Consolidated Financial Statements of

BENEV CAPITAL INC.

Years ended December 31, 2013 and 2012

BENEV CAPITAL INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 68,999,809	$ 63,856,221
Restricted cash (note 4)	12,042	513,052
Amounts receivable (notes 5 and 9)	392,598	1,645,903
Deferred costs	-	40,224
Prepaid expenses and other	137,340	488,780
	69,541,789	66,544,180
Property, plant and equipment (note 6)	-	7,243,868
Assets under finance lease (note 7)	-	186,534
	$ 69,541,789	$ 73,974,582
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 407,074	$ 1,974,460
Current tax liabilities	57,881	144,134
Provisions (note 9)	615,112	125,974
Current portion of long-term liability (note10)	79,000	79,000
Current portion of finance lease obligations	-	32,642
	1,159,067	2,356,210
Long-term liability (note 10)	574,057	658,881
Shareholders' equity:		
Share capital (note 11)	97,155,660	96,969,879
Contributed surplus (note 12)	8,664,249	8,414,394
Accumulated deficit	(38,011,244)	(34,424,782)
Total equity	67,808,665	70,959,491
	$ 69,541,789	$ 73,974,582

Contingencies (note 9)
Subsequent events (notes 9(c), 17, 21 and 25)

On behalf of the Board:

"Lawrence Haber" — Lawrence Haber, Director

"James Farrar" — James Farrar, Director

See accompanying notes to consolidated financial statements.

BENEV CAPITAL INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income
(Expressed in Canadian dollars)
For the years ended December 31

	2013	2012
Sales (note 14)	$ -	$ 28,298,586
Expenses:		
Operating costs (note 15)	466,718	13,394,457
Administration and business development (note 16)	3,464,239	4,797,498
Amortization	140,847	805,823
Impairment loss (notes 6 and 17)	36,439	1,224,005
Loss on disposal of assets held for sale and related restructuring costs (note 18)	559,674	57,334
	4,667,917	20,279,117
Operating (loss) income	(4,667,917)	8,019,469
Finance income (note 19)	1,000,983	1,192,436
Finance costs (note 19)	(15,028)	(83,708)
Net finance income	985,955	1,108,728
(Loss) income before income taxes	(3,681,962)	9,128,197
Income taxes recovery (note 20)		
Current	95,500	172,000
Net (loss) income for the period, being comprehensive (loss) income	$ (3,586,462)	$ 9,300,197
(Loss) earnings per share (note 13)		
Basic (loss) earnings per share	$ (0.09)	$ 0.24
Diluted (loss) earnings per share	(0.09)	0.24

See accompanying notes to consolidated financial statements.

BENEV CAPITAL INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
For the years ended December 31

	Share capital	Contributed surplus	Share purchase warrants	Accumulated deficit	Total equity
Balance at December 31, 2011	$ 96,969,879	$ 4,873,827	$ 2,721,131	$ (43,724,979)	$ 60,839,858
Comprehensive income for the period	-	-	-	9,300,197	9,300,197
Share-based compensation (note 12)	-	819,436	-	-	819,436
Expiry of share purchase warrants	-	2,721,131	(2,721,131)	-	-
Balance at December 31, 2012	96,969,879	8,414,394	-	(34,424,782)	70,959,491
Comprehensive loss for the period	-	-	-	(3,586,462)	(3,586,462)
Share-based compensation (note 12)	-	413,236	-	-	413,236
Shares options exercised	185,781	(163,381)	-	-	22,400
Balance at December 31, 2013	$ 97,155,660	$ 8,664,249	$ -	$ (38,011,244)	$ 67,808,665

See accompanying notes to consolidated financial statements.

BENEV CAPITAL INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31

	2013	2012
Cash flows provided by (used in) operating activities:		
Net (loss) income for the period	$ (3,586,462)	$ 9,300,197
Adjustments for:		
Amortization	140,847	805,823
Impairment loss	36,439	1,224,005
Unwinding of discount on provision	(5,824)	6,688
Share-based compensation	413,236	819,436
Income tax recovery	(95,500)	(172,000)
Loss on disposal of assets held for sale (note 18)	302,174	57,334
Gain on sale of property, plant and equipment	-	(2,311)
Changes in non-cash working capital items:		
Amounts receivable	1,253,305	(1,553,880)
Prepaid expenses and other	351,440	(114,737)
Deferred costs	40,224	3,122,785
Accounts payable and accrued liabilities	(1,656,293)	502,756
Provisions	489,138	(13,577)
Deferred revenue	-	(9,438,669)
Current tax liabilities	9,247	(16,866)
Repayment of long-term liability	(79,000)	(79,000)
Net cash (used in) provided by operating activities	(2,387,029)	4,447,984
Cash flows from investing activities:		
Net proceeds on disposal of assets held for sale (note 18)	7,062,949	-
Acquisition of property, plant and equipment	(23,100)	(221,360)
Change in restricted cash	501,010	1,002,053
Proceeds from sale of property, plant and equipment	-	29,307
Net cash provided by investing activities	7,540,859	810,000
Cash flows from financing activities:		
Proceeds from exercise of share options	22,400	-
Payment of finance lease liabilities	(32,642)	(122,565)
Net cash used in financing activities	(10,242)	(122,565)
Net increase in cash and cash equivalents	5,143,588	5,135,419
Cash and cash equivalents at beginning of period	63,856,221	58,720,802
Cash and cash equivalents at end of period	$ 68,999,809	$ 63,856,221

See accompanying notes to consolidated financial statements.

On June 22, 2012, the shareholders of the Company approved a change of the company's name from Bennett Environmental Inc. to BENEV Capital Inc. ("BCI"). On June 28, 2012, the Articles of Amendment giving effect to this name change were filed and made effective. BCI is a company domiciled in Canada and was incorporated on July 29, 1992 under the Canada Business Corporation Act. The consolidated financial statements of BCI as at and for the year ended December 31, 2013 are composed of BCI and its subsidiaries (together referred to as the "Company").

1. Nature of operations:

On May 31, 2013 the Company completed the sale of its Saint Ambroise plant to 8439117 Canada Inc., a company controlled by the plant's manager. The Saint Ambroise plant was the Company's sole operating facility and has been responsible for all of the Company's sales and a substantial portion of its expenses for the past four years. As a result of the sale, all of the sales and operating costs and substantially all of the amortization and some administrative and business development costs will not be recurring going forward.

As at December 31, 2013 the Company has sufficient cash available to fund its operating needs for the foreseeable future.

2. Basis of preparation:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2014.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value; and
- certain classes of property, plant and equipment as at the date of transition to IFRS were measured at fair value as the deemed cost.

2. Basis of compliance (continued):

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented is in Canadian dollars.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 3(d) – property, plant and equipment
Note 3(k) – revenue recognition
Note 17 – impairment loss

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(i) – share-based payment transactions
Note 3(j) – provisions
Note 3(n) – utilization of tax losses
Note 17 – impairment loss

3. Significant accounting policies:

The accounting policies have been applied consistently by the Company's entities.

(a) Basis of consolidation

(i) Business combinations

For acquisitions of a business, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from the Company transactions between subsidiaries, are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued):

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. All foreign exchange gains and losses are recognized in profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held for trading and available-for-sale financial assets.

3. Significant accounting policies (continued):

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company has the following item classified as loans and receivables: amounts receivable.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has no available-for-sale financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

3. Significant accounting policies (continued):

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: finance lease obligations, long-term liability and accounts payable and accrued liabilities.

(iii) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is classified as treasury shares and is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

3. Significant accounting policies (continued):

(d) Property, plant and equipment

(i) Recognition and measurement

Building and land improvements, kilns and refractory, mobile and treatment equipment and assets under finance lease are measured at the deemed cost less accumulated amortization and accumulated impairment losses. The remaining items and additions to property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within finance income or finance costs in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is expensed. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3. Significant accounting policies (continued):

(iii) Amortization

Amortization is based on the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss over the estimated useful lives of each part of an item of property, plant and equipment. Amortization is provided using the following methods and annual rates since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Asset	Basis	Rate
Automobiles	Declining balance	30%
Buildings and land improvements	Straight line	1 to 52 years
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Kilns and refractory	Straight line	6 to 11 years
Mobile and treatment equipment	Straight line	1 to 18 years
Software	Declining balance	100%

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Leased assets are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not amortized.

(e) Intangible assets

Research and development

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

3. Significant accounting policies (continued):

(f) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

3. Significant accounting policies (continued):

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the financial asset (including receivables). Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets on a pro rata basis.

3. Significant accounting policies (continued):

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(h) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss is allocated to remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(i) Employee benefits

(i) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Significant accounting policies (continued):

(ii) Tenure benefits

The Company records a liability at the present value of the benefits expected to be paid under the agreement for the tenure agreement with the founder of the Company. A risk-free rate that reflects the risk specific to the liability has been used at the date of measurement.

(iii) Share-based payment transactions

The Company accounts for all stock-based payments to employees and non-employees using the fair value based method of accounting. The Company measures the compensation cost of stock-based option awards to employees at the grant date using the Black-Scholes option pricing model to determine the fair value of the options. The compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options. Forfeitures are estimated and are adjusted if actual forfeitures differ from the original estimate unless forfeitures are due to market-based vesting conditions. When the equity-settled stock options are exercised, capital stock is increased by the sum of the consideration paid and the carrying value of the stock options recorded to contributed surplus.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a legal or constructive present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Revenue

The Company provided highly specialized treatment of contaminated materials. In some cases, the Company was also engaged to remove and transport the contaminated materials to its facilities for processing and disposal. Revenue in the course of ordinary activities was measured at the fair value of the consideration received or receivable. The Company recognized revenue for these activities when persuasive evidence exists that all of the following criteria were met:

3. Significant accounting policies (continued):

(i) amount of revenue can be reliably measured;

(ii) remediation activities are completed for each batch of material or waste stream being treated;

(iii) the Company has confirmed that the contaminants have been destroyed in accordance with the contract terms;

(iv) collection is reasonably assured; and

(v) costs incurred can be reliably measured.

For those contracts whereby the Company was engaged to transport the contaminated material from the customer's site to the Company's facilities, the transportation costs incurred were deferred until the materials were treated and the Company determined that the contaminants were destroyed in accordance with the contract terms. Transportation costs are reimbursable under the terms of the contract.

All other processing costs are expensed as incurred.

(l) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

3. Significant accounting policies (continued):

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on the disposal of property, plant and equipment. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, losses on the disposal of property, plant and equipment, and impairment losses recognized on financial assets.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Unwinding of the discount on financial liabilities are reported on a net basis as either finance income or finance costs depending on whether the net discount on the financial liabilities are in a net gain or net loss position.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees and warrants.

(p) Deferred costs:

Deferred costs related to costs incurred to load and ship contaminated materials to the treatment facility and other treatment costs for materials, for which treatment was not complete. Amounts were reimbursable under the contract. Accordingly, these amounts were expensed when the treatment of the related materials was completed.

3. Significant accounting policies (continued):

(q) Newly adopted standards:

Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities:

In December 2011, the International Accounting Standards Board ("IASB") amended IFRS 7, Financial Instruments: Disclosures and added additional disclosure requirements for offsetting financial assets and financial liabilities in accordance with IAS 32 Financial Instruments: Presentation. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of the amendments to IFRS 7 did not have a material impact on the financial statements.

IFRS 10 – Consolidation of Financial Statements and Interest in Other Entities:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Standing Interpretations Committee ("SIC") Interpretation 12 Consolidation - Special Purpose Entities. IFRS 10 defines the principle of control, establishes control as the basis for determining when entities are to be consolidated, and provides guidance on how to apply the principle of control to identify whether an investor controls an investee. Adoption of IFRS 10 did not have a material impact on the financial statements.

IFRS 13 Fair Value Measurement:

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as outlined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs, other than quoted market prices, that are observable either directly (i.e. observed prices) or indirectly (i.e. derived from prices or markets).

(Expressed in Canadian dollars)

3. Significant accounting policies (continued):

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any changes to the valuation techniques used by the Company to measure fair value or any measurement adjustments as at January 1, 2013. The additional disclosures required by IFRS 13 are included in note 23.

Amendments to IAS 19 - Employee Benefits:

The IASB published an amended version of IAS 19 Employee Benefits in June 2011. The amendments will require that past service costs be recognized in full immediately in profit or loss. The amendments impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, Provisions, and when the entity can no longer withdraw the offer of the termination benefits. Adoption of the amendments to IAS 19 did not have a material impact on the financial statements.

(r) New standards and interpretations not yet adopted:

The Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

4. Cash and cash equivalents:

	2013	2012
Bank balances	$ 105,388	$ 225,683
Short-term deposits	68,894,421	63,630,538
	68,999,809	63,856,221
Restricted cash	12,042	513,052
	$ 69,011,851	$ 64,369,273

As at December 31, 2013, restricted cash was required under the Company's corporate credit card agreement. As at December 31, 2012, restricted cash included $12,045 as required under the Company’s corporate credit card agreement and $501,007 as security pledged for foreign exchange contracts.

(Expressed in Canadian dollars)

5. Amounts receivable:

	2013	2012
Insurance proceeds (note 9(c))	$ 380,342	$ -
Trade receivables (net)	-	1,728,302
Allowance for doubtful accounts	-	(58,944)
Amounts recorded as an offset to deferred revenue	-	(131,984)
Payroll source deductions receivable	9,475	-
GST & QST receivable	2,781	108,529
	$ 392,598	$ 1,645,903

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, excluding construction work in progress, is disclosed in note 23 to consolidated financial statements.

BENEV CAPITAL INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)
For the year ended December 31, 2013

6. Property, plant and equipment:

	Automobiles	Buildings and land improvements	Computer equipment	Furniture and equipment	Kilns and refractory	Land	Mobile and treatment equipment	Software	Total
Cost or deemed costs									
Balance at January 1, 2012	$ 91,185	$ 4,930,498	$ 274,460	$ 203,909	$ 458,283	$ 163,228	$ 4,778,969	$ 61,039	$ 10,961,571
Additions	51,220	-	41,311	1,099	-	23,895	423,796	10,039	551,360
Disposals	(35,991)	-	-	-	-	(14,629)	-	-	(50,620)
Balance at December 31, 2012	$ 106,414	$ 4,930,498	$ 315,771	$205,008	$458,283	$ 172,494	$ 5,202,765	$ 71,078	$ 11,462,311
Cost or deemed costs									
Balance at January 1, 2013	$ 106,414	$ 4,930,498	$ 315,771	$ 205,008	$ 458,283	$ 172,494	$ 5,202,765	$ 71,078	$ 11,462,311
Additions	-	-	-	-	-	-	23,100	-	23,100
Disposals	(106,414)	(4,930,498)	(315,771)	(205,008)	(458,283)	(172,494)	(5,225,865)	(71,078)	(11,485,411)
Balance at December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accumulated amortization									
Balance at January 1, 2012	$ 59,706	$ 664,740	$ 204,332	$137,920	$ 100,786	$ -	$ 962,254	$ 57,007	$ 2,186,745
Additions	15,253	246,853	26,674	13,307	52,533	-	467,646	9,051	831,317
Impairment loss	-	1,224,005	-	-	-	-	-	-	1,224,005
Disposals	(23,624)	-	-	-	-	-	-	-	(23,624)
Balance at December 31, 2012	$ 51,335	$ 2,135,598	$ 231,006	$ 151,227	$ 153,319	$ -	$ 1,429,900	$ 66,058	$ 4,218,443
Balance at January 1, 2013	$ 51,335	$ 2,135,598	$ 231,006	$ 151,227	$ 153,319	$ -	$ 1,429,900	$ 66,058	$ 4,218,443
Additions	2,754	31,539	13,945	3,722	8,756	-	77,246	837	138,799
Impairment loss	-	-	(27,177)	(9,262)	-	-	-	-	(36,439)
Disposals	(54,089)	(2,167,137)	(217,774)	(145,687)	(162,075)	-	(1,507,146)	(66,895)	(4,320,805)
Balance at December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Carrying amounts									
At January 1, 2012	31,479	4,265,758	70,128	65,989	357,497	163,228	3,816,715	4,032	8,774,826
At December 31, 2012	55,079	2,794,900	84,765	53,781	304,964	172,494	3,772,865	5,020	7,243,868
At January 1, 2013	55,079	2,794,900	84,765	53,781	304,964	172,494	3,772,865	5,020	7,243,868
At December 31, 2013	-	-	-	-	-	-	-	-	-

(Expressed in Canadian dollars)

7. Assets under finance lease

		Treatment equipment
Costs or deemed costs		
Balance at January 1, 2012	$	552,000
Additions		-
Disposals		(330,000)
Balance at December 31, 2012	$	222,000
Balance at January 1, 2013	$	222,000
Disposals		(222,000)
Balance at December 31, 2013	$	-
Accumulated amortization		
Balance at January 1, 2012	$	60,960
Additions		21,749
Disposals		(47,243)
Balance at December 31, 2012	$	35,466
Balance at January 1, 2013	$	35,466
Additions		2,050
Disposals		(37,516)
Balance at December 31, 2013	$	-
Carrying amounts		
At January 1, 2012		491,040
At December 31, 2012		186,534
At January 1, 2013		186,534
At December 31, 2013		-

The Company has leased treatment equipment under a number of finance lease agreements.

(Expressed in Canadian dollars)

8. Deferred tax assets and liabilities:

Unrecognized deferred tax assets:

The following deferred tax assets have not been recognized in the financial statements:

	2013	2012
Non-capital tax losses	$ 7,973,141	$ 2,986,682
Tenure/severance	303,724	204,971
Share issue costs	113,016	233,281
Capital loss	52,169	53,842
Property, plant and equipment	6,877	4,937,269
Other	445,055	344,948
	$ 8,893,982	$ 8,760,993

The non-capital losses expire in 2028-2033. Deferred tax assets have not been recognized in respect of these items because it is not considered to be probable that future taxable profit will be available against which the Company can utilize the benefits.

Recognized deferred tax assets and liabilities:

In 2013 nil (2012 – $10,200,000) of previously unrecognized tax losses were recognized as these were utilized to offset taxable profits earned in the current year.

(Expressed in Canadian dollars)

9. Provisions and Contingencies:

	Claim by Consultant (a)	John Bennett Indemnity Claim (b)	Liability to Insurance Underwriter (c)	Total
Balance at January 1, 2012	$ 100,000	$ 39,551	$ -	$ 139,551
Provisions made during the period	-	-	-	-
Provisions used during the period	-	(13,207)	-	(13,207)
Change in foreign exchange rate	-	(370)	-	(370)
Balance at December 31, 2012	100,000	25,974	-	125,974
Provisions made during the period	-	503,670	380,342	884,012
Provisions used during the period	-	(395,587)	-	(395,587)
Change in foreign exchange rate	-	713	-	713
Balance at December 31, 2013	$ 100,000	$ 134,770	$ 380,342	$ 615,112

(a) Claim by Consultant

During 2005, the Company was served with a claim in the amount of $5,000,000 by a consultant retained by the founder and former CEO claiming breach of contract. The claim was submitted to arbitration and $145,000 was recorded as an expense in 2005 as the Company's estimate of its obligation under the arbitrator's decision. Upon appeal by the consultant, the arbitrator's decision was overturned with the Company being liable for additional amounts estimated to be $315,000 which were expensed in 2007. In 2008, a payment of $374,091 was made, including recoverable input tax credits of $18,900 and interest of $40,191 leaving an accrual of $100,000 as of December 31, 2013 representing the Company's estimate of costs related to the claim. The Company believes that it has adequately provided for and expensed amounts related to this claim.

9. Provisions and Contingencies (continued):

(b) John Bennett Indemnity Claim

In 2010, John Bennett brought an Application to the Ontario Superior Court ("Court") to compel the Company to reimburse him for the legal costs he may incur in connection with his indictment for bid-rigging and other illegal activities during the time period he was CEO of the Company. The Company believed it was not required to indemnify Mr. Bennett for the expenses and served a Motion Record seeking to stay the former director's Application pending a resolution of the criminal proceedings against him. He served a cross-motion seeking interim relief. The Court heard both of these motions in 2010 and subsequently dismissed the Company's motion resulting in the Court issuing an Interim Order requiring the Company to reimburse Mr. Bennett for legal costs incurred after August 30, 2009. In late 2010, the Application was converted to an action. Statements of Claim and Defence were exchanged in 2012.

The Company has provided for Mr. Bennett's legal costs estimated to be incurred and reimbursable to him at the end of the current reporting period. The cost to the Company in respect of his future legal expenses will be recorded when these expenses are known and the amounts reimbursable to him can be reasonably estimated.

The Company has not been able to successfully dispute Mr. Bennett's preceding indemnity claims due to the unavailability of key witnesses and other constraints. As a result of recent developments these constraints have been removed and the Company has now filed a motion which seeks to have the Interim Order set aside, and the action dismissed. If successful, this will deny Mr. Bennett future indemnification payments and require the repayment of all sums advanced under the Interim Order. The outcome of these proceedings cannot be determined at this time.

(c) Liability to Insurance Underwriter

The Company expects to receive reimbursement from its insurance underwriter in the amount of approximately $380,342 for Mr. Bennett's legal expenses incurred in connection with his indictment as described in section (b) of this note. This expected reimbursement has been recorded as amounts receivable as described in note 5. Under its funding agreement with the underwriter, the Company expects to be required to repay all legal costs it recovers from the underwriter in the event that Mr. Bennett is found guilty. The Company has adequately provided for the estimated liability that may result from this requirement.

9. Provisions and Contingencies (continued):

(d) Additional claims involving Mr. Bennett

The Company has filed a claim against Mr. Bennett for $10,340,550. The claim alleges that he was directly or indirectly responsible for the illegal payments that resulted in the Company pleading guilty to conspiracy to commit fraud. In addition to seeking to recover these illegal payments, the associated fines and legal fees, the claim seeks to recover bonuses which were inappropriately paid and punitive damages. The claim had been stayed, with the consent of both parties, until June of this year when Mr. Bennett withdrew his consent to the stay in order to serve the Company with a statement of defence and counterclaim in the amount of $30 million. The Company believes that it is not probable that any liability will arise and no amount has been recorded in the Company's financial statements in respect of this counterclaim or the Company's claim.

As a result of recent developments described in section (b) of this note, the Company has accepted Mr. Bennett's lifting of the stay and has filed a motion which seeks to strike his counterclaim and obtain judgement on the Company's claim.

Mr. Bennett has served a claim against Second City Capital Partners I, Limited Partnership ("Second City"), Samuel Belzberg ("Belzberg") and the Company. The claim alleges that the Company was in possession of material undisclosed information and that, while in possession of such information, the Company and Belzberg directed Second City to purchase the Company's common shares from Mr. Bennett. Management believes there is no basis for making this allegation against the Company. Accordingly the Company has made no provision in respect of this matter.

(e) U.S. Department of Justice Civil Litigation

In November of 2008 the Company was notified that the U.S. Department of Justice Civil Division was investigating whether the Company violated the civil False Claims Act in connection with the Federal Creosote project in New Jersey during the 2002-2004 time period. The Company believes that it is not probable that any liability will arise and no amount has been recorded in the Company's financial statements in respect of this investigation.

9. Provisions and Contingencies (continued):

(f) Environmental Protection Agency

During the first quarter of 2012, the United States Environmental Protection Agency ("EPA") provided the Company with a Notice of Proposed Debarment for a period of five years resulting from documentary and procedural compliance deficiencies in connection with a prior agreement with the EPA. On October 3, 2012, the Company announced the resolution to all outstanding issues with the EPA. Pursuant to the terms of the negotiated Administrative Agreement (the "Agreement") executed by the parties, the Company agreed to undertake certain reporting, certification, and monitoring requirements for a period of two years to expire on October 2, 2014. To the extent the Company satisfies the terms of the Agreement, the EPA agreed not to exclude it from performing work for the U.S. Government.

The Agreement was amended on July 17, 2013 as a result of the sale of the Saint Ambroise facility to 8439117 Canada Inc. (note 1). Under these amendments, the conditions of the Agreement will continue to apply to both the Company and the Saint Ambroise facility, with the Company having sole responsibility for compliance with the Agreement. The purchaser of the facility has agreed to cooperate with the Company to satisfy the terms of the Agreement and in return for this commitment the Company will cover the costs of compliance for the facility. The estimated cost of this compliance has been accrued and included in the Company's calculation of loss on disposal of assets held for sale and related restructuring costs (note 18).

(g) Claim by U.S. contractor

During the second quarter of 2008, a prime contractor on a U.S. Federal Government project ("Project") filed a complaint against the Company in a U.S. court. The complaint also names a director and officer, an officer and a senior manager, all of whom are no longer with the Company. The complaint alleges these three individuals colluded with an employee of the prime contractor relating to, among other things, the awarding of the Project during the years 2002 through 2004. On a joint and several basis, the complaint seeks approximately $1.1 million U.S. plus the value of additional gratuities. The majority of the counts within the complaint seek damages on a joint and several basis from multiple defendants, including the Company. During the first quarter of 2009, the Court stayed all proceedings in this matter pending the conclusion of the Antitrust Division of the United States Department of Justice investigation into the same matter. Management intends to defend against this claim vigorously if the current stay is lifted. Management considers that it is not probable that a liability will result and no amount has been recorded in the Company's financial statements in respect of the complaint.

(Expressed in Canadian dollars)

9. Provisions and Contingencies (continued):

(h) Claim against contractor

During 2010 the Company filed a claim against a contractor for breach of contract and negligent representation in the amount of $1,000,000. The contractor counter-claimed for breach of contract and interference with contractual relationships in the amount of $300,000. The Company and the contractor signed a full and final mutual release in June 2013, subject to the terms and conditions contained in the minutes of settlement, whereby the parties released and discharged each other from any and all actions and claims related to the matters under dispute. The Company had not recorded any amounts in respect of these claims.

10. Long-term liability:

Long-term liability consists of a tenure agreement between the Company and its founder and former CEO.

		Total
Balance January 1, 2012	$	810,193
Paid during 2012		(79,000)
Adjustment to and unwinding of discount		6,688
		737,881
Less current portion		(79,000)
Balance December 31, 2012	$	658,881
Balance January 1, 2013	$	737,881
Paid during 2013		(79,000)
Adjustment to and unwinding of discount		(5,824)
		653,057
Less current portion		(79,000)
Balance December 31, 2013	$	574,057

(Expressed in Canadian dollars)

10. Long-term liability (continued):

The tenure payments are made on a monthly basis in the amount of $6,583 ($79,000 annually). The tenure agreement expires on December 31, 2022. The carrying value of the liability is the present value of the future payments discounted by an assumed rate of 1.90% based upon the current long-term Canadian bond rate which is reviewed and updated annually as required.

11. Share capital:

At December 31, 2013 the authorized share capital of the Company consists of an unlimited number of common shares.

The issued share capital of the Company is as follows:

	Common shares	Amount
As at January 1, 2012	37,047,230	$ 93,364,040
Share options exercised	1,638,332	3,605,839
Balance December 31, 2012	38,685,562	$ 96,969,879
Share options exercised	93,335	185,781
Balance December 31, 2013	38,778,897	$ 97,155,660

12. Share-based payment:

The Company has a share option plan (the "Plan") where the maximum number of common shares issued under the Plan will be 10% of the issued and outstanding common shares at the time of grant. The Plan provides for the granting of options for the purchase of common shares of the Company at the fair market value of the Company's stock at the grant date. Stock options are granted to both employees and non-employees. The Company's Board of Directors has discretion as to the number of stock options granted, as well as in determining the vesting period and expiry dates.

12. Share-based payment (continued):

During the year ended December 31, 2013 the Company issued 1,784,400 stock options (2012 – nil) all of which were issued during the third quarter. At that time, the non-executive directors and the new Executive Chairman were issued an aggregate amount of 284,400 options (129,900 of these were issued to the new Executive Chairman) which are exercisable on the earlier of: (i) the date the share price exceeds 133% of the share price on grant date; and (ii) the date the Company enters into a transformational transaction. Concurrent with the issuance of the above options to the non-executive directors and the new Executive Chairman, their cash remuneration was reduced.

The Company's new President and CEO was issued 1,000,000 options. The first tranche of the issuance, consisting of 500,000 options, vested immediately but will be automatically cancelled if a binding definitive agreement is entered into with respect to a transformational transaction already being considered by the Company or previously considered by the Company as of July 12, 2013. The second tranche of the issuance consists of 500,000 options, which are only exercisable if the Company enters into a transformational transaction. Transformational transaction is defined as an arrangement with another company which results in a substantial change in the nature, size or prospects of the business, and includes a change of control.

The new Executive Chairman (who was formerly the President and CEO) was issued an additional 500,000 options which will only be exercisable if a binding definitive agreement is entered into with respect to a transformational transaction already being considered by the Company or previously considered by the Company as of July 12, 2013. These options and the first tranche of the options issued to the new President and CEO, if the latter are not previously exercised, are mutually exclusive. If the Executive Chairman's options become exercisable, then the first tranche of the President and CEO's options, if not previously exercised, will be automatically cancelled.

In addition, 729,900 of the options currently held by the new Executive Chairman will in future only be exercisable in the unanimous discretion of the Board.

Total stock compensation expensed during the year was $413,236 (2012 – $819,436).

(Expressed in Canadian dollars)

12. Share-based payment (continued):

The following table summarizes information relating to outstanding and exercisable options at December 31, 2013:

	Options outstanding			Options exercisable	
Exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Number exercisable	Weighted average exercise price per share
$ 1.50	154,500	4.50	1.50	-	1.50
$ 1.72	1,000,000	4.60	1.72	500,000	1.72
$ 1.79	129,900	4.62	1.79	-	1.79
$ 1.79	500,000	4.62	1.79	-	1.79
$ 2.08	103,125	1.93	2.08	103,125	2.08
$ 2.12	1,191,000	2.67	2.12	60,000	2.12
	3,078,525		$ 1.89	663,125	$ 1.81

The number and weighed average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at January 1	$ 2.00	1,554,460	$ 2.02	1,768,960
Forfeited during the year	2.12	(167,000)	2.09	(214,500)
Exercised during the year	0.24	(93,335)	-	-
Granted during the year	1.73	1,784,400	-	-
Outstanding at December 31	$ 1.89	3,078,525	$ 2.00	1,554,460
Exercisable at December 31	$ 1.81	663,125	$ 1.60	346,460

The options outstanding at December 31, 2013 have an exercise price in the range of $1.50 to $2.12 (2012 - $0.24 to $2.12) and a weighted contractual life of 3.37 years (2012 – 3.30 years).

(Expressed in Canadian dollars)

12. Share-based payment (continued):

The fair value of each option grant was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2013	2012
Risk-free interest rate	1.035%	N/A
Expected option lives (years)	3.0	N/A
Expected volatility	38.0%	N/A
Dividend yield	Nil%	Nil%

The total fair value of the options granted in 2013 was $575,060 or $0.32 per option. Other than the 500,000 options issued to the Company's new President and CEO, which vested immediately, the balance of the options (1,284,400) issued will vest once certain performance criteria are met.

Contributed surplus:

	2013	2012
Balance, beginning of year	$ 8,414,394	$ 4,873,827
Share-based compensation charged to earnings	413,236	819,436
Amount transferred to share capital for options exercised	(163,381)	-
Expiry of share purchase warrants	-	2,721,131
Balance, end of year	$ 8,664,249	$ 8,414,394

13. (Loss) earnings per share:

Basic (loss) earnings per share

The calculation of basic (loss) earnings per share at December 31, 2013 was based on the net (loss) income attributable to common shareholders of $(3,586,462) (2012 - $9,300,197), and a weighted average number of common shares outstanding of 38,739,262 (2012 – 38,685,562).

(Expressed in Canadian dollars)

13. (Loss) earnings per share (continued):

The reconciliation of the (loss) earnings for the period and weighted average number of common shares used to calculate basic and diluted earnings per share is as follows:

	2013	2012
Net (loss) income for the year	$ (3,586,462)	$ 9,300,197
Net (loss) income per common share:		
Basic	(0.09)	0.24
Diluted	(0.09)	0.24
Weighted average number of shares:		
Basic	38,739,262	38,685,562
Diluted	38,739,262	38,765,183

Options have not been included in the computation of diluted loss per share as they are anti-dilutive for the year ended December 31, 2013. Options aggregating 79,621 have been included in the computation of diluted earnings per share for the year ended December 31, 2012. Warrants have not been included in the calculations of diluted earnings per share for the year ended December 31, 2012 as these are anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

14. Sales:

In 2013 the Company recorded no revenue relating to treating contaminated soils as it did not commence an operating campaign during the year and on May 31, 2013 the Company completed the sale of its Saint Ambroise, Quebec waste treatment plant and related assets and liabilities. Please refer to note 18 for additional information.

In 2012 the Company generated its revenues by treating contaminated soils pursuant to contracts obtained in competitive bidding processes. The Company's customer base was composed mainly of government agencies, utilities, environmental services companies and private industry. The number and size of the contracts obtained each year varied depending on the funding of the projects and the timing of the processing of contaminated materials from customers.

(Expressed in Canadian dollars)

15. Operating expenses:

	2013	2012
Wages and benefits	$ 344,597	$ 2,308,338
Occupancy costs	77,393	354,478
Goods and services	44,728	10,731,641
	$ 466,718	$ 13,394,457

16. Administrative and business development expenses:

	2013	2012
Professional fees	$ 1,263,227	$ 1,314,281
Wages and benefits	1,179,676	1,476,268
Goods and services	441,868	944,044
Share-based compensation	413,236	819,436
Occupancy costs	166,232	243,469
	$ 3,464,239	$ 4,797,498

Goods and services include insurance, advertising, vehicle expenses, general repairs and maintenance costs and other general and administrative costs.

Professional fees include legal, audit, accounting and consulting services.

17. Impairment loss:

The Company reported an impairment loss of $36,439 in 2013 (2012 - $1,224,005).

In the fourth quarter of 2013, it was resolved that the Oakville, ON office would be relocated to Vancouver, BC, where the current CEO & President is located. The closure of the Oakville office is scheduled for March 31, 2014. The property, plant and equipment will no longer be used by the Company subsequent to the office closure and accordingly, has been reduced to its net recoverable amount.

With respect to the impairment loss reported in 2012, on March 7, 2013 the Company announced that it had entered into a binding purchase and sale agreement to sell its Saint Ambroise, Quebec waste treatment plant and related assets and liabilities.

Consideration was composed of $8 million in cash at closing plus an additional amount which could be as high as $2 million or more, contingent on a specific potential new contract being entered into within three years from the date of signing of the purchase agreement.

(Expressed in Canadian dollars)

17. Impairment loss (continued):

As at December 31, 2012, the carrying amount of the Saint Ambroise plant assets exceeded the expected proceeds from the planned sale (before additional contingent amounts) less estimated disposal costs. Accordingly, the Company recorded an impairment loss in 2012 and reduced the carrying value of the plant assets (note 6). The impairment loss was calculated as follows:

		2012
Unadjusted carrying value of property, plant, equipment and assets under financial leases	$	8,604,005
Estimated recoverable amount:		
Proceeds from sale of plant		8,000,000
Disposal costs		(620,000)
		7,380,000
Impairment loss	$	1,224,005

18. Loss on disposal of assets held for sale and related restructuring costs:

Completion of Sale of Saint Ambroise Waste Treatment Plant

On May 31, 2013 the Company completed the sale of its Saint Ambroise, Quebec waste treatment plant and related assets and liabilities to 8439117 Canada Inc., a company indirectly controlled by the plant's manager. The preliminary purchase price of $8,000,000 was reduced by $277,264 for working capital assumed by the buyer and increased by $9,328 for soil contracts received prior to closing. These changes resulted in an adjusted price of $7,732,064. The Company may be entitled to additional consideration which could be as high as $2,000,000 or more, contingent on a specific potential new contract being entered into prior to March 7, 2016. As of December 31, 2013 no amount of contingent consideration has been received. The receipt of the potential new contract for any amount of contingent consideration cannot be assured.

Disposal costs are $1,035,286 of which $946,379 was paid prior to the end of the fourth quarter of 2013 resulting in net cash proceeds of $7,062,949. The remaining accrued selling and disposal costs are included in accounts payable and accrued liabilities and are expected to be settled in 2014.

(Expressed in Canadian dollars)

18. Loss on disposal of assets held for sale and related restructuring costs (continued):

The loss on disposal of assets held for sale and related restructuring costs recorded in 2013 are composed of the following items:

	2013
Sale price (including purchase price adjustments)	$ 7,732,064
Carrying value of property, plant and equipment	(7,276,216)
Working capital deficit assumed by the buyer	(277,264)
Selling and disposal costs	(1,035,286)
Loss on disposal of assets held for sale	(302,174)
Restructuring costs related to the sale	(257,500)
Loss on disposal of assets held for sale and related restructuring costs	$ (559,674)

Sale of Belledune Facility

When the Company sold its Belledune facility on April 8, 2011, the purchaser held back $300,000 of cash consideration at closing to cover the costs of remediating creosote contamination of the building. During the third quarter of 2012, the Company agreed to allow the purchaser of the facility to retain the holdback in return for releasing the Company from all post-closing undertakings and its obligation to remediate the facility previously estimated to be $242,666. As a result of this agreement the Company recorded an additional loss on disposal in the amount of $57,334 in the third quarter of 2012.

(Expressed in Canadian dollars)

19. Finance income and finance costs:

	2013	2012
Interest income on cash and cash equivalents	$ 992,760	$ 1,190,125
Adjustment to and unwinding of discount on financial liabilities	5,824	-
Net foreign exchange gain	2,399	-
Gain on sale of property, plant and equipment	-	2,311
Finance income	1,000,983	1,192,436
Interest expense on financial liabilities measured at fair value through profit	(15,002)	(30,315)
Adjustment to and unwinding of discount on financial liabilities	-	(6,688)
Interest expense on finance leases	(26)	(774)
Net foreign exchange loss	-	(45,931)
Finance costs	(15,028)	(83,708)
Net finance income	$ 985,955	$ 1,108,728

20. Income taxes:

	2013	2012
Current tax recovery		
Adjustments for prior periods	$ 95,500	$ 172,000
Deferred tax expense		
Origination and reversal of temporary differences	$ -	$ 2,715,895
Recognition of previously unrecognized tax losses	-	(2,715,895)
	$ -	$ -

(Expressed in Canadian dollars)

20. Income taxes (continued):

Reconciliation of effective tax rate

		2013		2012
Net (loss) income for the period being comprehensive income (loss)		$ (3,586,462)		$ 9,300,197
Income tax recovery		(95,500)		(172,000)
Income (loss) before income taxes		$ (3,681,962)		$ 9,128,197
Income tax using the Company's Canadian federal and provincial income tax rates	(26.5)%	$ (977,405)	26.8%	2,449,444
Permanent differences	3.0%	112,226	1.6%	145,612
Change in unrecognized temporary and other differences	23.5%	865,179	(28.4)%	(2,595,056)
Adjustments for prior periods	(2.6)%	(95,500)	(1.9)%	(172,000)
	(2.6)%	$ (95,500)	(1.9)%	$ (172,000)

The Company has non-capital losses carried forward of approximately $30,700,000 which are potentially available to reduce future years' income for income tax purposes which expire as follows:

2031	$ 9,000,000
2032	-
2033	21,700,000
	$ 30,700,000

(Expressed in Canadian dollars)

21. Operating leases:

Leases as lessee:

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
Less than one year	$ 29,494	$ 19,662
Between 1 and 5 years	-	-
	$ 29,494	$ 19,662

As at April, 2011, the Company's office lease agreement expired. Subsequent to the expiry of the lease agreement, the Company leased the facility on a month-to-month basis. The Company and the landlord must provide each other 60 days' notice prior to the termination of the lease. In the first quarter of 2014, the Company provided the landlord notice that the Company would cease being a tenant as at March 31, 2014.

During the year ended December 31, 2013 an amount of $115,756 (2012 - $117,385) was recognized as an expense in profit or loss in respect of operating leases.

22. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of certain property, plant and equipment recognized as a result of adjusting historical cost to deemed cost on the transition to IFRS was based on appraisals prepared by independent valuators as at January 1, 2010. The fair values of the property, plant and equipment were determined by using the replacement cost and market approaches.

22. Determination of fair values (continued):

(ii) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

23. Financial risk management:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has responsibility for the oversight of the Company's risk management framework. The Board of Directors has mandated the Audit Committee to review how management monitors compliance of the Company's risk management policies and procedures and review the adequacy of the risk management policies and procedures.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

23. Financial risk management (continued):

Cash and equivalents and restricted cash:

Cash not immediately required for operating purposes is invested in short-term bank deposits. The Company controls the credit risk of these deposits by placing its cash and short-term deposits with only major Canadian chartered banks.

Amounts receivable:

The carrying amount of amounts receivable represents the maximum credit exposure to credit loss.

As outlined in notes 5 and 9, substantially all of the amounts receivable are due from the Company's insurance underwriter with respect to the indemnification of Mr. John Bennett for legal costs incurred in connection with the U.S. Department of Justice anti-trust investigation.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk arises from the potential default of a customer in meeting its financial obligation to the Company. The Company has established a credit evaluation, approval and monitoring processes to mitigate potential credit risk.

The Company evaluates the collectability of accounts receivable and records an allowance for doubtful accounts which reduces receivables to the amount management reasonably believes will be collected.

The Company is subject to a concentration of credit risk in its amounts receivable. There were no trade receivables outstanding as at December 31, 2013. As at December 31, 2012, two customers represented 55% and 10%, respectively, of the aggregate amount of amounts receivable.

In 2012, approximately 1% of the Company's customers had been transacting with the Company for more than 5 years. In monitoring customer credit risk, customers that were deemed to be "high risk", were required to prepay before services are rendered. The Company had title to the soil at its facility. In the event of non-payment, the Company had the right to return title and possession of untreated material to its customer.

Management is of the opinion that any risk of loss due to bad debts is significantly reduced due to the financial strength of its customers. The Company performed ongoing credit evaluations of its customers' financial condition and required letters of credit or other guarantees whenever deemed necessary.

(Expressed in Canadian dollars)

23. Financial risk management (continued):

Forward Exchange Contracts:

Credit risk exists in the event of non-performance by counterparty to forward exchange contracts. The risk is minimized as each contract is with a major chartered bank and represents an exchange between the same party allowing for an offset in the event of non-performance. Management does not believe there is a significant risk of non-performance by the counterparty because the portions with and the credit ratings of such counterparty are monitored. There were no outstanding forward exchange contracts as at December 31, 2013. As at December 31, 2012, the Company had a contract to sell $230,000 U.S. at $0.9920 for a total of $228,160. The contract expired on January 31, 2013. The fair value of the contract as at December 31, 2012 was an unrealized foreign exchange loss of $667 which was recorded as an accrued liability on the Statement of Financial Position and a foreign exchange loss on the Statement of Operations and Comprehensive (Loss) Income.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2013	2012
Cash and cash equivalents	$ 68,999,809	$ 63,856,221
Restricted cash	12,042	513,052
Amounts receivable	392,598	1,645,903
Total	$ 69,404,449	$ 66,015,176

(Expressed in Canadian dollars)

23. Financial risk management (continued):

The aging of amounts receivable at the reporting date was:

	Carrying amount	
	2013	2012
Current	$ 392,598	$ 425,780
31-90 days	-	1,209,342
Over 90 days	-	69,725
	392,598	1,704,847
Allowance for doubtful accounts	-	58,944
Total amounts receivable	$ 392,598	$ 1,645,903

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to monitor consolidated cash flow to ensure that there will always be sufficient liquidity to meet liabilities when due.

At December 31, 2013, the Company has a cash and cash equivalents balance of $68,999,809 (December 31, 2012 - $63,856,221) and positive working capital of $68,382,722 (December 31, 2012 - $64,187,970). Management believes the Company has sufficient cash resources to meet amounts due.

The Company had no bank borrowings outstanding at December 31, 2013 and December 31, 2012.

23. Financial risk management (continued):

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Millions of Canadian dollars	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Tenure agreement	$ 0.65	$ 0.71	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.31
Finance leases	0.02	0.02	0.02	-	-	-	-	-
Accounts payable and accrued liabilities	0.41	0.41	0.41	-	-	-	-	-
Total contractual obligations	$ 1.08	1.14	$ 0.51	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.31

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Company's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company did not designate its foreign exchange forward contracts as hedges and accordingly did not use hedge accounting. As a result of this, the foreign exchange forward contracts are recorded on the consolidated balance sheet at fair value in current assets when the contracts are in a gain position and in current liabilities when the contracts are in a loss position. Changes in fair value of these contracts are recognized as gains or losses in the statement of operations and comprehensive income. The Company does not utilize financial instruments for speculative purposes. As at December 31, 2013 the Company had no foreign exchange contracts.

23. Financial risk management (continued):

Currency risk:

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, primarily the Canadian dollar. The currencies in which these transactions primarily are denominated in are the US dollar. In respect of monetary assets and liabilities denominated in US dollars, the Company ensures that its net exposure is kept to an acceptable level by buying or selling US dollars at spot rate when necessary of by periodically entering into forward exchange contracts to offset its balance sheet exposure and to hedge the cash flow risk associated with its estimated net foreign currency cash requirements and certain significant transactions.

As at December 31, 2013, the Company had no foreign exchange contracts. As at December 31, 2012, the Company had a foreign exchange contract to sell $230,000 U.S. at $0.9920 for a total of $228,160.

The Company's exposure to foreign currency risk at the reporting date is described below:

		2013 U.S.$		2012 U.S.$
Cash, restricted cash and cash equivalents	$	4,737	$	62,531
Amounts receivable		357,598		250,095
Accounts payable and accrued liabilities		(442,583)		(89,727)
Notional amount of U.S. dollar forward contracts		-		(230,000)
Net exposure in U.S. dollars	$	(80,248)	$	(7,101)

Sensitivity analysis:

A 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have increased (decreased) equity and profit and loss by approximately $8,000 as at December 31, 2013. A similar strengthening (weakening) as at December 31, 2012 would have increased (decreased) equity and profit and loss by approximately $700.

23. Financial risk management (continued):

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The company's exposure to interest rate risk mainly arises from the interest impact of its cash and equivalents as it is subject to floating market rates of interest. Based on the balance outstanding on December 31, 2013, a one percent point increase (decrease) in the money market instruments which the Company invests would increase (decrease) interest income by approximately $690,000 (2012 - $640,000).

The Company's financial assets and liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's obligation under capital lease bears a fixed rate interest rate.

Capital Management:

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as the Company's total shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management. The Board of Directors reviews the capital structure on a quarterly basis.

In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares or warrants, and issue new debt.

There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

24. Operating segments:

(a) Geographic information:

The Company operates in one reportable operating segment, which involves the business of remediating contaminated soil and other waste materials. All significant property, plant and equipment are located in Canada. The table below summarizes sales by country:

	2013	2012
Sales by country:		
Customers domiciled in the United States	$ -	$ 2,455,922
Customers domiciled in Canada	-	25,842,664
	$ -	$ 28,298,586

(b) Major customers:

For the year ended December 31, 2013, there were no sales. For the year ended December 31, 2012, two customers represented 69% of the Company's total sales.

25. Related parties:

Transactions with key management personnel:

Key management personnel of the Company includes all individuals who occupied the following positions during the reporting periods:

- members of the Board of Directors
- President and Chief Executive Officer
- Chief Financial Officer

(Expressed in Canadian dollars)

25. Related parties (continued):

The table below provides a breakdown of the compensation of key management personnel benefits included in net income:

		2013		2012
Short-term benefits	$	898,598	$	861,257
Share-based payments		413,236		819,436
Short-term benefits	$	1,311,834	$	1,680,693

As described in notes 1 and 18, on May 31, 2013 the Company completed the sale of its Saint Ambroise facility to 8439117 Canada Inc., a company controlled by the plant's manager.

During 2013 the Company paid fees of $21,863 (2012 – nil) to a legal firm where a current director of the Company is a partner.

The Company's new President and CEO is also the founder and managing partner of Maxam Capital Corp ("Maxam"). The Company has entered into a services agreement (the "Services Agreement") with Maxam whereby Maxam will provide, effective as of January 1, 2014, accounting, tax and public company compliance services, head office and infrastructure services and transaction support services to the Corporation. The Services Agreement will be for a minimum term of 6 months. Either party may terminate upon sixty days prior written notice thereafter. Pursuant to the Services Agreement, the Corporation will pay Maxam a monthly service fee of approximately $30,000 plus reasonable out of pocket expenses.

During 2013 a fund to be created by Maxam was granted a right to invest in the Company for an amount up to the lesser of (i) 10% of the total issued and outstanding common equity of the Company (or its successor) immediately following one or more transformational transactions, or (ii) $10 million. Subject to adjustment, such investment shall be comprised of publicly traded common shares of the Company (or its successor) priced equal to the value of the common shares ascribed in the transformational transaction, failing which it shall be the 10 trading day volume weighted average price of the Company`s common shares as quoted on a stock exchange commencing on the first trading day immediately after announcing such transformational transaction. The grant is subject to regulatory approval.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian dollars)

26. Company subsidiaries:

	Country of Incorporation	Ownership Interest - %	
		2013	2012
Bennett RemTech Ltd.	Canada	-[1]	100
7599471 Canada Ltd.	Canada	-[2]	100
Bennett Environmental U.S.A. Inc.	United States	100	100
TerraCycle Environmental (USA) Inc.	United States	100	100

[1] Dissolved on August 12, 2013
[2] Dissolved on December 23, 2013