NEWS RELEASE

FOR IMMEDIATE RELEASE
TSX Trading Symbol: NAL

NEWALTA REPORTS FOURTH QUARTER AND YEAR END 2014 RESULTS

CALGARY, Alberta, Canada, February 19, 2015 - Newalta Corporation (Newalta) (TSX:NAL) today reported financial results for the three and twelve months ended December 31, 2014 for its Continuing Operations, and its Combined Operations which include its Industrial Division, treated for accounting purposes as "Discontinued Operations" as a result of an agreement to divest it for $300 million in cash proceeds.

FINANCIAL HIGHLIGHTS[1]

($000s except per share data) (unaudited)	Three months ended December 31, 2014	2013	% Increase[2] (Decrease)	Year ended December 31, 2014	2013	% Increase[2] (Decrease)
Combined Operations[3]						
Revenue	**229,088**	203,799	12	**858,413**	783,396	10
Gross Profit	**46,216**	46,095	-	**206,225**	188,538	9
% of Revenue	**20%**	23%	(13)	**24%**	24%	-
Net (loss) earnings	**(157,563)**	(10,322)	n/m	**(142,673)**	21,940	n/m
- per share ($) basic	**(2.81)**	(0.19)	n/m	**(2.56)**	0.40	n/m
- per share ($) diluted	**(2.78)**	(0.19)	n/m	**(2.52)**	0.40	n/m
Combined Adjusted EBITDA[4]	**39,814**	32,795	21	**177,022**	150,064	18
- per share[4]	**0.71**	0.59	20	**3.17**	2.73	16
Cash from Operating activities	**59,959**	45,616	31	**124,466**	123,574	1
- per share ($)	**1.07**	0.83	29	**2.23**	2.25	(1)
Maintenance capital expenditures[4]	**14,345**	14,432	(1)	**37,465**	29,679	26
Growth capital expenditures[4]	**70,957**	57,786	23	**154,935**	141,461	10
Dividends declared	**7,003**	6,087	15	**27,100**	23,671	14
- per share ($)[4]	**0.125**	0.11	14	**0.48**	0.43	12
Dividends paid	**5,530**	4,862	14	**20,536**	17,799	15
Book Value Per Share Dec 31,	**9.33**	12.12	(23)	**9.33**	12.12	(23)
Weighted average Shares outstanding	**56,003**	55,205	1	**55,802**	54,938	2
Shares outstanding, Dec 31,[5]	**56,026**	55,336	1	**56,026**	55,336	1
Continuing Operations[3]						
Revenue	**133,128**	110,011	21	**495,331**	412,179	20
Gross Profit	**37,298**	34,547	8	**162,186**	144,879	12
% of Revenue	**28%**	31%	(10)	**33%**	35%	(6)
Net (loss) earnings from continuing operations[4]	**(17,877)**	2,279	n/m	**(12,372)**	24,286	n/m
- per share ($) basic	**(0.32)**	0.04	n/m	**(0.22)**	0.44	n/m
- per share ($) diluted	**(0.32)**	0.04	n/m	**(0.22)**	0.43	n/m
Adjusted net earnings[4]	**6,937**	2,511	176	**35,149**	29,040	21
- per share ($) basic adjusted[4]	**0.12**	0.05	140	**0.63**	0.53	19
Adjusted EBITDA[4]	**30,192**	22,398	35	**128,930**	103,464	25
- per share[4]	**0.54**	0.41	32	**2.31**	1.88	23
Cash from continuing operations	**32,983**	20,305	62	**85,943**	90,817	(5)
- per share ($)	**0.59**	0.37	59	**1.54**	1.65	(7)
Funds from operations[4]	**12,470**	9,490	31	**88,292**	75,028	18
- per share ($)[4]	**0.22**	0.17	29	**1.58**	1.37	15
Maintenance capital expenditures[4]	**9,636**	10,938	(12)	**25,569**	21,699	18
Growth capital expenditures[4]	**68,365**	54,002	27	**146,215**	126,160	16

(1) Management's Discussion and Analysis and Newalta's unaudited Consolidated Financial Statements and notes are attached. References to Generally Accepted Accounting Principles (GAAP) are synonymous with IFRS and references to unaudited Consolidated Financial Statements and notes are synonymous with Financial Statements. All financial figures are unaudited.

(2) n/m indicates the percentage change is not meaningful.

(3) In December 2014, we entered into an agreement with Revolution Acquisition LP (Revolution), a Birch Hill Equity Partners company to sell our Industrial Division. As a result of this agreement, we have defined our Industrial Division as "Discontinued Operations", the remaining operations as "Continuing Operations" and the total Discontinued Operations and Continuing Operations as "Combined Operations". In accordance with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, income and expenses and cash flow provided and used associated with the business to be sold have been classified as Discontinued Operations in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows, respectively, for the periods presented.

(4) These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout the attached Management's Discussion and Analysis.

(5) Newalta has 56,193,117 common shares (Shares) outstanding as at February 19, 2015.

Management Commentary

"Financial results for both 2014 and the final quarter of the year were strong," said John Barkhouse, President and CEO. "Even though the decline in the price of oil began to affect us at year end, Continuing Operations generated Adjusted EBITDA growth of 35% on a year-over-year basis in the fourth quarter and 25% for the year, reflecting excellent returns from recent growth investments in Heavy Oil contracts, U.S. expansion and Oilfield operations.

"While there is no question that the external environment poses a significant challenge to near-term profitability for our customers and Newalta," said Mr. Barkhouse, "our broadly positive financial performance in 2014, combined with cash proceeds from the divestiture of our Industrial Division this quarter, serve to enhance our strength at a time in the energy market cycle when unique opportunities will be presented."

Under Mr. Barkhouse's leadership, Newalta is developing a new strategic plan for implementation this spring that will allow Newalta to capitalize on targeted opportunities for value creation in a systematic and accelerated fashion. "Our strategy will include detailed plans for organic growth complemented by accretive acquisitions in the energy services sector to drive performance at a rapid pace now and over the longer haul. For 2015, we will look aggressively at accretive acquisitions that will provide greater access to oil and gas waste streams where we can apply our technologies, people and processes."

Newalta has a resilient business model, strong balance sheet, a broad spectrum of energy service solutions for both exploration and production applications and strong customer relationships with many of the world's leading energy companies. "These strengths are important at all times but especially in current market conditions. Now, as a pure energy services company, we are ready for the challenges ahead."

2014 Highlights

During the year, Newalta made significant strategic progress. Notably we:

- Increased onsite contract revenue by 14 percent, bringing contract-generated revenue to 24 percent of our Continuing Operations' revenue and creating a more effective offset to commodity price fluctuations
- Secured three new mature fine tailings (MFT) contracts with Shell Canada Limited (Shell) and Syncrude Canada Ltd. (Syncrude)
- Invested $130 million to drive growth and improvement in our energy services operations, improvements that will contribute to 2015 performance
- Added to our extensive network of facilities with the addition of three new satellites and began construction on a full-scale facility in Fort McMurray, Alberta to serve the oil sands market
- Successfully field tested an oil sands water treatment technology in collaboration with DuPont Canada

- Increased the quarterly dividend by 14 percent to an annualized rate of $0.50 per share. Since 2009, we have increased our dividends per share by 150 percent from $0.20 to $0.50

Combined Operations Financial Highlights

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Adjusted EBITDA from Continuing Operations[1]	**30,192**	22,398	35	**128,930**	103,464	25
Adjusted EBITDA from Discontinued Operations[1]	**9,622**	10,397	(7)	**48,092**	46,600	3
Combined Adjusted EBITDA[1]	**39,814**	32,795	21	**177,022**	150,064	18

(1) These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout the attached Management's Discussion and Analysis.

Results of Combined Operations

Q4 2014 Combined Adjusted EBITDA was $39.8 million, up 21% over prior year. Net loss from Combined Operations increased from $10.3 million in 2013 to $157.6 million due largely to impairment and restructuring and other related costs.

2014 Combined Adjusted EBITDA grew 18% to $177.0 million, over prior year. Net loss from Combined Operations decreased from earnings of $21.9 million in 2013 to a net loss of $142.7 million due primarily to the net loss from Discontinued Operations of $130.3 million.

Results of Continuing Operations

Fourth quarter Adjusted EBITDA from Continuing Operations grew 35% to $30.2 million over prior year. Net loss from continuing operations for the quarter was $17.9 million, down from net earnings of $2.3 million in prior year. The decrease reflected higher Adjusted EBITDA offset by higher net finance charges, restructuring and other related charges, and non-cash impairment.

2014 Adjusted EBITDA was $128.9 million, up 25% over prior year. 2014 results reflect growth in both our New Markets and Oilfield divisions, partially offset by higher Adjusted SG&A. Net loss from continuing operations for the year was $12.4 million compared to net earnings of $24.3 million in prior year, with the change year over year due largely to the same factors as the quarter. 2014 Adjusted net earnings, which exclude stock-based compensation, embedded derivative loss, impairment and restructuring and other related costs, was up 21% over prior year.

Capital Budget Update

In light of current market conditions, we have reduced our 2015 capital budget from $190.0 million as previously reported to $105.0 million with $90.0 million allocated directly to growth projects. We will however continue to monitor market opportunities and will leverage our financial flexibility to invest in additional opportunities as they arise. In the near term, we will focus on completing our 2014 carryover projects, including our new full scale Heavy Oil facility in Fort McMurray, Alberta and satellite facilities in both Canada and the U.S., on supporting contract opportunities, and on securing permits for satellite expansion. We are developing an inventory of locations and permits for expansion in the U.S. and in western

Canada. We have refined our satellite execution model and have a pool of equipment ready to be deployed as conditions improve. Once permits are secured for a location, a satellite can be fully operational within 90 to 120 days. By building an inventory of permits, we can capitalize on our modular processing model and drive returns into 2016. All carryover projects are expected to be commissioned and contributing cash flow in 2015. The 2015 capital program will be funded from both funds from operations and net proceeds from the sale of the Industrial Division.

Other Highlights

Newalta's Board of Directors declared a fourth quarter dividend of $0.125 per share ($0.50 per share annualized), paid January 15, 2015, to shareholders of record as at December 31, 2014.

In the fourth quarter, we secured an operating contract with Shell to extend operations at the first MFT plant and to operate the second MFT plant at its Jackpine Mine. This follows the construction contract for Shell's second MFT plant that we were awarded in the second quarter.

The Total Debt to EBITDA ratio was 2.78 in Q4 2014, down from 2.85 in Q3 2014 (2.54 in Q4 2013). Upon closing, the proceeds from the sale of the Industrial Division will immediately be used to pay down debt. Our Net Debt leverage will be under 2.0 at the close of the transaction. Net Debt is defined as the sum of the amount drawn on the Credit Facility, Letters of Credit and Senior Unsecured Debentures less Cash on hand.

Capital expenditures for Continuing Operations for the three months and year ended December 31, 2014, were $78.0 million and $171.8 million, respectively, with growth capital of $146.2 million. Growth capital expenditures primarily related to satellite facilities, onsite contracts, onsite equipment pool, and expansion at our facilities. Total capital expenditures from Combined Operations were $192.4 million, with growth capital expenditures of $154.9 million. Capital expenditures were funded from funds from operations and our Credit Facility.

Recent Developments

During the fourth quarter, we entered into an agreement with Revolution to sell our Industrial Division for cash proceeds of $300 million. This agreement is the result of the rationalization plan associated with the comprehensive review of the Industrial Division announced in December 2013 and the strategic review initiated in April 2014. The transaction is expected to close in the first quarter of 2015.

In February 2015, we announced a number of cost reduction and rationalization initiatives to maximize business efficiencies and drive improved margins. These actions are the result of a comprehensive review of our organization post the planned divestiture of our Industrial Division and current market conditions. Actions taken included the elimination of 180 positions, office space consolidation, and general reductions in all expense categories including discretionary items. In addition to the overhead reductions, we announced the suspension of company-matching payments to the employee savings plans and implemented hiring and salary freezes.

As a result of these actions, we expect to realize in excess of $25 million in annualized ongoing savings and more than $20 million in 2015. Approximately 70% of the savings will be realized in corporate overhead, with the balance in operations. We expect to incur approximately $10 million in one-time restructuring and other related costs associated with these initiatives in the first quarter of 2015, excluding any non-cash charges associated with office space consolidation. We continue to review initiatives for cost reduction and margin efficiencies across the organization.

Quarterly Conference Call

Management will hold a conference call on Friday, February 20, 2015 at 11:00 a.m. (ET) to discuss Newalta's performance for the quarter and year ended December 31, 2014. To participate in the teleconference, please call 416-340-2218 or 866-223-7781. To access the simultaneous webcast, please visit www.newalta.com. For those unable to listen to the live call, a taped broadcast will be available at www.newalta.com and, until midnight on Friday, February 27, 2015 by dialing 800-408-3053 and entering passcode 6333073 followed by the pound sign.

About Newalta

Newalta is North America's leading provider of innovative, engineered environmental solutions that enable customers to reduce disposal, enhance recycling and recover valuable resources from industrial residues. We serve customers onsite directly at their operations and through a network of locations in Canada and the U.S. Our proven processes and excellent record of safety make us the first choice provider of sustainability enhancing services to oil, natural gas, petrochemical, refining, lead, manufacturing and mining markets. With a skilled team of people, two decade track record of profitable expansion and commitment to commercializing new solutions, Newalta is positioned for sustained future growth and improvement. Newalta trades on the TSX as NAL. For more information, visit www.newalta.com.

The press release contains certain statements that constitute forward-looking information. Please refer to the attached Management's Discussion and Analysis for further discussion of assumptions and risks related to this forward looking information.

For further information, please contact:

Anne M. Plasterer

Executive Director, Investor Relations

Phone: (403) 806-7019

NEWALTA CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Three months and year ended December 31, 2014 and 2013

Industrial Sale

On December 23, 2014, we entered into an agreement with Revolution Acquisition LP (Revolution), a Birch Hill Equity Partners company, to sell our Industrial Division for cash proceeds of $300 million plus the assumption of certain decommissioning liabilities. The sale proceeds are subject to customary purchase price adjustments related to closing balance sheet working capital and capital expenditure targets. The transaction is expected to close in the first quarter of 2015, upon satisfaction of customary closing conditions and receipt of regulatory approvals. As a result of this agreement, we have defined our Industrial Division as "Discontinued Operations", the remaining operations as "Continuing Operations" and the total Discontinued Operations and Continuing Operations as "Combined Operations". In accordance with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, income and expenses and cash flow provided and used associated with the business to be sold have been classified as Discontinued Operations in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows. Associated assets and liabilities have been classified as held for sale in our Consolidated Statements of Financial Position as at December 31, 2014 and the comparative information has not restated. Unless otherwise noted, commentary and the financial results will refer to Continuing Operations.

FORWARD LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking information" as defined under applicable securities laws. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "potential", "strategy", "target", and similar expressions, as they relate to Newalta Corporation and the subsidiaries of Newalta Corporation, or their management, are intended to identify forward-looking information. In particular, forward-looking information included or incorporated by reference in this document include statements with respect to:

- *completion of the sale of the Industrial Division in an efficient manner;*
- *realization of anticipated benefits from the sale of the Industrial Division, including the ability to reinvest net proceeds of disposition in a timely and efficient manner;*
- *future operating and financial results;*
- *business prospects and strategy including related timelines;*
- *capital expenditure programs and other expenditures;*
- *realization of anticipated benefits of growth capital investments, potential divestitures and acquisitions and our technical development initiatives;*
- *realization of anticipated benefits from the implementation of cost rationalization initiatives including the anticipated value and sustainability of the cash savings from such initiatives;*
- *anticipated industry activity levels;*
- *expected commodity prices;*
- *expected demand for our services;*
- *the amount of dividends declared or payable in the future;*
- *our projected cost structure; and*
- *expectations and implications of changes in legislation.*

Expected future financial and operating performance and related assumptions are set out under "Outlook" on page 20. Our Capital budget and divisional allocation is set out under "Capital Expenditures" on page 37.

Such information reflects our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation:

- *general market conditions of the industries we service;*
- *strength of the oil and gas industry, including drilling activity;*
- *fluctuations in commodity prices for oil and the price we received for our recovered oil;*
- *fluctuations in commodity prices for lead including the price differential we pay for lead feedstock and the price we receive for our lead products;*
- *fluctuations in base oil prices including the price differential we pay for used oil and the price we receive for our finished lube oil products;*
- *fluctuations in interest rates and exchange rates;*

- *supply of waste lead acid batteries as feedstock to support direct lead sales;*
- *demand for our finished lead products by the battery manufacturing industry;*
- *our ability to secure future capital to support and develop our business, including the issuance of additional Shares;*
- *the highly regulated nature of the environmental services and waste management business in which we operate;*
- *dependence on our senior management team and other operations management personnel with waste industry experience;*
- *the competitive environment of our industry in Canada and the U.S.;*
- *success of our growth, acquisition and technical development strategies including integration of businesses and processes into our operations and potential liabilities from acquisitions;*
- *potential operational and safety risks and hazards, obtaining insurance for such risks and hazards on reasonable financial terms, and potential failure of meeting customer safety standards;*
- *the seasonal nature of our operations;*
- *costs associated with operating our landfills and reliance on third party waste volumes;*
- *risk of pending and future legal proceedings;*
- *risk to our reputation;*
- *our ability to attract, retain, and integrate skilled employees and maintain positive labour union relationships;*
- *open access for new industry entrants and the general unprotected nature of technology used in the waste industry;*
- *possible volatility of the price of, and the market for, our Shares, and potential dilution for shareholders in the event of a sale of additional Shares;*
- *financial covenants in our debt agreements that may restrict our ability to engage in transactions or to obtain additional financing; and*
- *such other risks or factors described from time to time in reports we file with securities regulatory authorities.*

During the fourth quarter, we reached an agreement to sell our Industrial Division. This agreement was the result of the comprehensive review of the Industrial Division announced in December 2013 (Rationalization Plan) and the strategic review initiated in the second quarter of 2014 (Strategic Review). As such, forward-looking information in this document is made subject to any changes upon closing of the transaction.

By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not occur. Many other factors could also cause actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking information and readers are cautioned that the foregoing list of factors is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Furthermore, the forward-looking information contained in this document is made as of the date of this document and, in each case, is expressly qualified by this cautionary statement. Unless otherwise required by law, we do not intend, or assume any obligation, to update any such forward-looking information.

RECONCILIATION OF NON-GAAP MEASURES

This Management's Discussion and Analysis (MD&A) contains references to certain financial measures, including some that do not have any standardized meaning prescribed by International Financial Reporting Standards (IFRS or GAAP) and may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below.

"EBITDA", "EBITDA per share", "Adjusted EBITDA", and "Adjusted EBITDA per share" are measures of our operating profitability. EBITDA provides an indication of the results generated by our principal business activities prior to how these activities are financed, assets are amortized or impaired, or how the results are taxed in various jurisdictions. In addition, Adjusted EBITDA provides an indication of the results generated by our principal business activities prior to recognizing stock-based compensation and restructuring and other related costs. Adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time. Stock-based compensation, a component of employee remuneration, can vary significantly with changes in the price of our Shares while restructuring and other related costs are outside of our normal course of business. Restructuring and other related costs are charges primarily attributable to the Rationalization Plan associated with the comprehensive review announced in December 2013 and the Strategic Review. EBITDA and Adjusted EBITDA are derived from the consolidated statements of operations and comprehensive income. EBITDA per share and Adjusted EBITDA per share are derived by dividing EBITDA and Adjusted EBITDA by the basic weighted average number of Shares.

EBITDA and Adjusted EBITDA from Continuing Operations are calculated as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
($000s)	**2014**	2013	**2014**	2013
Net (loss) earnings from continuing operations	**(17,877)**	2,279	**(12,372)**	24,286
Add back:				
Income tax (recovery) expense	**(3,750)**	695	**2,968**	5,285
Net financing charges expense	**9,803**	3,378	**48,095**	22,654
Amortization[(1)]	**20,252**	12,408	**57,409**	43,449
Impairment	**19,402**	-	**19,402**	-
EBITDA	**27,830**	18,760	**115,502**	95,674
Add back:				
Stock-based compensation (recovery) expense[(2)]	**(4,087)**	3,638	**6,453**	7,790
Restructuring and other related costs	**6,449**	-	**6,975**	-
Adjusted EBITDA	**30,192**	22,398	**128,930**	103,464
Weighted average number of Shares	**56,003**	55,205	**55,802**	54,938
EBITDA per share	**0.50**	0.34	**2.07**	1.74
Adjusted EBITDA per share	**0.54**	0.41	**2.31**	1.88

(1) Includes non-cash gains or losses on asset disposal and other non-cash charges.
(2) Stock-based compensation (recovery) expense includes ($5,227) and $1,003 in Q4 and 2014, respectively, and $1,649 and $2,546 for Q4 2013 and 2013, respectively, in non-cash stock-based compensation.

"Combined Adjusted EBITDA" provides an indication of the results generated by both our Continuing Operations and Discontinued Operations prior to how these operations are financed, assets are amortized or impaired, stock-based compensation is recognized or how the results are taxed in various jurisdictions. Combined Adjusted EBITDA is derived from the consolidated statements of operations and comprehensive income as follows:

	Three months ended		Year ended	
	December 31,		December 31,	
($000s)	**2014**	2013	**2014**	2013
Net (loss) earnings	**(157,563)**	(10,322)	**(142,673)**	21,940
Add back:				
Income tax (recovery) expense from Continuing Operations	**(3,750)**	695	**2,968**	5,285
Income tax (recovery) expense from Discontinued Operations	**(43,403)**	(3,385)	**(39,814)**	669
Net financing charges expense from Continuing Operations	**9,803**	3,378	**48,095**	22,654
Net financing charges expense from Discontinued Operations	**493**	485	**1,757**	1,827
Impairment from Continuing Operations	**19,402**	-	**19,402**	-
Impairment from Discontinued Operations	**185,812**	21,198	**185,812**	21,198
Amortization from Continuing Operations[(1)]	**20,252**	12,408	**57,409**	43,449
Amortization from Discontinued Operations[(1)]	**5,626**	4,276	**20,872**	23,548
Combined EBITDA	**36,672**	28,733	**153,828**	140,570
Add back:				
Stock-based compensation (recovery) expense from Continuing Operations[(2)]	**(4,087)**	3,638	**6,453**	7,790
Stock-based compensation (recovery) expense from Discontinued Operations[(3)]	**(905)**	424	**1,210**	1,704
Restructuring and other related costs from Continuing Operations	**6,449**	-	**6,975**	-
Restructuring and other related costs from Discontinued Operations	**1,685**	-	**8,556**	-
Combined Adjusted EBITDA	**39,814**	32,795	**177,022**	150,064
Weighted average number of Shares	**56,003**	55,205	**55,802**	54,938
Combined EBITDA per Share	**0.65**	0.52	**2.76**	2.56
Combined Adjusted EBITDA per Share	**0.71**	0.59	**3.17**	2.73

(1) Includes non-cash gains or losses on asset disposal and other non-cash charges.

(2) Stock-based compensation (recovery) expense includes ($5,227) and $1,003 in Q4 and 2014, respectively, and $1,649 and $2,546 for Q4 2013 and 2013, respectively, in non-cash stock-based compensation.

(3) Stock-based compensation expense for Discontinued Operations includes ($915) and $198 in Q4 and 2014, respectively, and $384 and $604 for Q4 2013 and 2013, respectively, in non-cash stock-based compensation.

"Divisional EBITDA" provides an indication of the results generated by the division's principal business activities prior to how the assets are amortized, and before allocation of Selling, general and administrative costs (SG&A). Divisional EBITDA is the sum of gross profit and amortization for the respective division. Divisional EBITDA is derived from gross profit as follows:

	Three months ended December 31,		Year ended December 31,	
($000s)	**2014**	2013	**2014**	2013
Gross Profit	**37,298**	34,547	**162,186**	144,879
Add back:				
Amortization included in Cost of sales	**13,556**	8,973	**40,772**	30,609
Divisional EBITDA	**50,854**	43,520	**202,958**	175,488
New Markets[1]	**28,506**	23,228	**108,906**	91,715
Oilfield[1]	**22,348**	20,292	**94,052**	83,773
Deduct:				
SG&A[2]	**16,575**	24,760	**80,481**	79,814
Restructuring and other related costs	**6,449**	-	**6,975**	-
EBITDA	**27,830**	18,760	**115,502**	95,674

(1) New Markets and Oilfield Divisional EBITDA for the three months and year ended December 31, 2013 has been restated to reflect a change in reporting structure. New Markets was reduced and Oilfield was increased by $93 and $1,651, in the respective periods.

(2) SG&A excludes amortization of $6,696 and $16,637 for Q4 2014 and 2014, respectively, and $3,435 and $12,840 for Q4 2013 and 2013, respectively.

"Adjusted net earnings" and "Adjusted net earnings per share" are measures of our profitability from Continuing Operations. Adjusted net earnings from continuing operations (Adjusted Net Earnings) provides an indication of the results generated by our principal business activities prior to recognizing stock-based compensation recovery or expense, the gain or loss on embedded derivatives, impairment and restructuring and other related charges. Stock-based compensation expense, a component of employee remuneration, can vary significantly with changes in the price of our Shares. The loss (gain) on the embedded derivative is a result of the change in the trading price of the debentures and the volatility of the applicable bond market. Impairment and restructuring and other related costs are related to initiatives outside of our normal course of business. As such, Adjusted net earnings provides improved continuity with respect to the comparison of our results over a period of time. Adjusted net earnings per share is derived by dividing Adjusted net earnings by the basic weighted average number of Shares.

	Three months ended December 31,		Year ended December 31,	
($000s)	**2014**	2013	**2014**	2013
Net (loss) earnings from continuing operations	**(17,877)**	2,279	**(12,372)**	24,286
Add back:				
Stock-based compensation (recovery) expense	**(4,087)**	3,638	**6,453**	7,790
Embedded derivative loss (gain)	**3,050**	(3,406)	**14,691**	(3,036)
Impairment	**19,402**	-	**19,402**	-
Restructuring and other related costs	**6,449**	-	**6,975**	-
Adjusted net earnings	**6,937**	2,511	**35,149**	29,040
Weighted average number of Shares	**56,003**	55,205	**55,802**	54,938
Adjusted net earnings per Share	**0.12**	0.05	**0.63**	0.53

"Book value per share" is used to assist management and investors in evaluating the book value compared to the market value.

($000s)	**2014**	2013
	Year ended December 31,	
Total Equity	**522,906**	675,162
Shares outstanding, December 31,	**56,026**	55,336
Book value per share	**9.33**	12.20

"Cash Basis Return on Capital" (ROC - Cash) is used to assist management and investors in measuring the returns realized at the consolidated level from capital employed. ROC - Cash is derived from Adjusted EBITDA less cash stock-based compensation, cash taxes and maintenance capital divided by the average of the beginning and ending balances of our total assets less current liabilities for the period (Net Assets).

"Divisional Return on Capital" is used to assist management and investors in measuring the returns realized at the Divisional level from capital employed. It is derived from Divisional EBITDA divided by the average of the beginning and ending balances of assets employed for the period.

"Net Debt" is defined as sum of amount drawn on the Credit Facility, Letters of Credit and Senior Unsecured Debentures less Cash on hand.

"Funds from operations" is used to assist management and investors in analyzing cash flow and leverage from Continuing Operations. Funds from operations as presented is not intended to represent operating funds from operations or operating profits for the period, nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Funds from operations is derived from the consolidated statements of cash flows and is calculated as follows:

	Three months ended December 31,		**Year ended December 31,**	
($000s)	**2014**	2013	**2014**	2013
Cash from continuing operations	**32,983**	20,305	**85,943**	90,817
Add back (deduct):				
Increase (decrease) in non-cash working capital	**(21,154)**	(11,207)	**(505)**	(18,586)
Decommissioning obligations incurred	**641**	392	**2,854**	2,797
Funds from operations	**12,470**	9,490	**88,292**	75,028
Weighted average number of Shares	**56,003**	55,205	**55,802**	54,938
Funds from operations per Share	**0.22**	0.17	**1.58**	1.37

References to EBITDA, EBITDA per share, Adjusted EBITDA, Adjusted EBITDA per share, Divisional EBITDA, Adjusted net earnings, Adjusted net earnings per share, ROC - Cash, Divisional Return on Capital, Net Debt, Funds from operations and Funds from operations per share throughout this document have the meanings set out above. Adjusted SG&A has the meaning described in the section titled "Corporate and Other" and in section "Discontinued Operations".

The following discussion and analysis should be read in conjunction with (i) the unaudited consolidated financial statements of Newalta, and the notes thereto (Financial Statements), for the three months and year ended December 31, 2014 and 2013, (ii) the Financial Statements of Newalta and notes thereto and MD&A of Newalta for the year ended December 31, 2013 and 2012,

(iii) the most recently filed Annual Information Form of Newalta and (iv) the unaudited condensed consolidated interim financial statements of Newalta and the notes thereto and MD&A for the quarters ended March 31, 2014, June 30, 2014, and September 30, 2014. This information is available at SEDAR (www.sedar.com). Information for the three months and year ended December 31, 2014 along with comparative information for 2013, is provided.

This MD&A is dated February 19, 2015, and takes into consideration information available up to that date. All financial figures are unaudited. Throughout this document, unless otherwise stated, all currency is stated in Canadian dollars, MT is defined as "tonnes" or "metric tons", and n/m indicates the percentage change is not meaningful.

SELECTED ANNUAL FINANCIAL INFORMATION [(1)]

($000s except per share data) (unaudited)	2014	2013	2012[(2)(7)]
Combined Operations[(2)]			
Revenue	**858,413**	783,396	726,209
Gross Profit	**206,225**	188,538	169,758
% of Revenue	**24%**	24%	23%
Net (loss) earnings[(3)]	**(142,673)**	21,940	42,804
- per share ($) basic	**(2.56)**	0.40	0.86
- per share ($) diluted	**(2.52)**	0.40	0.85
Combined Adjusted EBITDA[(4)]	**177,022**	150,064	142,136
- per share[(4)]	**3.17**	2.73	2.86
Cash from operating activities	**124,466**	123,574	97,443
- per share ($)	**2.23**	2.25	1.96
Total Assets	**1,358,830**	1,408,241	1,318,758
Maintenance capital expenditures[(4)]	**37,465**	29,679	34,952
Growth capital expenditures[(4)]	**154,935**	141,461	137,388
Dividends declared	**27,100**	23,671	18,918
- per share ($)[(4)]	**0.48**	0.43	0.38
Dividends paid	**20,536**	17,799	17,382
Senior long-term debt - net of issue costs	**183,104**	117,136	76,500
Senior Unsecured Debentures[(5)] - principle amount	**275,000**	250,000	250,000
Weighted average Shares outstanding	**55,802**	54,938	49,690
Shares outstanding, December 31,[(6)]	**56,026**	55,336	54,263
Continuing Operations[(2)]			
Revenue	**495,331**	412,179	369,904
Gross Profit	**162,186**	144,879	116,900
% of Revenue	**33%**	35%	32%
Net (loss) earnings from continuing operations	**(12,372)**	24,286	32,455
- per share ($) basic	**(0.22)**	0.44	0.65
- per share ($) diluted	**(0.22)**	0.43	0.64
Adjusted net earnings[(4)]	**35,149**	29,040	28,571
- per share ($) basic adjusted[(4)]	**0.63**	0.53	0.57
Adjusted EBITDA[(4)]	**128,930**	103,464	96,950
- per share[(4)]	**2.31**	1.88	1.95
Cash from continuing operations	**85,943**	90,817	n/r
- per share ($)	**1.54**	1.65	n/r
Funds from operations[(4)]	**88,292**	75,028	74,132
- per share ($)[(4)]	**1.58**	1.37	1.49
Maintenance capital expenditures[(4)]	**25,569**	21,699	10,938
Growth capital expenditures[(4)]	**146,215**	126,160	122,087

(1) Management's Discussion and Analysis and Newalta's unaudited Consolidated Financial Statements and notes are attached. References to Generally Accepted Accounting Principles (GAAP) are synonymous with IFRS and references to unaudited Consolidated Financial Statements and notes are synonymous with Financial Statements.

(2) In December 2014, we entered into an agreement with Revolution, a Birch Hill Equity Partners company, to sell our Industrial Division. As a result of this agreement, we have defined our Industrial Division as "Discontinued Operations", the remaining operations as "Continuing Operations" and the total Discontinued Operations and Continuing Operations as "Combined Operations". In accordance with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, income and expenses and cash flow provided and used associated with the business to be sold have been classified as discontinued operations in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows. Associated assets and liabilities have been classified as held for sale in our Consolidated Statements of Financial Position as at December 31, 2014 and the comparative information has not been restated.

(3) Recognized approximately $205.2 million and $21.2 million in impairment in 2014 and 2013, respectively. See "Critical Accounting Estimates" on page 43 for further details.

(4) These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout the attached Management's Discussion and Analysis.

(5) 2012 and 2013 includes Series 1 and Series 2 senior unsecured debentures and 2014 includes Series 2 and Series 3 senior unsecured debentures. Series 1, Series 2 and Series 3 Senior Unsecured Debentures are collectively referred to as "Senior Unsecured Debentures".

(6) Newalta has 56,193,117 Shares outstanding as at February 19, 2015.

(7) n/r indicates the measure was not restated.

NEWALTA – WHO WE ARE

Newalta is North America's leading provider of innovative, engineered environmental solutions that enable customers to reduce disposal, enhance recycling and recover valuable resources from industrial residues. We serve customers onsite directly at their operations and through a network of locations in Canada and the U.S. Our proven processes and excellent record of safety make us the first choice provider of sustainability enhancing services to oil, natural gas, petrochemical, refining, lead, manufacturing and mining markets. With a skilled team of people, a two decade track record of profitable expansion and commitment to commercializing new solutions, Newalta is positioned for sustained future growth and improvement.

STRATEGY

2014 was a year of change and growth for Newalta.

- We executed the rationalization plan associated with the comprehensive review announced in December 2013 focused primarily on our Industrial Division and SG&A (Rationalization Plan). As a result, we realized approximately $9.4 million in cash savings.
- We completed a strategic review of a full range of potential alternatives for our Industrial Division (Strategic Review), including a potential sale, IPO or spin-off of the division, in whole or in parts. As a result, we entered into an agreement to sell our Industrial Division.
- We completed the CEO succession with transition of leadership to John Barkhouse as our new CEO and President.
- We added two new members to our Board of Directors to prepare for board member retirements in 2015.

As we enter 2015, we will continue to assess our current business model and streamline our organizational structure to align with a more cohesive service offering. We will refresh our 5 year strategy for the business and will communicate the complete strategy in May of this year.

2014 IN REVIEW

Division	Progress in 2014	
New Markets Revenue and Divisional EBITDA growth of 27% and 19%, respectively. Maintained pacesetter Divisional ROC.	Heavy Oil and onsite contract expansion Extend and grow existing contracts	Increased New Markets' contract revenue 14% over 2013, representing 42% of total New Markets revenue (2013: 46%). Secured three new Mature Fine Tailings (MFT) contracts: • A contract with Shell Canada Limited (Shell) for the construction of the second MFT plant at its Jackpine Mine; • A contract with Shell to extend operations at the first MFT plant and to operate the second MFT plant at its Jackpine Mine; and • A commissioning contract with Syncrude Canada Ltd (Syncrude) for its full-scale centrifugation facility that will process MFT at Syncrude's Mildred Lake operations. Began construction of our Fort McMurray full scale facility to serve the oil sands. This facility will bring us closer to our Heavy Oil customers and will complement our onsite services. This facility will be commissioned in 2015.

Division	Progress in 2014	
		Successfully field tested an oil sands water treatment technology in collaboration with DuPont.
	Expand our presence in U.S. markets	Recovered drill site utilization rates to historical levels. Established one new satellite facility in the Bakken to contribute to first half of 2015. Our plan to develop three new operating locations shifted as a result of regulatory and site development delays. Development of these sites is influenced by numerous factors including the regulatory environment, the micro and macroeconomics in the respective regions, and availability of resources. Commenced operations at two satellite facilities in the Bakken, which were established in 2013.
Oilfield Revenue and Divisional EBITDA growth of 12%	Expand facility network	Established two new satellite facilities to be commissioned in the first half of 2015. Commenced operations at our satellite facilities in Shaunavon, SK and Waskada, MB, which were established in 2013. Developed the next generation of our drill cuttings treatment technology for future installation.
	Drive incremental cash flow from existing assets	Oilfield Divisional EBITDA as a percent of revenue improved from 45% in 2013 to 46% driven by returns on growth capital investments which resulted in ongoing productivity improvements. Implemented automation initiatives at several facilities that helped drive incremental cash flow. Began construction on a landfill near our Gold Creek satellite facility to provide expanded services and network efficiencies. This landfill is expected to be completed in the third quarter of 2015.
	Increase market share in onsite services	Recovered drill site utilization rates to historical levels.
Industrial	Drive incremental cash flow from existing assets	Executed Rationalization Plan announced in late 2013. We closed four facilities, reduced overheads and redirected lines of business and realized approximately $9.4 million in savings. Initiated and completed Strategic Review in 2014. Entered into agreement with Revolution to sell the Industrial Division as a result of the Strategic Review. The sale is subject to customary conditions and approvals and is expected to close in Q1 2015.
	Increase market share and contributions in onsite services in multiple industry segments	Increased Industrial onsite contributions by more than 40% over 2013, driven by an increased market presence in both the mining and refinery markets.

RISKS TO OUR STRATEGY

While we remain optimistic about our long-term outlook, we are subject to a number of risks and uncertainties in carrying out our activities. For further discussion on our Risk Management program, refer to the "Risk Management" section. A complete list of our risk factors is disclosed in our most recently filed Annual Information Form.

Risk	Mitigation
Market activity is lower than anticipated Lower market activity can translate into reduced waste volumes and weaker commodity prices, impacting returns on existing assets and our capacity to invest in organic growth capital.	Improve productivity. Develop new technologies that make our processes more effective and cost efficient. Develop satellites that are less capital-intensive and have the capacity to be relocated. Grow onsite contract revenue to mitigate exposure to commodity prices. Maintain debt leverage to provide adequate financial flexibility. Maintain long-term debt in capital structure to support financial stability. Utilize, as needed, proven defensive toolkit to manage costs and capital expenditures.
Safety record Failure to meet customer safety standards while working on customer sites or at our facilities could result in limitations in our ability to maintain and secure new contracts.	Since 1993, safety has been established as one of our core values. Long standing history of safety excellence. Our Environmental, Health and Safety (EH&S) team works with operators, customers and regulators to foster a culture of safety and prevention to ensure we maintain our strong record. Designs for facilities and onsite equipment are subject to strict hazards and operability studies and engineering practices.
Competition Competition can come from generators of waste processing streams internally or new third party waste processors entering the market.	We are well established in the industry with an excellent safety record and employee training. We have a strong customer focused approach and service differentiation to secure Newalta brand loyalty across all business lines. Barriers to entry include facility network and infrastructure as well as regulatory requirements, including permits. Our facilities are optimally located near the point of waste generation and our network provides our customers with a backstop for process guarantees to better serve their needs. Our onsite services are targeted to facilitate customers managing their waste onsite.
Environmental regulations Changes in environmental regulations also impact our business.	Generally, we have a positive bias to changes in environmental regulations as they provide opportunities for service expansion. We are actively engaged in the review of forthcoming legislation to ensure that our operations can adapt as needed and to ensure that we are prepared

Risk	Mitigation
	to capitalize on opportunities as they arise.
Commercialize technologies Failure to commercialize new technologies could reduce our competitiveness.	We have a staged approach for developing technologies, which differentiates between proven and unproven technologies and ensures resources can be redeployed efficiently to other initiatives. Other initiatives include expansion of services and business development. Performance from our current assets employed is not contingent on the commercialization of the identified technologies.
Organizational capabilities Failure to effectively recruit, retain and integrate top talent could negatively impact our ability to meet our long-term targets.	Develop our people through talent development programs which include customized leadership training and comprehensive on-boarding. Engage new employees in EH&S training programs and Safety Leadership programs. Use of cross-functional training and teams to promote integration.

In December 2014, we entered into an agreement to sell our Industrial Division. As a result of this agreement, we have defined the Industrial Division as "Discontinued Operations", the remaining operations as "Continuing Operations" and the total Discontinued Operations and Continuing Operations as "Combined Operations." Unless otherwise noted, commentary and the financial results will refer to Continuing Operations.

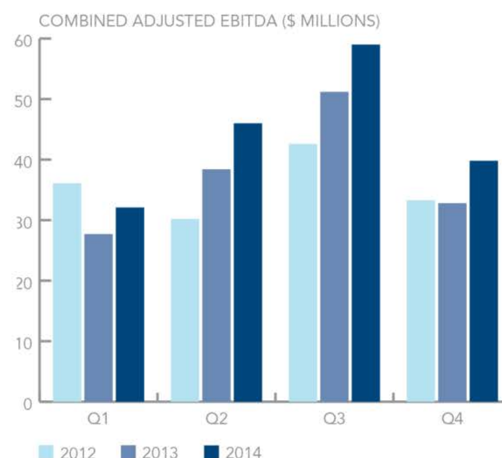
CORPORATE OVERVIEW

2014 was a year of change and growth for Newalta. We delivered on our plans to grow our energy services business and to rationalize and divest the Industrial Division. During the fourth quarter, we entered into an agreement with Revolution to sell our Industrial Division for cash proceeds of $300 million. This agreement is the result of the comprehensive review of the Industrial division announced in December 2013 (Rationalization Plan) and the Strategic Review initiated in April 2014. We intend to use the proceeds to capitalize on our strong market position and further strengthen the balance sheet. Proceeds from the sale will immediately be used to pay down debt. We continue to actively pursue acquisitions where we can add meaningful value and further advance our business strategy.

Combined Operations

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Adjusted EBITDA from Continuing Operations[1]	**30,192**	22,398	35	**128,930**	103,464	25
Adjusted EBITDA from Discontinued Operations[1]	**9,622**	10,397	(7)	**48,092**	46,600	3
Combined Adjusted EBITDA[1]	**39,814**	32,795	21	**177,022**	150,064	18

(1) These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP financial measures are identified and defined throughout the attached Management's Discussion and Analysis.



Q4 2014 Combined Adjusted EBITDA was $39.8 million, up 21% over prior year. Growth from Continuing Operations was offset by lower contributions from Discontinued Operations. Net loss from Combined Operations increased from $10.3 million in 2013 to $157.6 million due largely to impairment and restructuring and other related costs.

2014 Combined Adjusted EBITDA grew 18% to $177.0 million, over prior year. Growth in Continuing Operations and savings realized from the Rationalization Plan were offset by weaker performance in Discontinued Operations. Combined results for 2014 were below guidance due to weaker than expected performance from our Discontinued Operations and the sharp decline in crude oil prices in the fourth quarter. Net loss from combined operations decreased from earnings of $21.9 million in 2013 to a net loss of $142.7 million due primarily to the Net loss from Discontinued Operations of $130.3 million. Restructuring and other related costs from Combined Operations for the year were $15.5 million, above guidance due to the recognition of onerous leases for Industrial properties retained by Newalta that will no longer be in use.

Restructuring and other related costs

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Restructuring and other related costs for Continuing Operations[1]	**6,449**	-	-	**6,975**	-	-
Restructuring and other related costs from Discontinued Operations[1]	**1,685**	-	-	**8,556**	-	-
Restructuring and other related costs from Combined Operations	**8,134**	-	-	**15,531**	-	-

(1) For further information, see Note 4 and Note 5 to the Financial Statements.

Adjusted SG&A before non-recurring items

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Adjusted SG&A before non-recurring for Continuing Operations[1]	**20,662**	18,308	13	**74,028**	67,446	10
Adjusted SG&A before non-recurring from Discontinued Operations[1]	**4,360**	4,889	(11)	**14,892**	17,626	(16)
Combined Operations Adjusted SG&A before non-recurring [1]	**25,022**	23,197	8	**88,920**	85,072	5

(1) These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Refer to the "Corporate and Other" and to "Discontinued Operations" sections for further information.

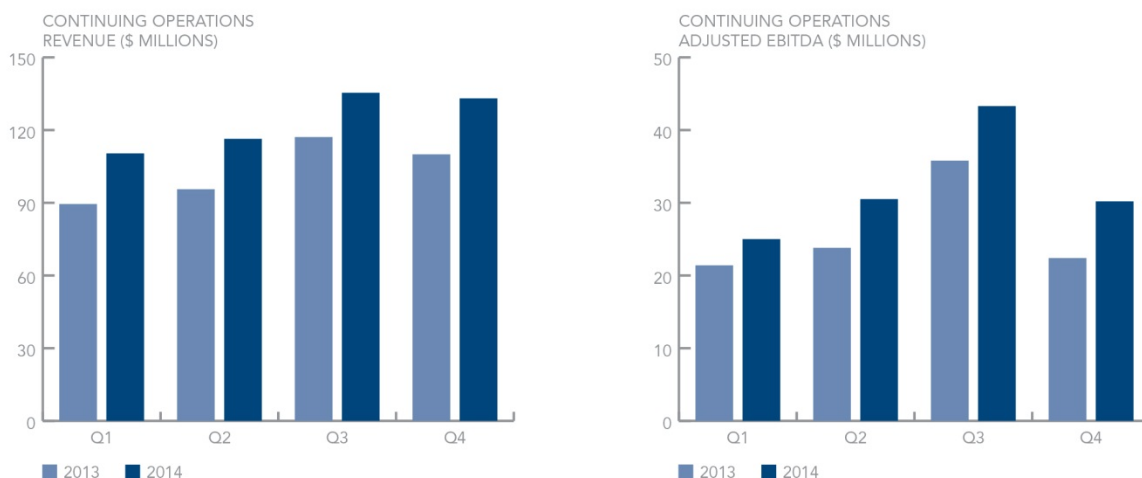
Combined Operations Adjusted SG&A before non-recurring items was $88.9 million or 10.4% of revenue compared to $85.1 million or 10.9% of revenue in prior year. Increased costs to support U.S. expansion along with executive recruitment and associated charges in Continuing Operations were partially offset by the savings realized from the Rationalization Plan.

Capital expenditures from Combined Operations for the three and twelve months ended December 31, 2014 were $85.3 million and $192.4 million, respectively, focused primarily on growth projects in New Markets and Oilfield.

Continuing Operations

Fourth quarter Adjusted EBITDA from continuing operations grew 35% to $30.2 million over prior year. Growth was driven primarily by returns from our growth capital investments in New Markets. Net loss from continuing operations for the quarter was $17.9 million, down from net earnings of $2.3 million in prior year. The decrease reflected higher Adjusted EBITDA offset by higher net finance charges, restructuring and other related charges, and impairment. For further information on the impairment charge, see "Critical Accounting Estimates" on page 43.

2014 Adjusted EBITDA was $128.9 million, up 25% over prior year. 2014 results reflect growth in both our New Markets and Oilfield divisions, partially offset by higher Adjusted SG&A. As a percentage of revenue, Adjusted SG&A before non-recurring items decreased from 16.4% in 2013 to 14.9% in 2014 as a result of cost management. Contracts generated 24% of the revenue from Continuing Operations. Net loss from continuing operations for the year was $12.4 million compared to net earnings of $24.3 million in prior year, with the change year over year due largely to the same factors as the quarter. 2014 Adjusted net earnings, which excludes stock-based compensation, embedded derivative loss, impairment and restructuring and other related costs, was up 21% over prior year.



Q4 2014 New Markets revenue and gross profit increased 31% and 12%, respectively, to $82.1 million and $19.7 million compared to prior year. Performance was driven primarily by returns from our growth capital investments, specifically our MFT contracts and U.S. expansion, and increased drill site utilization in the U.S. 2014 revenue and gross profit increased by 27% and 14%, respectively, to $289.0 million and $83.5 million compared to prior year. 2014 results reflect similar factors as the quarter and increased activity at our Heavy Oil facilities.

Q4 2014 Oilfield revenue and gross profit increased 7% and 4%, respectively, to $51.0 million and $17.6 million compared to prior year. Performance was driven by increased contributions from our facilities and higher drill site utilization. 2014 revenue and gross profit increased 12% and 10%, respectively, to $206.3 million and $78.7 million compared to prior year. Performance was driven by returns from growth capital investments which resulted in ongoing productivity improvements as well as increased demand at our facilities and for our drill site services.

Capital expenditures from Continuing Operations for the three and twelve months ended December 31, 2014 were $78.0 million and $171.8 million, respectively, focused primarily on growth projects in New Markets and Oilfield.

Discontinued Operations

Q4 2014 Discontinued Operations revenue was $96.0 million, flat to prior year, while gross profit from Discontinued Operations was $8.9 million, down 23%. Gains at Ville Ste-Catherine (VSC) coupled with the savings realized from the Rationalization Plan were offset by lower contributions from our eastern processing facilities and our oil recycling services (ORS). Net loss from Discontinued Operations for the quarter and the year were $139.7 million and $130.3 million, respectively. The net loss was primarily impacted by the $185.8 million impairment loss recognized in the fourth quarter based on the expected sale proceeds and estimated transaction costs (Net Sale Proceeds). 2014 Discontinued Operations revenue and gross profit were flat to prior year.

In 2014, we realized approximately $9.4 million in savings associated with the Rationalization Plan. Including costs associated with the Strategic Review, we incurred approximately $8.6 million in one-time restructuring and other related costs in Discontinued Operations.

RECENT DEVELOPMENTS

Rationalization Initiatives

In February 2015, we announced a number of cost reduction and rationalization initiatives to maximize business efficiencies and drive improved margins. These actions are the result of a comprehensive review of our organization post the planned divestiture of our Industrial Division and current market conditions. The objective of this review was to drive improved bottom line performance, overall speed and agility and to align the business with market conditions in 2015.

- We reduced our headcount by approximately 180 people across SG&A and operations, representing 15 percent of the workforce. We are consolidating corporate and regional office space and have implemented general reductions in all expense items across the board and tightened controls over discretionary expenditures.
- In addition to the overhead reductions, we suspended matching contributions to the Employee Savings Plan in Canada and the 401k Plan in the U.S. and implemented a hiring and salary freeze.

We expect to realize in excess of $25 million in annualized ongoing savings and more than $20 million in 2015. Approximately 70% of the savings will be realized in corporate overhead, with the balance in operations. We expect to incur approximately $10 million in one-time restructuring and other related costs associated with these initiatives in the first quarter of 2015,

excluding any non-cash charges associated with office space consolidation. We continue to review initiatives for cost reduction and margin efficiencies across the organization.

Capital Budget

In light of current market conditions, we have reduced our capital budget for 2015 to $105 million, with $90.0 million in growth capital. Our priority will be to complete our 2014 carryover projects, which are expected to contribute in the second half of 2015. We will remain disciplined and measured in assessing investment opportunities and deployment of capital in the quarters ahead. We will continue to fund contract opportunities, and have the financial flexibility to increase our capital spending as market conditions improve.

Other items

On February 19, 2015, the Board of Directors elected to suspend the Dividend Reinvestment Plan (DRIP), effective with the dividends payable on April 15, 2015, to eliminate the dilution associated with the issuance of Shares through the DRIP, and to reflect our improved liquidity following the completion of the Industrial divestiture.

The following section contains forward looking information as it outlines our Outlook for 2015. Our Outlook is based on several key assumptions including growth capital contributions, commodity prices and activity levels of the industries we serve. Changes to these assumptions could cause our actual results to differ materially. Please refer to the Sensitivities section for a summary of the key metrics on pages 42.

Outlook

We enter 2015 well positioned to confront challenging market conditions, with approximately $130 million in Adjusted EBITDA from Continuing Operations in the prior year to set the foundation. A number of factors are expected to have direct and indirect impact on our performance through the year and are outlined below.

- We remain on track to close the sale of our Industrial Division in Q1 2015. Proceeds from the sale will further strengthen our balance sheet and financial flexibility, driving our Net Debt leverage under 2.0 at the close of the transaction.

- Lower crude oil prices and activity levels will directly impact the value and amount of products we recover from waste.
    - For every $10 change in Canadian oil price benchmarks (Canadian Light Sweet and Western Canadian Select), we expect to realize an approximate $8 million impact to both revenue and Adjusted EBITDA. Certain analyst estimates peg the decline in US$ WTI oil pricing at $40/bbl year over year.
    - For every 10% change in drilling activity levels, we expect to realize a $5 million impact to Adjusted EBITDA. Certain analyst estimates peg the decline in drilling activity in Canada and the U.S. at approximately 30%. Approximately 75% of our waste volumes across our markets are driven by production volumes, therefore providing a greater degree of stability in these markets.

- The severity of the drop in oil prices may drive actions by our customers beyond what we would typically see with normal crude oil price swings. As a result, our customers may seek price reductions from their suppliers, defer capital spending, and reduce production and ancillary activities in certain basins.

- These factors may have an impact on our performance through the year, and cannot be quantified on any linear sensitivity. Our ability to work with our customers to bundle opportunities, partner through contractual relationships and collaborate with our suppliers will help mitigate such impacts through the year.
- The factors noted above may have a negative impact on the returns we would typically expect to see from 2014 growth capital investments. In 2014, growth capital of $130.0 million was directed to our New Markets and Oilfield Divisions.

- We expect the cost reduction and rationalization initiatives, announced earlier this year, will drive in excess of $25 million in annualized ongoing savings and more than $20 million in 2015. We continue to review initiatives for cost reduction and margin efficiencies across the organization, and anticipate incremental cost efficiencies to be announced with our Q1 results in May 2015.
- In light of current market conditions, we have reduced our 2015 capital budget from $190.0 million as previously reported to $105.0 million with $90.0 million allocated directly to growth projects. We will however continue to monitor market opportunities and will leverage our financial flexibility to invest in additional opportunities as they arise. In the near term, we will focus on completing our 2014 carryover projects, including our new full scale Heavy Oil facility in Fort McMurray, Alberta and satellite facilities in both Canada and the U.S., on supporting contract opportunities, and on securing permits for satellite expansion. We are developing an inventory of locations and permits for expansion in the U.S. and in western Canada. We have refined our satellite execution model and have a pool of equipment ready to be deployed as conditions improve. Once permits are secured for a location, a satellite can be fully operational within 90 to 120 days. By building an inventory of permits, we can capitalize on our modular processing model and drive returns into 2016.
- We will seek out accretive acquisition opportunities in the energy services sector that will allow us to add meaningful value, accelerate growth, and provide access to waste streams where we can apply our technologies, people and processes to reduce waste, enhance recycling, and recover value for our customers. Our objective is to incorporate acquisition growth alongside our proven organic growth strategy to drive overall revenue and Adjusted EBITDA expansion at an accelerated pace.

We have a resilient business model and a strong balance sheet to weather the current volatile market. Management of our debt leverage and optimal use of our cash and capital are of the highest priority. We will remain well within our debt covenants throughout 2015. With the sale of Industrial to be completed in Q1 2015, and our business model making the final transition to a pure play, lean and agile energy services company, we believe we are well positioned to deliver strong returns. In a normalized US$70 to US$75 WTI oil price environment, supported by actions taken to date to drive margin efficiencies across the organization, and reflecting full returns from our 2014 growth capital, our business model would be expected to generate in excess of $170 million Adjusted EBITDA with an Adjusted EBITDA margin in excess of 30%.

RESULTS OF OPERATIONS – NEW MARKETS

OVERVIEW

New Markets includes a network of more than 15 locations with over 400 employees in western Canada and the U.S. New Markets' services involve the mobilization of equipment and our people to manage waste on our customers' sites; the

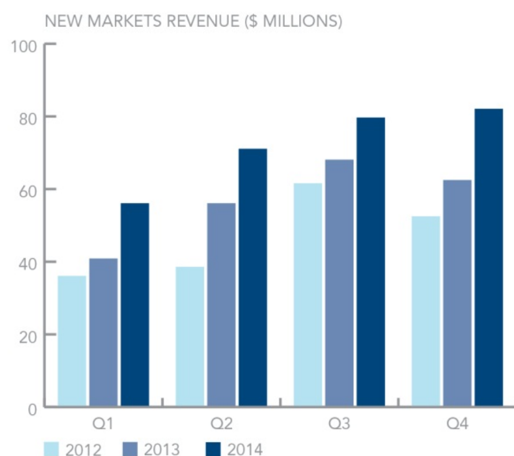
processing of oilfield-generated wastes and the sale of recovered crude oil to our account at our locations. New Markets is organized into the Heavy Oil and U.S. business units.

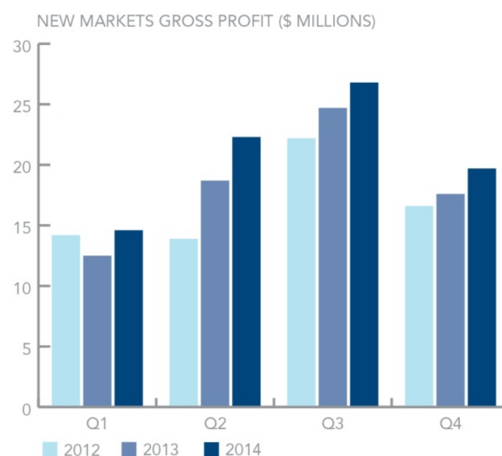
We operate onsite services in both Heavy Oil and the U.S. Our onsite services, excluding drill site, generally follow a similar sales cycle. We establish our market position through the execution of short-term projects which ideally lead to longer term contracts, providing a more stable cash flow. The cycle to establish longer term contracts can be between 18 months to three years. Characteristics of projects and contracts are:

- **Projects**: non-recurring and/or seasonal services completed in less than one year, primarily completed between March and November and will vary from period-to-period, and
- **Contracts**: generally are year round arrangements based on fee for service solutions with terms longer than one year, no direct commodity price exposure and may evolve from projects.

The business units contributed the following to division revenue:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Heavy Oil	**69%**	77%	**70%**	74%
U.S.	**31%**	23%	**30%**	26%





The following table compares New Market's results for the periods indicated:

($000s)	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
Revenue	**82,132**	62,531	31	**289,008**	227,572	27
Cost of sales[(1)]	**62,389**	44,932	39	**205,480**	154,057	33
Gross Profit	**19,743**	17,599	12	**83,528**	73,515	14
Gross Profit as % of revenue	**24%**	28%	(14)	**29%**	32%	(9)
Amortization (included in Cost of sales)	**8,763**	5,629	56	**25,378**	18,200	39
Divisional EBITDA[(2)]	**28,506**	23,228	23	**108,906**	91,715	19
Divisional EBITDA as % of revenue	**35%**	37%	(5)	**38%**	40%	(5)
Maintenance capital	**3,503**	7,735	(55)	**9,741**	10,312	(6)
Growth capital	**39,357**	29,173	35	**84,682**	68,390	24
Assets employed[(3)]				**362,316**	286,913	26
Assets contributing[(4)]				**304,867**	230,313	32

(1) For comparative purposes, Cost of sales for the three months and Year ended December 31, 2013 has been restated for a reclassification of $93 and $1,651, respectively, from Oilfield to New Markets reflecting a change in reporting structure.

(2) Divisional EBITDA does not have any standardized meaning prescribed by GAAP.

(3) Assets employed is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division. Assets employed as defined does not include capital assets held by corporate. Corporate assets include information technology, leasehold improvements and technical development.

(4) Assets contributing is provided to assist management and investors to understand how our capital spending contributes to our growth. It excludes assets related to growth capital projects not yet operational.

New Markets Q4 2014 revenue and gross profit increased 31% and 12%, respectively, to $82.1 million and $19.7 million compared to prior year. Performance was driven primarily by returns from our growth capital investments, specifically our MFT contracts and U.S. expansion, and increased drill site utilization. Q4 2014 gross profit as a percentage of revenue was 24%, down from 28% in the prior year, due to the timing of MFT contracts and to a shift in waste mix at our facilities.

2014 revenue and gross profit increased by 27% and 14%, respectively, compared to prior year. 2014 results reflect similar factors as the quarter and increased activity at our Heavy Oil facilities. U.S. revenue increased 44%. Compared to prior year, contract revenue increased 14%, generating 42% of divisional revenue (2013: 46%).

In 2014, we made substantial progress on our New Markets growth plans, specifically:

- Recovered drill site utilization rates to historical levels.
- Commenced operations at two satellite facilities in the Bakken, which were established in 2013.
- Established a third location in the Bakken, which will begin contributing in 2015.
- Secured a construction contract with Shell for a second MFT plant at Shell's Jackpine Mine.
- Secured an operating contract with Shell to extend operations at the first MFT plant and to operate the second MFT plant at its Jackpine Mine.
- Secured a commissioning contract with Syncrude for its full-scale centrifugation facility that will process MFT at Syncrude's Mildred Lake operations near Fort McMurray, Alberta.
- Began construction on the Fort McMurray full scale facility to serve the oil sands. This facility will be commissioned in 2015. This facility will bring us closer to our Heavy Oil customers and will complement our onsite services.

HEAVY OIL

Heavy Oil is dedicated to serving both the oil sands in Alberta and the heavy oil region in Alberta and Saskatchewan. We began working in the heavy oil industry 19 years ago when we introduced centrifugation as a solution to treat waste oil emulsions. This business has expanded from processing heavy oil waste at facilities in our network to long-term contracts to process waste on our customers' site. Leveraging our facilities as staging areas, we deliver a broad range of specialized services at numerous customer sites.

Heavy Oil revenue is primarily generated from:

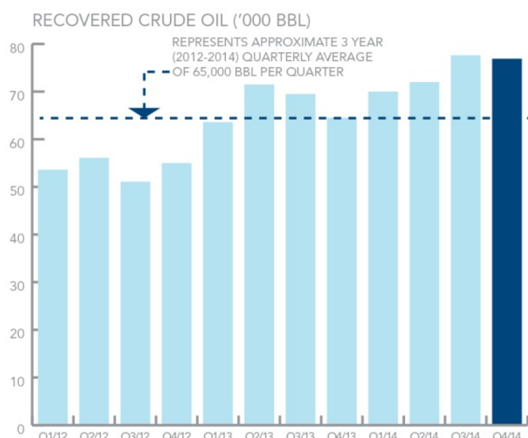
Revenue Stream	Description	% of Annual Revenue	Factors Impacting Results
Onsite	Provides specialized onsite services using centrifugation for heavy oil producers involved in heavy oil mining and SAGD production.	60 to 70	Number and scope of projects and contracts directly impacted by our ability to attract and retain customers as new heavy oil operations come on stream. Timing of project and contracts since the onsite services we provide typically cannot be performed during the winter months.
Facilities	Processes oilfield-generated wastes including treatment, water disposal and landfilling, as well as the sale of recovered crude oil to our account.	30 to 40	Production activity drives the amount and make up of waste generated by customers. Crude oil prices impact the price we receive for the crude oil recovered to our account from waste volumes and can impact future production activity. Western Canadian Select (WCS) is our heavy crude oil industry benchmark.

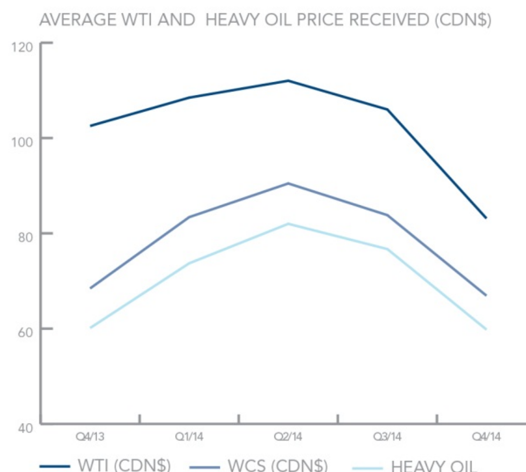
Revenue for the quarter increased 17% compared to prior year driven by returns from growth capital invested, specifically the MFT contracts. 2014 revenue increased by 21% compared to prior year due to the same factors as the quarter and were also positively impacted by increased contributions from our facilities. Recovered crude oil sales increased by 21% due to increased volumes and higher crude oil prices.

	Three months ended December 31,			Year ended December 31,		
	2014	2013	% change	**2014**	2013	% change
Recovered crude oil ('000 bbl)[1]	**77**	65	18	**297**	269	10
Average crude oil price received (CDN$/bbl)	**59.80**	60.13	(1)	**73.05**	67.06	9
Recovered crude oil sales ($ millions)	**4.6**	3.9	18	**21.7**	18.0	21
Western Canadian Select (CDN$/bbl)[2]	**66.92**	68.44	(2)	**81.15**	74.98	8

(1) Represents the total crude oil recovered and sold for our account.

(2) Western Canadian Select (WCS) is a readily available industry benchmark for heavy crude oil.





U.S.

We entered the U.S. market in 2006 with our drill site services. We have since leveraged our drill site relationships to expand our offerings to include onsite work for our customers and establish satellite facilities.

U.S. revenue is primarily generated from:

Revenue Stream	Description	% of Annual Revenue	Factors Impacting Results
Drill site	Provides the supply and operation of drill site processing equipment, including equipment for solids control and drill cuttings management.	65 to 75	Drill site utilization is impacted by the number of active drilling rigs in the markets we serve.
Onsite, satellites and partnerships	Provides centrifugation, water management solutions and site remediation.	25 to 35	Price of crude oil impacts the oil and gas industry and the type of drilling activity. Drilling activity will impact the volume of waste received, with the makeup of that waste being affected by specific drilling techniques employed. Competition in the areas we service. U.S. onsite remains in the early stage of development and we are engaged primarily in short-term or project based work, which will vary from quarter-to-quarter.

Revenue in Q4 2014 increased 78% compared to prior year. This significant improvement was driven by contributions from our new satellites coupled with higher drill site revenue. Our two Bakken satellite facilities, established in late 2013, are fully contributing, in line with our expectations. Q4 2014 drill site utilization was 68% compared to 48% in Q4 2013.

2014 revenue increased 44% compared to 2013 and was impacted by the same factors as the quarter. Full year results were also tempered by lower drill site utilization in the first quarter of 2014.

	Three months ended December 31,			Year ended December 31,		
	2014	2013	% change	**2014**	2013	% change
Drill site utilization	**69%**	48%	44	**58%**	55%	6

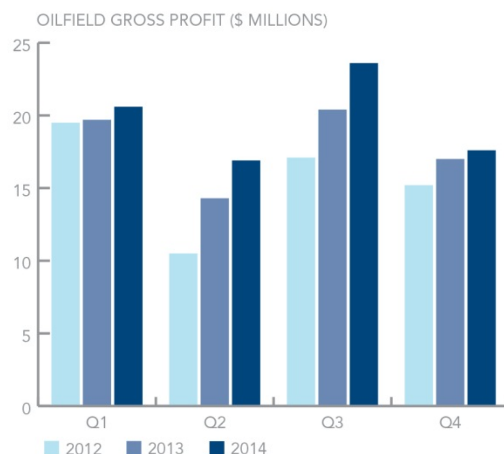
RESULTS OF OPERATIONS – OILFIELD DIVISION

OVERVIEW

Oilfield includes an integrated network of over 30 locations with more than 450 employees to service key markets in British Columbia, Alberta, Saskatchewan and Manitoba.

Oilfield generates revenue from:

Revenue Stream	Description	% of Annual Revenue	Factors Impacting Results
Facilities including our satellite and mobile processing locations	Processes oilfield-generated wastes, including: treatment, water disposal, clean oil terminalling, custom treating and landfilling, as well as the sale of recovered crude oil to our account.	80 to 90	Crude oil prices impact the price we receive for the crude oil recovered to our account from waste volumes. Drilling activity, including metres drilled and drilling techniques will impact the volume and make up of waste received. Ongoing production accounts for approximately 55% of our waste volume.
Onsite and drill site	Provides the supply and operation of drill site processing equipment, including: equipment for solids control and drill cuttings management, site remediation and centrifugation.	10 to 20	Drill site utilization is impacted by the number of active drilling rigs in the markets we serve in the Western Canadian Sedimentary Basin (WCSB).



The following table compares Oilfield's results for the periods indicated:

	Three months ended December 31,			**Year ended December 31,**		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Revenue	**50,996**	47,480	7	**206,323**	184,607	12
Cost of sales[(1)]	**33,441**	30,532	10	**127,665**	113,243	13
Gross Profit	**17,555**	16,948	4	**78,658**	71,364	10
Gross Profit as % of revenue	**34%**	36%	(6)	**38%**	39%	(3)
Amortization (included in Cost of sales)	**4,793**	3,344	43	**15,394**	12,409	24
Divisional EBITDA[(2)]	**22,348**	20,292	10	**94,052**	83,773	12
Divisional EBITDA as % of revenue	**44%**	43%	2	**46%**	45%	2
Maintenance capital	**5,123**	2,389	114	**11,552**	8,297	39
Growth capital	**22,021**	19,303	14	**45,149**	38,255	18
Assets employed[(3)]				**406,709**	384,673	6
Assets contributing[(4)]				**370,015**	357,873	3

(1) For comparative purposes, Cost of sales for the three months and year ended December 31, 2013 has been restated for a reclassification of $93 and $1,651, respectively, from Oilfield to New Markets reflecting a change in reporting structure.

(2) Divisional EBITDA does not have any standardized meaning prescribed by GAAP.

(3) Assets employed is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division. Assets employed as defined does not include capital assets held by corporate. Corporate assets include information technology, leasehold improvements and technical development.

(4) Assets contributing is provided to assist management and investors to understand how our capital spending contributes to our growth. It excludes assets related to growth capital projects not yet operational.

Q4 2014 Oilfield revenue and gross profit increased 7% and 4%, respectively, compared to prior year. Performance was driven by increased contributions from our facilities and higher drill site utilization. Drilling activity in the quarter was relatively flat, while Canadian Light Sweet (CLS) dipped 12% over prior year. The impact of these factors was mitigated by productivity improvements and a shift in the waste mix received at our facilities. Drill site utilization increased to 55%, up from 21% in the prior year.

2014 revenue and gross profit increased by 12% and 10%, respectively, compared to prior year. Performance was driven by returns from growth capital investments which resulted in ongoing productivity improvements as well as increased demand at

our facilities and for our drill site services. 2014 revenue growth of 12% was slightly below our target of 15% due to weaker than expected crude oil prices and activity in the fourth quarter.

In 2014, we made progress on our Oilfield growth plans, specifically:

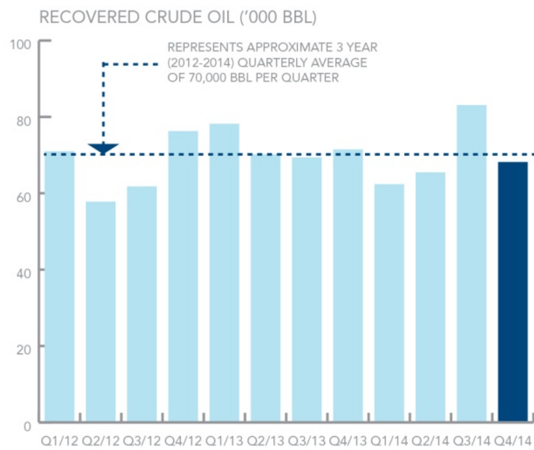
- Recovered drill site utilization rates to historical levels.
- Completed commissioning of our satellite facilities in Shaunavon, SK and Waskada, MB during the second quarter. Operations at these satellites continue to ramp up.
- Established two new satellites, at Gold Creek and Fox Creek, Alberta. These satellites are expected to be commissioned in the first half of 2015.

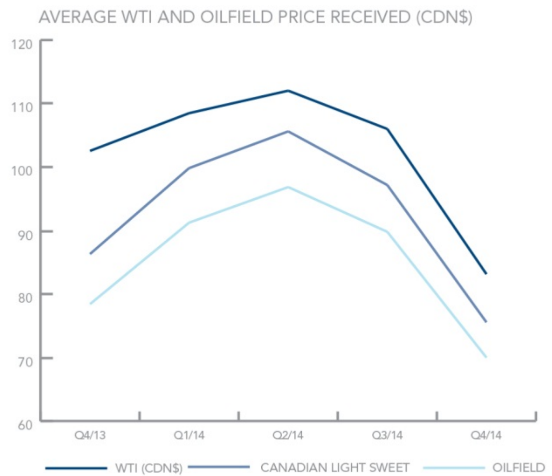
OILFIELD FACILITIES METRICS AND INDUSTRY DRIVERS

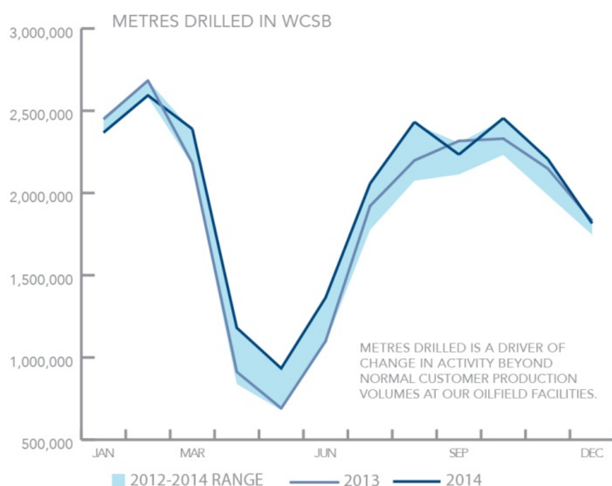
	Three months ended December 31,			Year ended December 31,		
	2014	2013	% change	**2014**	2013	% change
Recovered crude oil ('000 bbl)[1]	**68**	72	(5)	**279**	289	(3)
Average crude oil price received (CDN$/bbl)	**69.99**	78.41	(11)	**87.02**	85.19	2
Recovered crude oil sales ($ millions)	**4.8**	5.6	(14)	**24.3**	24.6	(1)
Canadian Light Sweet par price (CDN$/bbl)[2]	**75.55**	86.30	(12)	**94.13**	93.01	1

(1) Represents the total crude oil recovered and sold for our account.

(2) Canadian Light Sweet is an industry benchmark for conventional crude oil.







CORPORATE AND OTHER

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Selling, general and administrative expenses (SG&A)	**23,271**	28,195	(17)	**97,118**	92,654	5
Deduct:						
Stock-based compensation (recovery) expense	**(4,087)**	3,638	n/m	**6,453**	7,790	(17)
Amortization	**6,696**	3,435	95	**16,637**	12,840	30
Adjusted SG&A[1]	**20,662**	21,122	(2)	**74,028**	72,024	3
Adjusted SG&A as a % of revenue	**15.5%**	19.2%	(19)	**14.9%**	17.5%	(14)
Adjusted for:						
Non-recurring items[2]	**-**	2,814	-	**-**	4,578	-
Adjusted SG&A before non-recurring items[1]	**20,662**	18,308	13	**74,028**	67,446	10
Adjusted SG&A before non-recurring items as a % of revenue	**15.5%**	16.6%	(7)	**14.9%**	16.4%	(9)

(1) Adjusted SG&A, and Adjusted SG&A before non-recurring items are Non-GAAP measures and may not be comparable to similar measures presented by other corporations or entities.

(2) Non-recurring items include charges for positions eliminated during the period, and the settlement of an out of period disputed account.

The above table removes all stock-based compensation, amortization and non-recurring items from SG&A to provide improved transparency with respect to the comparison of our results. In addition, SG&A includes research and development expenses related to our Technical Development group.

Adjusted SG&A before non-recurring items improved to 15.5% of revenue in Q4 2014 from 16.6% in the prior year period. For 2014, this ratio improved to 14.9% from 16.4% in prior year. The improvements reflect cost control initiatives, partially offset by executive recruitment and associated charges.

Stock-based compensation fluctuates based on the effects of vesting, volatility in our share price and dividend rate changes.

($000s)	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
Bank fees and interest	**1,576**	1,441	9	**5,384**	4,351	24
Debenture interest, accretion of issue costs, and other	**4,853**	4,995	(3)	**26,608**	19,978	33
Finance charges before unwinding of the discount[(1)]	**6,429**	6,436	-	**31,992**	24,329	32
Unwinding of the discount[(2)]	**324**	348	(7)	**1,412**	1,361	4
Finance charges	**6,753**	6,784	-	**33,404**	25,690	30
Non-cash loss (gain) on embedded derivatives[(3)]	**3,050**	(3,406)	(190)	**14,691**	(3,036)	n/m
Net financing charges	**9,803**	3,378	190	**48,095**	22,654	112

(1) Reflects capitalized interest of $534 and $2,698 in Q4 2014 and 2014, respectively and $521 and $2,798 in Q4 2013 and 2013, respectively.

(2) Relates to decommissioning liability.

(3) Relates to the early redemption feature for the Series 1 and 2 Senior Unsecured Debentures.

Compared to Q4 2013, finance charges were flat. 2014 finance charges increased due to the early redemption of the Series 1 Senior Unsecured Debentures. In Q2, we used the net proceeds from the issuance of the Series 3 Senior Unsecured Debentures to redeem all of the outstanding Series 1 Senior Unsecured Debentures. As a result, we expensed $1.5 million in unamortized financing charges and $4.8 million for the call premium related to the Series 1 Senior Unsecured Debentures. Finance charges associated with the Series 1, Series 2 and Series 3 Senior Unsecured Debentures (collectively the “Senior Unsecured Debentures”) include the annual coupon rates as well as the accretion of issue costs.

The non-cash loss on the embedded derivatives is associated with the early redemption feature for the Series 1 and Series 2 Senior Unsecured Debentures. In 2014, the increase in the non-cash loss on embedded derivatives was driven by the redemption of the Series 1 Senior Unsecured Debentures. Upon redemption, the fair value of the embedded derivative related to these debentures was extinguished and a non-recurring loss of $17.5 million was recognized. Gains or losses on the embedded derivatives have no impact on current or future cash flows and are primarily impacted by the risk-free rate, market volatility, and our credit spread. See Note 20 to the Financial Statements for further information.

($000s)	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
Deferred taxes	**(3,750)**	695	n/m	**2,968**	5,285	(44)
Effective tax rate	**17.3%**	23.4%	(26)	**(31.6%)**	17.9%	n/m
Statutory tax rate	**25.74%**	25.75%	-	**25.74%**	25.75%	-

In Q4, deferred tax recovery was $3.8 million compared to deferred tax expense of $0.7 million in the prior year. The decrease was driven primarily by lower pre-tax income as a result of impairment and restructuring and other related costs. The 2014 effective rate was (31.6%) compared to 17.9% in 2013. The change in the effective tax rate was driven primarily by the non-deductible loss on embedded derivatives. The effective rate is impacted by several other factors including: non-deductible items such as stock-based compensation, changes in statutory and other rates, and changes in estimates in respect of prior year tax pools. Loss carry forwards were approximately $147 million at December 31, 2014. We do not anticipate paying any significant income tax until 2017.

RESTRUCTURING AND OTHER RELATED COSTS

	Three months ended December 31,		Year ended December 31,	
($000s)	**2014**	2013	**2014**	2013
Onerous leases[(1)]	**5,864**	-	**5,864**	-
Other related costs[(2)]	**585**	-	**1,111**	-
Restructuring and other related costs	**6,449**	-	**6,975**	-

(1) For further information, see Note 5 and Note 24 to the Financial Statements.
(2) Other related costs include professional and other fees including audit, legal, tax and environmental consulting fees. These charges relate to initiatives outside of our normal course of business, and are not indicative of future results.

Restructuring and other related costs of $6.4 million and $7.0 million for the quarter and the year, respectively, were primarily driven by the recognition of onerous leases for Industrial properties retained by Newalta that will no longer be in use.

RESULTS OF DISCONTINUED OPERATIONS

OVERVIEW

On December 23, 2014, we entered into an agreement with Revolution, to sell our Industrial Division for cash proceeds of $300 million plus the assumption of certain decommissioning liabilities. We will retain the land at VSC and the associated decommissioning liability. The present value of the obligation is $12.1 million. The sale proceeds are subject to customary purchase price adjustments related to closing balance sheet working capital and capital expenditure targets. The transaction is expected to close in the first quarter of 2015, upon satisfaction of customary closing conditions and receipt of regulatory approvals. Based on the estimated Net Sale Proceeds, an impairment loss of $185.8 million was recorded within Discontinued Operations in our Consolidated Statements of Operations.

The Industrial Division includes an integrated network of more than 30 locations with over 900 employees to service key market areas across Canada. This division features Canada's largest lead-acid battery recycling facility located at Ville Ste-Catherine, Québec, an engineered non-hazardous solid waste landfill located at Stoney Creek, Ontario, and a used oil re-refining facility in North Vancouver. We also provide onsite services, engaged primarily in short-term or event-based projects, which will vary from quarter-to-quarter.

Industrial is organized into Western Industrial and Eastern Industrial business units. The business units contributed the following to division revenue:

	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Western Industrial	**22%**	24%	**24%**	24%
Eastern Industrial	**78%**	76%	**76%**	76%
VSC as a % of Industrial Division	**38%**	31%	**35%**	32%

The following table compares results from Discontinued Operations for the periods indicated:

	Three months ended December 31,			Year ended December 31,		
($000s)	**2014**	2013	% change	**2014**	2013	% change
Revenue	**95,960**	93,788	2	**363,082**	371,217	(2)
Cost of sales	**87,042**	82,240	6	**319,043**	327,558	(3)
Gross Profit	**8,918**	11,548	(23)	**44,039**	43,659	1
Gross Profit as % of revenue	**9%**	12%	(25)	**12%**	12%	-
SG&A	**4,017**	5,851	(31)	**18,029**	22,311	(19)
Restructuring and other related costs(1)	**1,685**	-	-	**8,556**	-	-
Finance Charges	**493**	485	2	**1,757**	1,827	(4)
Earnings before impairment and income taxes	**2,723**	5,212	48	**15,697**	19,521	20
Income tax expense	**710**	1,486	52	**4,299**	5,540	22
Net earnings from Discontinued operations before impairment	**2,013**	3,726	46	**11,398**	13,981	18
Pre-tax impairment recognized on classification to held for sale	**185,812**	21,198	n/m	**185,812**	21,198	n/m
Income tax recovery on impairment	**(44,113)**	(4,871)	n/m	**(44,113)**	(4,871)	n/m
Net (loss) from Discontinued Operations	**(139,686)**	(12,601)	n/m	**(130,301)**	(2,346)	n/m
Maintenance capital	**4,709**	3,494	35	**11,896**	7,980	49
Growth capital	**2,592**	3,784	(32)	**8,720**	15,301	(43)
Assets employed(2)(3)				**247,268**	407,779	(39)

(1) Restructuring and other related costs are charges primarily attributable to the Rationalization Plan and Strategic Review. Restructuring costs may include: costs associated with redirecting lines of business, consolidations, closures and divestitures of certain facilities, overhead reductions, including amounts for employee severance, and benefits and outplacement. Other related costs include professional and other fees associated with the Strategic Review including audit, legal, tax and environmental consulting fees. These charges relate to initiatives outside of our normal course of business, and are not indicative of future results.

(2) Assets employed is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division. Assets employed as defined does not include capital assets held by corporate. Corporate assets include information technology, leasehold improvements and technical development.

(3) Assets employed declined by 39% due largely to a $185.8 million impairment charge recognized in Q4 2014. This charge was based on the estimated Net Sale Proceeds.

Compared to Q4 2013, Industrial revenue was flat while gross profit was down 23%. Gains at VSC coupled with the savings realized from the Rationalization Plan were offset by lower contributions from our eastern processing facilities and ORS. VSC results were driven largely by a shift towards direct sales and a more favorable foreign exchange rate, with revenue increasing 26% over prior year. We realized approximately $2.4 million in the quarter and $9.4 million in the year in cash savings from the Rationalization plan in Discontinued Operations. SG&A for the quarter and the year decreased 31% and 19%, respectively, reflecting approximately one third of the total savings associated with the Rationalization Plan. Net loss from Discontinued Operations of $139.7 million was driven by the $185.8 million impairment recognized in the quarter based on the estimated Net Sale Proceeds. See Note 4 to the Financial Statements for further information.

2014 revenue and gross profit were flat to prior year. Savings realized from the Rationalization Plan, gains from favorable commodity prices and increased demand for our eastern onsite services were offset by lower waste receipts at the Stoney Creek Landfill (SCL) and reduced contributions from our processing facilities and ORS. 2014 VSC revenue increased 7% compared to prior year driven by a more favourable foreign exchange rate. Net loss from Discontinued Operations of $130.3 million was driven by the $185.8 million impairment and by restructuring costs. Restructuring and other related costs for the year were $8.6 million. Approximately 40% of these costs related to the Strategic Review initiated in April with the balance related to the Rationalization Plan. In Q1 2014, we initiated the Rationalization Plan with the closure of four facilities, overhead reductions and initiatives to redirect certain lines of businesses.

($000s)	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
SG&A for Discontinued Operations	**4,017**	5,851	(31)	**18,029**	22,311	(19)
Deduct:						
Stock-based compensation (recovery) expense	**(905)**	424	n/m	**1,210**	1,704	(29)
Amortization	**562**	538	4	**1,927**	1,898	2
Adjusted SG&A[1]	**4,360**	4,889	(11)	**14,892**	18,709	(20)
Adjusted SG&A as a % of revenue	**4.5%**	5.2%	(13)	**4.1%**	5.0%	(18)
Adjusted for:						
Non-recurring items[1]	**-**	-	-	**-**	1,083	-
Adjusted SG&A before non-recurring items for Discontinued	**4,360**	4,889	(11)	**14,892**	17,626	(16)
Adjusted SG&A before non-recurring items as a % of revenue	**4.5%**	5.2%	(13)	**4.1%**	4.7%	(13)

(1) Non-recurring items include charges for positions eliminated during the period.

($000s)	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
Restructuring costs[1]	**-**	-	**-**	**4,865**	-	-
Other related costs	**1,685**	-	**-**	**3,691**	-	-
Restructuring and other related costs[2]	**1,685**	-	**-**	**8,556**	-	-

(1) For further information, see Note 4 to the Financial Statements.

(2) Restructuring costs may include: costs associated with redirecting lines of business, consolidations, closures and divestitures of certain facilities, overhead reductions, including amounts for employee severance, and benefits and outplacement Other related costs include professional and other fees associated with the Strategic Review including audit, legal, tax and environmental consulting fees. These charges relate to initiatives outside of our normal course of business, and are not indicative of future results.

	Three months ended December 31, 2014	2013	% change	Year ended December 31, 2014	2013	% change
Base oil sales ('000 litres)	**5,400**	4,600	17	**18,400**	18,500	(1)
Motiva (CDN$/litre)	**0.93**	1.07	(13)	**1.02**	1.02	-
Lead Volume (MT)	**17,200**	19,200	(10)	**68,100**	68,600	(1)
LME Lead (US$/MT)	**2,063**	2,097	(2)	**2,112**	2,151	(2)
SCL Volume Collected ('000 MT)	**163**	113	44	**545**	732	(26)

LIQUIDITY AND CAPITAL RESOURCES

The term liquidity refers to the speed with which a company's assets can be converted into cash, or its ability to do so, as well as cash on hand. Liquidity risk refers to the risk that we will encounter difficulty in meeting obligations associated with financial obligations that are settled by cash or another financial asset. Our liquidity risk may arise due to general day-to-day cash requirements and in the management of our assets, liabilities and capital resources. Liquidity risk is managed against our financial leverage to meet obligations and commitments in a balanced manner. For further information on liquidity risk management, refer to Note 20 to the Financial Statements.

Our debt capital structure is as follows:

($000s)	December 31, 2014	December 31, 2013
Use of Credit Facility:		
Amount drawn on Credit Facility	183,104	117,136
Letters of credit[(1)]	19,520	16,230
Cash on hand[(2)]	(5,414)	(449)
	197,210	132,917
Senior Unsecured Debentures	275,000	250,000
Total Debt	472,210	382,917
Unused Credit Facility capacity[(3)]	77,376	117,083

(1) Letters of credit for Continuing Operations are $19.4 million.

(2) Cash on hand can reduce the Senior Secured Debt and Total Debt by a maximum of $10 million for covenant calculation purposes.

(3) Unused Credit Facility capacity is derived from the total amounts drawn and letters of credits and excludes cash on hand.

We continue to focus on managing our working capital accounts while supporting our growth. Working capital from Continuing Operations at December 31, 2014 was negative $51.6 million (December 31, 2013: negative $42.3 million). Working capital reflected a decrease in accounts and other receivables due to timing of receipts, as well as an increase in accounts payable and accrued liabilities due to the timing of capital expenditures**.** At current activity levels, working capital is expected to be sufficient to meet our ongoing commitments and operational requirements of the business. We continue to manage working capital well within our targets, commensurate with activity levels. For further information on credit risk management, refer to Note 20 to the Financial Statements.

Debt Ratings

DBRS Limited (DBRS) and Moody's Investor Service, Inc. (Moody's) provide a corporate and Senior Unsecured Debentures credit rating. In December, upon the announcement of an agreement to sell the Industrial Division, Moody's reaffirmed the ratings outlined below. In light of the pending sale of Industrial, DBRS placed Newalta "Under Review, with Developing Implications." This reflects DBRS's intent to revisit our ratings upon completion of the transaction.

Category	DBRS	Moody's
Corporate Rating	BB	Ba3
Senior Unsecured Debentures	BB	B1

SOURCES OF CASH

Our liquidity needs can be sourced in several ways including: Funds from operations, borrowings against or increases in our Credit Facility, new debt instruments, the issuance of securities from treasury, return of letters of credit or replacement of letters of credit with other types of financial security and proceeds from the sale of assets.

Credit Facility

At December 31, 2014, $77.4 million was available and undrawn to fund growth capital expenditures and for general corporate purposes, as well as to provide letters of credit to third parties for financial security up to a maximum amount of $60 million. The aggregate dollar amount of outstanding letters of credit is not categorized in the financial statements as long-term debt; however, the issued letters of credit reduce the amount available under the Credit Facility and are included in the definition of Total Debt for covenant purposes. Under the Credit Facility, surety bonds (including performance bonds) to a maximum of $125 million are excluded from the definition of Total Debt. As at December 31, 2014, surety bonds issued and outstanding related to Continuing Operations totalled $13.0 million, $51.0 million related to Combined Operations.

Effective July 15, 2014, we exercised an accordion option within our existing Credit Facility to increase it from $250 million to $280 million. Newalta may, at its option, request an extension of the Credit Facility on an annual basis. If no request is made to extend the Credit Facility, the entire amount of the outstanding indebtedness would be due in full on July 12, 2016.

Financial performance relative to the financial ratio covenants[(1)] under the Credit Facility[(2)] is reflected in the table below.

	December 31, 2014	December 31, 2013	Threshold
Senior Secured Debt[(3)] to EBITDA[(4)]	**1.16:1**	**0.88:1**	2.75:1 maximum
Total Debt[(5)] to EBITDA[(4)]	**2.77:1**	**2.54:1**	4.00:1 maximum
Interest Coverage	**4.85:1**	**5.44:1**	2.25:1 minimum

(1) Covenants are calculated based on Combined Operations.

(2) We are restricted from declaring dividends if we are in breach of any covenants under our Credit Facility.

(3) Senior Secured Debt means the Total Debt less the Senior Unsecured Debentures.

(4) EBITDA is a non-GAAP measure, the closest measure of which is net earnings. For the purpose of calculating the covenant, EBITDA is defined as the trailing twelve-months consolidated net income for Newalta before the deduction of interest, taxes, depreciation and amortization, and non-cash items (such as non-cash stock-based compensation and gains or losses on asset dispositions) and non-recurring items up to $10 million per fiscal year. Additionally, EBITDA is normalized for any acquisitions or dispositions as if they had occurred at the beginning of the period.

(5) Total Debt comprises: outstanding indebtedness under the Credit Facility, including a bank surplus, to a maximum $10 million, or overdraft balance; and the Senior Unsecured Debentures.

Our Total Debt was $472.2 million as at December 31, 2014, which reflected an $89.3 million increase over December 31, 2013. The Total Debt to EBITDA ratio was 2.77 in Q4 2014 down from 2.85 in Q3 2014 (2.54 in Q4 2013), and above our target of 2.50. Total Debt increased to fund our growth capital program. Throughout 2014, our covenant ratios under the Credit Facility remained well within their thresholds.

In 2015, we will manage within our covenants. Upon closing, the proceeds from the sale of the Industrial Division will immediately be used to pay down debt. Our Net Debt leverage will be under 2.0 at the close of the transaction. Net Debt is defined as sum of amount drawn on the Credit Facility, Letters of Credit and Senior Unsecured Debentures less Cash on hand (Net Debt).

Senior Unsecured Debentures

On April 1, 2014, we closed an offering of Series 3 Senior Unsecured Debentures due April 1, 2021 with an aggregate principal amount of $150 million. The debentures bear interest at the rate of 5.875% per annum, payable semi-annually in arrears. On May 1, 2014, the net proceeds from this issuance were used to redeem our Series 1 Senior Unsecured Debentures. We paid a redemption price of $129.8 million, plus $4.2 million in accrued and unpaid interest to redeem these debentures. The Series 1 Senior Unsecured Debentures were to mature on November 23, 2017.

Term	Series 2[1][2][3]	Series 3[1][3]
Principal	$125.0 million	$150.0 million
Interest rate	7.75%	5.875%
Maturity	November 14, 2019	April 1, 2021
Interest payable (in arrears)	May 14 and November 14 each year	April 1 and October 1 each year
Debentures are redeemable at the option of Newalta:	**Prior to November 14, 2015** • Redemption price equal to 107.75% of the principal amount[2][3] or • In whole or in part, at a redemption price which is equal to the greater of: (a) the Canada Yield Price (as defined in the trust indenture) and (b) 101% of the aggregate principal amount of Senior Unsecured Debentures redeemed[4] **After November 14, 2015** In whole or in part, at redemption prices expressed as percentages of the principal[4] if redeemed during the twelve month period beginning on November 14 of the years as follows: • 2015 - 103.875%; • 2016 – 101.938%; • 2017 and thereafter – 100%.	**Prior to April 1, 2017** • Redemption price equal to 105.875% of the principal amount[2][3] or • In whole or in part, at a redemption price which is equal to the greater of: (a) the Canada Yield Price (as defined in the supplemental trust indenture) and (b) 101% of the aggregate principal amount of Senior Unsecured Debentures redeemed[4] **After April 1, 2017** In whole or in part, at redemption prices expressed as percentages of the principal[4] if redeemed during the twelve month period beginning on April 1 of the years as follows: • 2017 – 102.938%; • 2018 – 101.958%; • 2019 – 100.979% • 2020 and thereafter – 100%.

(1) If a change of control occurs, Newalta will be required to offer to purchase all or a portion of each debenture holder's Senior Unsecured Debentures, at a purchase price in cash equal to 101% of the principal amount of the Senior Unsecured Debentures offered for repurchase plus accrued interest to the date of purchase.

(2) Up to 35% of the aggregate principal amount with the net cash proceeds of one or more public equity offerings.

(3) The trust indenture requires that Net Cash Proceeds (as defined in the trust indenture) from an asset sale are applied to a combination of capital expenditures, acquisitions of additional assets or a permanent reduction in the credit facility within 365 days following receipt of such proceeds. The reinvestment period also includes a period of 180 days prior to the disposition.

(4) Plus interest to the date of redemption.

The outstanding Senior Unsecured Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and are senior to any subordinated debt that may be issued by Newalta or any of its subsidiaries. The outstanding Senior Unsecured Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

The trust indenture and supplemental trust indentures under which the Senior Unsecured Debentures have been issued contain certain annual restrictions and covenants that, subject to certain exceptions, limit our ability to incur additional indebtedness, pay dividends, make certain loans or investments and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations.

Covenants[1] under our trust indenture include:

Ratio	December 31, 2014	December 31, 2013	Threshold
Senior Secured Debt including Letters of Credit	202,624	133,366	$25,000 + the greater of $220,000 and 1.75x EBITDA
Cumulative finance lease obligations	nil	nil	$25,000 maximum
Consolidated Fixed Charge Coverage	4.79:1	5.20:1	2.00:1 minimum
Period end surplus for restricted payments[2]	132,622	121,385	Restricted payments cannot exceed surplus

(1) Covenants are calculated based on Combined Operations.

(2) We are restricted from declaring dividends, purchasing and redeeming Shares or making certain investments if the total of such amounts exceeds the period end surplus for such restricted payments.

We will manage within our covenants throughout 2015.

USES OF CASH

Our primary uses of funds include maintenance and growth capital expenditures as well as acquisitions, payment of dividends, operating and SG&A expenses and the repayment of debt.

Capital Expenditures

"Growth capital expenditures" or "growth and acquisition capital expenditures" are capital expenditures that are intended to improve our efficiency and productivity, allow us to access new markets and diversify our business. Growth capital, or growth and acquisition capital, are reported separately from maintenance capital because these types of expenditures are discretionary. "Maintenance capital expenditures" are capital expenditures to replace and maintain depreciable assets at current service levels. Maintenance capital expenditures are reported separately from growth activity because these types of expenditures are not discretionary and are required to maintain current operating levels. On an annual basis, maintenance capital, combined with repair and maintenance expense, (included in Cost of sales), is approximately 7% of the value of property, plant and equipment. Maintenance capital and repair and maintenance expense combined, approximate amortization expense.

Capital expenditures for Continuing Operations for the periods indicated are as follows:

	Three months ended December 31,		Year ended December 31,	
($000s)	**2014**	2013	**2014**	2013
Growth capital expenditures	**68,365**	54,002	**146,215**	126,160
Maintenance capital expenditures	**9,636**	10,938	**25,569**	21,699
Total capital expenditures from Continuing Operations	**78,001**	64,940	**171,784**	147,859

(1) The numbers in this table differ from Consolidated Statements of Cash Flows because the numbers above do not reflect the net change in working capital related to capital asset accruals.

Capital expenditures for the three months and year ended December 31, 2014, were $78.0 million and $171.8 million, respectively. Growth capital expenditures primarily relate to satellite facilities, onsite contracts, onsite equipment pool, and expansion at our facilities. Maintenance capital expenditures relate primarily to process equipment improvements at our facilities. Total capital expenditures from Combined Operations were $192.4 million, with growth capital expenditures of $154.9 million. Capital expenditures were funded from funds from operations and our Credit Facility.

In light of current market conditions, we have reduced our 2015 capital budget to $105 million, with $90.0 million in growth capital. Growth capital will comprise of approximately $45 million for New Markets ($20 million for Heavy Oil and $25 million for U.S), $35 million for Oilfield and the remaining balance will be directed to technical development and corporate investments. Growth capital will be prioritized and allocated towards the $50.0 million in carryover projects initiated in 2014 as well as those capital projects supporting contract opportunities. Carryover projects include our new full scale Heavy Oil facility in Fort McMurray, Alberta, new oilfield satellite facilities in both Canada and the U.S., and an additional drill cuttings treatment unit. All carryover projects are expected to be commissioned and contributing cash flow in 2015. The 2015 capital

program will be funded from both funds from operations and net proceeds from the sale of the Industrial Division. We will remain disciplined and measured in assessing investment opportunities and deployment of capital in the quarters ahead. We will continue to fund contract opportunities, and have the financial flexibility to increase our capital spending as market conditions improve.

In 2015, we will seek out accretive acquisition opportunities in the energy services sector that will allow us to add meaningful value, accelerate growth, and provide access to oil and gas waste streams where we can apply our technologies, people and processes to reduce waste, enhance recycling, and recover value for our customers. Our objective is to incorporate acquisition growth alongside our proven organic growth strategy to drive overall revenue and Adjusted EBITDA expansion at an accelerated pace.

We may revise the capital budget, from time-to-time, in response to changes in market conditions that materially impact our financial performance and/or investment opportunities. Management evaluates capital projects based on their internal rate of return, timing of payback, fit with our corporate strategy, and the risk associated with the projects, among other factors. Capital spending is prioritized towards projects that provide stable cash flows and where there is a high degree of certainty of completing the project on time and on budget.

Management and the Board of Directors also review corporate and divisional return on capital metrics, applying traditional definitions of Return on Capital Employed (ROCE), (where we apply Net earnings plus tax adjusted interest as the numerator and Net Assets as the denominator), as well as a ROC - Cash and Divisional ROC as one of the means to evaluate overall effectiveness of our growth capital program.

Dividends and Share Capital

In determining the dividend to be paid to our shareholders, the Board of Directors considers a number of factors, including: the forecasts for operating and financial results; maintenance and growth capital requirements; as well as market activity and conditions. After review of all factors, the Board declared $7.0 million in dividends or $0.125 per share, paid January 15, 2015, to shareholders on record as at December 31, 2014.

As at February 19, 2015, Newalta had 56,193,117 Shares outstanding, and outstanding options to purchase up to 4,852,250 Shares.

On February 19, 2015, the Board of Directors elected to suspend the Dividend Reinvestment Plan (DRIP), effective with the dividends payable on April 15, 2015, to eliminate the dilution associated with the issuance of Shares through the DRIP, and to reflect our improved liquidity following the completion of the Industrial divestiture.

Contractual Obligations

Our contractual obligations, as at December 31, 2014 were:

($000s)	**Total**	Less than one year	1-3 years	4-5 years	Thereafter
Office leases	**59,055**	10,868	20,933	17,371	9,883
Operating leases[1]	**4,948**	2,246	2,176	526	-
Surface leases	**2,205**	441	882	882	-
Senior long-term debt[2]	**183,104**	-	183,104	-	-
Senior unsecured debentures	**377,238**	18,500	37,000	160,753	160,985
Other obligations[3]	**184,011**	180,889	3,122	-	-
Total commitments	**810,561**	212,944	247,217	179,532	170,868

(1) Operating leases relate to our vehicle fleet with terms ranging between 1 and 5 years.
(2) Senior long-term debt is gross of transaction costs. Interest payments are not included.
(3) Other obligations is comprised primarily of accounts payable and accrued liability balances.

In total, we contributed $2.3 million to the Enertech Partnership Agreement. Newalta is contingently committed to capital contributions up to a maximum of $7.0 million over the 10 year investment period. The investment is classified as held-for-trading and is recorded in other long-term assets.

SUMMARY OF QUARTERLY RESULTS FOR COMBINED OPERATIONS

	2014				2013			
($000s except per share data)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Combined Operations								
Revenue	**229.1**	228.4	213.1	187.8	203.8	212.1	196.1	171.3
Earnings (loss) before taxes	**(204.7)**	23.5	(5.3)	7.0	(13.0)	19.1	6.7	15.1
Net (loss) earnings	**(157.6)**	16.6	(8.2)	6.5	(10.3)	13.2	4.9	14.2
Earnings (loss) per share ($)	**(2.81)**	0.30	(0.15)	0.12	(0.19)	0.24	0.09	0.26
Diluted (loss) earnings per share ($)	**(2.78)**	0.29	(0.14)	0.12	(0.19)	0.24	0.09	0.26
Weighted average Shares – basic	**56.0**	55.9	55.8	55.5	55.2	55.7	54.9	54.5
Weighted average Shares – diluted	**56.7**	57.0	56.8	56.3	55.8	55.1	55.4	55.2
Combined EBITDA	**36.7**	54.6	40.9	21.6	28.7	44.4	38.3	29.1
Combined Adjusted EBITDA	**39.8**	59.1	46.0	32.1	32.8	51.2	38.4	27.7

Quarterly performance is affected by, among other things, weather conditions, timing of onsite projects, the value of our products, foreign exchange rates, market demand and the timing of our growth capital investments as well as acquisitions and the contributions from those investments. Revenue from certain business units is impacted by seasonality. However, due to the diversity of our business, the impact is limited on a consolidated basis. For example, waste volumes received at our Oilfield facilities decline in the second quarter due to road bans which restrict drilling activity. This decline is offset by increased activity in our Eastern Industrial onsite business due to the aqueous nature of work performed, as well as potentially by fluctuations in the value of our products or event-based waste receipts at SCL. Quarterly results over the last eight quarters were also impacted by fluctuations in our share price, which impacts the stock-based compensation expense, non-cash gains or losses on the embedded derivatives and by commodity prices, with weaker commodity prices having a larger impact on Q1 2013, Q4 2013, Q1 2014 and Q4 2014.

Q1 2013 to Q2 2013 change:

- Revenue and Combined Adjusted EBITDA improved primarily due to timing of contracts and projects in Continuing Operations.
- Net earnings decreased with gains in Adjusted EBITDA offset by higher stock-based compensation expense and net finance charges related to a non-cash loss on embedded derivatives.

Q2 2013 to Q3 2013 change:

- Strong performance continued with improved contributions from Continuing Operations and higher event-based business at SCL within Discontinued Operations.
- Net earnings increased due to improved performance, a smaller non-cash loss on embedded derivatives, partially offset by higher stock-based compensation and deferred income taxes.

Q3 2013 to Q4 2013 change:

- Combined Adjusted EBITDA was impacted by non-recurring charges, and decreased performance from Continuing Operations.
- Net earnings decreased as a result of restructuring related impairment, non-recurring charges, and decreased performance from Continuing Operations.

Q4 2013 to Q1 2014 change:

- Combined Adjusted EBITDA was impacted by commodity prices and seasonality, specifically in Discontinued Operations, the unusually cold winter, and by the timing of contracts and projects.
- Net earnings and EBITDA were also impacted by $4.4 million in restructuring and other related costs due to the Rationalization Plan.

Q1 2014 to Q2 2014 change:

- Combined Adjusted EBITDA improved primarily due to improved performance from Continuing Operations, specifically New Markets, and from Discontinued Operations due to increased activity and higher volumes at SCL.
- Net earnings decreased with gains in Adjusted EBITDA offset by an embedded derivative loss recorded as a result of the early redemption of the Series 1 Senior Unsecured Debentures.

Q2 2014 to Q3 2014 change:

- Results continued to improve with increased contributions from Continuing Operations.

Q3 2014 to Q4 2014 change:

- Q4 2014 Combined Adjusted EBITDA decreased due to lower contributions from both Continued and Discontinued Operations.
- Q4 2014 net earnings were impacted by impairment charges totalling $205.2 million.

SUMMARY OF QUARTERLY RESULTS FOR CONTINUING OPERATIONS

	2014					2013[1]				
($ millions)	**Year**	**Q4**	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Revenue from Continuing Operations	**495.3**	**133.1**	135.4	116.4	110.4	412.2	110.0	117.1	95.6	89.5
(Loss) Earnings from Continuing operations	**(12.4)**	**(17.9)**	10.6	(13.8)	8.7	24.3	2.3	7.8	0.1	14.1
(Loss) earnings per share ($)	**(0.22)**	**(0.32)**	0.19	(0.25)	0.16	0.44	0.04	0.14	-	0.26
Diluted (loss) per share ($)	**(0.22)**	**(0.32)**	0.19	(0.24)	0.15	0.43	0.04	0.14	-	0.25
Adjusted net earnings	**35.1**	**6.9**	16.8	3.9	7.5	29.0	2.5	13.8	7.0	5.7
Earnings per share ($) – adjusted	**0.63**	**0.12**	0.30	0.07	0.14	0.53	0.05	0.25	0.13	0.10
EBITDA	**115.5**	**27.8**	40.4	27.6	19.7	95.7	18.8	30.4	23.8	22.7
Adjusted EBITDA	**128.9**	**30.2**	43.3	30.4	25.0	103.5	22.4	35.9	23.8	21.4
New Markets										
Revenue	**289.0**	**82.1**	79.7	71.1	56.1	227.6	62.5	68.1	56.1	40.9
Gross profit	**83.5**	**19.7**	26.9	22.3	14.6	73.5	17.6	24.7	18.7	12.5
Amortization (included in Cost of sales)	**25.4**	**8.8**	7.3	5.6	3.7	18.2	5.6	5.9	4.2	2.5
Divisional EBITDA[2]	**108.9**	**28.5**	34.2	27.9	18.3	91.7	23.2	30.6	22.9	15.0
Assets employed[3]	**363.1**	**363.1**	325.9	305.2	301.8	286.9	286.9	251.9	239.3	225.7
Recovered crude oil ('000 bbl)	**297**	**77**	78	72	70	269	64	70	71	64
Oilfield										
Revenue	**206.3**	**51.0**	55.7	45.3	54.3	184.6	47.5	49.0	39.5	48.6
Gross profit	**78.7**	**17.6**	23.6	16.9	20.6	71.4	17.0	20.4	14.3	19.7
Amortization (included in Cost of sales)	**15.4**	**4.8**	3.9	3.2	3.5	12.4	3.3	3.1	3.0	3.0
Divisional EBITDA[2]	**94.1**	**22.4**	27.5	20.1	24.1	83.8	20.3	23.5	17.3	22.7
Assets employed[3]	**411.4**	**411.4**	402.1	391.5	386.9	384.7	384.7	364.0	360.1	354.8
Recovered crude oil ('000 bbl)	**279**	**68**	83	66	62	289	72	69	70	78

(1) Prior year Gross profit and Divisional EBITDA for New Markets and Oilfield has been restated to conform to current presentation.

(2) Divisional EBITDA does not have any standardized meaning prescribed by GAAP.

(3) Assets employed is provided to assist management and investors in determining the effectiveness of the use of the assets at a divisional level. Assets employed is the sum of capital assets, intangible assets and goodwill allocated to each division.

Results from our Continuing Operations are impacted by seasonality. In New Markets, results in the first half of the year are typically weaker than the second half. In the first quarter, cold weather impacts demand for our heavy oil onsite services and in the second quarter the increased demand for heavy oil onsite services is partially offset by road bans which restricts other activity. In Oilfield, results are weaker in the second quarter due to road bans.

Q1 2013 to Q2 2013 change:

- Revenue and Adjusted EBITDA increased primarily due to timing of contracts and projects in New Markets.
- Net earnings from Continuing Operations decreased due to higher stock-based compensation expense, net finance charges related to a non-cash loss on embedded derivatives and deferred income taxes.

Q2 2013 to Q3 2013 change:

- Adjusted EBITDA improved primarily from contributions from our growth capital investments in New Markets.
- Net earnings from Continuing Operations increased due to improved performance, a smaller non-cash loss on embedded derivatives, partially offset by higher stock-based compensation and deferred income taxes.

Q3 2013 to Q4 2013 change:

- Performance declined as a result of non-recurring charges, weaker commodity prices, and the timing of Heavy Oil contracts.

Q4 2013 to Q1 2014 change:

- Results were primarily impacted by the timing of contracts and projects in New Markets and the impact of the unusually cold winter on Oilfield operations.

Q1 2014 to Q2 2014 change:

- Adjusted EBITDA increased primarily due to increased contributions from New Markets driven by U.S. satellite contributions, favourable commodity prices and the timing of onsite contracts. These gains were partially offset by the impact of spring break up on Oilfield contributions.
- Net earnings from Continuing Operations decreased with gains in Adjusted EBITDA offset by an embedded derivative loss recorded as a result of the early redemption of the Series 1 Senior Unsecured Debentures.

Q2 2014 to Q3 2014 change:

- Results continued to improve with increased contributions from both New Markets and Oilfield.

Q3 2014 to Q4 2014 change:

- Adjusted EBITDA decreased due to lower contributions from both New Markets and Oilfield. The decrease was driven by lower crude oil prices, activity levels and the timing of onsite contracts.
- Net earnings from Continuing Operations were impacted by impairment charges totalling $19.4 million and restructuring and other related charges for onerous leases.

SUPPLEMENTARY INFORMATION – NON-RECURRING CHARGES FOR CONTINUING OPERATIONS

($ millions)	Three months ended December 31, 2013	Year ended December 31, 2013
Charges for positions eliminated during the year	0.2	0.5
Settlement of an out of period disputed account	0.6	2.1
DOL settlement[(1)]		
DOL settlement charged to New Markets	1.5	-
DOL settlement charged to SG&A	2.2	2.2
Total non-recurring charges	4.5	4.8

[(1)] *In Q4 2013, we recognized $4.2 million as a result of the U.S. Federal Department of Labor ("DOL") settlement. $2.2 million related to prior years and was charged to SG&A. $2.0 million was charged to New Markets for 2013 compensation, of which $1.5 million related to the first 9 months of 2013.*

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any material off-balance sheet arrangements.

SENSITIVITIES

Results from Continuing Operations are sensitive to changes in commodity prices for crude oil. The direct impact of these commodity prices is reflected in the revenue received from the sale of products such as crude oil. Approximately 20% of our revenue is sensitive to direct impact of commodity prices. Our results are also impacted by drilling activity. Drilling sensitivities

are impacted by the area in which drilling occurs compared to areas which we operate and the drilling techniques employed. Where possible, we actively manage these impacts by strategically geographically balancing mobile assets to meet demand and shifts in activity levels where necessary.

The following table provides our estimates of fluctuations in key inputs and prices and the direct impact on revenue and Adjusted EBITDA from product sales:

	2014	Change in benchmark	Impact on Annual Revenue ($)[1]	Impact on Annual Adjusted EBITDA($)[1]
Canadian Light Sweet ($/bbl)	94	10.00	3.8 million	3.8 million
WCS ($/bbl)	81	10.00	4.4 million	4.4 million
Drilling activity[2][3]		5% change	5 to 8 million	2 to 3 million
Metres drilled (million metres)	25	1.00	1.5 million	0.8 million
Active rigs in WCSB	370	100 rigs	4 million	1 million

(1) Based on 2014 performance and volumes.
(2) Impact from changes in drilling activity assumes a change in the key drilling metrics including metres drilled, and active rigs in the WCSB and in the U.S.
(3) U.S. results are impacted by changes in drilling activity in the respective plays we serve, as indicated by active rigs, and by to a greater extent growth in our market share and operations. A sensitivity for active rigs in the U.S. has not been provided because of the overriding impact of shifts in market share on our results.

In 2014, we began reporting Canadian Light Sweet as a benchmark price for conventional crude oil, replacing Edmonton Par which was discontinued.

Stock-based compensation expense is sensitive to changes in our share price. At December 31, 2014, a $1 change in our share price between $14 per share and $18 per share has approximately a $1.0 million direct impact on annual stock-based compensation reflected in SG&A from Continuing Operations. Stock-based compensation is also impacted by dividend rate changes and the effects of vesting.

RISK MANAGEMENT

To effectively manage the risk associated with our business and strategic objectives, our risk management approach continues to evolve. Our approach provides the framework to understand and address risks faced by our organization. Risk categories identified include:

- **Strategic –** risk to earnings, capital, and strategic objectives arising due to changes in the business environment
- **Operational** – risk of loss due to failed internal processes and systems, human and technical errors, or external events
- **Financial** – risk associated with financial processes, obligations, and assets
- **People** – risk to Business Plan due to recruiting, training, labour availability, union relations, and managerial structure
- **Legal/Regulatory** – risk of loss due to compliance with laws, ethical standards, and contractual obligations
- **Technology and Data** – risk that IT systems are not adequate to support strategic and business objectives

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the

Financial Statements and the reported amounts of revenues and expenses for the period. Such estimates relate to unsettled transactions and events as of the date of the Financial Statements. Accordingly, actual results may differ from estimated amounts as transactions are settled in the future. Amounts recorded for amortization, accretion, future decommissioning obligations, embedded derivatives, deferred income taxes, and impairment calculations are based on estimates. By their nature, these estimates are subject to measurement uncertainty, and the impact of the difference between the actual and the estimated costs on the Financial Statements of future periods could be material.

Recoverability of Asset Carrying Values

The carrying values of all assets, including property, plant and equipment, intangibles and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Events or changes in circumstances include items such as: significant changes in the manner in which an asset is used, including plans to restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date. When it is not possible to estimate the recoverable amount of an individual asset, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Judgment is applied in allocating assets into CGUs giving consideration to the level of integration between assets, shared infrastructure and the way in which management monitors operations. The carrying values of our cash generating units (CGU) are tested annually for impairment.

We assess all assets for impairment at the asset level and the CGU level by comparing the carrying values of the assets or CGUs being tested with their recoverable amounts. The recoverable amounts are the greater of the assets' or CGUs' values in use or their fair values less costs to sell.

The determination of the recoverable amount involves estimating the assets or CGU's fair value less costs to sell or its value-in-use, which is based on its discounted future cash flows using an applicable discount rate. Future cash flows are calculated based on our best estimate of future inflation and are discounted based on our current assessment of market conditions.

Discontinued Operations

In December 2014, we entered into an agreement with Revolution to sell our Industrial Division for cash proceeds of $300 million plus the assumption of the certain decommissioning liabilities. As a result of this agreement, we have classified our Industrial Division and associated support functions as Discontinued Operations. Upon classification, all assets and liabilities were required to be measured at the lower of carrying amount and fair value less costs to sell. The expected sales proceeds and estimated transaction costs were used as the basis for determining fair value less costs to sell. These estimates are subject to customary purchase price adjustments related to balance sheet working capital and capital expenditure targets. The transaction is subject to satisfaction of customary closing conditions, as well as the receipt of regulatory approvals.

Based on our total estimated Net Sale Proceeds, an impairment loss of $185.8 million was recorded within Discontinued Operations in our Consolidated Statements of Operations.

The pre-tax asset impairment charges are allocated as follows:

	December 31, 2014	December 31, 2013[(1)]
Property, plant and equipment (Note 6)	132,784	7,599
Intangible assets (Note 7)	17,345	5,849
Goodwill (Note 7)	35,683	7,750
	185,812	21,198

(1) Impairment loss of $21.2 million for the year ended December 31, 2013 relates to our intention to streamline resources in the Industrial Division through rationalization of business lines and facilities in 2014.

Continuing Operations

We determined the upcoming Industrial Division sale, and refinement in business strategy constituted potential impairment triggers resulting in the need to assess other assets within Continuing Operations for potential impairment. We determined the carrying value of certain assets would no longer be recoverable through future operations resulting in an impairment loss of $19.4 million, with $6.4 million for New Markets assets, $11.9 million for Oilfield assets and $1.1 million for Corporate assets.

Decommissioning Liability

We recognize provisions for estimated future decommissioning costs, including future remediation and post abandonment activities, for all of our facilities based on the estimated time until reclamation and the long-term commitments of certain sites. The provision is initially recorded at the net present value of the estimated future expenditures required to settle the obligation at the balance sheet date. The recorded liability increases over time to its future amount through accretion of the discount, with the associated expense included within finance charges. The measurement of the decommissioning liability involves the use of estimates and assumptions including the discount and inflation rate, the expected timing of future expenditures and the amount of future abandonment costs. Decommissioning estimates are reviewed annually and estimated by management, in consultation with Newalta's engineers and environmental, health and safety staff, on the basis of current regulations, costs, technology and industry standards.

Revisions to the estimated amount or timing of the obligations are reflected prospectively as increases or decreases to the recorded liability and the related asset. Actual decommissioning expenditures, up to the recorded liability at the time, are drawn against the liability as the costs are incurred. Amounts capitalized to the related assets are amortized to income in line with the depreciation of the underlying asset. See Note 14 to the Financial Statements for a summary of the key changes.

Fair Value Calculation on Share-Based Payments and Share Appreciation Rights

We have an equity incentive plan where Newalta may grant share-based long term incentives including stock options, restricted share units, performance share units, deferred share units and dividend-equivalent rights to executives, employees and non-executive directors (2014 Equity Incentive Plan). Under the 2014 Equity Incentive Plan, we may grant rights to acquire up to 10% of the issued and outstanding Shares of Newalta. Currently, the only awards outstanding under the 2014 Equity Incentive Plan are options to acquire Shares. The options granted under this plan are equity settled. The fair value of the options outstanding under 2014 Equity Incentive Plan at the grant date is calculated using a Black-Scholes option pricing model with the share-based compensation expense recognized over the vesting period of the options. There are a number of estimates used in the calculation such as the future forfeiture rate, expected dividend amount, risk free interest rates, expected option life and

the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

We may also grant share appreciation rights (SARs) to directors, officers, employees and consultants of Newalta or any of its affiliates. SARs entitle the holder thereof to receive cash from Newalta in an amount equal to the positive difference between the grant price and the trading price of our Shares on the exercise date. The grant price is calculated based on the five-day volume weighted average trading price of our Shares on the TSX. The fair value of SARs outstanding at each reporting date is calculated using the Black-Scholes option pricing model. There are a number of estimates used in the calculation such as the future forfeiture rate, expected dividend amount, risk free interest rates, expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on historical information and future forecasts.

Taxation

The calculation of deferred income taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse. Tax interpretations, regulations and legislation in the various jurisdictions in which we operate are subject to change.

Derivative Instruments

The estimated fair value of derivative instruments resulting in financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Leases

We make judgments in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole user and Newalta is the lessor, are operating, or finance leases.

Revenue

Newalta offers individual services, products and integrated solutions to meet customer needs. Integrated solutions may involve the delivery of multiple services and products occurring in different reporting periods. As appropriate, these multiple element arrangements are separated into components and consideration is allocated based upon their relative fair values. Significant judgment is applied in identifying, calculating and allocating fair value consideration between the separate components of a contract. Depending upon how such judgment is exercised, the timing and amount of revenue recognized could differ significantly.

FUTURE ACCOUNTING POLICY CHANGES

The following new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these Financial Statements. They may result in future changes to our existing accounting policies and other note disclosures. We are evaluating the impact that new pronouncements may have on our results of operations, financial position and disclosure. See Note 2r to the Financial Statements for further information.

IFRS 9 – Financial Instruments (2014)

In July 2014, the International Accounting Standards Board (IASB) issued IFRS 9 Financial Instruments: recognition and measurement (2014) which incorporates all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting. The new standard is effective for periods on or after January 1, 2018 with early application permitted. We are currently evaluating the impact of this standard on our Financial Statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 Revenues from Contracts with Customers. This standard introduces a 5-step approach to the recognition of revenues from contracts with customers. The core principal of the approach is to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects consideration the entity expects to be entitled to in exchange for the goods or services provided. The standard is effective for fiscal years beginning on or after January 1, 2017 with early application permitted. Entities may choose to apply the standard retrospectively (with some practical expedients available) or to use a modified transition approach, which allows application of the standard retrospectively only to contracts that are not completed at the date of initial application. We are currently evaluating the impact of this standard on our Financial Statements.

BUSINESS RISKS AND RISK MANAGEMENT

Our business is subject to certain risks and uncertainties. Prior to making any investment decision regarding Newalta, investors should carefully consider, among other things, the risks described herein (including the risks and uncertainties listed on the front page of this MD&A and throughout this MD&A) and the risk factors set forth in the most recently filed Annual Information Form of Newalta, which are incorporated by reference herein. For further information on our risk management framework, please refer to page 43.

The Annual Information Form is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Copies of the Annual Information Form may be obtained, on request without charge, from Newalta Corporation at 211 – 11th Avenue S.W., Calgary, Alberta T2R 0C6, or by facsimile at (403) 806-7032.

FINANCIAL AND OTHER INSTRUMENTS

The carrying values of accounts receivable and accounts payable approximate the fair value of these financial instruments due to their short term maturities. Our credit risk from our customers is mitigated by our broad customer base. Historically, on an

annual basis, our top 25 customers generate approximately 35% of our total revenue from Continuing Operations with approximately 15% of these customers have a credit rating of A or higher and 50% of these customers having ratings of BBB or higher. In the normal course of operations, we are exposed to movements in U.S. dollar exchange rates relative to the Canadian dollar. The foreign exchange risk arises primarily from U.S. dollar denominated long-term debt and working capital. We have not entered into any financial derivatives to manage the risk for the foreign currency exposure as at December 31, 2014. Management assesses our working capital foreign exchange exposure regularly and may draw U.S. denominated long-term debt as required, which serves as a natural hedge, to mitigate our balance sheet exposure. The floating interest rate profile of our long-term debt exposes us to interest rate risk. We do not use hedging instruments to mitigate this risk. The carrying value of the senior secured long-term debt approximates fair value due to its floating interest rates. For further information regarding our financial and other instruments, refer to Note 20 to the Financial Statements for the year ended December 31, 2014.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our internal audit department documented risks, controls, results of testing and reporting procedures based on criterion established in the Internal Control – Integrated Framework (2013) (COSO 2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Chief Executive Officer and the Chief Financial Officer (collectively the "Certifying Officers") have evaluated the design and effectiveness of our disclosure controls and procedures and our internal controls over financial reporting using COSO 2013. As of December 31, 2014, the Certifying Officers have concluded that such disclosure controls and procedures and internal controls over financial reporting were effective. There have not been any changes in the internal control over financial reporting in Q4 of 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to Newalta, including the Annual Information Form, is available through the internet on the SEDAR, which can be accessed at www.sedar.com. Copies of the Annual Information Form of Newalta may be obtained from Newalta Corporation on the internet at www.newalta.com, by mail at 211 – 11th Avenue S.W., Calgary, Alberta T2R 0C6, or by facsimile at (403) 806-7032.

CONSOLIDATED BALANCE SHEETS

(Unaudited – expressed in thousands of Canadian Dollars)

	December 31, 2014	December 31, 2013
Assets		
Current assets		
Cash	**4,129**	-
Accounts and other receivables (Note 20)	**104,945**	148,998
Inventories (Note 3)	**7,681**	57,037
Prepaid expenses and other assets	**9,150**	14,441
Assets held for sale (Note 4)	**365,262**	2,450
	491,167	222,926
Non-current assets		
Property, plant and equipment (Note 6)	**804,024**	1,011,921
Permits and other intangible assets (Note 7)	**498**	52,595
Other long-term assets (Note 8)	**8,953**	24,632
Goodwill (Note 7)	**60,443**	96,167
TOTAL ASSETS	**1,365,085**	1,408,241
Liabilities		
Current liabilities		
Bank indebtedness	**-**	1,321
Accounts payable and accrued liabilities (Note 9)	**170,541**	217,283
Dividends payable (Note 18)	**7,003**	6,087
Liabilities held for sale (Note 4)	**97,131**	-
	274,675	224,691
Non-current liabilities		
Senior secured debt (Note 10)	**183,104**	117,136
Senior unsecured debentures (Note 11)	**270,837**	246,970
Other liabilities (Note 9)	**6,929**	2,537
Deferred tax liability (Note 13)	**43,180**	80,646
Decommissioning liability (Note 14)	**63,454**	61,099
TOTAL LIABILITIES	**842,179**	733,079
Shareholders' Equity		
Shareholders' capital (Note 15)	**422,991**	409,894
Contributed surplus	**10,916**	15,251
Retained earnings	**76,061**	245,834
Accumulated other comprehensive income	**12,938**	4,183
TOTAL EQUITY	**522,906**	675,162
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,365,085**	1,408,241

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited – expressed in thousands of Canadian Dollars except per share data)

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Revenue	**133,128**	110,011	**495,331**	412,179
Cost of sales	**95,830**	75,464	**333,145**	267,300
Gross profit	**37,298**	34,547	**162,186**	144,879
Selling, general and administrative	**23,271**	28,195	**97,118**	92,654
Impairment	**19,402**	-	**19,402**	-
Restructuring and other related costs (Note 5)	**6,449**	-	**6,975**	-
(Loss) earnings before finance charges and income taxes	**(11,824)**	6,352	**38,691**	52,225
Finance charges (Note 21)	**6,753**	6,784	**33,404**	25,690
Embedded derivative loss (gain) (Note 20)	**3,050**	(3,406)	**14,691**	(3,036)
Net financing charges	**9,803**	3,378	**48,095**	22,654
(Loss) earnings before income taxes	**(21,627)**	2,974	**(9,404)**	29,571
Income tax (recovery) expense (Note 13)	**(3,750)**	695	**2,968**	5,285
Net (loss) earnings from continuing operations	**(17,877)**	2,279	**(12,372)**	24,286
Net loss from discontinued operations (Note 4)	**(139,686)**	(12,601)	**(130,301)**	(2,346)
Net (loss) earnings for the year	**(157,563)**	(10,322)	**(142,673)**	21,940

(Loss) Earnings per share:				
Basic from continuing operations (Note 17)	**(0.32)**	0.04	**(0.22)**	0.44
Basic from discontinued operations (Note 17)	**(2.50)**	(0.23)	**(2.34)**	(0.04)
Basic (loss) earnings per share for the year	**(2.82)**	(0.19)	**(2.56)**	0.40
Diluted from continuing operations (Note 17)	**(0.32)**	0.04	**(0.22)**	0.43
Diluted from discontinued operations (Note 17)	**(2.50)**	(0.23)	**(2.34)**	(0.03)
Diluted (loss) earnings per share for the year	**(2.82)**	(0.19)	**(2.56)**	0.40
Supplementary information:				
Amortization included in cost of sales	**13,556**	8,973	**40,772**	30,609
Amortization included in selling, general and administrative	**6,696**	3,435	**16,637**	12,840
Amortization included in discontinued operations	**5,626**	4,276	**20,872**	23,548
Total amortization	**25,878**	16,684	**78,281**	66,997

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited – expressed in thousands of Canadian Dollars)

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Net (loss) earnings	**(157,563)**	(10,322)	**(142,673)**	21,940
Other comprehensive income:				
Exchange difference on translating foreign operations	**3,230**	3,810	**8,809**	7,523
Unrealized loss on available for sale financial assets	**(27)**	(127)	**(54)**	(286)
Other comprehensive income	**3,203**	3,683	**8,755**	7,237
Comprehensive (loss) income	**(154,360)**	(6,639)	**(133,918)**	29,177

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited – expressed in thousands of Canadian Dollars)

	Shareholders' capital (Note 15)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income	**Total**
Balance, December 31, 2012	394,048	2,881	247,565	(3,054)	**641,440**
Changes in equity for year ended December 31, 2013					
Expense related to vesting of options	-	235	-	-	**235**
Reclassification of equity settled options	-	12,598	-	-	**12,598**
Exercise of options	10,634	(463)	-	-	**10,171**
Issuance of shares	5,212	-	-	-	**5,212**
Dividends declared	-	-	(23,671)	-	**(23,671)**
Other comprehensive income	-	-	-	7,237	**7,237**
Net earnings for the year	-	-	21,940	-	**21,940**
Balance, December 31, 2013	409,894	15,251	245,834	4,183	**675,162**
Changes in equity for year ended December 31, 2014					
Expense related to vesting of options	-	2,643	-	-	**2,643**
Exercise of options	7,449	(6,978)	-	-	**471**
Issuance of shares	5,648	-	-	-	**5,648**
Dividends declared	-	-	(27,100)	-	**(27,100)**
Other comprehensive income	-	-	-	8,755	**8,755**
Net loss for the year	-	-	(142,673)	-	**(142,673)**
Balance, December 31, 2014	422,991	10,916	76,061	12,938	**522,906**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – expressed in thousands of Canadian Dollars)

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Cash provided by (used for):				
Operating Activities				
Net (loss) earnings from continuing operations	**(17,877)**	2,279	**(12,372)**	24,286
Adjustments for:				
Amortization	**20,252**	12,408	**57,409**	43,449
Impairment	**19,402**	-	**19,402**	-
Income tax provision (Note 13)	**(3,750)**	695	**2,968**	5,285
Income tax (paid) recovered	**(1)**	(110)	**(13)**	11
Non-cash stock-based compensation (recovery) expense (Note 12)	**(5,227)**	1,649	**1,003**	2,546
Net financing charges	**9,803**	3,378	**48,095**	22,654
Finance charges paid	**(11,080)**	(11,158)	**(29,820)**	(24,095)
Other	**948**	349	**1,620**	892
Funds from Operations	**12,470**	9,490	**88,292**	75,028
Change in non-cash working capital (Note 23)	**21,154**	11,207	**505**	18,586
Decommissioning costs incurred (Note 14)	**(641)**	(392)	**(2,854)**	(2,797)
Cash from continuing operations	**32,983**	20,305	**85,943**	90,817
Cash from discontinued operations	**26,976**	25,311	**38,523**	32,757
Cash from Operating Activities	**59,959**	45,616	**124,466**	123,574
Investing Activities				
Additions to property, plant and equipment	**(80,425)**	(63,646)	**(173,921)**	(142,075)
Change in non-cash working capital (Note 23)	**32,799**	32,017	**8,775**	19,868
Proceeds on sale of property, plant and equipment	**935**	142	**1,497**	2,011
Other	**(259)**	37	**(1,394)**	(1,240)
Cash used in continuing operations	**(46,950)**	(31,450)	**(165,043)**	(121,436)
Cash used in discontinued operations	**(6,252)**	(6,343)	**(20,494)**	(31,540)
Cash used in Investing Activities	**(53,202)**	(37,793)	**(185,537)**	(152,976)
Financing Activities				
Issuance of shares	**-**	1,400	**469**	3,761
Issuance of series 3 senior unsecured debentures (Note 11)	**-**	-	**147,069**	-
Redemption of series 1 senior unsecured debentures (Note 11)	**-**	-	**(125,000)**	-
(Decrease) increase in senior secured debt	**(658)**	(2,364)	**65,968**	40,636
(Decrease) increase in bank indebtedness	**-**	(2,355)	**(1,321)**	1,321
Dividends paid	**(5,530)**	(4,862)	**(20,536)**	(17,799)
Cash (used in) from continuing operations	**(6,188)**	(8,181)	**66,649**	27,919

Cash used in discontinued operations	**-**	-	**-**	-
Cash (used in) from Financing Activities	**(6,188)**	(8,181)	**66,649**	27,919
Effect of foreign exchange on cash	**(954)**	358	**(1,449)**	1,074
Change in cash	**(385)**	-	**4,129**	(409)
Cash, beginning of period	**4,514**	-	**-**	409
Cash, end of year	**4,129**	-	**4,129**	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months and years ended December 31, 2014 and 2013.

(Unaudited – all tabular data in thousands of Canadian Dollars except per share and ratio data)

(Except where specifically noted, all amounts refer to continuing operations)

NOTE 1. CORPORATE STRUCTURE

Newalta Corporation (the Corporation or Newalta) was incorporated on October 29, 2008, pursuant to the laws of the Province of Alberta. Newalta completed an internal reorganization resulting in a name change from Newalta Inc. to Newalta Corporation effective January 1, 2010. Newalta provides cost-effective solutions to industrial customers to improve their environmental performance, with a focus on recycling and recovery of products from industrial residues. These services are provided across Canada and the U.S.; both through our network of facilities, and at our customers' facilities where we mobilize our equipment and people to process material directly onsite. Our customers operate in a broad range of industries including oil and gas, petrochemical, refining, lead, manufacturing and mining industries.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These Consolidated Financial Statements (Financial Statements) were prepared in accordance with International Financial Reporting Standards (IFRS) and include the accounts of Newalta and its wholly owned subsidiaries (subsidiaries). All intercompany balances and transactions including revenue and expenses were eliminated.

These financial statements were approved by the Board of Directors on February 19, 2015.

Critical judgments and estimate uncertainties in applying accounting policies

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expense for the period. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as transactions are settled in the future. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

The following are the critical judgments that management made in applying Newalta's accounting policies and that have the most significant effect on amounts recognized in the financial statements. They are discussed further in the accounting policies that follow.

- Determining fair value
- Determining components under multiple element revenue agreements (Note 2k)
- Determining whether agreements not in the legal form of a lease, contain a lease (Note 2k)
- Determining the aggregation of assets into cash generating units (CGUs) (Note 2i and 7)
- Determining key assumptions for impairment testing (Note 2i and 7)
- Determining existence of provisions including onerous contracts, constructive and restructuring obligations (Note 2j)
- Determining financial instrument classification (Note 2o and 20)
- Determining allocation of costs between continuing and discontinued operations (Note 2f)

The following sections contain critical estimates and assumptions with the most significant effect on amounts recognized in the Financial Statements. They are discussed further in the accounting policies that follow.

- *Revenue (Note 2k)*
- *Recoverability of asset carrying values for impairment testing purposes (Note 2i and 7)*
- *Income tax (Note 2l and 13)*
- *Decommissioning and other liabilities (Note 2j and 14)*
- *Estimated useful lives of assets (Note 2d)*
- *Derivative and embedded derivative instruments (Note 2o and 20)*

Basis of Preparation

The Financial Statements were prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

a) Cash

Cash is defined as cash and short-term deposits with maturities of three months or less, when purchased.

b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported on the Consolidated Balance Sheets, when there is a legally enforceable right to offset recognized amounts and an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

c) Inventories

Inventories are comprised of oil and other recycled products, spare parts and supplies, and are recorded at the lower of cost and net realizable value. Inventories are valued using the weighted average costing method. Cost of finished goods includes the

laid down cost of materials plus the cost of direct labour applied to the product and the applicable share of overhead expense. Cost of other items of inventories comprise the laid down cost.

d) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated amortization and impairment. Amortization rates are calculated to amortize the costs, net of residual value, over the assets' estimated useful lives. Significant parts of property, plant and equipment that have different depreciable lives are amortized separately. Judgement is used in determining the appropriate level of componentization.

Income and expenses incurred in bringing assets to the location and condition necessary to be capable of operating in a manner as intended by management are recognized as part of the cost of the asset. Determination of what costs are directly attributable and consideration of circumstances that an asset is operating as intended can be complex and subject to management interpretation. When significant parts of plant and equipment are replaced, costs are capitalized when it is probable that future economic benefits will flow to Newalta. All associated carrying amounts of the replaced asset are also removed from the Consolidated Balance Sheets. All other repairs and maintenance activities are recognized in the Consolidated Statement of Operations as incurred. Distinguishing major inspections and overhauls from repairs and maintenance in determining which costs are capitalized are also matters of management judgement.

Plant and equipment is principally depreciated at rates of 5-10% of the declining balance (buildings, site improvements, tanks and mobile equipment) or from 5-14 years straight-line (vehicles, computer hardware and software and leasehold improvements), depending on the expected life of the asset. Some equipment is depreciated based on utilization rates (onsite equipment). The utilization rate is determined by dividing the cost of the asset by the estimated future hours of service. Residual values, up to 20% of original cost, may be established for buildings, site improvements, and onsite equipment. These residual values are not depreciated. The estimated useful lives, residual values and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included as a gain or loss in net income (loss) in the period the item is derecognized.

Landfill assets represent the costs of landfill available space, including original acquisition cost, incurred landfill construction and development costs, including leachate collection systems installed during the operating life of the site, and capitalized landfill closure and post-closure costs. The cost of landfill assets, together with projected landfill construction and development costs for permitted capacity plus unpermitted capacity that management believes is probable of ultimately being permitted, is amortized on a per-unit basis as landfill space is consumed. The impact on annual amortization expense of changes in estimated capacity and construction costs is accounted for prospectively.

e) Permits and other intangible assets

Permits and other intangible assets are stated at cost, less accumulated amortization and impairment, and consist of certain production processes, trademarks, permits and agreements that are amortized over the period of the contractual benefit of 5 years on a straight-line basis. There are nominal fees to renew these permits, provided that Newalta remains in good standing with regulatory authorities.

f) Assets and liabilities held for sale and discontinued operations

Discontinued operations are a component of an entity, comprising operations and cash flows that are clearly distinguished, operationally and financially. A discontinued operation is a component that either has been disposed of or is classified as held for sale, and:

- Represents a separate major line of business or geographic area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

In the Consolidated Statements of Operations, income (loss) from discontinued operations and any impairment loss on initial classification to held for sale as well as subsequent fair value gains or losses on remeasurement are combined and presented as a single amount separately from continuing operations. In addition when assets are sold, gains or losses on sale are also included. Comparative periods are restated to reflect discontinued operations.

In the Consolidated Statements of Cash Flows, the cash flows from discontinued operations are presented separately from cash flows from continuing operations. Comparative periods are restated to reflect discontinued operations.

Assets and liabilities classified as held for sale are reported separately on the Consolidated Balance Sheets when their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Judgment is used in determining what events and circumstances exist to support the determination of highly probable. Immediately prior to held for sale classification, assets and liabilities are remeasured at lower of net book value and fair value less costs to sell. Impairment losses on initial classification and subsequent gains or losses on remeasurment are recognized in net income (loss). Once classified as held for sale, amortization is no longer recorded on the assets. Assets and liabilities classified as held for sale, are presented separately from Newalta's other assets and liabilities. The comparative period within the Consolidated Balance Sheets is not restated.

g) Leases

Lessee

All of Newalta's leases are classified as operating leases, therefore the leased assets are not recognized in Newalta's Consolidated Balance Sheets. Payments made under operating leases are recognized in the Consolidated Statements of Operations on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time

pattern of Newalta's benefit, including any rent-free periods. Lease incentives are recognized as an integral part of the total lease expense, over the term of the lease.

Leases may include additional payments for real estate taxes, maintenance and insurance. These amounts are expensed in the period to which they relate.

Lessor

Assets subject to operating leases are recognized and classified according to the nature of the leased asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and expensed over the lease term on the same basis as the lease income. The depreciation policy for leased assets is consistent with the depreciation policy for similar owned assets.

h) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of acquired businesses.

i) Impairment

Impairment testing compares the carrying values of the assets or CGUs being tested with their recoverable amounts. An asset or CGUs recoverable amount is based on the greater of its value in use or fair value less costs to sell. Value in use is assessed using the present value of the expected future cash flows of the relevant asset. The key assumptions for the value in use calculation include discount and growth rate estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. The weighted average growth rates are calculated over the remaining useful life of each asset or CGU.

When it is not possible to estimate the recoverable amount of an individual asset, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.   Judgment is applied in allocating assets into CGUs giving consideration to the level of integration between assets, shared infrastructure and the way in which management monitors operations. When a reasonable and consistent basis of allocation can be identified, management also uses judgement in allocating corporate assets to individual CGUs.

Impairment losses are immediately recognized to the extent that the asset or CGU carrying values exceed their recoverable amounts. Should the recoverable amounts for previously impaired assets or CGUs subsequently increase, the impairment losses previously recognized (other than in respect of goodwill) may be reversed to the extent that the reversal is not a result of accretion and that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

CGU impairment

The carrying values of Newalta's CGUs are tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to CGUs expected to benefit from the business combination in which the goodwill arose. To the extent that the carrying amount of a CGU exceeds its recoverable amount, the excess would first reduce the carrying value of goodwill and any remainder would reduce the carrying values of the non-current assets of the CGUs on a pro-rated basis.

Asset impairment

The carrying values of all assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Events or changes in circumstances include items such as: significant changes in the manner in which an asset is used, including plans to restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

j) Provisions

Provisions are recognized when Newalta has a present obligation (legal or constructive) as a result of a past event, it is probable that Newalta will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation. The determination of when to record provisions, including onerous contracts, restructuring related charges, and constructive obligations is a complex process that involves management judgment about outcomes of future events, interpretation of laws and regulations and estimates concerning the nature, extent and timing of expected future cash flows and discount rates.

Decommissioning liabilities

Newalta provides for estimated future decommissioning costs for all its facilities based on the estimated time until reclamation and the long-term commitments of certain sites. Over this period, Newalta recognizes the liability for the future decommissioning liabilities associated with property, plant and equipment. These obligations are initially measured at the discounted future value of the liability. This value is capitalized as part of the cost of the related asset and amortized over the asset's useful life. The balance of the liability is adjusted each period for the accretion, with the associated expense included within finance charges. Decommissioning costs and timing are estimated by management, in consultation with Newalta's engineers and environmental, health and safety staff, on the basis of current regulations, costs, technology and industry standards. Other key estimates include discount and inflation rates. Actual decommissioning costs are charged against the provision as incurred.

Onerous contracts

Provisions are made for any contracts, including lease arrangements, which are deemed onerous. A contract is considered onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The balance of the liability is adjusted each period for the accretion, with the associated expense included within finance charges.

k) Revenue recognition

Revenue is recognized when significant risks and rewards of ownership of the goods and/or delivery of services have transferred to the buyer, recoverability of consideration is probable, the amount of revenue can be measured reliably, Newalta retains no continuing managerial involvement with the goods, and the costs required to complete the contract can be estimated reliably. Revenue is measured net of returns and trade discounts.

Newalta offers individual services, products and integrated solutions to meet customer needs. Integrated solutions may involve the delivery of multiple services and products occurring in different reporting periods. As appropriate, these multiple element arrangements are separated into components and consideration is allocated based upon their relative fair values. Significant judgment is applied in identifying, calculating and allocating fair value consideration between the separate components of a contract.

Individual and integrated solutions may include one or more of the following:

Sale of services

Newalta's waste processing services are generally sold based upon service orders or contracts with a customer that include fixed or determinable prices based upon hourly, daily or throughput rates. Revenue is recognized when services are rendered.

Sale of products

Revenue from Newalta's sale of recycled and recovered waste products is recognized when products are delivered to customers or pipelines.

Construction contracts

Construction contract revenue results from certain Newalta's onsite projects. Construction revenue includes the initial amount negotiated in the contract plus any change in terms of scope of work performed. If costs can be measured reliably, revenue is recognized based on the stage of completion of the contract, determined by the physical portion of work performed. Otherwise, construction revenue will be recognized to the extent contract costs are likely to be recovered.

Operating leases

Operating lease revenue is derived from certain Newalta's onsite projects. Lease accounting is applied to a component of a contract if it conveys the right of use of a specific asset to a customer but does not convey the risks and/or benefits of ownership. Revenue from operating leases is recognized over the processing period.

l) Income tax

Tax expense comprises current and deferred tax. Tax is recognized in the Consolidated Statements of Operations, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also

recognized in other comprehensive income or directly in equity, respectively. Management reviews tax positions which involve judgment and could be subject to differing interpretations or application of tax legislation.

Newalta and its subsidiaries follow the liability method of accounting for income taxes. Current income tax is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are measured based upon temporary differences between the carrying values of assets and liabilities and their tax base. Deferred income tax expense is computed based on the change during the year in the deferred income tax assets and liabilities. Effects of changes in tax laws and tax rates are recognized when substantively enacted.

Deferred tax assets are also recognized for the benefits from tax losses and deductions with no accounting basis, provided those benefits are probable to be realized. Deferred income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of estimated realization. The amount of deferred assets and liabilities recorded is subject to judgment about likelihood of future cash flow and estimated settlement amounts, and timing of reversal.

m) Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adding the weighted average number of shares outstanding during the year to the additional shares that would have been outstanding if potentially dilutive shares had been issued, using the “treasury stock” method.

n) Incentive plans

The Corporation’s incentive plans consist of:

(i) an equity incentive plan pursuant to which the Corporation may grant share-based long-term incentives including stock options, restricted share units, performance share units, deferred share units and dividend-equivalent rights to executives, employees and non-executive directors (the 2014 Equity Incentive Plan); and
(ii) stock appreciation rights, deferred share units and performance share units granted to eligible executives, employees and non-executive directors which are settled in cash.

2014 Equity Incentive Plan

Under the 2014 Equity Incentive Plan, the Corporation may grant rights to acquire up to 10% of the issued and outstanding common shares of the Corporation (the Shares). The only awards currently outstanding under the 2014 Equity Incentive Plan are options to acquire Shares.

The options granted under the 2014 Equity Incentive Plan are equity settled. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model method with the stock-based compensation expense recorded as a selling, general and administrative expense (SG&A) that is recognized over the vesting period of the options, with a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to shareholders’ capital. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

The use of an option pricing model requires making assumptions about volatility of the company's stock price, expected dividend amount, risk free interest rates, the expected life of the options and number of awards expected to be forfeited.

Share Units

Newalta has a cash-settled Deferred Share Unit (DSU) plan for non-executive directors. Under this plan, notional DSUs are granted annually and vest immediately. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recognized as a stock-based compensation expense, which is recorded as SG&A with a corresponding increase in accrued liabilities. Dividend equivalent grants, if any, are recorded as stock-based compensation expense in the period the dividend is paid. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized in SG&A. Each DSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the Shares preceding the date of redemption. The DSUs may only be redeemed within the period beginning on the date a holder ceases to be a participant under the plan and ending on December 31 of the following calendar year.

A cash-settled Performance Share Unit (PSU) plan has been established for officers and other eligible employees. Under this plan, notional PSUs are granted based on corporate performance criterion and vest no later than December 31 of the third year after the year to which the relevant PSU was granted. Each vested PSU entitles the holder to receive a cash payment equal to the five-day volume weighted average trading price of the Shares preceding the date of redemption multiplied by a vesting factor. The vesting factor is based on performance conditions established by the Board of Directors prior to the date of grant of the PSU. The stock-based compensation expense of the PSUs is recorded as SG&A on a straight-line basis over the vesting period with a corresponding entry to either accrued liabilities or other liabilities. This estimated value is adjusted each period based on the period-end trading price of the Shares and an estimated vesting factor, with any changes in the fair value of the liability being recognized in earnings. Dividend equivalent grants, if any, are recorded as stock-based compensation expense in the period the dividend is paid.

Stock appreciation rights (SARs)

SARs entitle the holder to receive cash from Newalta in an amount equal to the positive difference between the grant price and the trading price of the Shares on the exercise date. The grant price is calculated based on the five-day volume weighted average trading price of the Shares on the Toronto Stock Exchange. SARs generally expire five years after they are granted and the vesting period is determined by the Board of Directors. The fair value at the date of grant is calculated using the Black-Scholes option pricing model method with the stock-based compensation expense recognized over the vesting period of the SARs and recorded as SG&A with a corresponding entry to accrued liabilities or other liabilities. The fair value is subsequently remeasured at the end of each reporting period. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

o) Financial instruments

Classification

Newalta's financial instruments are classified into one of four categories and are initially recognized at fair value and subsequently measured as noted in the table below.

Category	Subsequent Measurement
Financial assets at fair value through profit and loss (FVTPL) and held-for-trading investments (HFT)	Fair value and changes in fair value are recognized in net earnings
Loans and receivables	Amortized cost, using the effective interest method
Financial liabilities	Amortized cost, using the effective interest method

Cash and accounts and other receivables are classified as loans and receivables. Senior secured debt, senior unsecured debentures, bank indebtedness, accounts payable and accrued liabilities, dividends payable and other liabilities are classified as financial liabilities.

Transaction costs incurred with respect to the credit facility are deferred and amortized using the straight-line method over the term of the facility. The asset is recognized in prepaid expenses and other assets on the Consolidated Balance Sheets, while the amortization is included in financing charges within net income. Transaction costs associated with other financial liabilities are netted against the related liability.

Newalta categorizes its financial instruments carried at fair value into one of three different levels, depending on the significance of inputs employed in their measurement. Several models exist for determining fair value and whenever possible, Newalta maximizes the use of observable market data. When not available, assumptions underlying the valuation models include estimated costs/prices over time, discount and inflation rates and other related variables which result in an estimated fair value. Estimated fair value may not be representative of amounts that could be realized or settled in the market. The three levels of the fair value hierarchy are as follows:

Level 1 includes assets and liabilities measured at fair value based on quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Newalta's cash and senior unsecured debentures are classified as Level 1 financial instruments.

Level 2 includes instruments with a fair value that is determined by quoted prices in an inactive market, prices with observable inputs, or prices with non-observable inputs. Financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market data. Such valuation techniques include inputs such as quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument. Instruments valued using Level 2 inputs include the embedded derivative within Series 2 of the senior unsecured debentures, HFT investments, and senior secured debt.

Level 3 includes valuations based on inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value. Generally, Level 3 valuations are longer dated transactions, occur in less active markets, occur at locations where pricing information is not available or have no binding broker quote to support Level 2 classification. At December 31, 2014 and 2013, Newalta did not have any Level 3 financial assets or liabilities.

Derivative and embedded derivative instruments

In determining whether a contract meets the definition of derivative instrument or contains an embedded derivative, the most significant area where judgement is applied is determining whether an embedded derivative is closely related to the host contract; if the contract is determined to be closely related, bifurcation and separate accounting is not required.

Newalta's embedded derivative is classified as FVTPL (Level 2). It was valued using the option adjusted spread model, which requires management to make judgments, estimates and assumptions. It is valued at fair value upon initial recognition and at the end of each reporting period, with gains and losses recognized through finance charges in the Consolidated Statements of Operations.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment were affected.

<table>
<tr><th>Category</th><th>Impairment methodology</th><th>Indicators of Impairment</th></tr>
<tr><td>Available for sale equity investments</td><td>Cumulative gains or losses previously recognized in other comprehensive income are reclassified to Consolidated Statements of Operations in the period</td><td>Significant or prolonged decline in the fair value of the security below its cost</td></tr>
<tr><td>Financial assets carried at amortized cost</td><td>Difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate</td><td rowspan="2">The following indicators apply to the remaining two categories:
• Significant financial difficulty of the issuer or counterparty
• Breach of contract, such as default or delinquency in interest of principal payments
• It becomes probable that the borrower will enter bankruptcy or financial reorganization
• Disappearance of an active market for that asset because of financial difficulties</td></tr>
<tr><td>Other financial assets</td><td>Carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account</td></tr>
</table>

p) Functional and presentation currency

Each of the Corporation's wholly owned subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Canadian dollars, which is the Corporation's functional currency.

Upon consolidation, the Financial Statements of the subsidiary that have a functional currency different from that of the Corporation are translated into Canadian dollars, whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, and revenues and expenses are translated using the exchange rate prevailing at the dates of the transactions. Gains and losses in translation are recognized in the shareholders' equity section as accumulated other comprehensive income.

If the Corporation were to dispose of its entire interest in a foreign operation, or to lose control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation would be recognized in net earnings (loss). If the Corporation were to dispose of part of an interest in a foreign operation that remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary would be reallocated between controlling and non-controlling interests.

q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. A qualifying asset requires a period of six months or greater to be prepared for its intended use or sale.

r) Recent pronouncements issued

The following new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these Financial Statements. They may result in future changes to our existing accounting policies and other note disclosures. We are evaluating the impact that new pronouncements may have on our results of operations, financial position and disclosure.

A number of amendments to standards and interpretations came into effect on January 1, 2014, and are applied in preparing these financial statements.

Effective January 1, 2014, Newalta adopted *IFRIC 21 Levies*. The retrospective adoption of this interpretation did not have an impact on Newalta's financial statements.

IFRS 9 – Financial Instruments (2014)

In July 2014, the International Accounting Standards Board (IASB) issued *IFRS 9 Financial Instruments: recognition and measurement* (2014) which incorporates all three phases of the financial instruments projects: classification and measurement,

impairment and hedge accounting. The new standard is effective for periods on or after January 1, 2018 with early application permitted.

IFRS 9 retains but simplifies the mixed measurement model and establishes 3 primary measurement categories for financial assets; amortized cost, fair value through Statement of Other Comprehensive Income (OCI), fair value through Consolidated Statements of Operations. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities, the new standard retains most of the *IAS 39 Financial Instruments: recognition and measurement* requirements, however, when a financial liability is carried at fair value through profit or loss, the portion of the fair value change related to the company's own credit risk is recognized in accumulated other comprehensive income rather than net income.

The impairment model reflects expected credit losses, rather than incurred credit losses and it is no longer necessary for a credit event to have occurred before credit losses are recognized. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. Newalta is currently evaluating the impact of this standard on its Financial Statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued *IFRS 15 Revenues from Contracts with Customers*. This standard introduces a 5-step approach to the recognition of revenues from contracts with customers. The core principal of the approach is to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects consideration the entity expects to be entitled to in exchange for the goods or services provided.

The standard is effective for fiscal years beginning on or after January 1, 2017 with early application permitted. Entities may choose to apply the standard retrospectively (with some practical expedients available) or to use a modified transition approach, which allows application of the standard retrospectively only to contracts that are not completed at the date of initial application. Newalta is currently evaluating the impact of this standard on its Financial Statements.

NOTE 3. INVENTORIES

Inventories consist of the following:

	December 31, 2014[(1)]	December 31, 2013
Lead	**-**	34,106
Recycled and processed products	**404**	7,678
Recovered crude oil	**5,770**	6,526
Parts and supplies	**1,507**	8,727
Total inventories	**7,681**	57,037

(1) Inventories of $43.3 million were reclassified to assets held for sale at December 31, 2014 (Note 4).

The cost of inventories expensed in cost of sales for the three months and year ended December 31, 2014, was $0.2 million and $0.5 million respectively (for the three months and year ended December 31, 2013 – $0.1 million and $0.3 million respectively).

NOTE 4. DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES HELD FOR SALE

On December 23, 2014, Newalta entered into an agreement with Revolution Acquisition LP, a Birch Hill Equity Partners company, to sell its Industrial Division for estimated sale proceeds of $300 million plus the assumption of certain decommissioning liabilities. The estimated sale proceeds subject to customary purchase price adjustments related to balance sheet working capital and capital expenditure targets. This division features the industrial facilities network, industrial-related onsite services, the lead-acid battery recycling facility located at Ville Ste-Catherine, Quebec, an engineered non-hazardous solid waste landfill located at Stoney Creek, Ontario, a used oil collection network, and a used oil refining facility in North Vancouver, British Columbia.

The Industrial Division represents a major line of business for Newalta, and is classified as discontinued operations at December 31, 2014.

Impairment of Industrial Assets

In classifying Newalta's operations as discontinued, all assets and liabilities are measured at the lower of carrying amount and fair value less costs to sell. The expected sale proceeds and estimated transaction costs (Net Sale Proceeds) were used as the basis for determining fair value less costs to sell. This is a Level 2 valuation as it is based on a quoted price in an inactive market. The transaction is expected to close in the first quarter of 2015 upon satisfaction of customary closing conditions, and receipt of regulatory approvals.

Based on Newalta's total estimated Net Sale Proceeds, an impairment loss of $185.8 million was recorded within discontinued operations in the Consolidated Statements of Operations. The pre-tax asset impairment is allocated as follows:

	December 31, 2014	December 31, 2013[1]
Property, plant and equipment	**132,784**	7,599
Intangible assets (Note 7)	**17,345**	5,849
Goodwill (Note 7)	**35,683**	7,750
	185,812	21,198

(1) Impairment loss of $21.2 million for the year ended December 31, 2013 relates to Newalta's rationalization of business lines and facilities in 2014.

The results of the discontinued operations and the remeasurement of assets and liabilities classified as held for sale are presented below:

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Revenue	**95,960**	93,788	**363,082**	371,217
Cost of sales	**87,042**	82,240	**319,043**	327,558
Gross profit	**8,918**	11,548	**44,039**	43,659
Selling, general and administrative	**4,017**	5,851	**18,029**	22,311
Restructuring and other related costs[1]	**1,685**	-	**8,556**	-
Finance charges	**493**	485	**1,757**	1,827
Earnings before impairment and income taxes	**2,723**	5,212	**15,697**	19,521
Income tax expense	**710**	1,486	**4,299**	5,540
Net earnings from discontinued operations before impairment	**2,013**	3,726	**11,398**	13,981
Pre-tax impairment loss recognized on classification to held for sale	**185,812**	21,198	**185,812**	21,198
Income tax recovery on impairment	**(44,113)**	(4,871)	**(44,113)**	(4,871)
After tax impairment loss recognized on classification to held for sale	**141,699**	16,327	**141,699**	16,327
Net loss from discontinued operations	**(139,686)**	(12,601)	**(130,301)**	(2,346)
Supplementary information:				
Amortization included in cost of sales	**5,064**	3,738	**18,945**	21,650
Amortization included in selling, general and administrative	**562**	538	**1,927**	1,898
Total amortization	**5,626**	4,276	**20,872**	23,548

[1]The restructuring and other related costs within discontinued operations for the year ended December 31, 2014 are summarized as follows:

	Employee termination costs	**Facility closure costs**	**Other**	**Total**
Restructuring costs paid	2,916	1,949	-	4,865
Other related costs	-	-	3,691	3,691
Total restructuring and other related costs at December 31, 2014	**2,916**	**1,949**	**3,691**	**8,556**

Assets and liabilities held for sale are comprised of the following:

	December 31, 2014	December 31, 2013
Assets		
Accounts and other receivables	**59,437**	-
Inventories	**43,342**	-
Prepaid expenses and other assets	**5,261**	-
Property, plant and equipment (Note 6)	**222,180**	2,270
Permits and other intangible assets (Note 7)	**35,042**	120
Goodwill (Note 7)	**-**	60
TOTAL ASSETS HELD FOR SALE	**365,262**	2,450
Liabilities		
Accounts payable and accrued liabilities	**61,024**	-
Decommissioning liability (Note 14)	**36,107**	-
TOTAL LIABILITIES HELD FOR SALE	**97,131**	-

NOTE 5. RESTRUCTURING AND OTHER RELATED COSTS

Restructuring and other related costs consist of expenditures reflecting Newalta's ongoing strategy to improve productivity and profitability, and reduce SG&A costs.

The restructuring and other related costs for the year ended December 31, 2014 are summarized as follows:

	Onerous Leases[(1)]	**Other**	**Total**
Restructuring costs accrued	5,864	-	5,864
Restructuring costs paid	-	1,111	1,111
Total restructuring and other related costs at December 31, 2014	**5,864**	**1,111**	**6,975**

(1) Onerous lease obligation arose as a result of the Industrial sale and relates to properties retained by Newalta that will no longer be in use.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Land	Plant and equipment	Landfill	Total
Cost				
Balance, December 31, 2012	14,693	1,188,588	144,068	1,347,349
Additions during the year	218	167,143	3,779	171,140
Disposals during the year	(139)	(6,285)	-	(6,424)
Transfers to assets held for sale	(95)	(4,923)	-	(5,018)
Effect of change in decommissioning estimate	-	(14,600)	-	(14,600)
Effect of foreign currency exchange differences	-	5,619	-	5,619
Balance, December 31, 2013	14,677	1,335,542	147,847	1,498,066
Additions during the year	867	216,622	3,572	221,061
Disposals during the year	(92)	(9,975)	-	(10,067)
Transfers to assets held for sale	(7,360)	(330,070)	(87,573)	(425,003)
Effect of change in decommissioning estimate	-	13,145	-	13,145
Effect of foreign currency exchange differences	-	10,365	-	10,365
Balance, December 31, 2014	**8,092**	**1,235,629**	**63,846**	**1,307,567**
Accumulated Amortization				
Balance, December 31, 2012	-	(345,318)	(72,451)	(417,769)
Amortization for the year	-	(58,359)	(7,906)	(66,265)
Disposals during the year	-	3,277	-	3,277
Transfers to assets held for sale	-	2,748	-	2,748
Restructuring related impairment	(481)	(7,118)	-	(7,599)
Effect of foreign currency exchange differences	-	(537)	-	(537)
Balance, December 31, 2013	(481)	(405,307)	(80,357)	(486,145)
Amortization for the year	-	(71,983)	(4,545)	(76,528)
Disposals during the year	-	6,553	-	6,553
Transfers to assets held for sale	-	139,315	65,777	205,092
Impairment	(3,842)	(136,239)	(10,260)	(150,341)
Effect of foreign currency exchange differences	-	(2,174)	-	(2,174)
Balance, December 31, 2014	**(4,323)**	**(469,835)**	**(29,385)**	**(503,543)**
Carrying amounts				
As at December 31, 2013	**14,196**	**930,235**	**67,490**	**1,011,921**
As at December 31, 2014	**3,769**	**765,794**	**34,461**	**804,024**

a) *Borrowing costs*

For the three months and year ended December 31, 2014, Newalta capitalized $0.5 million and $2.7 million respectively, (for the three months and year ended December 31, 2013 - $0.5 million and $2.8 million respectively) of borrowing costs to qualifying assets using a capitalization rate of 5.02% and 5.31% respectively (December 31, 2013 – 5.86% and 5.96% respectively).

b) *Impairment*

In the fourth quarter of 2014, Newalta entered into an agreement to sell its Industrial Division (Note 4). Newalta determined the upcoming sale, and refinement in business strategy constituted potential impairment triggers resulting in the need to assess other assets within continuing divisions for potential impairment. Newalta determined the carrying value of certain equipment would no longer be recoverable through future operations, resulting in an impairment of $17.4 million. The non-cash impairment is comprised of $11.9 million in the Oilfield segment, $4.4 million in the New Markets segment, and $1.1 million in Corporate assets (Note 24).

NOTE 7. PERMITS, INTANGIBLE ASSETS AND GOODWILL

Permits, intangible assets and good will consist of the following:

	Indefinite permits	Definite life permits/ rights	Total Intangibles	Goodwill
Cost				
Balance, December 31, 2012	53,037	11,656	64,693	102,615
Change during the year [1]	741	(514)	227	1,362
Transfers to assets held for sale	(120)	-	(120)	(60)
Balance, December 31, 2013	53,658	11,142	64,800	103,917
Change during the year [1]	-	519	519	(41)
Transfers to assets held for sale	(37,626)	(9,329)	(46,955)	-
Balance, December 31, 2014	**16,032**	**2,332**	**18,364**	**103,876**
Accumulated Amortization				
Balance, December 31, 2012	-	(6,079)	(6,079)	-
Amortization for the year	-	(732)	(732)	-
Amortization related to disposals	-	455	455	-
Restructuring related impairment	(5,849)	-	(5,849)	(7,750)
Balance, December 31, 2013	(5,849)	(6,356)	(12,205)	(7,750)
Amortization for the year	-	(349)	(349)	-
Transfers to assets held for sale	5,800	6,233	12,033	-
Impairment	(15,983)	(1,362)	(17,345)	(35,683)
Balance, December 31, 2014	**(16,032)**	**(1,834)**	**(17,866)**	**(43,433)**

Carrying amounts				
As at December 31, 2013	47,809	4,786	52,595	96,167
As at December 31, 2014	**-**	**498**	**498**	**60,443**

(1) Changes are comprised of additions and/or disposals in the year.

Intangibles have been allocated to the following CGUs:

	December 31, 2014 [(1)]	December 31, 2013
West Industrial	**-**	479
East Industrial	**-**	36,216
VSC	**-**	15,900
Oilfield	**498**	-
	498	52,595

(1) As a result of the West Industrial, East Industrial and VSC CGUs being classified as held for sale as discontinued operations at December 31, 2014, the Industrial operations were required to be measured at the lower of carrying amount and fair value less cost to sell. This resulted in intangible impairment of $17.3 million within the West Industrial, East Industrial and VSC CGUs (Note 4).

Goodwill has been allocated to the following CGUs:

	December 31, 2014 [(1)]	December 31, 2013
West Industrial	**-**	1,130
East Industrial	**-**	34,594
Oilfield	**57,624**	57,624
Heavy Oil	**2,819**	2,819
	60,443	96,167

(1) As a result of the West Industrial, East Industrial and VSC CGUs being classified as held for sale as discontinued operations at December 31, 2014, the Industrial operations were required to be measured at the lower of carrying amount and fair value less cost to sell. This resulted in goodwill impairment of $35.7 million which represented the total amount of goodwill contained within West Industrial and East Industrial CGUs (Note 4).

CGU impairment

In assessing goodwill and indefinite life intangible assets for impairment at December 31, 2014 and 2013, Newalta compared the aggregate recoverable amount of the assets included in CGUs to their respective carrying amounts. The expected Net Sale Proceeds were used as the basis for determining fair value less costs to sell for the Industrial Division.

Goodwill impairment of $35.7 million was recorded within the West Industrial and East Industrial CGUs as at December 31, 2014. There was no impairment recorded at the CGU level as at December 31, 2013.

For all CGUs outside the disposal group, the recoverable amount was determined based on the value in use of the CGUs, based on expected growth excluding future growth capital spending and associated revenues. There was no impairment recorded at the CGU level outside measurement to assets held for sale as at December 31, 2014 and 2013.

Key assumptions included the following:

Year ended December 31, 2014	Periods	Oilfield	Heavy Oil	U.S.
Weighted average growth rate	2019 and beyond	**2.9%**	**3.1%**	**3.6%**
Pre-tax discount rate	2015 and beyond	**14.1%**	**14.4%**	**12.4%**

Year ended December 31, 2013	Periods	Oilfield	Heavy Oil	U.S.
Weighted average growth rate	2018 and beyond	3.6%	3.1%	3.6%
Pre-tax discount rate	2014 and beyond	14.9%	15.8%	12.9%

In all CGUs, reasonably possible changes to key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

NOTE 8. OTHER LONG-TERM ASSETS

Other long-term assets consist of the following:

	December 31, 2014	December 31, 2013
Embedded derivative (Note 20)	**2,013**	17,050
Other long-term investments[1]	**6,940**	7,582
	8,953	24,632

(1) Included in other long-term investments is Newalta's 50% interest in TARM. Newalta's interest in TARM is accounted for under the equity method and these financial statements include Newalta's share of net earnings from the date that joint control commenced, based on the present 50% ownership interest in TARM. Newalta's share of earnings for the year ended December 31, 2014, as well as the assets and liabilities as at December 31, 2014, are not significant.

NOTE 9. SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts payable and accrued liabilities consist of the following:

	December 31, 2014	December 31, 2013
Accounts payable	**76,887**	106,615
Accrued liabilities	**72,111**	89,427
Deferred revenue	**13,554**	13,328
Short-term stock-based compensation	**7,078**	7,913
Onerous leases	**911**	-
	170,541	217,283

Other liabilities consist of the following:

	December 31, 2014	December 31, 2013
Long-term stock-based compensation	**1,973**	2,537
Onerous leases	**4,956**	-
	6,929	2,537

NOTE 10. SENIOR SECURED DEBT

	December 31, 2014	December 31, 2013
Senior secured debt	**183,104**	117,136

Effective July 15, 2014, Newalta exercised an accordion option within the existing Credit Facility (Credit Facility) to increase it from $250 million to $280 million. There were no other significant changes to the terms of the Credit Facility. Newalta may, at its option, request an extension of the Credit Facility on an annual basis. If no request to extend the Credit Facility is made by Newalta, the entire amount of the outstanding indebtedness would be due in full on July 12, 2016. All assets are pledged as security under the Credit Facility. The Credit Facility also requires Newalta to be in compliance with certain covenants. As at December 31, 2014 and 2013, Newalta was in compliance with all covenants (Note 16).

For the three months and year ended December 31, 2014, the weighted average interest rate on senior secured debt was 2.89% and 2.90%, respectively, (for the three months and year ended December 31, 2013 – 2.98% and 3.12% respectively).

NOTE 11. SENIOR UNSECURED DEBENTURES

The trust indenture under which the senior unsecured debentures were issued requires Newalta to be in compliance with certain covenants as at December 31 of each year. As at December 31, 2014 and 2013, Newalta was in compliance with all covenants (Note 16).

	December 31, 2014	December 31, 2013
Senior unsecured debentures series 1 (Note 20)	**-**	125,299
Net series 1 unamortized costs	**-**	(1,684)
Senior unsecured debentures series 2 (Note 20)	**125,228**	125,275
Net series 2 unamortized costs	**(1,593)**	(1,920)
Senior unsecured debentures series 3 (Note 20)	**150,000**	-
Net series 3 unamortized issue costs	**(2,798)**	-
Senior unsecured debentures	**270,837**	246,970

Series 1

On May 1, 2014, Newalta used the net proceeds from the series 3 unsecured debentures (series 3) to redeem all of the $125 million outstanding series 1, 7.625% senior unsecured debentures (series 1) maturing on November 23, 2017. The Corporation paid a redemption price of $129.8 million, plus $4.2 million in accrued and unpaid interest to redeem the series 1 debentures. The premium of $4.8 million between the redemption price and the carrying value of the debt was expensed as finance charges in the Consolidated Statements of Operations. The related unamortized financing charges of $1.5 million were also expensed upon redemption.

Series 2

On November 14, 2011, Newalta issued $125.0 million of 7.75% series 2 senior unsecured debentures (series 2) which mature on November 14, 2019. Interest is payable semi-annually in arrears on May 14 and November 14 in each year, commencing on May 14, 2012. The series 2 debentures rank equally with all other existing and future unsecured senior debt and is senior to any

subordinated debt that may be issued by Newalta or any of its subsidiaries. The series 2 debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

After November 14, 2015, the series 2 debentures are redeemable at the option of Newalta, in whole or in part, at redemption prices expressed as percentages of the principal amount, plus in each case accrued interest to the redemption date, if redeemed during the twelve month period beginning on November 14 of the years as follows: Year 2015 - 103.875%; Year 2016 – 101.938%; Year 2017 and thereafter – 100%.

If a change of control occurs, Newalta will be required to offer to purchase all or a portion of each debenture holder's series 2 debentures, at a purchase price in cash equal to 101% of the principal amount of the series 2 debentures offered for repurchase plus accrued interest to the date of purchase.

Series 3

On April 1, 2014, Newalta issued $150 million of 5.875% series 3 unsecured debentures which mature on April 1, 2021. Interest is payable semi-annually in arrears on April 1 and October 1 in each year, commencing in October 2014. The series 3 rank equally with all other existing and future unsecured senior debt and is senior to any subordinated debt that may be issued by Newalta or any of its subsidiaries. The series 3 debentures are effectively subordinate to all secured debt to the extent of collateral on such debt.

After April 1, 2017, the series 3 debentures are redeemable at the option of Newalta, in whole or in part, at redemption prices expressed as percentages of the principal amount, plus in each case accrued interest to the redemption date, if redeemed during the twelve month period beginning on April 1, 2017 of the years as follows: Year 2017 – 102.938%, Year 2018 – 101.958%, Year 2019 – 100.979%, Year 2020 and thereafter – 100%.

If a change of control occurs, Newalta will be required to offer to purchase all or a portion of each debenture holder's series 3 debentures, at a purchase price of 101% of the principal amount offered for repurchase plus accrued interest to the date of purchase.

NOTE 12. INCENTIVE PLANS

a) Option Plan

For the year ended December 31, 2014, the weighted average price of our Shares at the date of exercise of the options was $19.33 (for the year ended December 31, 2013 - $15.02).

A summary of the status of Newalta's option plan as of December 31, 2014 and December 31, 2013 and changes during the period are presented as follows:

	Option plan (000s)	Weighted average exercise price ($/share)
At December 31, 2012	3,696	11.30
Granted	965	15.57
Exercised	(826)	6.95
Forfeited	(695)	16.62
At December 31, 2013	3,140	12.58
Granted [1]	1,071	17.56
Exercised	(724)	9.68
Forfeited	(95)	15.62
At December 31, 2014 [2]	**3,392**	**14.69**
Exercisable		
At December 31, 2013	1,351	10.46
At December 31, 2014	1,498	12.66

(1) Each tranche of the options vest over a three year period (with a five year life).
(2) The fair value was calculated using the Black-Scholes method of valuation, using inputs applicable at the option's grant date.

Range of exercise prices ($/share)	Options outstanding December 31, 2014	Weighted average remaining life	Weighted average exercise price	Options exercisable December 31, 2014	Weighted average exercise price
8.07 – 14.00	1,413	1.4	12.00	1,173	11.86
14.01 – 20.42	1,979	3.6	16.61	325	15.53
	3,392	**2.7**	**14.69**	**1,498**	**12.66**

b) Share Appreciation Rights (SARs)

For the year ended December 31, 2014, the weighted average price of our Shares at the date of exercise of the SARs was $18.83 (for the year ended December 31, 2013 - $15.50).

Changes in the number of outstanding SARs were as follows:

	SARs (000s)	Weighted average exercise price ($/right)
At December 31, 2012	2,348	11.04
Granted	1,018	15.59
Exercised	(697)	8.41
Forfeited	(365)	14.76
At December 31, 2013	2,304	13.26
Granted [(1)]	1,004	17.23
Exercised	(778)	11.91
Forfeited	(277)	15.70
At December 31, 2014 [(2)]	**2,253**	**15.19**
Exercisable		
At December 31, 2013	722	10.95
At December 31, 2014	**680**	**12.89**

(1) Each tranche of the SARs vest over a three year period (with a five year life).
(2) The fair value was calculated using the Black-Scholes method of valuation, assuming 26.32% volatility (December 31, 2013 – 25.50%), a weighted average expected annual dividend yield of 2.69% (December 31, 2013 – 2.95%), a risk free rate of 1.00% (December 31, 2013 – 1.10%) and a 15% forfeiture rate (December 31, 2013 – 12%) by period.

Range of exercise prices ($/share)	SARs outstanding December 31, 2014	Weighted average remaining life	Weighted average exercise price	SARs exercisable December 31, 2014	Weighted average exercise price
8.07 – 12.62	509	1.5	11.87	359	11.56
12.63 – 19.56	1,744	3.5	16.16	321	14.37
	2,253	**3.0**	**15.19**	**680**	**12.89**

c) Share Unit Plans

Changes in the number of outstanding share units under our Deferred Share Unit and Performance Share Unit plans were as follows:

	Units (000s)
At December 31, 2012	232
Granted	65
Exercised	(111)
At December 31, 2013	186
Granted	75
Exercised	(80)
At December 31, 2014	**181**
Exercisable	
At December 31, 2013	-
At December 31, 2014	**-**

d) Stock-based Compensation Expense

The following table summarizes the stock-based compensation recorded for all plans within SG&A on the Consolidated Statements of Operations:

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Stock option plans – non-cash expense	**534**	1,310	**2,168**	3,214
SARs and share unit plans – cash expense	**1,140**	1,990	**5,450**	5,244
SARs and share unit plans – non-cash (recovery) expense	**(5,761)**	339	**(1,165)**	(668)
Total (recovery) expense – SARs and share unit plans	**(4,621)**	2,329	**4,285**	4,576
Total stock-based compensation (recovery) expense	**(4,087)**	3,639	**6,453**	7,790

e) Incentive Plan Liabilities

As at December 31, 2014, the total liability related to the Corporation's incentive plans was $9.1 million, with $7.1 million classified as current and $2.0 million classified as non-current (December 31, 2013 total incentive plan liabilities of $10.4 million, with $7.9 million classified as current and $2.5 million classified as non-current). The current liability associated with the Corporation's incentive plans is included in accounts payable and accrued liabilities on the Consolidated Balance Sheets. Non-current liability is recorded in other liabilities on the Consolidated Balance Sheets.

NOTE 13. INCOME TAX

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of Newalta's deferred income tax assets and liabilities are as follows:

	December 31, 2014	December 31, 2013
Deferred income tax liabilities:		
Property, plant and equipment	**(113,473)**	(130,955)
Goodwill and intangible assets	**(7,275)**	(16,966)
	(120,748)	(147,921)
Deferred income tax assets:		
Non-capital loss carry forwards and other credits	**38,004**	41,714
Decommissioning liabilities	**25,847**	15,835
Deferred revenue	**4,602**	3,473
Deferred expenses	**6,991**	4,567
Other comprehensive income	**268**	266
Other	**1,856**	1,420
	77,568	67,275
Net deferred income tax liability	**(43,180)**	(80,646)

Non-capital loss carry forwards of $73.9 million relating to Canadian operations and $72.7 million relating to U.S. operations. The losses relating to Canadian operations begin to expire in 2027 and losses relating to U.S. operations begin to expire in 2029.

The income tax expense differs from the amount computed by applying Canadian statutory rates to operating income for the following reasons:

	For the year ended December 31,	
	2014	2013
Consolidated earnings of Newalta Corporation before taxes and distributions to shareholders	**(9,404)**	29,571
Current statutory income tax rate	**25.74%**	25.75%
Computed tax expense at statutory rate	**(2,421)**	7,615
Increase (decrease) in taxes resulting from:		
Impact of changes in tax rates and income taxed at different rates	**948**	(587)
Loss (gain) on embedded derivatives	**3,782**	(782)
Stock-based compensation expense and non-deductible costs	**826**	621
Tax impact of changes in estimate for prior year tax pools	**110**	(1,460)
Other	**(277)**	(122)
Reported income tax expense	**2,968**	5,285

NOTE 14. RECONCILIATION OF DECOMMISSIONING LIABILITY

The future decommissioning liability was estimated by management based on anticipated costs to abandon and reclaim facilities and wells, and the projected timing of these expenditures. The net present value of this amount, $63.4 million (December 31, 2013 – $61.1 million) was accrued and recorded in decommissioning liability on the Consolidated Balance Sheets at December 31, 2014. The estimated future cost for decommissioning liability at December 31, 2014, was $630.4 million over an expected range up to 75 years. Newalta used risk free discount rates between 2.33% to 4.17% as at December 31, 2014 (December 31, 2013 – 3.20% to 6% (see footnote 1 below)) and an inflation rate of 2% (December 31, 2013 – 2%) to calculate the present value of the decommissioning liability. The reconciliation of estimated and actual expenditures for the period is provided below:

Decommissioning liability as at January 1, 2013	78,941
Actual expenditures incurred to fulfill obligations	(5,287)
Accretion	2,599
Change in discount rate	(15,154)
Decommissioning liability as at December 31, 2013	61,099
Additions [(1)]	22,623
Decommissioning liabilities held for sale [(2)] (Note 4)	(36,107)
Actual expenditures incurred to fulfill obligations	(4,856)
Accretion	2,716
Change in discount rate	17,979
Decommissioning liability as at December 31, 2014	**63,454**

(1) Additions is comprised of new liabilities in the year as well as changes in cost estimates.
(2) Included in decommissioning liabilities held for sale are estimated reclamation costs associated with Stoney Creek Landfill for which we used a discount rate of 6% (December 31, 2013 – 6%).

NOTE 15. SHAREHOLDERS' CAPITAL

Authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. The following table is a summary of the changes in shareholders' capital during the periods:

Common Shares	Shares (#)	Amount ($)
Shares outstanding as at January 1, 2013	54,263	394,048
Shares issued on exercise of options	704	10,634
Shares issued under dividend reinvestment plan	369	5,212
Shares outstanding as at December 31, 2013	55,336	409,894
Shares issued on exercise of options	385	7,449
Shares issued under dividend reinvestment plan	305	5,648
Shares outstanding as at December 31, 2014	**56,026**	**422,991**

Newalta's dividend reinvestment plan (DRIP) allows eligible shareholders to elect to reinvest their cash dividends in additional common shares at a 5% discount to average market price.

NOTE 16. CAPITAL DISCLOSURES

Newalta's capital structure consists of:

	December 31, 2014	December 31, 2013
Senior secured debt	**183,104**	117,136
Letters of credit issued as financial security to third parties (Note 19)[1]	**19,350**	15,488
Senior unsecured debentures[2]	**275,228**	250,574
Shareholders' equity	**522,906**	675,162
	1,000,588	1,058,360

(1) As at December 31, 2014, letters of credit for continuing and discontinued operations are $19.5 million ($16.2 million as at December 31, 2013).
(2) Excludes issue costs.

The objectives in managing the capital structure are to:

- Align our debt structure with our asset structure
- Utilize an appropriate amount of leverage to maximize return on shareholders' equity
- Provide for borrowing capacity and financial flexibility to support Newalta's operations

Management and the Board of Directors review and assess Newalta's capital structure and dividend policy at least at each regularly scheduled board meeting which are held at a minimum four times annually. The financial strategy may be adjusted based on the current outlook of the underlying business, the capital requirements to fund growth initiatives and the state of the debt and equity capital markets. In order to maintain or adjust the capital structure, Newalta may:

- Issue shares from treasury
- Issue new debt securities
- Cause the return of letters of credit with no additional financial security requirements
- Replace outstanding letters of credit with bonds or other types of financial security
- Amend, revise, renew or extend the terms of its then existing long-term debt facilities
- Draw on existing credit facility and/or enter into new agreements establishing new credit facilities
- Adjust the amount of dividends paid to shareholders
- Sell idle, redundant or non-core assets

Management monitors the capital structure based on covenants required pursuant to the Credit Facility.

Covenants[1] under our Credit Facility[2] include:

Ratio	December 31, 2014	December 31, 2013	Threshold
Senior secured debt [3] to EBITDA [4]	**1.16:1**	0.88:1	2.75:1 maximum
Total debt[5] to EBITDA [4]	**2.77:1**	2.54:1	4.00:1 maximum
Interest coverage	**4.85:1**	5.44:1	2.25:1 minimum

(1) Covenants are calculated based on continuing and discontinued operations.
(2) We are restricted from declaring dividends if we are in breach of any covenants under our credit facility.
(3) Senior secured debt means the total debt less the senior unsecured debentures.

(4) EBITDA is a non-IFRS measure, the closest measure of which is net earnings. For the purpose of calculating the covenant, EBITDA is defined as the trailing twelve months consolidated net income for Newalta before the deduction of interest, taxes, depreciation and amortization, non-cash items (such as non-cash stock-based compensation and gains or losses on asset dispositions) and non-recurring items up to $10 million per fiscal year. Additionally, EBITDA is normalized for any acquisitions or dispositions as if they had occurred at the beginning of the period.

(5) Total debt comprises: outstanding indebtedness under the credit facility, including our bank surplus, to a maximum $10 million, or overdraft balance; and the senior unsecured debentures.

The trust indenture under which the senior unsecured debentures were issued also contains certain annual restrictions and covenants that, subject to certain exceptions, limit our ability to incur additional indebtedness, pay dividends, make certain loans or investments and sell or otherwise dispose of certain assets subject to certain conditions, among other limitations.

Covenants[1] under the trust indenture include:

Ratio	**December 31, 2014**	December 31, 2013	Threshold
Senior Secured Debt including Letters of Credit	**202,624**	133,366	$25,000 + the greater of $220,000 and 1.75x EBITDA
Cumulative Finance Lease Obligations	**nil**	nil	$25,000 maximum
Consolidated Fixed Charge Coverage	**4.79:1**	5.20:1	2.00:1 minimum
Period End Surplus for Restricted Payments[2]	**132,622**	121,385	Restricted payments cannot exceed surplus

(1) Covenants are calculated based on continuing and discontinued operations.

(2) We are restricted from declaring dividends, purchasing and redeeming Shares or making certain investments if the total of such amounts exceeds the period end surplus for such restricted payments.

NOTE 17. EARNINGS PER SHARE

Basic earnings per share calculations for the years ended December 31, 2014 and 2013 were based on the weighted average number of shares outstanding for the respective years. Diluted earnings per share include the potential dilution of outstanding options under incentive plans to acquire shares.

The calculation of diluted earnings per share does not include anti-dilutive options. These options would not be exercised during the period because their exercise price is higher than the average market price for the period. The inclusion of these options would cause the diluted earnings per share to be overstated. The number of excluded options for the year ended December 31, 2014 was 140,000 (952,500 for the year ended December 31, 2013).

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Net (loss) earnings from continuing operations	**(17,877)**	2,279	**(12,372)**	24,286
Net (loss) from discontinued operations	**(139,686)**	(12,601)	**(130,301)**	(2,346)
Net (loss) earnings for the year	**(157,563)**	(10,322)	**(142,673)**	21,940
Weighted average number of shares	**56,003**	55,205	**55,802**	54,938
Net additional shares if options exercised	**726**	551	**837**	577
Diluted weighted average number of shares	**56,729**	55,756	**56,639**	55,515

NOTE 18. DIVIDENDS DECLARED

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Total dividends declared per share	**0.125**	0.11	**0.485**	0.43

On December 15, 2014 Newalta declared a dividend of $0.125 per share to all shareholders of record on December 31, 2014. This dividend was paid on January 15, 2015.

NOTE 19. COMMITMENTS

a) Debt and Lease Commitments

Newalta has annual commitments for senior long-term debt, senior unsecured debentures, and leased property and equipment as follows:

	2015	2016	2017	2018	2019	Thereafter	**Total**
Amount drawn on credit facility[(1)] (Note 10)	-	183,104	-	-	-	-	**183,104**
Senior unsecured debentures	18,500	18,500	18,500	18,500	142,253	160,985	**377,238**
Total debt commitments	18,500	201,604	18,500	18,500	142,253	160,985	**560,342**
Office leases	10,868	10,751	10,182	9,412	7,959	9,883	**59,055**
Operating leases	2,246	1,391	785	436	90	-	**4,948**
Surface leases	441	441	441	441	441	-	**2,205**
Purchase commitments	8,912	3,122	-	-	-	-	**12,034**
Total debt and other commitments	**40,967**	**217,309**	**29,908**	**28,789**	**150,743**	**170,868**	**638,584**

(1) *Gross of transaction costs. Interest payments are not reflected.*

b) Enertech Partnership Agreement

Newalta has contributed a total of $2.3 million to the Enertech Partnership Agreement since the inception of the agreement in 2013. Newalta is contingently committed to capital contributions up to a maximum of $7.0 million over the 10 year investment period. The investment is classified as held-for-trading and is recorded in other long-term assets.

c) Letters of Credit and Surety Bonds

As at December 31, 2014, Newalta had issued letters of credit and surety bonds in the amount of $19.4 million and $13.0 million, respectively ($15.5 million and $6.9 million as at December 31, 2013).

NOTE 20. FINANCIAL INSTRUMENTS

Fair Value of Financial Assets and Liabilities

Newalta's financial instruments include cash, bank indebtedness, accounts and other receivables, other long-term assets, accounts payable and accrued liabilities, dividends payable, senior secured debt and senior unsecured debentures. The fair values of Newalta's financial instruments that are included in the Consolidated Balance Sheets, with the exception of the senior unsecured debentures, approximate their recorded amount due to the short-term nature of those instruments for cash, bank indebtedness, accounts and other receivables, accounts payable and accrued liabilities, dividends payable and senior secured debt, due to the floating nature of the interest rate applicable to these instruments. The fair values incorporate an assessment of credit risk. The carrying values of Newalta's financial instruments at December 31, 2014 are as follows:

	FVTPL	Loans and receivables	Other liabilities	**Total carrying value**
Accounts and other receivables	-	104,945	-	**104,945**
Embedded derivative[1]	2,013	-	-	**2,013**
Held-for-trading investment[1]	2,299	-	-	**2,299**
Accounts payable and accrued liabilities	-	-	170,541	**170,541**
Dividends payable	-	-	7,003	**7,003**
Senior secured debt[1]	-	-	183,104	**183,104**

(1) Assessed as Level 2.

All carrying values in the above table are equal to fair value, with the exception of embedded derivatives as noted below.

The fair value of the unsecured senior debentures is based on open market quotation as follows:

As at December 31, 2014	**Carrying value**	**Quoted fair value**
7.75% series 2 senior unsecured debentures due November 14, 2019	**125,228**	**128,750**
5.875% series 3 senior unsecured debentures due April 1, 2021	**150,000**	**145,125**

Embedded derivatives

The senior unsecured debentures have early redemption features at values based on percentages of the principal amount plus accrued and unpaid interest. Due to the redemption rates being fixed, an embedded derivative exists when compared to current market rates. Newalta estimates the fair value of the embedded derivatives using a valuation model that considers the current bond prices and spreads associated with the senior unsecured debentures.

i. Series 1

Newalta recognized a gain on the series 1 debentures of $3.4 million in the first quarter of 2014. During the second quarter, Newalta redeemed all of its series 1 debentures outstanding. Upon redemption, the fair value of the embedded derivative

related to these debentures was extinguished and a non-recurring loss of $17.5 million was recognized within embedded derivative loss on the Consolidated Statements of Operations.

ii. Series 2

Newalta recognized losses on the series 2 debentures of $3.1 million and $0.6 million for the three and twelve months ended December 31, 2014, respectively (gains of $0.7 million and $0.2 million for the three and twelve months ended December 31, 2013, respectively) and determined the fair value of the embedded derivative for the series 2 debentures to be $2.0 million as at December 31, 2014. A corresponding embedded derivative asset is included within other long-term assets on the Consolidated Balance Sheets. Subsequent changes in fair value will be included in finance charges on the Consolidated Statements of Operations.

Offsetting financial instruments

Certain waste processing revenue sources entitle customers to credits on the sale of recovered products. The following table presents the recognized financial instruments that are offset as at December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Gross trade receivables	**102,304**	139,088
Gross liabilities offset	**(14,604)**	(18,538)
Net trade receivables	**87,700**	120,550

Credit risk and economic dependence

Newalta is subject to credit risk on its trade accounts receivable balances. No single customer exceeded 10% of total accounts receivable at December 31, 2014 and December 31, 2013. Newalta views the credit risks on these amounts as normal for the industry. Credit risk is minimized by Newalta's broad customer base and diverse product lines, and is mitigated by the ongoing assessment of the credit worthiness of its customers as well as monitoring the amount and age of balances outstanding. Newalta's assessment of credit risk has remained unchanged from the prior year.

For the years ended December 31, 2014 and 2013, no customer accounted for more than 10% of total revenues.

Based on the nature of operations, established collection history and industry norms, receivables are not considered past due until 90 days after invoice date, although standard payment terms require payment within 30 to 90 days. Depending on the nature of the service and/or product, customers may be provided with extended payment terms while Newalta gathers certain processing or disposal data. Included in the Corporation's trade receivable balance, are receivables totalling $3.9 million (December 31, 2013 – $5.7 million), which are considered to be outstanding beyond normal repayment terms at December 31, 2014. A provision of $0.3 million (December 31, 2013 - $1.1 million) has been established as an allowance for doubtful accounts. No additional provision has been made as there has not been a significant change in credit quality and the amounts are still considered collectible. Newalta does not hold any collateral over these balances but may hold credit insurance for specific non-domestic customer accounts. Total accounts receivable of $104.9 million is comprised of $87.7 million of trade receivables, accrued receivables of $10.5 million and other receivables of $6.7 million.

Aging	Trade receivables aged by invoice date		Allowance for doubtful accounts		Net receivables	
	Dec 31, 2014	Dec 31, 2013	**Dec 31, 2014**	Dec 31, 2013	**Dec 31, 2014[(1)]**	Dec 31, 2013
Current	**70,627**	88,008	**27**	5	**70,600**	88,003
31-60 days	**9,574**	21,301	**21**	2	**9,553**	21,299
61-90 days	**3,579**	5,565	**41**	54	**3,538**	5,511
91 days +	**3,920**	5,676	**196**	1,035	**3,724**	4,641
Total	**87,700**	120,550	**285**	1,096	**87,415**	119,454

(1) Net receivables of $52.0 million were reclassified to assets held for sale at December 31, 2014.

To determine the recoverability of a trade receivable, management analyzes accounts receivable, first identifying customer groups that represent minimal risk (large oil and gas and other low risk large companies, governments and municipalities). Impairment of the remaining accounts is determined by identifying specific accounts that are at risk, and then by applying a formula based on aging to the remaining amounts receivable. All amounts identified as at risk are provided for in an allowance for doubtful accounts. The changes in this account for the years ended December 31, 2014 and 2013 are as follows:

Allowance for doubtful accounts	**December 31, 2014**	December 31, 2013
Balance, beginning of year	**1,096**	480
Net increase in provision	**162**	784
Net amounts recovered (written off as uncollectible)	**(418)**	(168)
Transfers to assets held for sale	**(555)**	-
Balance, end of year	**285**	1,096

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short-, medium- and long-term funding and liquidity management requirements. Management mitigates liquidity risk by maintaining adequate reserves, banking facilities and other borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. Newalta's assessment of liquidity risk has remained unchanged from the prior year.

Interest rate risk

Newalta is exposed to interest rate risk to the extent that its Credit Facility has a variable interest rate. Management does not enter into any derivative contracts to manage the exposure to variable interest rates. The senior unsecured debentures have fixed interest rates until their maturity dates, at which point, any remaining amounts owing under these debentures will need to be repaid or refinanced. Newalta's assessment of interest rate risk has remained unchanged from the prior year. The table below provides an interest rate sensitivity analysis to net earnings as at period end:

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
If interest rates increased by 1% with all other values held constant	**(388)**	(280)	**(1,421)**	(1,081)

Market risk

Market risk is the risk that the fair value or future cash flows of Newalta's financial instruments will fluctuate because of changes in market prices. Newalta is exposed to foreign exchange market risk. Foreign exchange risk refers to the risk that the value of a financial commitment, recognized asset or liability will fluctuate due to changes in foreign currency exchange rates. The risk arises primarily from U.S. dollar denominated long-term debt and working capital. As at December 31, 2014, Newalta had $51.3 million in net working capital from continuing and discontinued operations (excluding long-term assets and liabilities classified as held for sale) and $49.0 million (within continuing operations) in long-term debt both denominated in U.S. dollars. Management has not entered into any financial derivatives to manage the risk for the foreign currency exposure as at December 31, 2014. Newalta's assessment of market risk has remained unchanged from the prior year.

The table below provides a foreign currency sensitivity analysis to net earnings on long-term debt and working capital outstanding as at period end:

	December 31, 2014	December 31, 2013
If the value of the U.S. dollar in relation to the CDN dollar increased by $0.01 with all other variables held constant	**23**	5

NOTE 21. FINANCE CHARGES

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Interest:				
Senior secured debt	**1,614**	1,354	**5,943**	5,359
Senior unsecured debentures	**4,625**	4,805	**19,474**	19,219
Other	**325**	438	**1,463**	1,173
Debenture call premium	**-**	-	**4,766**	-
Amortization of issue costs	**399**	359	**3,044**	1,376
Accretion	**324**	348	**1,412**	1,361
Capitalized interest	**(534)**	(520)	**(2,698)**	(2,798)
Finance charges	**6,753**	6,784	**33,404**	25,690

NOTE 22. RELATED PARTIES

Significant subsidiaries

The Financial Statements include the financial statements of Newalta and our wholly owned subsidiaries as at December 31, 2014 and 2013. Transactions between each subsidiary and the subsidiaries and parent are eliminated on consolidation. Newalta did not have any material related party transactions with entities outside the consolidated group in the years ended December 31, 2014 and 2013. The following is a list of the major subsidiary and related party of our operations:

			Ownership interest	
		Country of Incorporation	**2014**	2013
Newalta Environmental Services Inc.	Subsidiary	United States	**100%**	100%
TerraAqua Resource Management LLC	Joint venture	United States	**50%**	50%

Key Management Personnel

Key management personnel are comprised of Newalta's Board of Directors and Executive Committee. The remuneration of key management personnel during the year was as follows:

	For the year ended December 31,	
	2014	2013
Short term benefits	**6,604**	4,359
Stock-based payments(1)	**1,376**	2,103
Termination benefits	**-**	997
Total remuneration	**7,980**	7,459

(1) Prior year stock-based payments has been restated.

NOTE 23. CASH FLOW STATEMENT SUPPLEMENTAL INFORMATION

Changes in non-cash working capital is comprised of:

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Source (use) of cash:				
Accounts and other receivables	**6,635**	8,508	**(17,266)**	(1,046)
Prepaid expenses and other assets	**(1,742)**	(718)	**1,824**	(3,567)
Inventories	**1,218**	638	**1,216**	(1,482)
Accounts payable and accrued liabilities	**47,842**	34,796	**23,506**	44,549
Changes in non-cash working capital	**53,953**	43,224	**9,280**	38,454
Relating to operating activities	**21,154**	11,207	**505**	18,586
Relating to investing activities	**32,799**	32,017	**8,775**	19,868

NOTE 24. SEGMENTED INFORMATION

Newalta's reportable segments are distinct strategic business units whose operating results are regularly reviewed by the Corporation's executive officers in order to assess financial performance and make resource allocation decisions. The reportable segments have separate operating management and operate in distinct competitive and regulatory environments.

- The New Markets segment includes mobilization of equipment and staff to process waste at our customer sites, the processing of oilfield-generated wastes including treatment, water disposal, landfilling, and the sale of recovered crude oil; site remediation, centrifugation, dredging and dewatering, and the supply and operation of drill site processing equipment, including solids control and drill cuttings management.
- The Oilfield segment includes the processing of oilfield-generated wastes including treatment and disposal, water disposal, clean oil terminalling, custom treating, the sale of recovered crude oil and the supply and operation of drill site processing equipment, including solids control and drill cuttings management.
- Discontinued operations reflects the Industrial segment. This segment includes oil recycling services, lead battery recycling, landfilling of non-hazardous solid waste and the processing of industrial wastes including collection, treatment and disposal.

	As at and for the three months ended December 31, 2014					
	New Markets	Oilfield	Corporate and other	Total continuing operations	Discontinued operations (Industrial)	Total
Revenue	82,132	50,996	-	133,128	95,960	229,088
Cost of sales[1]	62,389	33,441	-	95,830	87,042	182,872
Gross profit	19,743	17,555	-	37,298	8,918	46,216
Selling, general and administrative[2]	-	-	23,271	23,271	4,017	27,288
Impairment	6,369	11,908	1,125	19,402	185,812	205,214
Restructuring and other related costs	-	-	6,449	6,449	1,685	8,134
Net financing charges	-	-	9,803	9,803	493	10,296
Earnings (loss) before taxes	13,374	5,647	(40,648)	(21,627)	(183,089)	(204,716)
Property, plant and equipment expenditures[3]	42,860	27,117	8,024	78,001	6,904	84,905
Goodwill	2,819	57,624	-	60,443	-	60,443
Total assets	438,482	447,020	114,321	999,823	365,262	1,365,085
Total liabilities	162,190	95,758	487,100	745,048	97,131	842,179

	As at and for the three months ended December 31, 2013					
	New Markets	Oilfield	Corporate and other	Total continuing operations	Discontinued operations (Industrial)	Total
Revenue	62,531	47,480	-	110,011	93,788	203,799
Cost of sales[(1) (4)]	44,932	30,532	-	75,464	82,240	157,704
Gross profit	17,599	16,948	-	34,547	11,548	46,095
Selling, general and administrative[(2)]	-	-	28,195	28,195	5,851	34,046
Restructuring related impairment	-	-	-	-	21,198	21,198
Net financing charges	-	-	3,378	3,378	485	3,863
Earnings (loss) before taxes	17,599	16,948	(31,573)	2,974	(15,986)	(13,012)
Property, plant and equipment expenditures[(3)]	36,908	21,692	6,340	64,940	7,278	72,218
Goodwill	2,819	57,624	-	60,443	35,724	96,167
Total assets (restated) [(5)]	347,592	410,040	127,691	885,323	522,918	1,408,241
Total liabilities (restated) [(5)]	145,471	83,266	411,851	640,588	92,491	733,079

(1) Cost of sales includes amortization of $18,620 for 2014 (New Markets $8,763, Oilfield $4,793 and discontinued operations $5,064) and $12,711 for 2013 (New Markets $5,629, Oilfield $3,344 and discontinued operations $3,738).

(2) Selling, general and administrative includes amortization of $7,258 for 2014 (continuing operations $6,696 and discontinued operations $562) and $3,973 for 2013 (continuing operations $3,435 and discontinued operations $538).

(3) Includes property, plant and equipment expenditures gross of disposals, decommissioning discount rate changes and foreign currency exchange differences.

(4) For comparative purposes, cost of sales for the three months ended December 31, 2014 was restated for a classification of $93 from Oilfield to New Markets, reflecting a change in reporting structure.

(5) For comparative purposes, total assets and liabilities as at December 31, 2013 were restated for a reclassification from Corporate and other to the other segments.

	As at and for the year ended December 31, 2014					
	New Markets	Oilfield	Corporate and other	Total continuing operations	Discontinued operations (Industrial)	Total
Revenue	289,008	206,323	-	495,331	363,082	858,413
Cost of sales[(1)]	205,480	127,665	-	333,145	319,043	652,188
Gross profit	83,528	78,658	-	162,186	44,039	206,225
Selling, general and administrative[(2)]	-	-	97,118	97,118	18,029	115,147
Impairment	6,369	11,908	1,125	19,402	185,812	205,214
Restructuring and other related costs	-	-	6,975	6,975	8,556	15,531
Net financing charges	-	-	48,095	48,095	1,757	49,852
Earnings (loss) before taxes	77,159	66,750	(153,313)	(9,404)	(170,115)	(179,519)
Property, plant and equipment expenditures[(3)]	94,423	56,701	20,660	171,784	20,616	192,400
Goodwill	2,819	57,624	-	60,443	-	60,443
Total assets	438,482	447,020	114,321	999,823	365,262	1,365,085
Total liabilities	162,190	95,758	487,100	745,048	97,131	842,179

	As at and for the year ended December 31, 2013					
	New Markets	Oilfield	Corporate and other	Total continuing operations	Discontinued operations (Industrial)	Total
Revenue	227,572	184,607	-	412,179	371,217	783,396
Cost of sales[(1) (4)]	154,057	113,243	-	267,300	327,558	594,858
Gross profit	73,515	71,364	-	144,879	43,659	188,538
Selling, general and administrative[(2)]	-	-	92,654	92,654	22,311	114,965
Restructuring related impairment	-	-	-	-	21,198	21,198
Net financing charges	-	-	22,654	22,654	1,827	24,481
Earnings (loss) before taxes	73,515	71,364	(115,308)	29,571	(1,677)	27,894
Property, plant and equipment expenditures[(3)]	78,702	46,552	22,605	147,859	23,281	171,140
Goodwill	2,819	57,624	-	60,443	35,724	96,167
Total assets (restated)[(5)]	347,592	410,040	127,691	885,323	522,918	1,408,241
Total liabilities (restated)[(5)]	145,471	83,266	411,851	640,588	92,491	733,079

(1) Cost of sales includes amortization of $59,717 for 2014 (New Markets $25,378, Oilfield $15,394 and discontinued operations $18,945) and $52,259 for 2013 (New Markets $18,200, Oilfield $12,409 and discontinued operations $21,650).

(2) Selling, general and administrative includes amortization of $18,564 for 2014 (continuing operations $16,637 and discontinued operations $1,927) and $14,738 for 2013 (continuing operations $12,840 and discontinued operations $1,898).

(3) Includes property, plant and equipment expenditures gross of disposals, decommissioning discount rate changes and foreign currency exchange differences.

(4) For comparative purposes, cost of sales for the twelve months ended December 31, 2014 was restated for a classification of $1,651 from Oilfield to New Markets, reflecting a change in reporting structure.

(5) For comparative purposes, total assets and liabilities as at December 31, 2013 were restated for a reclassification from Corporate and other to the other segments.

Geographic information

Canada and the U.S. represent two distinct geographic areas in which all of Newalta's operations occur.

	For the three months ended December 31,		For the year ended December 31,	
	2014	2013	**2014**	2013
Revenue by location of services:				
Canada	**107,683**	95,746	**409,608**	352,471
U.S.	**25,445**	14,265	**85,723**	59,708
Total	**133,128**	110,011	**495,331**	412,179

	December 31, 2014	December 31, 2013
Non-current assets[(1)]:		
Canada	**745,902**	1,069,168
U.S.	**119,063**	91,515
Total	**864,965**	1,160,683

(1) Non-current assets are comprised of property, plant and equipment, intangible assets, and goodwill.

NOTE 25. SUBSEQUENT EVENTS

In the first quarter of 2015, Newalta announced a number of cost reduction and rationalization initiatives to maximize business efficiencies, post Industrial divestiture, with a view to improve productivity and profitability within the remaining operating segments, as well as align the business with market conditions in 2015.