Interim Condensed Consolidated Financial Statements of

BENEV CAPITAL INC.

(formerly Bennett Environmental Inc.)

Nine months ended September 30, 2012 and 2011
(Unaudited)

BENEV CAPITAL INC.

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

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 54,980,390	$ 58,720,802
Restricted cash (note 4)	1,515,566	1,515,105
Amounts receivable	9,810,741	92,023
Holdbacks receivable (note 5)	1,571,182	300,000
Deferred costs (note 7)	1,652,717	3,163,009
Prepaid expenses and other	676,632	374,043
	70,207,228	64,164,982
Property, plant and equipment	8,625,384	8,774,826
Deferred tax assets (note 6)	610,000	-
Assets under finance lease	191,916	491,040
	$ 79,634,528	$ 73,430,848
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,142,746	$ 1,471,704
Current tax liabilities	199,500	333,000
Liabilities related to assets held for sale (note 5)	-	242,666
Deferred revenue (note 7)	6,160,336	9,438,669
Provisions (note 8)	125,669	139,551
Current portion of finance lease obligations	45,782	122,565
Current portion of long-term liabilities (note 9)	79,000	79,000
	8,753,033	11,827,155
Long-term portion of finance lease obligations	2,054	32,642
Long-term liabilities (note 9)	679,500	731,193
Shareholders' equity:		
Share capital (note 10)	96,969,879	96,969,879
Contributed surplus (note 11)	8,260,991	4,873,827
Share purchase warrants (note 12)	-	2,721,131
Accumulated deficit	(35,030,929)	(43,724,979)
Total equity	70,199,941	60,839,858
	$ 79,634,528	$ 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 September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Sales	$ 12,233,452	$ -	$ 20,466,531	$ -
Expenses:				
Operating costs	5,100,871	430,187	9,209,550	1,141,178
Administration and business development	1,123,762	1,180,925	3,572,701	4,285,449
Management/Board restructuring costs	-	13,651	-	2,503,723
Amortization	207,656	221,919	596,903	661,143
Loss on disposal of assets held for sale (note 5)	57,334	-	57,334	16,615
	6,489,623	1,846,682	13,436,488	8,608,108
Results from operating activities	5,743,829	(1,846,682)	7,030,043	(8,608,108)
Finance income	210,261	201,955	960,409	721,637
Finance costs	(13,884)	(21,127)	(78,402)	(73,158)
Net finance income	196,377	180,828	882,007	648,479
Income (loss) before income taxes	5,940,206	(1,665,854)	7,912,050	(7,959,629)
Income taxes recovery (note 6)	(610,000)	-	(782,000)	(228,775)
Net income (loss) for the period, being comprehensive income (loss)	$ 6,550,206	$ (1,665,854)	$ 8,694,050	$ (7,730,854)
Earnings (loss) per share (note 13)				
Basic earnings (loss) per share	$ 0.17	$ (0.04)	$ 0.22	$ (0.20)
Diluted earnings (loss) per share	0.17	(0.04)	0.22	(0.20)

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 nine months ended September 30, 2011

	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	-	-	-	(7,730,854)	(7,730,854)
Share-based compensation	-	257,557	-	-	257,557
Conversion from equity-settled to cash-settled stock option plan	-	(791,617)	-	(2,251,381)	(3,042,998)
Share options exercised	3,526,231	-	-	-	3,526,231
Balance at September 30, 2011	$ 96,890,271	$ 4,312,274	$ 2,721,131	$ (42,146,234)	$ 61,777,442

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 nine months ended September 30, 2012

	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	-	-	-	8,694,050	8,694,050
Share-based compensation	-	666,033	-	-	666,033
Expiry of share purchase warrants	-	2,721,131	(2,721,131)	-	-
Balance at September 30, 2012	$ 96,969,879	$ 8,260,991	$ -	$ (35,030,929)	$ 70,199,941

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 nine months ended September 30

	2012	2011
Cash flows from operating activities:		
Net earnings (loss) for the period	$ 8,694,050	$ (7,730,854)
Adjustments for:		
Amortization	596,903	661,143
Foreign exchange gains related to U.S. Department of Justice accrual	-	7,012
Unwinding of discount on provisions	7,557	19,552
Gain on sale of property, plant and equipment	(2,311)	(1,671)
Loss on sale of assets held for sale	57,334	18,286
Share-based compensation (note 11)	666,033	402,502
Income tax recovery	(782,000)	(228,775)
Change in amounts receivable	(9,718,718)	189,935
Change in holdbacks receivable	(1,571,182)	(300,000)
Change in prepaid expenses and other	(302,589)	45,002
Change in deferred costs	1,510,292	(1,924,293)
Change in accounts payable and accrued liabilities	671,042	272,422
Change in stock compensation liability	-	(407,113)
Change in liabilities related to assets held for sale	-	(375,354)
Change in provisions	(13,882)	(271,598)
Change in deferred revenue	(3,278,333)	4,175,443
Change in current tax payable	38,500	(23,687)
Repayment of long-term liabilities	(59,250)	(1,655,725)
Net cash used in operating activities	(3,486,554)	(7,127,773)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	29,307	4,250
Proceeds from sale of assets held for sale	-	1,834,356
Acquisition of property, plant and equipment	(175,333)	(87,728)
Change in restricted cash	(461)	(199,405)
Net cash (used in) provided by investing activities	(146,487)	1,551,473
Cash flows from financing activities:		
Proceeds from exercise of share options	-	745,400
Payment of finance lease liabilities	(107,371)	(136,929)
Net cash (used in) provided by financing activities	(107,371)	608,471
Net decrease in cash and cash equivalents	(3,740,412)	(4,967,829)
Cash and cash equivalents at beginning of period	58,720,802	64,993,643
Cash and cash equivalents at end of period	$ 54,980,390	$ 60,025,814

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 nine months ended September 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 September 30, 2012 the Company held approximately 13,300 tonnes of untreated soil at its Saint Ambroise facility. As of September 30, 2012 advance payments of $6,160,336 have been received from customers pertaining to a portion of the untreated soil. These payments have been recorded as deferred revenue as of September 30, 2012.

As at September 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 International Financial Reporting Standards ("IFRS") and IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information required under IFRS 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 November 12, 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.

4. Cash and cash equivalents:

As at September 30, 2012, the Company had restricted cash of $1,515,566 (2011 - $1,515,105) which includes $12,044 (2011 - $12,039) as required under the Company's corporate credit card agreement; $500,974 (2011 - $500,810) security pledged for foreign exchange contracts, and $1,002,548 (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.

5. Holdbacks receivable and liabilities related to assets held for sale:

	September 30, 2012	December 31, 2011
Holdbacks receivable:		
For treated soil (a)	$ 1,571,182	$ -
Belledune facility (b)	-	300,000
	$ 1,571,182	$ 300,000
Liabilities related to assets held for sale (b):		
Accrual for remediation costs on the Belledune facility	$ -	$ 225,000
Other obligations to the purchaser	-	17,666
	$ -	$ 242,666

(a) The holdbacks receivable for treated soil of $1,571,182 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) 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 has recorded an additional loss on disposal in the amount of $57,334.

6. Deferred tax assets and liabilities:

Unrecognized deferred tax assets:

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

	September 30, 2012	December 31, 2011
Non-capital losses	$ 3,042,278	$ 5,388,828
Property, plant and equipment	4,608,314	4,788,421
Share issue costs	262,462	340,542
Tenure/severance provisions	210,441	221,907
Capital losses	53,847	50,447
Other	370,763	346,434
	$ 8,548,105	$ 11,136,579

The non-capital losses expire in the years 2028-2032. In the third quarter, deferred tax assets relating to approximately $2,200,000 of previously unrecognized tax losses were recognized as management considered it probable that future taxable profits will be available against which they can be utilized. The net deferred tax assets will be drawn down and recorded as deferred tax expense in the fourth quarter as the Company earns taxable income. The remaining 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

Balance at January 1, 2012	$	139,551
Provisions used during the period		(13,207)
Change in foreign exchange rate		(675)
Balance at September 30, 2012	$	125,669

As at September 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 current period the Company has made payments of $13,207 to Mr. Bennett in respect of previously awarded legal costs.

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 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.

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	(59,250)	-	(59,250)
Unwinding of discount	7,557	-	7,557
	758,500	-	758,500
Less current portion	(79,000)	-	(79,000)
Balance September 30, 2012	$ 679,500	$ -	$ 679,500

(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 was 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.

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 September 30, 2012	38,685,562	$ 96,969,879

11. Share-based payment:

The following table summarizes information relating to outstanding and exercisable options at September 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	1.46	$ 0.24	93,335	$ 0.24
$ 2.08	103,125	3.19	2.08	103,125	2.08
$ 2.12	1,435,000	3.27	2.12	150,000	2.12
	1,631,460		$ 2.01	346,460	$ 1.60

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

Input for measurement of grant date fair values:

The fair value of each option grant 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%

11. Share-based payment (continued):

Total stock compensation expensed during the nine month period ended September 30, 2012 was $666,033 (2011 – $402,502).

Contributed surplus:

	Nine months ended September 30, 2012	September 30, 2011
Balance, beginning of period	$ 4,873,827	$ 4,846,334
Equity-based compensation charged to earnings	666,033	257,557
Conversion from equity-settled to cash-settled stock option arrangement	-	(791,617)
Expiry of share purchase warrants	2,721,131	-
Balance, end of period	$ 8,260,991	$ 4,312,274

12. Share purchase warrants:

All outstanding warrants expired on May 7, 2012.

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	$ 8,694,050	$ (7,730,854)
Net income (loss) (per common share) -		
Basic	0.22	(0.20)
Diluted	0.22	(0.20)
Weighted average number of shares:		
Basic	38,685,562	38,093,334
Diluted	38,765,380	38,502,173

13. Earnings (loss) per share (continued):

Dilutive earnings (loss) per share:

Options aggregating 93,335 have been included in the computation of diluted earnings per share for the nine months ended September 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 September 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.

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.

14. 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 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.

The Company is subject to a concentration of credit risk in its amounts receivable and holdbacks receivable. As at September 30, 2012, two customers represented 71% and 29% respectively (2011 - two different customers – 69% and 13%) of the aggregate amount of amounts receivable.

Approximately one percent of the Company's customers have been transacting with the Company for more than five 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.

14. Financial risk management (continued):

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	
	September 30, 2012	December 31, 2011
Cash and cash equivalents	$ 54,980,390	$ 58,720,802
Restricted cash	1,515,566	1,515,105
Amounts receivable	9,810,741	92,023
Holdbacks receivable	1,571,182	300,000
Total	$ 67,877,879	$ 60,627,930

The aging of amounts receivable at the reporting date was:

	Carrying amount	
	September 30, 2012	December 31, 2011
Current	$ 6,039,350	$ 89,235
31-90 days	3,780,095	1,270
Over 90 days	(8,704)	1,518
Total amounts receivable, net	$ 9,810,741	$ 92,023

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

14. Financial risk management (continued):

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 September 30, 2012, the Company has a cash and cash equivalents balance of $54,980,390 (December 31, 2011 - $58,720,802) and positive working capital of $61,454,195 (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 September 30, 2012 and December 31, 2011.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

Millions of Canadian dollars	Carrying amount	Contractual cash flow	2012	2013	2014	2015	2016	Thereafter
Tenure agreement	$ 0.76	$ 0.81	$ 0.02	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.47
Finance leases	0.05	0.05	0.02	0.03	-	-	-	-
Accounts payable and accrued liabilities	2.14	2.14	2.14	-	-	-	-	-
Total contractual obligations	$ 2.95	$ 3.00	$ 2.18	$ 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.

14. Financial risk management (continued):

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.

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 September 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:

		September 30, 2012 US$		December 31, 2011 US$
Cash, restricted cash and cash equivalents	$	47,020	$	1,085,951
Accounts payable and accrued liabilities		(69,130)		(304,517)
Notional amount of U.S. dollar forward contract		-		1,300,000
Net exposure in U.S. dollars	$	(22,110)	$	2,081,434

14. Financial risk management (continued):

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 $2,000 as at September 30, 2012. A similar strengthening (weakening) as at December 31, 2011 would have decreased (increased) equity and profit and loss by approximately $208,000.

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 September 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 - $600,000).

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:

(a) During the third quarter of 2012 the Company received a Notice of Discontinuance from John Bennett regarding the lawsuit that Mr. Bennett, the Company's former CEO, commenced against the Company in January, 2012. This lawsuit, which made allegations of conspiracy and oppression against the Company and which also named a number of former directors and officers of the Company as defendants, sought damages in an amount in excess of $50 million from the Company and such other defendants. Mr. Bennett has also discontinued this action against these other named defendants. The Company intends to seek recovery from Mr. Bennett of the costs it has incurred in defending against this action and has taken steps in this regard.

The Company had not recorded any provision in respect of this matter and has not recorded any recovery of costs which it intends to pursue with Mr. Bennett.

(b) 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. The notice resulted from documentary and procedural compliance deficiencies in connection with a prior agreement with the EPA and did not relate to environmental matters at the facility. 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 has agreed to undertake certain reporting, certification, and monitoring requirements designed to confirm that it is a responsible contractor. The Agreement extends for two years. To the extent the Company satisfies the terms of the Agreement, the EPA agrees not to exclude it from performing work for the U.S. Government.

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 September 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.

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.