TERRAVEST INDUSTRIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the third quarter ended June 30, 2018

Dated: August 14, 2018

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., formerly known as TerraVest Capital Inc., ("TerraVest" or the "Company") for the third quarter and the nine months ended June 30, 2018, and should be read in conjunction with TerraVest's unaudited interim condensed consolidated financial statements for the third quarter ended June 30, 2018. 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 amount or unless otherwise stated. This discussion is prepared as at August 14, 2018 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 EBITDA, Adjusted EBITDA, Cash Available for Distribution, Maintenance Capital Expenditures, Dividend Payout Ratio, Working Capital, Backlog and Free Cash Flow which are found on page 12 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 "anticipate", "does not anticipate", "believe", "estimate", "forecast", "intend", "expect", "does not expect", "could", "may", "will", "should", "plan" or similar terms 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, which is available on SEDAR at www.sedar.com.

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 the Company'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 wholly-owned 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 distributers, fertilizer distributers 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 determining the performance of the Company. The table below highlights certain financial results and reconciles net income to EBITDA, EBITDA to Adjusted EBITDA and Adjusted EBITDA to Cash Available for Distribution for the third quarter and the nine months ended June 30, 2018 and the comparative periods in fiscal 2017.

	Third quarters ended		Nine months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
Sales	**65,459**	44,993	**190,630**	139,836
Net income	**1,867**	1,154	**8,886**	5,550
Add (subtract):				
Income tax expense	**990**	746	**3,790**	2,781
Financing costs	**1,440**	1,025	**3,930**	2,874
Depreciation and amortization	**2,703**	2,430	**7,856**	7,608
EBITDA	**7,000**	5,355	**24,462**	18,813
Other (gains) losses	**285**	(26)	**436**	(125)
Acquisition-related costs	**426**	-	**618**	-
Change in fair value of derivatives instruments	**588**	-	**1,384**	-
Adjusted EBITDA	**8,299**	5,329	**26,900**	18,688
Maintenance Capital Expenditures	**(762)**	(523)	**(2,457)**	(3,695)
Income taxes paid	**(442)**	(867)	**(5,433)**	(3,067)
Interest paid	**(1,193)**	(1,029)	**(3,161)**	(2,933)
Cash Available for Distribution	**5,902**	2,910	**15,849**	8,993
Dividends Paid in the Period	**1,847**	1,835	**5,521**	5,499
Dividend Payout Ratio	**31%**	63%	**35%**	61%

The Company's financial results for the third quarter of fiscal 2018 represent an improvement over the third quarter of fiscal 2017.

Sales for the quarter were $65,459 compared to $44,993 for the prior comparable period representing an increase of 45%. This increase primarily results from the additions of MaXfield Group Inc. ("MaXfield") and Fischer Tanks LLC ("Fischer Tanks"), which did not contribute in the prior comparable period, as well as increased demand for most of Fuel Containment's product lines.

Adjusted EBITDA for the quarter was $8,299, which represents an increase of 56% versus the prior comparable quarter. This increase is a result of positive contributions from MaXfield and Fischer Tanks, and increased volume across many of Fuel Containment's product lines, partially offset by customer delays affecting profitability in the Processing Equipment segment. In reconciling EBITDA to Adjusted EBITDA, one-time restructuring costs of $426 associated with the acquisition of MaXfield have been added back.

Maintenance Capital Expenditures were $762 for the quarter versus $523 for the prior comparable period. This increase is largely due to timing of required capital projects, which can vary from quarter to quarter. During the period, the Company's total purchase of property, plant and equipment were $4,043 of which $3,281 is considered growth capital. This growth capital includes additions to the Company's rental equipment fleet, as well as manufacturing equipment to support capacity expansions and process improvements in several of its businesses.

Cash Available for Distribution increased 103% over the prior comparable period. This increase is due to the additions of MaXfield and Fischer Tanks, as well as better operating results in the Fuel Containment segment.

Outlook

The Fuel Containment segment continues to experience increased levels of demand this year for its products and management continues to expect fiscal 2018 to be a stronger year than prior. Output during the quarter for certain propane storage products was negatively impacted due to logistical issues, but this impact is only temporary as backlogs remain strong.

Management continues to expect that fiscal 2018 will also be a stronger year than fiscal 2017 for the Processing Equipment segment. Backlogs remain higher than the previous year and management is expecting positive contributions from the recent acquisition of MaXfield. There continues to be a divergence between oil and natural gas pricing which is having a varying effect on this segment's customer base.

The outlook for the Service segment is not materially different than the prior year. Pricing pressure has been a major challenge for this segment. Management is optimistic that the increase in oil prices will bring higher rates for its service rigs, as many of this segment's customers are oil producers. However, increasing operating expenses and labour challenges could mitigate the benefits.

Global steel prices and supply constraints continue to be a challenge for the Company as a whole. More recently, the import tariffs imposed by the Canadian government and deteriorating trade relations have added an additional level of uncertainty around access to raw materials. Management is expecting this to have a negative impact on the Company moving forward.

BUSINESS ACQUISITION

On January 24, 2018, TerraVest entered into an acquisition agreement, with effect as of January 1, 2018, to acquire all of the issued and outstanding shares of MaXfield Group Inc. MaXfield is primarily focused on manufacturing high quality processing, storage and transportation equipment for the propane, anhydrous ammonia and oil and gas markets. 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 5 of the unaudited interim condensed consolidated financial statements for the third quarter ended June 30, 2018, available on SEDAR.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the third quarter and the nine months ended June 30, 2018 and the comparative periods in fiscal 2017.

	Third quarters ended		Nine months ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	**$**	**$**	**$**
Sales	**65,459**	44,993	**190,630**	139,836
Cost of sales	**52,007**	34,577	**148,469**	107,262
Gross profit	**13,452**	10,416	**42,161**	32,574
Administration expenses	**6,884**	6,418	**20,028**	17,657
Selling expenses	**1,986**	1,198	**5,091**	3,837
Financing costs	**1,440**	1,025	**3,930**	2,874
Other (gains) losses	**285**	(125)	**436**	(125)
Earnings before income taxes	**2,857**	1,900	**12,676**	8,331
Income tax expense	**990**	746	**3,790**	2,781
Net Income	**1,867**	1,154	**8,886**	5,550
Allocated to non-controlling interest	**(33)**	(36)	**(114)**	(114)
Net income attributable to common shareholders	**1,900**	1,190	**9,000**	5,664
Weighted average shares outstanding – Basic	**17,770,371**	18,312,655	**18,129,426**	18,337,752
Weighted average shares outstanding – Diluted	**20,239,076**	18,312,655	**20,841,898**	18,337,752
Net income per share – Basic	**$0.11**	$0.07	**$0.50**	$0.31
Net income per share – Diluted	**$0.11**	$0.07	**$0.47**	$0.31

Sales for the quarter rose 45% versus the prior comparable quarter from $44,993 to $65,459. The reasons for this increase have been explained previously in this MD&A.

Gross profit increased 29% over the prior comparable quarter. This is largely the result of positive contributions from the acquisitions of MaXfield and Fischer Tanks and higher sales volumes across many of Fuel Containment's product lines.

Administrative expenses increased 7% over the prior comparable quarter. This is primarily the result of the additions of MaXfield and Fischer Tanks, which did not contribute in the prior comparable period.

Financing costs increased 40% versus the prior comparable quarter. This is a result of increased levels of debt following the recent acquisitions of MaXfield and Fischer Tanks and the substantial issuer bid completed during the period. Additionally, many of the Company's operating facilities are subject to variable interest rates. Therefore, rate increases from the Bank of Canada throughout the year have resulted in increased borrowing costs for the Company.

Income tax expense increased from $746 in the prior comparable quarter to $990, which is primarily a result of increased profitability. The Company has tax loss carry-forwards which are available to shelter taxes in certain, but not all of TerraVest's subsidiaries.

Segmented Results

a) Fuel Containment

	Third quarters ended		Nine months ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	**$**	**$**	**$**
Sales	**33,399**	27,233	**100,842**	79,904
EBITDA	**6,375**	3,823	**19,220**	12,572
Other (gains) losses	**17**	1	**(24)**	(39)
Change in fair value of derivatives instruments	**588**	-	**1,384**	-
Adjusted EBITDA	**6,980**	3,824	**20,580**	12,533
Reconciliation of Adjusted EBITDA to net income:				
Depreciation and amortization	**(1,530)**	(1,462)	**(4,463)**	(4,436)
Other gains (losses)	**(17)**	(1)	**24**	39
Change in fair value of derivatives instruments	**(588)**	-	**(1,384)**	-
Financing costs	**(511)**	(261)	**(1,370)**	(650)
Income tax expense	**(1,431)**	(810)	**(3,960)**	(2,554)
Net Income	**2,903**	1,290	**9,427**	4,932

Sales for the quarter were $33,399 versus $27,233 in the prior comparable period, representing an increase of 23%. This increase is primarily the result of the addition of Fischer Tanks in the period, as well as increased demand for many of Fuel Containment's products.

Adjusted EBITDA for the quarter was $6,980 which is an increase of 83% over the third quarter of fiscal 2017. This increase is primarily a result of the reasons explained above.

b) Processing Equipment

	Third quarters ended		Nine months ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	**$**	**$**	**$**
Sales	**27,868**	15,068	**74,642**	49,312
EBITDA	**1,092**	1,527	**5,178**	5,270
Acquisition-related costs	**426**	-	**618**	-
Other (gains) losses	**(33)**	1	**143**	(51)
Adjusted EBITDA	**1,485**	1,528	**5,939**	5,219
Reconciliation of Adjusted EBITDA to net income:				
Amortization and depreciation	**(737)**	(469)	**(1,857)**	(1,360)
Acquisition-related costs	**(426)**	-	**(618)**	-
Other gains (losses)	**33**	(1)	**(143)**	51
Financing costs	**(145)**	(66)	**(303)**	(151)
Income tax expense	**(3)**	-	**(35)**	-
Net Income	**207**	992	**2,983**	3,759

Sales for the quarter were $27,868 versus $15,068 for the prior comparable quarter, which represents an increase of 85%. The increase in sales is the result of the inclusion of MaXfield, partially offset by customer delays that resulted in reduced sales during the quarter.

Adjusted EBITDA for this segment decreased 3% versus the prior comparable period from $1,528 to $1,485. This decrease is directly attributable to the customer delays explained above and was partially offset by positive contributions from MaXfield.

c) Service

	Third quarters ended		Nine months ended	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
	$	**$**	**$**	**$**
Sales	**4,192**	4,197	**15,146**	16,034
EBITDA	**67**	236	**1,742**	2,208
Other (gains) losses	**301**	(29)	**317**	(35)
Adjusted EBITDA	**368**	207	**2,059**	2,173
Reconciliation of Adjusted EBITDA to net income:				
Depreciation and amortization	**(436)**	(499)	**(1,536)**	(1,812)
Other gains (losses)	**(301)**	29	**(317)**	35
Financing costs	**(44)**	(27)	**(112)**	(91)
Income taxes expense	**(1)**	(61)	**(228)**	(84)
Net Income (loss)	**(414)**	(351)	**(134)**	221

Sales for the Service segment were essentially flat versus the prior comparable period. This a result of moderately increased day rates, offset by weaker rig utilization versus the third quarter of fiscal 2017.

Adjusted EBITDA for the third quarter was $368 versus $207 in the prior comparable quarter. This slight increase is a result of improved cost control by this segment's management.

Quarterly Results

	For the quarters ended							
	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales	**65,459**	62,568	62,603	52,699	44,993	46,565	48,278	43,320
Adjusted EBITDA	**8,299**	7,747	10,854	6,548	5,329	4,911	8,448	8,273
Net income attributable to common shareholders	**1,900**	1,892	5,208	3,527	1,190	698	3,776	1,552
Free Cash Flow	**3,809**	(2,451)	5,951	8,832	(5,207)	4,474	(3,856)	156
Net income per share								
– Basic	**0.11**	0.10	0.28	0.19	0.07	0.04	0.21	0.08
– Diluted	**0.11**	0.10	0.26	0.18	0.07	0.04	0.19	0.08

TerraVest's operating segments are seasonal in nature. The strongest quarters for the Company 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.

CASH FLOW

The following table provides summary information with respect to consolidated cash flows from operating, investing and financing activities for the nine months ended June 30, 2018 compared to the nine months ended June 30, 2017:

	2018	2017
	$	**$**
Cash provided by operating activities	**15,177**	2,828
Cash used in investing activities	**(24,207)**	(15,784)
Cash provided by financing activities	**5,722**	11,164
Net outflows for the period	**(3,308)**	(1,792)
Cash and bank overdraft, beginning of year	**8,973**	9,643
Impact of foreign exchange on cash and bank overdraft	**186**	88
Cash and bank overdraft, end of period	**5,851**	7,939

Cash Flow from Operating Activities

The Company generated $15,177 of cash flow from operations during the period compared to $2,828 in the prior comparable period. The difference is due to stronger operating results during the period.

Cash Flow from Investing Activities

During the period, the Company's cash flow from investing activities was ($24,207) compared to ($15,784) in the prior comparable period. The difference is primarily related to the acquisition of MaXfield.

Cash Flow from Financing Activities

Cash flow from financing activities during the period was $5,722 versus $11,164 in the prior comparable period. The difference is a result of the substantial issuer bid completed during the period.

DIVIDENDS

During the third quarter, TerraVest declared a dividend of $0.10 per common share payable on July 10, 2018 to shareholders of record June 29, 2018.

Subsequent to the end of the third quarter, TerraVest declared a dividend of $0.10 per common share payable on October 8, 2018 to shareholders of record September 28, 2018.

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

The Company'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, 2018, the Company's cash position, including bank overdraft, was $5,851 compared to $7,939 as at June 30, 2017. As at June 30, 2018, TerraVest's consolidated working capital was $57,014 compared to $18,272 as at September 30, 2017. The dramatic change in working capital quarter over quarter results from the reclassification of an operating loan of $41,159 to a non-current liability. The Company 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.

Secured Credit Facilities

TerraVest and its subsidiaries have access to secured credit facilities which include operating loans that are margined based on accounts receivable and inventories and a capital loan which is margined on the net book value of the property, plant and equipment of the Service segment. These secured credit facilities are subject to certain financial covenants which are based on the results of the individual subsidiaries in which the credit facilities are held. These secured credit facilities are also subject to certain restrictive non-financial covenants which may limit the ability of an individual subsidiary to draw on its credit facility. The availability of these secured credit facilities 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, 2018, all credit facilities were in compliance with all financial and non-financial covenants. For further information on the financial and non-financial covenants, please refer to Notes 10 and 13 of TerraVest's consolidated financial statements for the year ended September 30, 2017.

The following table provides a summary of the availability of secured credit facilities as at June 30, 2018:

	Maximum availability based on margin	**Amount drawn**	**Amount available to draw**
	$	**$**	**$**
Operating loans	90,669	74,075	16,594
Capital loan	5,000	4,745	255
	95,669	78,820	16,849

Convertible Debentures

As at June 30, 2018 the Company had one series of convertible debentures outstanding. These debentures (trading under the symbol "TVK.DB") have the following characteristics:

Maturity	**Interest rate**	**Principal Amount Outstanding**	
		June 30, 2018	**Sept. 30, 2017**
		$	**$**
June, 2020	7%	**17,441**	21,880

As at June 30, 2018, interest payable on the convertible debentures was nil.

These debentures are convertible, at the option of the holder, into common shares of TerraVest at a conversion price of $8.25 per share at any time prior to their maturity.

On or after June 30, 2018, but prior to June 30, 2019, these convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount, plus accrued and unpaid interest, at TerraVest's sole option on not more than 60 days and not less than 30 days prior notice, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. After June 30, 2019, but prior to the maturity date of June 30, 2020, the convertible debentures will be redeemable, in whole or in part, at a price equal to the principal amount, plus accrued and unpaid interest, at TerraVest's sole option on not more than 60 days and not less than 30 days prior notice. The term "Current Market Price" is defined in the Trust Indenture as the volume weighted average trading price per share for the twenty consecutive trading days on the Toronto Stock Exchange ending on the fifth trading day preceding the date of redemption or maturity.

On May 1, 2018, TerraVest repurchased convertible debentures with a principal amount of $2,000 under a substantial issuer bid ("SIB") for total consideration of $2,470, including $46 of accrued and unpaid interest outstanding on the convertible debentures repurchased. Transaction costs of $41 were incurred to perform the SIB and were accounted for as debenture retirement costs in financing costs.

In addition, during the nine months ended June 30, 2018, TerraVest repurchased convertible debentures with a principal amount of $286 ($454 during the nine months ended June 30, 2017), under its normal course issuer bid ("NCIB"), for a total consideration of $332 ($479 during the nine months ended June 30, 2017). The NCIB for the convertible debentures expired on July 3, 2018

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 during the nine months ended June 30, 2018 were as follows:

	Number	Amount
		$
Balance, beginning of year	**18,374,334**	**143,078**
Issued on conversion of convertible debentures	**260,965**	**2,153**
Repurchased and cancelled during the period	**(1,219,600)**	**(9,504)**
Balance, end of period	**17,415,699**	**135,727**

On January 31, 2018, TerraVest renewed its common shares NCIB under which it may repurchase a total of 913,256 common shares. The common shares NCIB expires on February 1, 2019.

On May 1, 2018, TerraVest closed a SIB under which it repurchased 1,100,000 common shares for a cash consideration of $11,000. Transaction costs of $84 were incurred to perform the SIB and were accounted for as additional consideration to repurchase the shares.

In addition, during the first nine months of fiscal 2018, TerraVest acquired 119,600 common shares (72,500 during the first nine months of fiscal 2017) under its common shares NCIB for total consideration of $1,142 ($669 in 2017). The difference between the amount paid for the common shares and their carrying value was recorded in share premium.

The remaining number of common shares available for repurchase under the current common shares NCIB is 902,856.

Capital Structure

The capital structure of TerraVest consists principally of its secured credit facilities, convertible debentures, Shareholders' Equity attributable to common shareholders, and non-controlling interest. The following table outlines TerraVest's capital structure as at June 30, 2018 and September 30, 2017:

	June 30, 2018	Sept. 30, 2017
	$	$
Bank overdraft	**306**	1,596
Drawn on operating loans	**74,075**	47,235
Available on operating loans, net of amount drawn	**16,594**	9,353
Drawn on capital loan	**4,745**	2,557
Available on capital loan, net of amount drawn	**255**	2,443
Long-term debt (current and non-current)	**5,772**	5,231
Contingent consideration	**1,292**	1,118
Convertible debentures	**15,621**	18,883
Shareholders' Equity attributable to common shareholders	**80,877**	86,145
Non-controlling interest	**366**	480
	199,903	175,041

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. For further information on the financial and non-financial covenants, please refer to Notes 10 and 13 of TerraVest's consolidated financial statements for the year ended September 30, 2017.

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 make adjustments to it in light of economic conditions. In order to maintain or adjust its capital structure, TerraVest may, from time to time, acquire shares for cancellation in connection with a substantial issuer bid or a normal course issuer bid, issue new shares, raise capital through various debt instruments or refinance current debt through instruments with different characteristics.

SHARE BASED PAYMENTS

TerraVest has reserved 1,500,000 common shares under a stock option plan for key personnel, of which 1,266,000 have been issued to date. The options may only be exercised for common shares of the company. Total expense arising from the share-based payment transactions recognized during the nine months ended June 30, 2018 as part of the compensation expense was $166 (2017 - $135).

The stock options outstanding and the weighted average exercise prices as at June 30, 2018, are as follows:

Grant Date	Expiry Date	Exercise price	Opening balance	Granted	Settled or Exercised	Forfeited	Closing balance	Vested and exercisable	Unvested
June 18, 2014	June 18, 2019	$6.10	165,000	-	-	-	165,000	165,000	-
June 18, 2015	June 18, 2020	$6.30	333,000	-	-	-	333,000	333,000	-
Feb. 9, 2017	Feb. 22, 2022	$9.10	333,000	-	-	-	333,000	111,000	222,000
March 9, 2017	March 9, 2024	$9.10	435,000	-	-	-	435,000	145,000	290,000
			1,266,000	-	-	-	1,266,000	754,000	512,000
Weighted average exercise price			$7.97	-	-	-	$7.97	$7.21	

FINANCIAL INSTRUMENTS

TerraVest, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: foreign currency risk, credit risk, liquidity risk, commodity price risk and interest rate risk. An analysis of these risks as at June 30, 2018, is provided below.

Foreign Currency Risk

TerraVest is subject to foreign exchange risk for sales and purchases denominated in foreign currencies. 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 considers itself partially hedged given the level of its purchases denominated in foreign currencies relative to its sales and therefore, does not have a policy to hedge its foreign currency risk. Based on the net US dollar exposure during the third quarter ended June 30, 2018, a one cent increase/decrease in the Canadian/U.S. dollar exchange rate would have an impact of $222 on net income (2017 - $169) for the period.

While the Company does not have a policy to hedge its foreign currency risk, it manages its exposure to foreign exchange risk by periodically entering into forward foreign exchange contracts.

Credit Risk

TerraVest is exposed to credit risk. Credit risk arises from the potential that a counterparty will fail to perform its obligations. TerraVest's credit risk is mitigated as the majority of its customers are large well established companies with a history of prompt payment. As at June 30, 2018, 95% (September 30, 2017 – 91%) of TerraVest's accounts receivable were less than 90 days past invoice date and 5% (September 30, 2017 – 9%) were greater than 90 days past invoice date. TerraVest maintains allowances that it considers adequate for potential bad debts on its accounts receivable and any such losses to date have been provided for. All other accounts receivable not previously allowed for are considered collectible and of good quality. TerraVest's maximum exposure to credit risk is $36,218 (September 30, 2017 – $39,984).

Liquidity Risk

TerraVest's objective is to have sufficient liquidity to meet its liabilities when due. TerraVest monitors its cash balances and cash flows generated from operations to meet its requirements. For a more detailed discussion on liquidity risk, refer to the section entitled "Liquidity and Capital Resources" in this MD&A.

Commodity Price Risk

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

Interest Rate Risk

TerraVest is exposed to interest rate risk arising from fluctuations in interest rates on amounts payable under TerraVest's debt structure. Based on the outstanding average balances on the Operating Loans, Capital Loan and Long-Term Debt with fluctuating interest rates and Canadian bank prime rates during the third quarter ended June 30, 2018, a fluctuation of 100 basis points in the interest rates paid would result in an impact on operating income before income tax for the third quarter ended June 30, 2018 of approximately $685 (September 30, 2017 - $423).

NON-IFRS FINANCIAL MEASURES

EBITDA, Adjusted EBITDA, Cash Available for Distribution, Maintenance Capital Expenditures, Dividend Payout Ratio, Working Capital, Backlog and Free Cash Flow are not defined measures under IFRS and are therefore defined below. TerraVest's definitions may differ from those of other issuers and therefore may not be comparable to measures used by them.

EBITDA: is defined as income from operations before financial expenses, income taxes, depreciation and amortization. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash which are disclosed in the unaudited interim condensed consolidated statement of cash flows. Management uses EBITDA as part of its assessment of TerraVest's operating performance. There is no directly comparable IFRS measure for EBITDA.

Adjusted EBITDA: is defined as EBITDA adjusted for gains or losses on disposal of property, plant and equipment and on disposal of assets held for sale, non-recurring acquisition-related costs, impairment charges and other non-cash items.

Cash Available for Distribution: is defined as EBITDA less Maintenance Capital Expenditures, cash income taxes and financing costs. Management believes that Cash Available for Distribution as a liquidity measure is a useful supplemental measure as it provides an indication of the amount of cash available to pay as dividends to shareholders. There is no directly comparable IFRS measure for Cash Available for Distribution.

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 business 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 distributions. There is no directly comparable IFRS measure for Maintenance Capital Expenditures.

Dividend Payout Ratio: is defined as dividends paid in cash during the period divided by Cash Available for Distribution for the period. There is no directly comparable IFRS measure for Dividend Payout Ratio.

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.

Backlog: is defined as committed purchases orders received for future delivery of product to customers. There is no directly comparable IFRS measure for Backlog.

Free Cash Flow: is defined as cash provided by operating activities less purchase of property, plant and equipment, net of proceeds from disposal of property, plant and equipment and of assets held for sale. There is no directly comparable IFRS measure for Free Cash Flow.

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 3 of TerraVest audited consolidated financial statements for the year ended September 30, 2017.

Standards and Interpretations Not Yet Adopted

For a detailed discussion of new accounting pronouncements, please refer to Note 17 of the unaudited interim condensed consolidated financial statements for the third quarter ended June 30, 2018.

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 judgement in applying its accounting policies and make estimates and assumptions about the future. Estimates and other judgements 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 2 of the audited consolidated financial statements for the year ended September 30, 2017.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

TerraVest's disclosure controls and procedures are designed to ensure that all important information about TerraVest, including operating and financial activities, is communicated fully, accurately and in a timely manner and that they provide TerraVest with the assurance the financial reporting is accurate.

Internal Control over Financial Reporting

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer ("CEO") and the Executive Chairman, in his capacity as Interim Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The internal controls are not expected to prevent and detect all misstatements due to fraud and error.

As at June 30, 2018, TerraVest's CEO and CFO, have certified that the disclosure controls and procedures, and that the internal controls over financial reporting are effective and that during the period covered by this report, TerraVest did not make any changes in internal controls over financial reporting that materially affected or are reasonably likely to materially affect TerraVest's internal controls over financial reporting.

Exceptions

TerraVest acquired MaXfield in January 2018 and Fischer Tanks in September 2017. Management has not yet completed its assessment of the design or operating effectiveness of both MaXfield and Fischer Tanks' disclosure controls and procedures and internal controls over financial reporting.

The following table provides significant financial information for both MaXfield and Fischer Tanks for the nine months ended June 30, 2018.

	Fischer Tanks	**MaXfield**
	$	**$**
Total assets	13,923	30,291
Total liabilities	3,787	18,875
Sales	9,342	20,703
Net loss	(485)	(475)

RISK FACTORS

For a detailed discussion of the risk factors related to the businesses and to the structure of TerraVest please refer to the Annual Information Form of TerraVest dated December 22, 2017 under the heading "Risk Factors", which is incorporated herein by reference.

ADDITIONAL INFORMATION

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