MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended June 30, 2023

Dated: August 10, 2023

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 ended June 30, 2023 and should be read in conjunction with TerraVest's interim condensed consolidated financial statements for the third quarter ended June 30, 2023. 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 10, 2023 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 other property, plant and equipment, property, plant and equipment for rental and on disposal of assets held for sale, change in fair value of derivative financial instruments, change in fair value of investment in equity instruments and investment in a limited partnership, gains or losses on foreign exchange, non-recurring acquisition-related costs, impairment charges, gains or losses on remeasurement of equity interest, gain on bargain purchase 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.

Maintenance Capital Expenditures: 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.

Working Capital: 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 products and services that complement TerraVest's existing operations and provide integration benefits.

TerraVest is comprised of four operating segments as follow: Home Heating and Cooling Products ("HVAC Equipment"), Compressed Gas Storage and Distribution Equipment ("Compressed Gas Equipment"), Energy Processing Equipment ("Processing Equipment") and Service.

HVAC Equipment

TerraVest's HVAC Equipment segment is a provider of products and services to a variety of industries across Canada and the United States. The HVAC Equipment segment manufactures and distributes products including commercial and residential refined fuel tanks, furnaces, boilers, air conditioning equipment and controls. This segment sells its products through various distribution networks. The end users of the products are fuel distributors, commercial and residential consumers.

Compressed Gas Equipment

TerraVest's Compressed Gas Equipment segment is a provider of products and services to a variety of industries across Canada and the United States. The Compressed Gas Equipment segment manufactures engineered products for the storage, distribution and dispensing of compressed gases including liquid propane gas ("LPG"), natural gas liquids ("NGL's"), liquified natural gas ("LNG"), anhydrous ammonia ("NH3"), carbon dioxide ("CO2") and various other gases. The products include bulk storage vessels, transport trailers, delivery units, dispensers, commercial and residential storage tanks and other custom vessels. This segment also services the various products it manufactures. This segment's products and services are primarily sold to gas distributors, fertilizer distributors, farmers, midstream energy companies and transportation companies and are used by industrial, commercial and residential consumers.

Processing Equipment

TerraVest's Processing Equipment segment is a fabricator of equipment for various end-markets including upstream and midstream oil and gas production, renewable natural gas ("biogas") production, water treatment and mining. The Processing Equipment segment manufactures and sells a wide array of equipment such as: wellhead processing equipment and tanks, desanding equipment, biogas production equipment, water treatment equipment and various other custom process equipment. This segment's products and services are primarily sold to oil and gas producers, midstream companies, utilities, municipalities and engineering companies.

Service

TerraVest's Service segment provides a wide range of services to the energy sector in Western Canada including water management, environmental solutions, heating, rentals and well servicing. TerraVest's Service segment is well recognized for its technological innovation and industry-leading ESG program. This segment services many of the largest energy producers in Canada.

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, 2023 and the comparative periods in fiscal 2022.

	Third quarters ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Sales	**150,363**	145,134	**504,419**	414,262
Net Income	**9,576**	10,105	**34,106**	29,817
Add (subtract):				
Income tax expense	**2,048**	3,470	**11,068**	9,445
Financing costs	**4,060**	2,349	**11,538**	6,273
Depreciation and amortization	**10,416**	8,054	**29,141**	22,410
Change in fair value of derivative financial instruments	**(1,070)**	452	**(2,350)**	(841)
Change in fair value of investment in equity instruments	**(236)**	(14)	**68**	(45)
Change in fair value of investment in a limited partnership	**(1,352)**	-	**(962)**	-
(Gain) loss on foreign exchange	**2,305**	(2,011)	**3,266**	(892)
(Gain) loss on disposal of other property, plant and equipment	**(2,559)**	(505)	**(2,879)**	(1,034)
(Gain) loss on disposal of property, plant and equipment for rental	**-**	(248)	**(605)**	(324)
(Gain) loss on disposal of intangible assets	**-**	-	**-**	7
(Gain) loss on lease modification	**-**	-	**19**	-
(Gain) loss on remeasurement of an equity interest	**-**	-	**-**	(1,956)
Acquisition-related cost	**25**	28	**179**	290
Other non-recurring expenses [i]	**-**	-	**3,084**	-
Adjusted EBITDA	**23,213**	21,680	**85,673**	63,150

[i] Settlement of the working capital adjustment with the prior owner of ECR International Inc. (“ECR”).

Sales for the third quarter and nine months ended June 30, 2023 were $150,363 and $504,419 versus $145,134 and $414,262 for the prior comparable periods. This represents increases of 4% and 22% respectively. However, TerraVest acquired all of the issued and outstanding shares of T.S.X. Transport Inc. (“TSX”) in October 2022, of Mississippi Tank and Manufacturing Company (“MTC”) in March 2022, as well as a controlling interest of 66.8% in Green Energy Services Inc. (“GES”) in November 2021, of which only GES and MTC partially contributed to the prior comparable periods. A subsidiary of TerraVest also acquired assets of Secure Energy (Drilling Services) Inc. (“SES”) in March 2023, which are included in its results. Excluding GES and MTC (only for the nine months period) as well as TSX, sales for the third quarter and nine months ended June 30, 2023 were $149,476 and $363,220 versus $145,134 and $347,871 for the prior comparable periods. This represents increases of 3% and 4% respectively for TerraVest’s base portfolio (excluding TSX, MTC and GES). The increases in sales are the result of higher demand for oil and gas processing equipment and services in Western Canada, as well as for LPG storage and distribution equipment, partially offset by decreased sales for the HVAC segment versus the prior comparable periods.

Net income for the third quarter and nine months ended June 30, 2023 were $9,576 and $34,106 versus $10,105 and $29,817 for the prior comparable periods. This represents a decrease of 5% and an increase of 14% respectively. The variation in net income is a result of higher sales for TerraVest's base portfolio of businesses, the positive contribution of GES, MTC and TSX, a favorable change in fair value of derivative financial instruments and of an investment in a limited partnership as well as a gain on disposal of property, plant and equipment upon the disposal of a group of assets. The increases were partially offset by additional financing costs incurred as a result of higher interest rates versus the prior comparable periods and increased debt levels to support working capital needs and finance business acquisitions. Other variances are also highlighted in the table above.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2023 were $23,213 and $85,673 versus $21,680 and $63,150 for the prior comparable periods. This represents increases of 7% and 36% respectively, which are primarily the result of the addition of GES, MTC and TSX and the reasons highlighted above.

The table below reconciles cash flow from operating activities to cash available for distribution for the third quarter and nine months ended June 30, 2023 and the comparative periods in fiscal 2022.

	Third quarters ended		**Nine months ended**	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
	$	**$**	**$**	**$**
Cash Flow from Operating Activities	**18,419**	9,718	**59,466**	21,606
Add (subtract):				
Change in non-cash operating working capital items	**345**	6,192	**5,306**	26,630
Maintenance capital expenditures	**(4,028)**	(2,030)	**(8,884)**	(5,225)
Repayment of lease liabilities	**(1,446)**	(1,662)	**(4,265)**	(4,285)
Cash Available for Distribution	**13,290**	12,218	**51,623**	38,726
Dividends Paid	**2,228**	1,793	**6,246**	5,343
Dividend Payout Ratio	**17%**	15%	**12%**	14%

Cash flow from operating activities for the third quarter and nine months ended June 30, 2023 were $18,419 and $59,466 versus $9,718 and $21,606 for the prior comparable periods. This represents increases of 90% and 175% respectively. The increase in cash flow from operating activities is largely attributable to the increase in net income and the stabilization of working capital levels compared to the prior period where working capital levels were increasing, as a result of increased activity in certain of TerraVest's businesses combined with significant increases in steel and other raw materials pricing. The increase in cash flow from operating activities was partially offset by additional interest paid.

Maintenance capital expenditures were $4,028 for the third quarter ended June 30, 2023 versus $2,030 for the prior comparable period representing an increase of 98%, which is mainly explained by the timing of maintenance capital expenditures. During the third quarter, TerraVest's total purchase of property, plant and equipment paid was $8,166 of which $4,138 is considered growth capital. The growth capital incurred during the third quarter was mainly used to add to the Company's rental fleet and to expand certain manufacturing processes in one of TerraVest's subsidiaries. These growth projects are expected to result in increased capacity and greater efficiencies in several of TerraVest's businesses.

Cash available for distribution for the third quarter and nine months ended June 30, 2023 increased by 9% and 33% 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, 2023 were 17% and 12% versus 15% and 14% for the prior comparable periods.

Outlook

The overall business environment continues to present challenges. Although many travel and workplace restrictions have been lifted in North America, cost inflation, supply chain disruption and labour shortages continue to persist for many of TerraVest's businesses. Rising interest rates and the threat that brings to the overall economy also pose potential challenges moving forward. However, TerraVest is well-positioned for continued growth with its diverse portfolio of cash generating businesses. The Company continues to make targeted investments to improve manufacturing efficiency, add complimentary product lines, and pursue its acquisition strategy.

Business Combinations

On March 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire assets of Secure Energy (Drilling Services) Inc. ("SES"), a subsidiary of Secure Energy Inc. SES provides integrated fluids solutions such as on-site water sourcing, filtration, pumping, storage and heating services. The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

On October 2, 2022, a subsidiary of TerraVest entered into a share purchase agreement to acquire all the issued and outstanding shares of JCAC Fortin Inc., the holding company of TSX. TSX is a privately-owned Quebec transport company that provides drop deck transportation services between Quebec and Eastern United States. The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

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, 2023 and the comparative periods in fiscal 2022.

	Third quarters ended		**Nine months ended**	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
	$	**$**	**$**	**$**
Sales	**150,363**	145,134	**504,419**	414,262
Cost of sales	**116,923**	112,836	**384,625**	323,307
Gross profit	**33,440**	32,298	**119,794**	90,955
Administration expenses	**15,559**	13,718	**50,947**	37,222
Selling expenses	**5,107**	5,030	**15,574**	13,174
Financing costs	**4,060**	2,349	**11,538**	6,273
Share of an associate and a joint venture net (income) loss	**2**	(48)	**4**	109
Other (gains) losses	**(2,912)**	(2,326)	**(3,443)**	(5,085)
	21,816	18,723	**74,620**	51,693
Earnings before income taxes	**11,624**	13,575	**45,174**	39,262
Income tax expense	**2,048**	3,470	**11,068**	9,445
Net Income	**9,576**	10,105	**34,106**	29,817
Allocated to non-controlling interests	**1,606**	415	**5,334**	1,020
Net income attributable to common shareholders	**7,970**	9,690	**28,772**	28,797
Weighted average shares outstanding – Basic	**17,907,146**	17,922,113	**17,865,779**	17,875,117
Weighted average shares outstanding – Diluted	**18,081,678**	18,126,554	**18,075,239**	18,091,368
Net income per share – Basic	**$0.45**	$0.54	**$1.61**	$1.61
Net income per share – Diluted	**$0.44**	$0.53	**$1.59**	$1.59

Sales for the third quarter and nine months ended June 30, 2023 increased by 4% and 22% respectively versus 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, 2023 increased by 4% and 32% respectively versus the prior comparable periods. This is primarily explained by the contribution of GES, MTC and TSX and by increased sales volumes for most of TerraVest's base portfolio businesses, partially offset by a less favorable product mix.

Administration expenses for the third quarter and nine months ended June 30, 2023 increased by 13% and 37% respectively compared to the prior comparable periods. The variation is mainly the result of the addition of GES, MTC and TSX. TerraVest also recognized an expense of $3,084 in the second quarter of fiscal 2023 following the settlement of the working capital adjustment with the prior owner of ECR. In addition, in the first quarter of fiscal 2023, one of TerraVest's subsidiaries incurred non-recurring relocation fees to finalize the retirement of one of its manufacturing plants and consolidate its activities to one of its existing facilities.

Selling expenses for the third quarter and nine months ended June 30, 2023 increased by 2% and 18% respectively versus the prior comparable periods. The increases are explained by the hiring of additional sales personnel and additional commission expense as a result of increased sales in certain product lines. The addition of GES and MTC also contributed to the increase in selling expenses for the nine months ended June 30, 2023 versus the prior comparable period.

Financing costs for the third quarter and nine months ended June 30, 2023 increased by 73% and 84% respectively versus the prior comparable periods. The increase is primarily explained by additional interest expenses as a result of increased debt balances following recent business acquisitions and increases in interest rates on floating rate debt versus the prior comparable periods.

Other (gains) losses variance for the third quarter and nine months ended June 30, 2023 is a result of a loss on foreign exchange, partially offset by a favorable change in fair value of derivative financial instruments and of an investment in a limited partnership. In addition, the Service segment sold a group of assets and realized a gain on disposal of property, plant and equipment.

Income tax expense variance for the third quarter and nine months ended June 30, 2023 is the result of the variation in taxable earnings and the timing of income tax expense adjustments.

As a result of the above, net income attributable to common shareholders for the third quarter decreased by 18% and was similar for the nine months ended June 30, 2023 versus the prior comparable periods.

Segmented Results

a) HVAC Equipment

	Third quarters ended		**Nine months ended**	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
	$	**$**	**$**	**$**
Sales	**33,737**	47,768	**135,076**	146,859
Net Income	**897**	7,473	**15,232**	25,446
Add (subtract):				
Financing costs	**111**	104	**342**	318
Depreciation and amortization	**2,195**	1,332	**6,535**	3,969
(Gain) loss on foreign exchange	**296**	(361)	**601**	(120)
(Gain) loss on disposal of other property, plant and equipment	**-**	(44)	**12**	(40)
Adjusted EBITDA	**3,499**	8,504	**22,722**	29,573

Sales for the third quarter and nine months ended June 30, 2023 were $33,737 and $135,076 versus $47,768 and $146,859 for the prior comparable periods. This represents decreases of 29% and 8% respectively. Excluding TSX, sales for the third quarter and nine months ended June 30, 2023 were $32,850 and $132,881 versus $47,768 and $146,859 for the comparable periods. This represents decreases of 31% and 10% respectively. The decreases in sales are the result of lower demand for home heating equipment and refined fuel tanks.

Net income for the third quarter and nine months ended June 30, 2023 were $897 and $15,232 versus $7,473 and $25,446 for the prior comparable periods. This represents decreases of 88% and 40% respectively. The decreases in net income are primarily a result of the decrease in sales, a change in product mix and the variances highlighted in the table above, partially offset by the positive contribution of TSX.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2023 were $3,499 and $22,722 versus $8,504 and $29,573 for the prior comparable periods. This represents decreases of 59% and 23% respectively, which are a result of the reasons highlighted above.

b) Compressed Gas Equipment

	Third quarters ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Sales	**50,777**	49,966	**159,839**	129,056
Net Income	**4,775**	5,870	**16,807**	13,961
Add (subtract):				
Financing costs	**91**	61	**240**	187
Depreciation and amortization	**3,313**	2,851	**9,466**	7,334
(Gain) loss on foreign exchange	**(24)**	(75)	**(62)**	(30)
(Gain) loss on disposal of other property, plant and equipment	**(15)**	(32)	**(172)**	(73)
(Gain) loss on disposal of property, plant and equipment for rental	**-**	(248)	**(605)**	(324)
(Gain) loss on disposal of intangible assets	**-**	-	**-**	7
Adjusted EBITDA	**8,140**	8,427	**25,674**	21,062

Sales for the third quarter and nine months ended June 30, 2023 were $50,777 and $159,839 versus $49,966 and $129,056 for the prior comparable periods. This represents increases of 2% and 24% respectively. Excluding MTC, sales for the nine months ended June 30, 2023 were $119,803 versus $112,427 for the comparable period representing an increase of 7%. The increases in sales are a result of continued strong demand for compressed gas storage and distribution equipment in North America, partially offset by a decrease in demand for residential compressed gas tanks.

Net income for the third quarter and nine months ended June 30, 2023 were $4,775 and $16,807 versus $5,870 and $13,961 for the prior comparable periods. This represents a decrease of 19% and an increase of 20% respectively. The variations in net income are primarily a result of the addition of MTC, increased sales and a gain on disposal of property, plant and equipment for rental, partially offset by increased selling expenses to support revenue growth and additional amortization expense following the acquisition of MTC.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2023 were $8,140 and $25,674 versus $8,427 and $21,062 for the prior comparable periods. This represents a decrease of 3% and an increase of 22% respectively, which are a result of the reasons explained above.

c) Processing Equipment

	Third quarters ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	$	$	$	$
Sales	**33,367**	25,428	**95,100**	76,212
Net Income	**3,565**	482	**7,165**	169
Add (subtract):				
Financing costs	**101**	123	**317**	389
Depreciation and amortization	**1,284**	1,353	**3,968**	4,030
(Gain) loss on foreign exchange	**59**	(20)	**(113)**	(22)
(Gain) loss on disposal of other property, plant and equipment	**(16)**	(2)	**355**	(8)
Adjusted EBITDA	**4,993**	1,936	**11,692**	4,558

Sales for the third quarter and nine months ended June 30, 2023 were $33,367 and $95,100 versus $25,428 and $76,212 for the prior comparable periods. This represents increases of 31% and 25% respectively, which is a result of higher demand for energy processing equipment in Western Canada. In addition, the Processing Equipment segment delivered its first biogas project in June 2023 which contributed to the increase in sales.

Net income for the third quarter and nine months ended June 30, 2023 were $3,565 and $7,165 versus $482 and $169 for the prior comparable periods. The substantial increases in net income versus the prior comparable periods are mainly explained by increased sales and activity level. This segment also incurred non-recurring relocation fees to finalize the shut-down of one of its manufacturing plants and relocate its activities to one of its existing facilities.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2023 were $4,993 and $11,692 versus $1,936 and $4,558 for the prior comparable periods. This represents increases of 158% and 157% respectively, which are a result of the reasons explained above.

d) Service

	Third quarters ended		**Nine months ended**	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
	$	**$**	**$**	**$**
Sales	**32,578**	22,072	**114,906**	62,534
Net Income	**6,965**	2,418	**23,899**	5,610
Add (subtract):				
Financing costs	**82**	50	**186**	120
Depreciation and amortization	**3,612**	2,518	**9,155**	7,076
(Gain) loss on foreign exchange	**6**	(1)	**9**	1
(Gain) loss on disposal of other property, plant and equipment	**(2,528)**	(466)	**(3,229)**	(951)
(Gain) loss on lease modification	**-**	-	**19**	-
Adjusted EBITDA	**8,137**	4,519	**30,039**	11,856

Sales for the third quarter and nine months ended June 30, 2023 were $32,578 and $114,906 versus $22,072 and $62,534 for the prior comparable periods. This represents increases of 48% and 84% respectively. Excluding GES, sales for the nine months ended June 30, 2023 were $15,938 versus $13,772 for the prior comparable period representing an increase of 16%. The increase in sales for TerraVest base portfolio is explained by increased activity by this segment's customers resulting in higher rig utilization. For the third quarter, GES's sales increased as a result of continued strong demand from its customers and recent asset acquisitions, which increased the Company's overall capacity to handle such demand.

Net income for the third quarter and nine months ended June 30, 2023 were $6,965 and $23,899 versus $2,418 and $5,610 for the prior comparable periods. The substantial increases in net income versus the prior comparable periods are a result of the addition of GES and the increased sales and activity level of this segment. The Service segment also sold a group of assets in fiscal 2023 and realized a gain on disposal of property, plant and equipment.

Adjusted EBITDA for the third quarter and nine months ended June 30, 2023 were $8,137 and $30,039 versus $4,519 and $11,856 for the prior comparable periods. This represents increases of 80% and 153% respectively and are a result of the reasons explained above.

Quarterly Results

	For the quarters ended							
	30-Jun-23	**31-Mar-23**	**31-Dec-22**	**30-Sep-22**	**30-Jun-22**	**31-Mar-22**	**31-Dec-21**	**30-Sep-21**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	**150,363**	176,858	177,198	162,442	145,134	137,764	131,364	80,816
Adjusted EBITDA	**23,213**	32,222	30,238	23,519	21,680	21,174	20,296	17,174
Net income attributable to common shareholders	**7,970**	8,891	11,911	16,455	9,690	8,433	10,674	9,395
Net income per share								
– Basic	**0.45**	0.50	0.67	0.92	0.54	0.47	0.60	0.53
– Diluted	**0.44**	0.49	0.66	0.91	0.53	0.46	0.59	0.53

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 HVAC Equipment and Compressed Gas Equipment segments generally experience higher revenues 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, 2023	**June 30, 2022**
	$	**$**
Cash flow from operating activities	**59,466**	21,606
Cash flow used in investing activities	**(31,342)**	(58,429)
Cash flow (used in) from financing activities	**(13,331)**	42,846
Net inflows for the period	**14,793**	6,023
Cash and bank overdrafts, beginning of year	**9,034**	7,481
Impact of foreign exchange on cash and bank overdrafts	**(363)**	(359)
Cash and bank overdrafts, end of period	**23,464**	13,145

Cash Flow from Operating Activities

TerraVest generated $59,466 of cash flow from operating activities during the nine months ended June 30, 2023 compared to $21,606 for the prior comparable period. The increase is mainly attributable to increased net income, less net income taxes paid and the stabilization of working capital levels compared to the prior period, partially offset by additional interest paid.

Cash Flow used in Investing Activities

Cash flow used in investing activities during the nine months ended June 30, 2023 was $31,342 compared to $58,429 for the prior comparable period. The decreased use of cash is primarily a result of less cash used to acquire businesses and property, plant and equipment combined with greater proceeds from disposal of property, plant and equipment.

Cash Flow (used in) from Financing Activities

Cash flow (used in) from financing activities during the nine months ended June 30, 2023 was ($13,331) versus $42,846 for the prior comparable period. The difference is attributable to the reduction of debt balances versus the borrowing of cash in prior comparable period to finance investing and operating activities.

DIVIDENDS

During the third quarter, TerraVest has declared a dividend of $0.125 per common share payable on July 10, 2023 to shareholders of record on June 30, 2023.

Subsequent to the end of the third quarter, TerraVest declared a dividend of $0.125 per common share payable on October 10, 2023 to shareholders of record on September 30, 2023.

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 assurance 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, 2023, TerraVest's cash position, net of bank overdrafts, was $23,464 compared to $9,034 as at September 30, 2022. As at June 30, 2023, TerraVest's consolidated working capital, excluding short-term revolving credit facilities, was $184,946 compared to $188,609 as at September 30, 2022. TerraVest expects to be able to fund all working capital requirements, contractual obligations, capital expenditures and dividends from a combination of cash on hand, operating cash flows and existing credit facilities.

Revolving Operating Loans

TerraVest and its subsidiaries have access to revolving operating loans. Three 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, 2023, the maximum amount available was $179,620, of which $148,456 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 9 of TerraVest's interim condensed consolidated financial statements for the third quarter ended June 30, 2023 and Note 15 of TerraVest's audited consolidated financial statements for the year ended September 30, 2022.

Revolving Term Loans

Certain subsidiaries of TerraVest operating in the Compressed Gas Equipment, Processing Equipment and Service segments have access to revolving term loans totaling $32,000 that can be used to refinance existing debt and to purchase property, plant & equipment. As at June 30, 2023, $28,147 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 9 of TerraVest's interim condensed consolidated financial statements for the third quarter ended June 30, 2023 and Note 15 of TerraVest's audited consolidated financial statements for the year ended September 30, 2022.

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, 2023	
	Number	**Amount**
		$
Balance, beginning of period	**17,886,018**	**150,467**
Issued on exercise of stock options	**81,181**	**85**
Repurchased and cancelled	**(54,700)**	**(460)**
Balance, end of period	**17,912,499**	**150,092**

During the nine months ended June 30, 2023, TerraVest repurchased 54,700 common shares (38,200 during the nine months ended June 30, 2022) under its common shares normal course issuer bid ("NCIB") for total consideration of $1,312 ($870 during the nine months ended June 30, 2022). The difference between the amount paid for the common shares and their carrying value was recorded in share premium.

On March 17, 2023, TerraVest renewed its common shares NCIB under which it may repurchase 949,963 common shares and entered into an Automatic Share Purchase Plan ("ASPP") in order to facilitate, on any trading day, the repurchase of common shares under its common shares NCIB. The common shares NCIB expires on March 16, 2024. The remaining number of common shares available for repurchase under the current common shares NCIB was 949,963 as at June 30, 2023.

Subsequent to the end of the third quarter, TerraVest did not repurchase any common shares under its common shares NCIB.

Capital Structure

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

	As at June 30, 2023	**As at September 30, 2022**
	$	**$**
Bank overdrafts	**317**	360
Drawn on current revolving credit facilities	**35,071**	3,332
Available on current revolving credit facilities, net of amount drawn	**14,549**	10,872
Drawn on long-term revolving operating loans	**113,385**	153,638
Available on long-term revolving operating loans, net of amount drawn	**16,615**	11,362
Long-term debt (current and non-current)	**92,279**	85,927
Shareholders' equity attributable to common shareholders	**202,759**	183,573
	474,975	449,064

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. The stock option plan is a "rolling" plan whereby the amount of common shares that may be reserved for issuance shall be up to 10% of the issued common shares outstanding from time to time. An aggregate of 1,625,411 common shares were reserved for issuance under the stock option plan, of which 442,411 were available for grant as at June 30, 2023.

The stock options outstanding and the weighted average exercise prices as at June 30, 2023, were as follows:

Grant Date	Expiry Date	Exercise price	Opening balance	Settled or exercised	Closing balance	Vested and exercisable	Unvested
Mar. 9, 2017	Mar. 9, 2024	$9.10	267,500	(167,500)	100,000	100,000	-
Jan. 20, 2020	Jan. 20, 2027	$13.12	100,000	-	100,000	100,000	-
Feb. 18, 2022	Feb. 18, 2032	$24.49	583,000	-	583,000	194,333	388,667
Feb. 18, 2022	Feb. 18, 2032	$26.99	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$29.49	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$31.99	100,000	-	100,000	-	100,000
Feb. 18, 2022	Feb. 18, 2032	$34.49	100,000	-	100,000	-	100,000
			1,350,500	(167,500)	1,183,000	394,333	788,667
Weighted average exercise price			$22.45	$9.10	$24.34	$17.70	

During the nine months ended June 30, 2023, no stock options were granted or forfeited and 167,500 stock options were exercised by way of cashless exercise. The related withholding tax obligation was recorded in share premium. The net settlement of this transaction resulted in TerraVest issuing 81,181 common shares. The weighted average share price on the date of exercise was $26.91 per common share based on the average trading price of the common shares on the Toronto Stock Exchange for the five trading days immediately preceding the exercise date of the stock options.

FINANCIAL INSTRUMENTS RISKS

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, 2023, 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; and
- 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 as at June 30, 2023, a one cent increase in the Canadian/U.S. dollar exchange rate would have had a unfavorable impact of $159 on net income ($332 for the nine months ended June 30, 2022). A one cent decrease in the Canadian/U.S. dollar exchange rate would have had an impact of a similar magnitude but in opposite directions on net income.

Interest Rate Risk

TerraVest does not have a policy to hedge its interest rate risk and is exposed to interest rate risk arising from fluctuations in interest rates on revolving credit facilities and long-term debt at variable interest rates. TerraVest entered into an interest rate swap agreement to manage a portion of its exposure to interest rate risk.

For the nine months ended June 30, 2023, a 1% increase in the interest rate would have had an unfavorable impact of $881 on net income ($893 for the year ended September 30, 2022), 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. Accounts receivable amounts are presented on the consolidated statements of financial position net of the allowance for doubtful accounts. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The expected loss rates are based on the payment profile for sales based on historical credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with TerraVest on alternative payment arrangement, amongst other, may be considered indicators of no reasonable expectation of recovery. 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 $118,857 as at June 30, 2023 ($118,072 as at September 30, 2022).

As at June 30, 2023, 90% (96% as at September 30, 2022) 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

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, 2022.

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*. 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, 2022 and to Note 3 of TerraVest's interim condensed consolidated financial statements for the third quarter ended June 30, 2023.

CONTROLS AND PROCEDURES

As at June 30, 2023, 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.

Exception

TerraVest acquired TSX in October 2022. Management has not yet completed its assessment of the design or operating effectiveness of TSX disclosure controls and procedures and internal controls over financial reporting.

The following table provides significant financial information of TSX as at and for the nine months ended June 30, 2023:

	TSX
	$
Total assets	**5,686**
Total liabilities	**2,633**
Sales	**2,195**
Net income	**146**

RELATED PARTY TRANSACTIONS

For detailed information on related party identity, relationship and transactions, please refer to Note 28 of TerraVest's audited consolidated financial statements for the year ended September 30, 2022.

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.