	—	8,785
Share based compensation	5	23	8	121	—	157
Loss on disposal of property, plant and equipment	—	385	—	—	—	385
Operating income (loss) <sup>(2)</sup>	4,831	20,946	2,957	(4,965)	(127)	23,642
Finance costs	—	108	404	1,539	—	2,051
Earnings from equity investment	—	(353)	—	—	—	(353)
Earnings (loss) before income taxes	\$ 4,831	\$ 21,191	\$ 2,553	\$ (6,504)	\$ (127)	\$ 21,944
Total assets <sup>(1)</sup>	\$ 112,514	\$ 339,916	\$ 88,432	\$ 7,558	\$ (1,163)	\$ 547,257
Nine months ended September 30, 2021 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 115,880	\$ 281,874	\$ 135,228	\$ —	\$ (1,190)	\$ 531,792
Operating expenses						
Direct costs <sup>(2)</sup>	100,525	225,912	120,633	—	(1,082)	445,988
Selling, general and administrative expenses <sup>(2)</sup>	4,581	4,316	4,196	12,212	—	25,305
Depreciation and amortization	2,494	21,195	3,910	1,549	—	29,148
Share based compensation	106	256	156	1,064	—	1,582
Gain on disposal of property, plant and equipment	—	(12)	(102)	(3)	—	(117)
Operating income (loss) <sup>(2)</sup>	8,174	30,207	6,435	(14,822)	(108)	29,886
Finance costs	22	322	750	2,786	—	3,880
Earnings from equity investments	—	(1,684)	—	—	—	(1,684)
Earnings (loss) before income taxes	\$ 8,152	\$ 31,569	\$ 5,685	\$ (17,608)	\$ (108)	\$ 27,690
Total assets	\$ 109,050	\$ 333,828	\$ 93,501	\$ 5,418	\$ (1,320)	\$ 540,477

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Nine months ended September 30, 2020 (000's)	IFM	WAFES	Modular Solutions	Corporate	Inter-segment Eliminations	Total
Revenue	\$ 108,706	\$ 156,456	\$ 50,555	\$ —	\$ (2,320)	\$ 313,397
Operating expenses						
Direct costs <sup>(2)</sup>	86,949	112,082	42,592	—	(2,125)	239,498
Selling, general and administrative expenses <sup>(2)</sup>	3,021	1,963	1,703	9,178	—	15,865
Depreciation and amortization	2,339	9,510	1,398	680	—	13,927
Share based compensation	6	30	12	158	—	206
(Gain) loss on disposal of property, plant and equipment	(4)	(155)	40	—	—	(119)
Operating income (loss) <sup>(2)</sup>	16,395	33,026	4,810	(10,016)	(195)	44,020
Finance costs	—	143	475	2,476	—	3,094
Earnings from equity investment	—	(288)	—	—	—	(288)
Bargain purchase gain	—	—	—	(34,128)	—	(34,128)
Earnings (loss) before income taxes	\$ 16,395	\$ 33,171	\$ 4,335	\$ 21,636	\$ (195)	\$ 75,342
Total assets <sup>(1)</sup>	\$ 112,514	\$ 339,916	\$ 88,432	\$ 7,558	\$ (1,163)	\$ 547,257

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

(2) Includes CEWS of nil and \$9.1 million for the three and nine months ended September 30, 2021, respectively: IFM - \$1.7 million, WAFES -\$6.6 million, Modular Solutions -\$0.6 million, Corporate - \$0.2 million. CEWS of \$9.5 million and \$28.7 million for the three and nine months ended September 30, 2020, respectively: IFM - \$3.5 million (\$12.7 million), WAFES - \$4.2 million (\$11.9 million), Modular Solutions -\$1.4 million (\$2.9 million), Corporate - \$0.4 million (\$1.2 million).

## 20. 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 interest rate risk.

The Corporation's risk management practices include identifying, analyzing and monitoring the risks faced by the Corporation. The annual consolidated financial statements for the year ended December 31, 2020 present information about the Corporation's exposure to each of the business and financial risks and the Corporation's objectives, policies and processes for measuring and managing risk.

### 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 complete 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.

Management has continued to invest in resources for the future as it believes the COVID-19 pandemic will have a lessening impact on the business in the fourth quarter of 2021 and into 2022. The Corporation continues to monitor the recoverability of trade receivables and the impact of current and expected future credit losses, and the recoverability of non-financial assets. There was no significant impact to expected future credit losses due to COVID-19 at September 30, 2021. Further developments related to the economy in Canada from COVID-19, which are unforeseen as at September 30, 2021, could have an adverse effect on the recoverability of trade receivables and the expected credit loss provision. No indicators of impairment were identified for non-financial assets for the period ended September 30, 2021. 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.

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**Credit risk**

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

(000's)	September 30, 2021	December 31, 2020
Trade receivables		
Neither impaired nor past due	\$ 92,063	\$ 58,974
Outstanding 31-60 days	7,816	7,798
Outstanding 61-90 days	3,330	1,152
Outstanding more than 90 days	1,921	3,144
<b>Total trade receivables</b>	<b>105,130</b>	<b>71,068</b>
Modular receivables		
Neither impaired nor past due	25,396	11,396
Outstanding 31-60 days	2,486	3,527
Outstanding 61-90 days	2,599	1,309
Outstanding more than 90 days	1,443	706
<b>Total modular receivables</b>	<b>31,924</b>	<b>16,938</b>
Accrued receivables	24,633	33,681
Accrued modular receivables	15,941	19,716
Other receivables	9,286	9,853
Provision for expected credit losses	(1,570)	(1,724)
<b>Total trade and other receivables</b>	<b>\$ 185,344</b>	<b>\$ 149,532</b>

As at September 30, 2021, the Corporation provided for expected credit losses in the amount of \$1.6 million. The provision for expected credit losses is based on an expected credit losses matrix and fluctuates based on the aging of balances in receivables.

**Liquidity risk**

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

(000's)	September 30, 2021			December 31, 2020		
	Trade and other payables <sup>(1)</sup>	Lease liabilities <sup>(2)</sup>	Loans and borrowings <sup>(3)</sup>	Trade and other payables <sup>(1)</sup>	Lease liabilities <sup>(2)</sup>	Loans and borrowings <sup>(3)</sup>
Year 1	\$ 111,905	\$ 9,333	\$ —	\$ 81,815	\$ 8,394	\$ —
Year 2	767	5,972	—	767	5,474	86,411
Year 3	—	4,085	80,791	—	3,888	—
Year 4	—	3,317	—	—	2,600	—
Year 5 and beyond	681	8,582	—	681	10,041	—
	<b>\$ 113,353</b>	<b>\$ 31,289</b>	<b>\$ 80,791</b>	<b>\$ 83,263</b>	<b>\$ 30,397</b>	<b>\$ 86,411</b>

(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.

**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 nominal 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.

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 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75% per annum. If prime were to have increased by 1.00%, it is estimated that the Corporation's net earnings would have decreased by approximately \$0.2 million for the three months ended September 30, 2021 (September 30, 2020 - \$0.3 million). 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.

## **21. Related parties**

As at September 30, 2021 Dexterra Group has performance and labour bonds outstanding with Northbridge General Insurance Corporation ("Northbridge"), a company with the same controlling shareholder as Dexterra Group, totaling \$44.0 million. No fees for these bonds were incurred for the nine months ended September 30, 2021 (2020 - \$0.4 million).

Also, Dexterra Group has certain property insurance policies with Northbridge. This insurance coverage started on September 29, 2021 and the premiums paid were \$0.3 million for coverage through the subsequent 12 month period.

## **22. Other revenue**

Other revenue comprises amounts awarded to the Corporation through legal proceedings with two former customers.

