Interim Condensed Consolidated Financial Statements of

BENEV CAPITAL INC.

(formerly Bennett Environmental Inc.)

Six months ended June 30, 2012 and 2011
(Unaudited)

BENEV CAPITAL INC.

Interim Condensed Consolidated Statement of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 55,005,206	$ 58,720,802
Restricted cash (note 4)	1,515,492	1,515,105
Amounts receivable	4,149,635	92,023
Holdbacks receivable (note 5)	873,897	300,000
Deferred costs (note 7)	4,049,971	3,163,009
Prepaid expenses and other	194,038	374,043
	65,788,239	64,164,982
Property, plant and equipment	8,719,633	8,774,826
Assets under finance lease	194,222	491,040
	$ 74,702,094	$ 73,430,848
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,968,889	$ 1,471,704
Current tax liabilities	153,360	333,000
Liabilities related to assets held for sale (note 5)	242,666	242,666
Deferred revenue (note 7)	7,933,256	9,438,669
Provisions (note 8)	139,862	139,551
Current portion of finance lease obligations	54,775	122,565
Current portion of long-term liabilities (note 9)	79,000	79,000
	10,571,808	11,827,155
Long-term portion of finance lease obligations	8,215	32,642
Long-term liabilities (note 9)	696,786	731,193
Shareholders' equity:		
Share capital (note 10)	96,969,879	96,969,879
Contributed surplus (note 11)	8,036,541	4,873,827
Share purchase warrants (note 12)	-	2,721,131
Accumulated deficit	(41,581,135)	(43,724,979)
Total equity	63,425,285	60,839,858
	$ 74,702,094	$ 73,430,848

Contingencies (note 16)

See accompanying notes to interim condensed consolidated financial statements.

BENEV CAPITAL INC.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended	June 30,	Six months ended	June 30,
	2012	2011	2012	2011
Sales	$ 8,233,080	$ -	$ 8,233,080	$ -
Expenses:				
Operating costs	3,646,910	336,279	4,108,680	710,990
Administration and business development	1,228,099	1,576,277	2,448,939	3,104,523
Management/Board restructuring costs	-	2,285,577	-	2,490,072
Amortization	195,147	221,981	389,247	439,224
Loss on disposal of assets held for sale	-	18,286	-	18,286
	5,070,156	4,438,400	6,946,866	6,763,095
Results from operating activities	3,162,924	(4,438,400)	1,286,214	(6,763,095)
Finance income	214,175	167,307	750,900	525,760
Finance costs	(11,060)	(19,495)	(65,270)	(56,440)
Net finance income	203,115	147,812	685,630	469,320
Earnings (loss) before income taxes	3,366,039	(4,290,588)	1,971,844	(6,293,775)
Income taxes recovery (note 6)	-	-	(172,000)	(228,775)
Net earnings (loss) for the period, being comprehensive income (loss)	$ 3,366,039	$ (4,290,588)	$ 2,143,844	$ (6,065,000)
Earnings (loss) per share (note 13)				
Basic earnings (loss) per share	$ 0.09	$ (0.11)	$ 0.06	$ (0.16)
Diluted earnings (loss) per share	0.09	(0.11)	0.06	(0.16)

See accompanying notes to interim condensed consolidated financial statements.

BENEV CAPITAL INC.

Interim Condensed Consolidated Statement of Changes in Equity (continued)
(Unaudited)
(Expressed in Canadian dollars)
For the six months ended June 30, 2012

	Attributable to equity holders of the Company				
	Share capital	Contributed surplus	Share purchase warrants	Accumulated deficit	Total equity
Balance at January 1, 2011	$ 93,364,040	$ 4,846,334	$ 2,721,131	$ (32,163,999)	$ 68,767,506
Comprehensive loss for the period	-	-	-	(6,065,000)	(6,065,000)
Share-based compensation	-	49,290	-	-	49,290
Conversion from equity settled to cash settled stock option plan	-	(791,617)	-	(2,251,381)	(3,042,998)
Share options exercised	3,448,231	-	-	-	3,448,231
Balance at June 30, 2011	$ 96,812,271	$ 4,104,007	$ 2,721,131	$ (40,480,380)	$ 63,157,029

See accompanying notes to interim condensed consolidated financial statements.

BENEV CAPITAL INC.

Interim Condensed Consolidated Statement of Changes in Equity (continued)
(Unaudited)
(Expressed in Canadian dollars)
For the six months ended June 30, 2012

	Attributable to equity holders of the Company				
	Share capital	Contributed surplus	Share purchase warrants	Accumulated deficit	Total equity
Balance at January 1, 2012	$ 96,969,879	$ 4,873,827	$ 2,721,131	$ (43,724,979)	$ 60,839,858
Comprehensive income for the period	-	-	-	2,143,844	2,143,844
Share-based compensation	-	441,583	-	-	441,583
Expiry of share purchase warrants	-	2,721,131	(2,721,131)	-	-
Balance at June 30, 2012	$ 96,969,879	$ 8,036,541	$ -	$ (41,581,135)	$ 63,425,285

See accompanying notes to interim condensed consolidated financial statements.

BENEV CAPITAL INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)
For the six months ended June 30

	2012	2011
Cash flows from operating activities:		
Net earnings (loss) for the period	$ 2,143,844	$ (6,065,000)
Adjustments for:		
Amortization	389,247	439,224
Foreign exchange gains related to U.S. Department of Justice accrual	-	(55,117)
Unwinding of discount on provisions	5,093	13,037
Gain on sale of property, plant and equipment	-	(1,671)
Loss on sale of assets held for sale	-	18,286
Share-based compensation (note 11)	441,583	325,362
Income tax recovery	(172,000)	(228,775)
Change in amounts receivable and holdbacks receivable	(4,057,612)	(6,105)
Change in holdbacks receivable	(573,897)	(300,000)
Change in prepaid expenses and other	180,005	399,044
Change in deferred costs	(886,962)	(1,249,641)
Change in accounts payable and accrued liabilities	497,185	416,395
Change in stock compensation liability	-	(564,339)
Change in liabilities related to assets held for sale	-	(393,020)
Change in provisions	311	(284,153)
Change in deferred revenue	(1,505,413)	2,924,768
Change in current tax payable	(7,640)	133,313
Repayment of long-term liabilities	(39,500)	(1,097,637)
Net cash used in operating activities	(3,585,756)	(5,576,029)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	4,250
Proceeds from sale of assets held for sale	-	1,834,356
Acquisition of property, plant and equipment	(37,236)	(50,675)
Change in restricted cash	(387)	(10,095)
Net cash (used in) provided by investing activities	(37,623)	1,777,836
Cash flows from financing activities		
Proceeds from exercise of share options	-	693,500
Payment of finance lease liabilities	(92,217)	(91,154)
Net cash (used in) provided by financing activities	(92,217)	602,346
Net decrease in cash and cash equivalents	(3,715,596)	(3,195,847)
Cash and cash equivalents at beginning of period	58,720,802	64,993,643
Cash and cash equivalents at end of period	$ 55,005,206	$ 61,797,796

See accompanying notes to the interim condensed 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. The interim condensed consolidated financial statements of BCI as at and for the six months ended June 30, 2012 are composed of BCI and its subsidiaries (together referred to as the "Company"). The Company was incorporated on July 29, 1992 under the Canada Business Corporation Act and primarily carries on the business of remediating hydrocarbon contaminated soil. The treatment of contaminated soil is performed using the Company's thermal oxidation technology.

1. Continuing operations:

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

The facility can only be run efficiently when operating continuously for extended periods. The sporadic level of demand for the Company's services is such that this facility is rarely operated continuously for extended periods. In order to maximize operating efficiency the Company has adopted a campaign approach which involves periods of shutdown during which inventories are stockpiled followed by periods of operation where the Company processes the accumulated inventories and the entire process is then repeated.

The Company commenced a new campaign to process soil on May 2, 2012. Prior to this, the facility had not processed soil since it was shut down at the conclusion of its last campaign, which ended on September 23, 2010. As at June 30, 2012 the Company held approximately 35,400 tonnes of untreated soil at its Saint Ambroise facility. As of June 30, 2012 advance payments of $7,933,256 have been received from customers pertaining to a portion of the untreated soil. These payments have been recorded as deferred revenue as of June 30, 2012.

In addition, the Company's ability to receive future contracts from the U.S. government may be impacted by the outcome of a proceeding discussed in note 29(c) of the Company's audited consolidated financial statements as at and for the year ended December 31, 2011.

As at June 30, 2012 the Company has sufficient cash available to fund acquisitions and its daily operating needs.

2. Basis of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011.

The interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 7, 2012.

3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared using the same accounting principles and policies as the annual financial statements for the year ended December 31, 2011. The accounting policies have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2011.

4. Cash and cash equivalents:

As at June 30, 2012, the Company had restricted cash of $1,515,492 (2011 - $1,515,105) which includes $12,044 (2011 - $12,039) as required under the Company's corporate credit card agreement; $500,941 (2011 - $500,810) security pledged for foreign exchange contracts and $1,002,507 (2011 - $1,002,256) required for letters of credit.

The Company’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 14.

(Expressed in Canadian dollars)

5. Liabilities related to assets held for sale and holdbacks receivable:

	June 30, 2012	December 31, 2011
Holdbacks receivable:		
For treated soil (a)	$ 573,897	$ -
Belledune facility (b)	300,000	300,000
	$ 873,897	$ 300,000
Liabilities related to assets held for sale (c):		
Accrual for remediation costs on the Belledune facility	$ 225,000	$ 225,000
Other obligations to the purchaser	17,666	17,666
	$ 242,666	$ 242,666

(a) The holdbacks receivable for treated soil of $573,897 represents 15% of the amount invoiced to a certain customer. These holdbacks will be released for payment, 45 days following the acceptance by the customer of all certificates of destruction for approximately 23,800 metric tonnes of soil shipped from the customer's site.

(b) On April 8, 2011, the Company sold its Belledune facility. The sale price was $2,904,689 composed of cash consideration of $2,229,058 plus assumed accumulated property tax liabilities of $675,631. The purchaser held back $300,000 of cash consideration at closing to cover the costs of remediating the creosote contamination of the building. The holdback is to be released once the Company has paid for monitoring costs and remediation costs.

(c) The Company has estimated the remediation costs described in (b) above to be $225,000 and has recorded an accrual for this amount in liabilities related to assets held for sale in 2011. Other minor obligations to the purchaser make up the remaining $17,666 of the liability.

(Expressed in Canadian dollars)

6. Deferred tax assets and liabilities:

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	June 30, 2012	December 31, 2011
Non-capital losses	$ 5,239,347	$ 5,388,828
Property, plant and equipment	4,790,376	4,788,421
Share issue costs	291,509	340,542
Tenure/severance provisions	218,800	221,907
Capital losses	54,050	50,447
Holdbacks receivable for treated soil	(153,950)	-
Other	371,456	346,434
	$ 10,811,588	$ 11,136,579

The non-capital losses expire in the years 2028-2032. 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. The Company utilized the benefit of previously unrecognized deferred tax assets to reduce income tax expense on income for the period.

7. Deferred revenue and costs:

Deferred revenue classified as current liabilities consists of cash received from customers where revenue recognition has not yet occurred. Transportation costs and site costs which have been incurred are also deferred as current assets until the soil has been remediated provided these costs are reimbursable under the terms of the contract.

8. Provisions:

Balance at January 1, 2011	$ 695,827
Provisions used during the period	(488,418)
Provisions reversed during the period	(71,637)
Change in foreign exchange rate	3,779
Balance at December 31, 2011	$ 139,551

(Expressed in Canadian dollars)

8. Provisions (continued):

Balance at January 1, 2012	$	139,551
Change in foreign exchange rate		311
Balance at June 30, 2012	$	139,862

As at June 30, 2012 no additional developments have occurred relating to the provisions as described in note 12 of the audited consolidated financial statements as at and for the year ended December 31, 2011 other than:

(a) A foreign exchange adjustment to the U.S. denominated provisions as outlined in the chart above.

(b) As more fully described in note 12(b) to the Company's 2011 consolidated annual financial statements, the Company's founder and former CEO, John Bennett, has been indicted by the U.S. Department of Justice in connection with alleged illegal activities during the period he was CEO. Mr. Bennett requested, and the Company opposed, indemnification from the Company for legal costs in connection with these matters. In 2011, the Ontario Superior Court required that the Company provide Mr. Bennett with interim relief for legal costs incurred after August 30, 2009.

During the second quarter of this year, Mr. Bennett served the Company with a claim in connection with this matter. The claim seeks to recover Mr. Bennett's legal costs incurred prior to August 31, 2009, estimated to be approximately $200,000, and any future payments he is required to make resulting from criminal or civil proceedings against him.

Management believes there is no basis for making the claim against the Company. Accordingly the Company has made no additional provision as a result of this action and intends to vigorously defend against this claim.

(Expressed in Canadian dollars)

9. Long-term liabilities:

Long-term liabilities comprise the following:

	Tenure agreement (a)	U.S. Department of Justice (b)	Total
Balance January 1, 2011	$ 820,633	$ 2,151,194	$ 2,971,827
Paid during 2011	(79,000)	(2,152,379)	(2,231,379)
Unwinding of discount	68,560	6,485	75,045
Foreign exchange gain	-	(5,300)	(5,300)
	810,193	-	810,193
Less current portion	(79,000)	-	(79,000)
Balance December 31, 2011	$ 731,193	$ -	$ 731,193
Balance January 1, 2012	810,193	-	810,193
Paid during 2012	(39,500)	-	(39,500)
Unwinding of discount	5,093	-	5,093
	775,786	-	775,786
Less current portion	(79,000)	-	(79,000)
Balance June 30, 2012	$ 696,786	$ -	$ 696,786

(a) The tenure agreement is between the Company and its founder and former CEO.

(b) On July 31, 2008 the Company plead guilty to one count of conspiracy to commit fraud in United States District Court, District of New Jersey relating to its conduct with respect to the Federal Creosote Superfund contract. The carrying value of the liability is the present value of future payments discounted by an assumed rate of 0.30%. In 2010, at the request of the Department of Justice the Company had agreed to accelerate its payments and the balance of the obligation was paid in full during 2011.

(Expressed in Canadian dollars)

10. Share capital:

The issued share capital of the Company is as follows:

	Common shares	Amount
As at January 1, 2011	37,047,230	$ 93,364,040
Share options exercised in 2011	1,638,332	3,605,839
Balance December 31, 2011 and June 30, 2012	38,685,562	$ 96,969,879

11. Share-based payment:

The following table summarizes information relating to outstanding and exercisable options at June 30, 2012:

	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
$ 0.24	93,335	1.72	$ 0.24	93,335	$ 0.24
$ 2.08	103,125	3.44	2.08	103,125	2.08
$ 2.12	1,435,000	3.98	2.12	150,000	2.12
	1,631,460		$ 2.02	346,460	$ 1.60

No stock options were granted during the three months ended June 30, 2012.

(Expressed in Canadian dollars)

11. Share-based payment (continued):

Input for measurement of grant date fair values:

The fair value of each option grant on June 30, 2012 was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2012	2011
Risk-free interest rate	N/A	1.27%
Expected option lives years	N/A	3.17
Expected volatility	N/A	72.0%
Dividend yield	Nil%	Nil%

Total stock compensation expensed during the period was $411,583 (2011 – $325,362).

Contributed surplus:

	Six months ended June 30, 2012	June 30, 2011
Balance, beginning of period	$ 4,873,827	$ 4,846,334
Equity-based compensation charged to earnings	441,583	49,290
Conversion from equity-settled to cash-settled stock option arrangement	-	(791,617)
Expiry of share purchase warrants	2,721,131	-
Balance, end of period	$ 8,036,541	$ 4,104,007

12. Share purchase warrants:

None of these warrants were exercised during the three month period ended June 30, 2012. All outstanding warrants expired on May 7, 2012.

(Expressed in Canadian dollars)

13. Earnings (loss) per share:

Basic earnings (loss) per share

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

		2012		2011
Net income (loss) for the period	$	2,143,844	$	(6,065,000)
Net income (loss) (per common share) -				
Basic		0.06		(0.16)
Diluted		0.06		(0.16)

	2012	2011
Weighted average number of shares:		
Basic	38,685,562	37,815,627
Diluted	38,765,560	37,815,627

Dilutive earnings (loss) per share:

Options aggregating 93,335 have been included in the computation of diluted earnings per share for the six months ended June 30, 2012. Stock options and warrants have not been included in the calculation of diluted loss per share as they are anti-dilutive for the period ending June 30, 2011.

14. 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 interim condensed consolidated financial statements.

14. Financial risk management (continued):

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.

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 with only major Canadian chartered banks.

Amounts receivable and holdbacks receivable:

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.

(Expressed in Canadian dollars)

14. Financial risk management (continued):

The Company is subject to a concentration of credit risk in its amounts receivable and holdbacks receivable. As at June 30, 2012, two customers represented 6% and 74% respectively (2011 - two different customers – 48% and 5%) of the aggregate amount of amounts receivable.

Approximately 1% of the Company's customers have been transacting with the Company for more than 5 years. In monitoring customer credit risk, customers that are deemed to be "high risk" are required to prepay before services are rendered. The Company has title to the soil at its facility. In the event of non-payment, the Company's standard contracts allow it 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 performs ongoing credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary. As at June 30, 2012, $4,485,879 (2011 - none) of the aggregate amount of amounts receivable are protected by a performance bond.

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	
	June 30, 2012	December 31, 2011
Cash and cash equivalents	$ 55,005,206	$ 58,720,802
Restricted cash	1,515,492	1,515,105
Amounts receivable	4,149,635	92,023
Holdbacks receivable	873,897	300,000
Total	$ 61,544,230	$ 60,627,930

(Expressed in Canadian dollars)

14. Financial risk management (continued):

The aging of amounts receivable at the reporting date was:

	Carrying amount	
	June 30, 2012	December 31, 2011
Current	$ 4,147,069	$ 89,235
31-90 days	-	1,270
Over 90 days	2,566	1,518
Total amounts receivable, net	$ 4,149,635	$ 92,023

There was no significant change in the allowance for credit losses in the period.

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 June 30, 2012, the Company has a cash and cash equivalents balance of $55,005,206 (December 31, 2011 - $58,720,802) and positive working capital of $55,216,431 (December 31, 2011 - $52,337,827). Management believes the Company has sufficient cash flows to meet amounts due.

The Company had no bank borrowings outstanding at June 30, 2012 and December 31, 2011.

14. 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	2012	2013	2014	2015	2016	Thereafter
Tenure agreement	$ 0.78	$ 0.83	$ 0.04	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.47
Finance leases	0.06	0.06	0.03	0.03	-	-	-	-
Accounts payable and accrued liabilities	2.21	2.21	2.21	-	-	-	-	-
Total contractual obligations	$ 3.05	$ 3.10	$ 2.28	$ 0.11	$0.08	$ 0.08	$0.08	$ 0.47

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.

Although the Company periodically enters into foreign exchange contracts as economic hedges of related risks, it has elected to not follow hedge accounting. Consequently, these instruments are recorded at fair value on the balance sheet with changes in fair value recorded in earnings as they occur.

14. 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 June 30, 2012, the Company has no foreign exchange contracts outstanding (December 31, 2011 - $1,300,000).

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

	June 30, 2012 US$	December 31, 2011 US$
Cash, restricted cash and cash equivalents	$ 24,311	$ 1,085,951
Amounts receivable	-	-
Accounts payable and accrued liabilities	(72,540)	(304,517)
Notional amount of U.S. dollar forward contract	-	1,300,000
Net exposure in U.S. dollars	$ (48,229)	$ 2,081,434

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 $4,900 as at June 30, 2012. A similar strengthening (weakening) as at December 31, 2011 would have decreased (increased) equity and profit and loss by approximately $208,000.

14. 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 June 30, 2012, a one percent point increase (decrease) in the money market instruments which the Company invests would increase (decrease) interest income by approximately $565,000 (2011 - $618,000).

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.

15. Operating segments:

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.

16. Contingencies:

No additional developments have occurred relating to the contingencies as described in note 29 of the audited consolidated financial statements as at and for the year ended December 31, 2011 except as follows:

As described in note 29(b) to the Company's 2011 consolidated annual financial statements, John Bennett served a claim against the Company alleging conspiracy and oppression. The claim was also served against eight individuals who are former directors, officers, employees or significant shareholders of the Company. In response to a motion for judgment by the Company, Mr. Bennett amended his claim in July of 2012. In response to a demand for particulars and multiple motions by the defendants, including the individual defendants, to strike the amended claim, Mr. Bennett has advised that he is amending the claim in August, 2012. The motions to strike the claim will be heard October 1, 2012.

Management believes there is no basis for the allegations in the claim or the amended versions of the claim. Accordingly the Company has made no provision in respect of this matter and has moved vigorously with the other defendants to dismiss the claim.

17. Related party transactions:

The Company had retained the services of a corporation, owned by a former director, to support its corporate development activity commencing in September, 2010. The agreement was terminated effective June 22, 2011. During the period ended June 30, 2012, the Company incurred consulting fee expenses of nil (2011 – $119,506) under this arrangement.

As a result of a settlement agreement made as at June 22, 2011 with the Company's largest shareholder, Second City Capital Partners I, L.P. ("SCC"), the Company agreed to a proposal to replace the CEO and change the composition of the Board of Directors. The resolutions arising from this settlement agreement were voted on and passed at the Company's Annual and Special Meeting on June 29, 2011. The Company entered into transition agreements with the Company's CEO and CFO and has agreed to reimburse SCC for expenditures incurred in connection with its dispute with the Company. SCC expenditures, in the amount of $600,541, were expensed by the Company during the second quarter of 2011 and paid subsequently. The transition agreements with the CEO and CFO are described below.

17. Related party transactions (continued):

On June 29, 2011 Mr. Jack Shaw's employment as the Company's President and CEO was terminated. During the second quarter of 2011 he received a termination payment of $275,000. Mr. Shaw agreed to provide the Company with consulting and transitioning services for a period of up to six months commencing June 29, 2011. Upon satisfactory completion of the consulting contract he received a further termination payment of $137,500. During the second quarter of 2011, and as part of these settlement arrangements, Mr. Fred Cranston agreed to continue as the Company's CFO on a full-time basis for a period not less than 12 months commencing on June 29, 2011. Mr. Cranston received a termination payment of $199,167 during the second quarter of 2011. During the second quarter of 2012, Mr. Cranston received a further termination payment of $160,000. The full amount of all termination payments to Messrs. Shaw and Cranston were expensed in the second quarter of 2011.

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.