MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended June 30, 2020

Dated: August 12, 2020

INTRODUCTION AND FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") presents management's view of the financial position and performance of TerraVest Industries Inc. ("TerraVest" or the "Company") for the third quarter and nine months ended June 30, 2020 and should be read in conjunction with TerraVest's interim condensed consolidated financial statements for the third quarter ended June 30, 2020. The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in thousands of Canadian dollars, except share and per share amounts or unless otherwise stated. This discussion is prepared as at August 12, 2020 and has been prepared with all available information up to and including the date of this report. This document should be read in full including the definitions of non-IFRS measures such as Adjusted earnings before interests, income taxes, depreciation and amortization ("EBITDA"), Cash Available for Distribution, Dividend Payout Ratio, Maintenance Capital Expenditures and Working Capital which are found in the following section of this MD&A.

This MD&A sets out management's assessment of TerraVest's future plans and operations and contains forward-looking statements as defined under applicable Canadian securities legislation. These forward-looking statements often contain words such as "anticipates", "does not anticipate", "believes", "estimates", "forecasts", "intends", "expects", "does not expect", "could", "may", "will", "should", "plans" or similar terms or variations of these words and contain estimates or assumptions about the outcome of future events. These forward-looking statements are provided in the interest of providing readers with information regarding TerraVest. Readers are cautioned that management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements which are subject to risks, uncertainties, and other factors that could result in the outcome of these events being materially different from those anticipated in this MD&A. These factors and assumptions include, but are not limited to: levels of business activity in TerraVest's segments, political conditions and events, competitive pressures, changes in government policy or regulations, commodity pricing, and general economic conditions. TerraVest's actual results may differ materially from those expressed in, or implied by these forward-looking statements. The forward-looking information contained in the MD&A is expressly qualified by the cautionary statement. TerraVest does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances, unanticipated events or circumstances, or should its estimates or assumptions change, after the date hereof, except as expressly required by law. Additional information relating to TerraVest and the risks to which its business is subject is contained in its Annual Information Form ("AIF"), which is available on SEDAR at www.sedar.com.

NON-IFRS FINANCIAL MEASURES

Adjusted EBITDA, Cash Available for Distribution, Dividend Payout Ratio, Maintenance Capital Expenditures and Working Capital are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. TerraVest's definitions may differ from those of other issuers and therefore may not be comparable to similarly titled measures used by other issuers.

Adjusted EBITDA: is defined as net income adjusted for income tax expense, financing costs, depreciation, amortization, gains or losses on disposal of property, plant and equipment and on disposal of assets held for sale, change in fair value of derivative financial instruments, gains or losses on foreign exchange, non-recurring acquisition-related costs, impairment charges and other non-recurring and/or non-operations related items that do not reflect the current ongoing operations of TerraVest. Management believes this is a useful metric in evaluating the ongoing operating performance of TerraVest. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of TerraVest's performance.

Cash Available for Distribution: is defined as cash flow from operating activities adjusted for changes in non-cash operating working capital, maintenance capital expenditures and repayment of lease liabilities. Management believes that cash available for distribution, as a liquidity measure, is a useful metric that provides an indication of the cash available from ongoing operations that can be distributed to shareholders as a dividend. Readers are cautioned that cash available for distribution should not be construed as an alternative to cash flow from operating activities determined in accordance with IFRS as an indicator of TerraVest's liquidity and cash flows.

Dividend Payout Ratio: is defined as dividends paid in cash during the period divided by cash available for distribution for the period. Management believes that dividend payout ratio is a useful metric as it provides an indication of TerraVest's ability to sustain its current dividend policy. There is no directly comparable IFRS measure for dividend payout ratio.

<u>Maintenance Capital Expenditures</u>: is defined as capital expenditures made to sustain the operations of TerraVest's operating businesses and to maintain the productive capacity of the businesses over an economic cycle, whether or not they yield significant cost or production efficiencies. Management believes that maintenance capital expenditures should be funded by cash flow from existing operating activities and, therefore, deducted in determining cash available for distribution. There is no directly comparable IFRS measure for maintenance capital expenditures.

<u>Working Capital</u>: is calculated by subtracting current liabilities from current assets. Management uses working capital as a measure for assessing overall liquidity. There is no directly comparable IFRS measure for working capital.

BUSINESS OVERVIEW

TerraVest is a diversified industrial company that manufactures and sells goods and services to various end-markets including: energy, agriculture, mining, and transportation, among others. TerraVest is focused on acquiring and operating market-leading businesses that will benefit from TerraVest's financial and operational support. These opportunities generally center on manufactured steel products that complement TerraVest's existing operations and provide integration benefits.

TerraVest is comprised of three operating segments: Fuel Containment, Processing Equipment and Service.

Fuel Containment Segment

Through wholly-owned subsidiaries, TerraVest's Fuel Containment segment is a leading provider of products and services to a variety of industries across Canada and the United States. The Fuel Containment segment manufactures products including: bulk LPG transport trailers, LPG delivery and service trucks, bulk LPG storage tanks, residential and commercial LPG tanks and dispensers, custom pressure vessels, commercial and residential refined fuel tanks, and furnaces and boilers. This segment sells its products direct to end user and through various distribution networks. The end users of the products are fuel distributors, transportation companies and industrial, commercial and residential consumers.

Processing Equipment Segment

Through subsidiaries, TerraVest's Processing Equipment segment is a leading fabricator of equipment for various end-markets including: upstream and midstream oil and gas processing, agriculture, transportation and mining. The Processing Equipment segment manufactures and sells a wide array of equipment such as: wellhead processing equipment and tanks, wellhead desanding units, central facilities processing equipment, NGL and LPG storage tanks, anhydrous ammonia storage tanks, bulk NGL and LPG transport trailers, bulk ammonia transport trailers and wagons, compressed gas transport trailers and a wide variety of customized processing equipment for various applications. This segment's products and services are primarily sold to oil and gas producers, midstream companies, engineering companies, propane distributors, fertilizer distributors and transportation companies.

Service Segment

TerraVest's Service segment provides well servicing to the oil and gas sector and is a market-leader in South-Western and Central Saskatchewan. The Service segment has been providing well servicing to major oil and gas producers in Saskatchewan for many years and is a well-recognized name. The Service segment currently operates 21 service rigs giving it the critical mass to service the needs of the largest oil and gas producers in the area.

THIRD QUARTER AND NINE MONTHS REVIEW AND OUTLOOK

Business Performance

Management believes that there are certain non-IFRS financial measures that can be used to assist shareholders in analyzing the performance of TerraVest. The table below highlights certain financial results and reconciles net income to adjusted EBITDA for the third quarter and nine months ended June 30, 2020 and the comparative periods in fiscal 2019.

	Third quarters ended		**Nine months ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Sales	**61,019**	70,751	**236,022**	225,941
Net Income	**3,854**	4,603	**15,546**	16,247
Add (subtract):				
Income tax expense	**2,031**	1,995	**5,218**	6,277
Financing costs	**1,175**	1,329	**4,202**	4,421
Depreciation and amortization	**5,281**	2,873	**13,559**	8,839
Change in fair value of derivative financial instruments	**(1,438)**	(483)	**927**	306
Change in fair value of investment in equity instruments	**47**	-	**47**	-
(Gain) loss on foreign exchange	**929**	162	**(1,094)**	(306)
Acquisition-related cost	**-**	-	**171**	-
(Gain) loss on disposal of property, plant and equipment	**(25)**	120	**(300)**	(86)
(Gain) loss on disposal of assets held for sale	**-**	-	**(931)**	-
(Gain) loss on contingent considerations	**-**	-	**(61)**	-
Adjusted EBITDA	**11,854**	10,599	**37,284**	35,698

Sales for the third quarter ended June 30, 2020 were $61,019 versus $70,751 for the prior comparable quarter. This represents a decrease of 14%. However, TerraVest acquired all of the assets of Argo Sales Inc. (“Argo”) and Iowa Steel Fabrication, LLC (“ISF”), neither of which contributed to the prior comparable period. Excluding Argo and ISF, sales for the third quarter ended June 30, 2020 were $46,078 versus $70,751 for the prior comparable period. This represents a decrease of 35% for TerraVest’s base portfolio (excluding Argo and ISF).

Sales for the nine months ended June 30, 2020 were $236,022 versus $225,941 for the prior comparable period, representing an increase of 4%. Excluding Argo and ISF, sales for the nine months ended June 30, 2020 were $190,998 versus $225,941 for the prior comparable period. This represents a decrease of 15% for TerraVest’s base portfolio (excluding Argo and ISF).

The decrease in sales for TerraVest’s base portfolio for the third quarter is mainly the result of a major slowdown in the economy due to the COVID-19 pandemic during the third quarter of fiscal 2020, combined with a significant drop in commodity prices which created additional pressure on an already challenged industry resulting in even lower demand for TerraVest’s NGL storage and distribution equipment and oil and gas processing equipment and service product lines in Western Canada. The decrease in sales for TerraVest’s base portfolio for the nine months is the results of the decrease in sales explained above, partially offset by increased demand for LPG storage and distribution equipment and home heating product lines during the first six months of the fiscal year.

Net income for the third quarter and nine months ended June 30, 2020 were $3,854 and $15,546 versus $4,603 and $16,247 for the prior comparable periods. This represents decreases of 16% and of 4% respectively. The decreases are a result of decreased sales activities as explained above, partially offset by cost control measures and government wage subsidies to help maintain employment during the COVID-19 pandemic, as well as the variations highlighted in the in the table above.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2020 were $11,854 and $37,284 versus $10,599 and $35,698 for the prior comparable periods. This represents increases of 12% and 4% respectively, which are primarily the results of the additions of Argo and ISF, and the adoption on IFRS 16 "Leases" on October 1, 2019, for which rent is no longer included in adjusted EBITDA. Instead, an interest expense is recognized on lease liabilities and a depreciation expense is recognized on right-of-use assets. Rent payments were $3,648 for the nine months ended June 30, 2020. In addition, the economic slowdown resulting from the COVID-19 pandemic had a negative effect on Adjusted EBITDA but was largely offset by emergency government wage subsidies.

The table below reconciles cash flow from operating activities to cash available for distribution for the third quarter and nine months ended June 30, 2020 and the comparative periods in fiscal 2019.

	Third quarters ended		**Nine months ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Cash Flow from Operating Activities	**16,921**	6,486	**48,219**	18,729
Add (subtract):				
Change in non-cash operating working capital items	**(4,281)**	924	**(17,961)**	6,311
Maintenance capital expenditures	**(495)**	(997)	**(2,640)**	(3,376)
Repayment of lease liabilities	**(940)**	-	**(2,571)**	-
Cash Available for Distribution	**11,205**	6,413	**25,047**	21,664
Dividends Paid	**1,874**	1,729	**5,469**	5,197
Dividend Payout Ratio	**17%**	27%	**22%**	24%

Cash flow from operating activities for the third quarter and nine months ended June 30, 2020 were $16,921 and $48,219 versus $6,486 and $18,729 for the prior comparable periods. This represents increases of 161% and 158% respectively. The increased cash flow is primarily a result of greater emphasis on working capital management, a reduction of working capital as a result of reduced business activity mainly in the Western Canadian businesses and the deferral of income tax instalment payments as part of a temporary measure from the government of Canada to support businesses during the COVID-19 pandemic.

Maintenance capital expenditures were $495 for the third quarter ended June 30, 2020 versus $997 for the prior comparable period representing a decrease of 50%, which is mainly explained by the timing of maintenance capital expenditures. During the third quarter ended June 30, 2020, TerraVest's total purchase of property, plant and equipment was $3,007 of which $2,512 is considered growth capital. The growth capital spent during the quarter was used to add to the Company's equipment rental fleet.

Cash available for distribution for the third quarter and nine months ended June 30, 2020 increased by 75% and by 16% respectively versus the prior comparable periods. These increases are a result of reasons explained above and previously in this MD&A.

The dividend payout ratio for the third quarter and nine months ended June 30, 2020 were 17% and 22% versus 27% and 24% respectively for the prior comparable periods.

Outlook

The current global pandemic has created a challenging business environment for TerraVest on many fronts. TerraVest continues to operate its plants across North America as an essential equipment and service provider to many critical industries, including residential and commercial heating, propane and fertilizer storage and distribution and energy production and processing. Across all of our businesses, we have implemented new operating procedures in effort to keep our employees, customers and vendors safe. Additionally, TerraVest has undertaken significant cost reduction measures in an effort to mitigate the economic slowdown that has resulted from the COVID-19 pandemic, as well as measures to permanently improve its manufacturing efficiency and capacity.

Business Combination

On December 13, 2019, a subsidiary of TerraVest acquired all the assets of Argo, a privately-owned Alberta based company primarily focused on manufacturing wellhead processing and production equipment for the Canadian oil and gas market. The business combination has been accounted for using the purchase method with the results of operations included in earnings from the date of acquisition. For information regarding the fair value of the consideration transferred, the assets acquired and the liabilities assumed at the acquisition date, please refer to Note 6 of the interim condensed consolidated financial statements for the third quarter ended June 30, 2020, available on SEDAR.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the third quarter and nine months ended June 30, 2020 and the comparative periods in fiscal 2019.

	Third quarters ended		**Nine months ended**	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Sales	**61,019**	70,751	**236,022**	225,941
Cost of sales	**45,915**	54,607	**183,136**	173,927
Gross profit	**15,104**	16,144	**52,886**	52,014
Administration expenses	**7,491**	7,040	**24,850**	20,929
Selling expenses	**1,040**	1,378	**4,482**	4,226
Financing costs	**1,175**	1,329	**4,202**	4,421
Other (gains) losses	**(487)**	(201)	**(1,412)**	(86)
	9,219	9,546	**32,122**	29,490
Earnings before income taxes	**5,885**	6,598	**20,764**	22,524
Income tax expense	**2,031**	1,995	**5,218**	6,277
Net Income	**3,854**	4,603	**15,546**	16,247
Allocated to non-controlling interest	**(28)**	(7)	**(120)**	72
Net income attributable to common shareholders	**3,882**	4,610	**15,666**	16,175
Weighted average shares outstanding – Basic	**18,685,491**	17,295,368	**18,420,527**	17,188,907
Weighted average shares outstanding – Diluted	**18,995,139**	19,127,339	**19,071,235**	19,132,007
Net income per share – Basic	**$0.21**	$0.27	**$0.85**	$0.94
Net income per share – Diluted	**$0.20**	$0.25	**$0.83**	$0.89

Sales for the third quarter and nine months ended June 30, 2020 decreased by 14% and increased by 4% respectively over the prior comparable periods. The reasons have been explained previously in this MD&A.

Gross profit for the third quarter and nine months ended June 30, 2020 decreased by 6% and increased by 2% respectively versus the prior comparable periods. This is primarily explained by decreased sales volume for TerraVest's base portfolio, partially offset by the contribution of ISF and Argo, as well as government wage subsidies and cost control measures.

Administration expenses for the third quarter and nine months ended June 30, 2020 increased by 6% and by 19% respectively versus the prior comparable periods which are mainly the result of the addition of ISF and Argo to TerraVest's results and acquisition-related expenses.

Selling expenses for the third quarter and nine months ended June 30, 2020 decreased by 25% and increased by 6% respectively versus the prior comparable periods which are mainly the result of reduced travelling expenses in the third quarter due to travel restrictions, partially offset by the addition of ISF and Argo to TerraVest's results.

Financing costs for the third quarter and nine months ended June 30, 2020 decreased by 12% and by 5% respectively versus the prior comparable periods. The decreases are primarily explained by lower interest expense because of the prime rate reductions in March 2020 and April 2020 and by reduced debt balances, partially offset by interest expense on lease liabilities following the adoption of IFRS 16 “Leases” on October 1, 2019.

Income tax expense increased for the third quarter and decreased for the nine months ended June 30, 2020 versus the prior comparable periods. The marginal increase for the third quarter ended June 30, 2020 is mainly explained by the timing of income tax expense adjustments and non-taxable items while the decrease for the nine months ended June 30, 2020 is the result of reduced taxable earnings and the reduction of the tax rates for certain subsidiaries of TerraVest.

As a result of the above, net income attributable to common shareholders for the third quarter and nine months ended June 30, 2020 decreased by 16% and by 3% respectively versus the prior comparable periods.

Segmented Results

a) Fuel Containment

	Third quarters ended		Nine months ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Sales	**31,112**	35,357	**115,835**	113,377
Net Income	**4,519**	2,998	**12,972**	10,921
Add (subtract):				
Income tax expense	**1,460**	1,264	**4,405**	4,161
Financing costs	**544**	655	**1,947**	2,013
Depreciation and amortization	**1,987**	1,524	**5,957**	4,676
Change in fair value of derivative financial instruments	**(1,438)**	(483)	**927**	306
(Gain) loss on foreign exchange	**492**	148	**(755)**	(314)
(Gain) loss on disposal of property, plant and equipment	**(8)**	122	**(12)**	122
(Gain) loss on disposal of assets held for sale	**-**	-	**180**	-
(Gain) loss on contingent considerations	**-**	-	**(61)**	-
Adjusted EBITDA	**7,556**	6,228	**25,560**	21,885

Sales for the third quarter and nine months ended June 30, 2020 were $31,112 and $115,835 versus $35,357 and $113,377 for the prior comparable periods. This represents a decrease of 12% and an increase of 2% respectively. The decrease in sales for the third quarter ended June 30, 2020 versus the prior comparable quarter is mainly explained by the slowdown of the economy due to the COVID-19 pandemic. The increase in sales for the nine months ended June 30, 2020 is the result of stronger demand for certain home heating product lines and increase demand in both Canada and the United States for this segment’s LPG storage and distribution equipment products, offset by the decrease in sales experienced during the third quarter.

Net income for the third quarter and nine months ended June 30, 2020 were $4,519 and $12,972 versus $2,998 and $10,921 for the prior comparable periods. This represents increases of 51% and of 19% respectively. The increases are primarily a result of a change in the fair value of derivative financial instruments and non-recurring expenses related to the transfer of petroleum tank production to a new facility in the third quarter of fiscal 2019, as well as cost reduction measures and government subsidies. The increases in net income are partially offset by the decrease in sales activity during the third quarter.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2020 were $7,556 and $25,560 versus $6,228 and $21,885 for the prior comparable periods. This represents increases of 21% and of 17% respectively, which are a result of the reasons highlighted above.

b) Processing Equipment

	Third quarters ended		Nine months ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Sales	**28,867**	31,742	**111,946**	99,647
Net Income	**660**	2,947	**3,920**	9,349
Add (subtract):				
Income tax expense	**344**	645	**1,073**	1,979
Financing costs	**563**	210	**1,708**	721
Depreciation and amortization	**3,038**	958	**6,481**	2,787
(Gain) loss on foreign exchange	**(4)**	14	**6**	8
(Gain) loss on disposal of property, plant and equipment	**(14)**	(2)	**(287)**	(179)
Adjusted EBITDA	**4,587**	4,772	**12,901**	14,665

Sales for the third quarter and nine months ended June 30, 2020 were $28,867 and $111,946 versus $31,742 and $99,647 for the prior comparable periods. This represents a decrease of 9% and an increase of 12% respectively. Excluding Argo and ISF, sales for the third quarter and nine months ended June 30, 2020 were $13,857 and $66,831 versus $31,742 and $99,647 for the prior comparable periods. This represent decreases of 56% and 33% respectively. The decreases are a result of weaker demand for energy processing equipment and NGL storage and distribution equipment in Western Canada, as both the COVID-19 pandemic and weak commodity pricing had a major impact on this segment's customers capital expenditure programs.

Net income for the third quarter and nine months ended June 30, 2020 were $660 and $3,920 versus $2,947 and $9,349 for the prior comparable periods. This represents decreases of 78% and of 58% respectively. The decreases are explained by the overall decrease in this segment's sales base portfolio of companies compared to the prior periods, and the increase in financing costs due to the acquisition of Argo, partially offset by cost control measures and government subsidies.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2020 were $4,587 and $12,901 versus $4,772 and $14,665 for the prior comparable periods. This represents decreases of 4% and of 12% respectively. The decreases are a result of the reasons explained above.

c) Service

	Third quarters ended		Nine months ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
	$	**$**	**$**	**$**
Sales	**1,040**	3,652	**8,241**	12,917
Net loss	**(217)**	(429)	**(694)**	(666)
Add (subtract):				
Income tax expense (recovery)	**21**	80	**(38)**	178
Financing costs	**70**	104	**272**	239
Depreciation and amortization	**255**	391	**1,120**	1,376
(Gain) loss on disposal of property, plant and equipment	**(2)**	(1)	**(1)**	(29)
Adjusted EBITDA	**127**	145	**659**	1,098

Sales for the third quarter and nine months ended June 30, 2020 were $1,040 and $8,241 versus $3,652 and $12,917 for the prior comparable periods. This represents decreases of 72% and of 36% respectively. The decreases are a result of weaker rig utilization due to a general decline in customer's capital spending in the regions where this segment operates combined with a major slowdown of the economy due to the COVID-19 pandemic during the third quarter of fiscal 2020.

Net loss for the third quarter and nine months ended June 30, 2020 were $217 and $694 versus $429 and $666 for the prior comparable periods. This represents a decrease of 49% and an increase of 4% respectively, and are a result of the reason explained above, partially offset by cost control measures and government subsidies.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2020 were $127 and $659 versus $145 and $1,098 for the prior comparable periods. This represents decreases of 12% and of 40% respectively, and are a result of the reason explained above.

Quarterly Results

	For the quarters ended							
	30-Jun-20	**31-Mar-20**	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**	**31-Mar-19**	**31-Dec-18**	**30-Sep-18**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	**61,019**	86,751	88,252	80,345	70,751	76,159	79,031	79,297
Adjusted EBITDA	**11,854**	10,853	14,577	13,286	10,599	10,974	14,125	14,667
Net income attributable to common shareholders	**3,882**	5,323	6,461	6,320	4,610	5,472	6,093	8,268
Net income per share								
– Basic	**0.21**	0.28	0.36	0.36	0.27	0.32	0.35	0.47
– Diluted	**0.20**	0.28	0.35	0.34	0.25	0.30	0.33	0.43

TerraVest's operating segments are seasonal in nature. The strongest quarters for TerraVest are its first and last quarters. The Processing Equipment and Service segments generally experience higher sales in the first and second quarters as majority of the drilling in Western Canada occurs during this period. The Fuel Containment segment generally experiences higher sales during the first and last quarters as demand for residential, commercial and industrial heating products increases heading into the winter months. The third quarter is typically the weakest across all segments. TerraVest takes advantage of this seasonality to build inventory levels during non-peak demand periods, thereby allowing TerraVest to more readily meet increased levels of demand during its regular peak demand periods.

CASH FLOW

The following table provides summary information with respect to consolidated cash flows from operating, investing and financing activities:

	Nine months ended	
	June 30, 2020	**June 30, 2019**
	$	**$**
Cash flow from operating activities	**48,219**	18,729
Cash flow used in investing activities	**(20,024)**	(12,633)
Cash flow from financing activities	**(20,443)**	(4,450)
Net inflows for the period	**7,752**	1,646
Cash and bank overdrafts, beginning of year	**9,093**	984
Impact of foreign exchange on cash and bank overdrafts	**183**	20
Cash and bank overdrafts, end of period	**17,028**	2,650

Cash Flow from Operating Activities

TerraVest generated $48,219 of cash flow from operating activities during the nine months ended June 30, 2020 compared to $18,729 for the prior comparable period. The increase is mainly attributable to a reduction in non-cash operating working capital items versus the prior comparable period. TerraVest also benefitted from income tax instalment payments deferral until September 30, 2020 as a measure in Canada's COVID-19 Economic Response Plan which temporarily increased TerraVest's cash flow from operating activities versus the prior comparable period.

Cash Flow from Investing Activities

Cash flow from investing activities during the nine months ended June 30, 2020 was ($20,024) compared to ($12,633) for the prior comparable period. The increased use of cash is primarily a result of the acquisition of Argo, partially offset by a decrease in capital expenditures due to the completion of a major capital project consisting of relocating the production of petroleum tanks to a new facility.

Cash Flow from Financing Activities

Cash flow from financing activities during the nine months ended June 30, 2020 was ($20,443) versus ($4,450) for the prior comparable period. The difference is attributable to the use of cash flow used to reduce debt balances.

DIVIDENDS

During the third quarter, TerraVest has declared a dividend of $0.10 per common share payable on July 9, 2020 to shareholders of record on June 30, 2020.

Subsequent to the end of the third quarter, TerraVest declared a cash dividend of $0.10 per common share payable on October 9, 2020 to shareholders of record on September 30, 2020.

TerraVest expects to declare and pay a dividend on a quarterly basis. The dividend policy may be changed from time to time in the sole discretion of the Board of Directors. Accordingly, there can be no assurances as to the amount or timing of any dividend in the future. In assessing whether to pay a dividend and in determining the amount of the dividend, the Board of Directors will consider TerraVest's financial condition and its then current business needs and other factors the Board of Directors may consider appropriate in the circumstances.

LIQUIDITY AND CAPITAL RESOURCES

TerraVest's objective in managing its capital resources is to ensure that there are adequate capital resources to support the operations of its various business segments and permit opportunistic acquisitions in order to maximize the return to shareholders. Management continually assesses TerraVest's capital needs to meet its objectives.

TerraVest's principal sources of liquidity are cash on hand, secured credit facilities and cash flow generated by its operations throughout the year. As at June 30, 2020, TerraVest's cash position, net of bank overdrafts, was $17,028 compared to $9,093 as at September 30, 2019. As at June 30, 2020, TerraVest's consolidated working capital, excluding the short-term revolving credit facility, was $98,546 compared to $94,615 as at September 30, 2019. TerraVest expects to be able to fund all working capital requirements, contractual obligations and capital expenditures from a combination of operating cash flows and existing credit facilities.

Revolving Operating Loans

TerraVest and its subsidiaries have access to revolving operating loans. Two of the revolving operating loans are based on margin requirements. The revolving operating loans are subject to certain financial covenants which are based on the results of the individual subsidiaries in which the credit facilities are held. The availability of the revolving operating loans at any given time may have an impact on TerraVest's liquidity and available capital resources and its ability to fund its operating and future growth plans.

As at June 30, 2020, the maximum amount available was $126,672, of which $78,666 was drawn. TerraVest was in compliance with all of its financial and non-financial covenants.

For further information on the financial and non-financial covenants, please refer to Notes 9 and 10 of TerraVest's interim condensed financial statements for the third quarter ended June 30, 2020 and Note 14 of TerraVest's audited consolidated financial statements for the year ended September 30, 2019.

Revolving Term Loan

Certain subsidiaries of TerraVest operating in the Processing Equipment and Service segments have access to a $20,000 revolving term loan that can be used to refinance existing debt and to purchase property, plant & equipment. As at June 30, 2020, $19,812 was drawn.

TerraVest was in compliance with all of its financial and non-financial covenants. For further information on the financial and non-financial covenants, please refer to Note 10 of TerraVest's interim condensed financial statements for the third quarter ended June 30, 2020 and Note 14 of TerraVest's audited consolidated financial statements for the year ended September 30, 2019.

Convertible Debentures

On January 13, 2020, TerraVest redeemed all of its outstanding convertible debentures (was trading under the symbol "TVK.DB") with a principal amount of $1,093 for total consideration of $1,096, including accrued and unpaid interest. There are no convertible debentures outstanding as at June 30, 2020.

Carrying Value

Changes in the liability and equity components of TerraVest's convertible debentures were as follows:

	As at June 30, 2020	
	Liability	**Equity**
	$	**$**
Balance, beginning of year	**9,943**	**1,451**
Conversion of convertible debentures	**(9,001)**	**(1,311)**
Convertible debentures repurchased, net of income tax	**(1,064)**	**(140)**
Accretion of liability	**122**	**-**
Balance, end of period	**-**	**-**

Share Capital

TerraVest's common shares are listed on the Toronto Stock Exchange under the symbol "TVK". Changes in the common shares issued and outstanding were as follows:

	As at June 30, 2020	
	Number	**Amount**
		$
Balance, beginning of year	**17,642,489**	**139,290**
Issued on conversion of convertible debentures	**1,125,931**	**10,690**
Repurchased and cancelled	**(87,170)**	**(696)**
Balance, end of period	**18,681,250**	**149,284**

During the nine months ended June 30, 2020, TerraVest repurchased 87,170 common shares (7,100 during the nine months ended June 30, 2019) under its common shares normal course issuer bid ("NCIB") for total consideration of $1,080 ($74 during the nine months ended June 30, 2019). The difference between the amount paid for the common shares and their carrying value was recorded in share premium.

On March 16, 2020, TerraVest renewed its common share NCIB under which it may repurchase 937,316 common shares. The common shares NCIB expires on March 15, 2021. The remaining number of common shares available for repurchase under the current common shares NCIB was 872,246 as at June 30, 2020.

Capital Structure

The capital structure of TerraVest consists of its revolving credit facilities, long-term debt, convertible debentures and shareholders' equity attributable to common shareholders. The following table outlines TerraVest's capital structure:

	As at June 30, 2020	**As at September 30, 2019**
	$	**$**
Bank overdrafts	**268**	349
Drawn on short-term revolving operating loan	**2,793**	-
Available on short-term revolving operating loan, net of amount drawn	**367**	-
Drawn on long-term revolving operating loans	**75,873**	86,629
Available on long-term revolving operating loans, net of amount drawn	**47,639**	9,113
Long-term debt (current and non-current)	**26,995**	23,183
Convertible debentures	**-**	9,943
Shareholders' equity attributable to common shareholders	**117,346**	100,503
	271,281	229,720

Other than the financial covenants and restrictive non-financial covenants contained in the loan agreements, TerraVest is not subject to any externally imposed capital restrictions.

The Board of Directors does not establish quantitative return on capital criteria for management. TerraVest intends to maintain a flexible capital structure that is consistent with its stated objectives and adjust it in the light of changes in economic conditions and the risk characteristics of the underlying instruments. In order to maintain or adjust its capital structure, TerraVest may, from time to time, acquire shares for cancellation in connection with an SIB or an NCIB, issue new shares, raise capital through various debt instruments or refinance current debt through instruments with different characteristics.

SHARE-BASED PAYMENTS

TerraVest has a stock option plan for which options are granted to key management personnel to purchase common shares of TerraVest. Of the 1,500,000 common shares reserved for issuance, 700,500 were available for issuance under the stock option plan as at June 30, 2020. Total expense arising from the share-based payment transactions recognized during the nine months ended June 30, 2020 as compensation expense was $71 ($69 during the nine months ended June 30, 2019).

The stock options outstanding and the weighted average exercise prices as at June 30, 2020, were as follows:

Grant Date	Expiry Date	Exercise price	Opening balance	Granted	Settled or exercised	Closing balance	Vested and exercisable	Unvested
Feb. 9, 2017	Feb. 9, 2022	$9.10	333,000	-	-	333,000	333,000	-
March 9, 2017	March 9, 2024	$9.10	435,000	-	(167,500)	267,500	267,500	-
Jan. 20, 2020	Jan. 20, 2027	$13.12	-	100,000	-	100,000	-	100,000
			768,000	100,000	(167,500)	700,500	600,500	100,000
Weighted average exercise price			$9.10	$13.12	$9.10	$9.67	$9.10	

During the third quarter ended June 30, 2020, 167,500 stock options were settled for total cash consideration of $1,178. During the nine months ended June 30, 2020, no stock options were exercised or forfeited and TerraVest granted 100,000 stock options to key management personnel.

FINANCIAL INSTRUMENTS RISK

TerraVest is exposed to various risks in relation to financial instruments. The main type of risks are market risk, credit risk and liquidity risk. An analysis of these risks as at June 30, 2020, is provided below.

Market Risk

TerraVest is exposed to market risk, through its use of financial instruments, specifically to foreign currency risk, interest rate risk and certain commodity price risk.

Foreign Currency Risk

Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. TerraVest is subject to foreign currency risk for:

- sales and operating expenses denominated in foreign currencies made by Canadian entities;
- financial instruments denominated in foreign currency in Canadian entities.

TerraVest does not have a policy to hedge its foreign currency risk and manages its exposure to foreign currency risk by periodically entering into forward exchange contracts. Based on the net U.S. dollar exposure for the nine months ended June 30, 2020, a one cent increase in the Canadian/U.S. dollar exchange rate would have had a favorable impact of $88 on net income ($13 for the nine months ended June 30, 2019). A one cent decrease in the Canadian/U.S. dollar exchange rate would have had an impact of a similar magnitude but in opposite direction on net income.

Interest Rate Risk

TerraVest is exposed to interest rate risk arising from fluctuations in interest rates on revolving credit facilities and long-term debt at variable interest rates. During the third quarter ended June 30, 2020, TerraVest has entered into an interest rate swap agreement for the notional amount of $25,000 to manage a portion of its exposure to interest rate risk. TerraVest does not have a policy to hedge its interest rate risk.

For the nine months ended June 30, 2020, a 1% increase in the interest rate would have had an unfavorable impact of $491 on net income ($708 for the year ended September 30, 2019), calculated using the average outstanding balances during the period on revolving credit facilities and long-term debt at variable interest rates. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in opposite directions on net income.

Commodity Price Risk

TerraVest is sensitive to changes in commodity prices for crude oil and natural gas. Fluctuations in commodity prices for crude oil and natural gas have an indirect impact on TerraVest's portfolio businesses operating in the oil and natural gas sectors. The indirect impact is the effect that the price variations have on activity levels for customers of those portfolio businesses and, therefore, the demand for goods and services. The indirect impact is not quantifiable.

Credit Risk

Credit risk is the risk that a counterparty will fail to perform its obligations to TerraVest. TerraVest's credit risk comes mainly from accounts receivable and is mitigated through credit policies that limit transactions according to counterparties' creditworthiness, which is assessed by considering counterparties' financial position, past experience and other factors. In addition, a large majority of TerraVest's clients are well established companies with a history of prompt payment. The credit risk on cash is considered negligible since cash is held in reputable financial institutions with high quality external credit ratings. TerraVest's maximum exposure to credit risk is $55,581 as at June 30, 2020 ($59,779 as at September 30, 2019).

As at June 30, 2020, 90% (93% as at September 30, 2019) of TerraVest's accounts receivable were less than 90 days past invoice date. TerraVest recognizes an allowance for doubtful accounts when it believes that the expected recoverable amount is lower than the actual amount of the trade receivables.

Liquidity Risk

TerraVest's objective is to maintain cash and cash availability to meet its liquidity requirements. TerraVest monitors its cash and trade receivable balances as well as cash flows generated from operations to meet its financial obligations. TerraVest also has access to various authorized revolving credit facilities to manage its liquidity need. For a more detailed discussion on liquidity risk, refer to the section entitled "Liquidity and Capital Resources" in this MD&A.

SIGNIFICANT ACCOUNTING POLICIES AND NEW STANDARDS

TerraVest prepares its financial statements in accordance with IFRS. TerraVest's accounting policies under IFRS are disclosed in Note 2 of TerraVest's audited consolidated financial statements for the year ended September 30, 2019.

New Standards Adopted

For a detailed discussion of new accounting standards adopted, please refer to Note 5 of TerraVest interim condensed consolidated financial statements for the third quarter ended June 30, 2020.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of TerraVest's financial position and results of operations are based on its interim condensed consolidated financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting. The preparation of financials statements requires management to use judgment in applying its accounting policies and make estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from management's estimates and expectations. For information regarding the use of estimates and judgments please refer to Note 3 of TerraVest's audited consolidated financial statements for the year ended September 30, 2019 and to Note 3 of TerraVest's interim condensed financial statements for the third quarter ended June 30, 2020.

CONTROLS AND PROCEDURES

As at June 30, 2020, TerraVest's Chief Executive Officer and Chief Financial Officer, have certified that the design of the disclosure controls and procedures provides reasonable assurance that significant information relevant to TerraVest is reported to them during the preparation of disclosure documents, and that the design of the internal controls over financial reporting provides reasonable assurance regarding the reliability of the financial information and the preparation of the financial statements in accordance with IFRS. During the period covered by this report, TerraVest did not make any changes in internal controls over financial reporting that significantly affected or are reasonably likely to significantly affect TerraVest's internal controls over financial reporting.

Exceptions

TerraVest acquired ISF in August 2019 and Argo in December 2019. Management has not yet completed their assessment of the design or operating effectiveness of ISF and Argo's disclosure controls and procedures and internal controls over financial reporting.

The following table provides significant financial information of ISF and Argo as at and for the nine months ended June 30, 2020:

	ISF	**Argo**
	$	**$**
Total assets	**17,155**	**31,837**
Total liabilities	**7,139**	**20,594**
Sales	**19,011**	**26,623**
Net income (loss)	**(428)**	**213**

RELATED PARTY TRANSACTIONS

For detailed information on related party identity, relationship and transactions, please refer to Note 17 of TerraVest's interim condensed financial statements for the third quarter ended June 30, 2020 and Note 27 of TerraVest's audited consolidated financial statements for the year ended September 30, 2019.

RISK FACTORS

For a detailed discussion of the risk factors related to the businesses and to the structure of TerraVest, please refer to the AIF of TerraVest under the heading "Risk Factors", which is incorporated herein by reference.

ADDITIONAL INFORMATION

Additional information relating to TerraVest, including the AIF of TerraVest, is available on SEDAR at www.sedar.com.