Interim Consolidated Financial Statements of

BENNETT ENVIRONMENTAL INC.

Three and nine months ended September 30, 2010 and 2009
(Unaudited)

BENNETT ENVIRONMENTAL INC.

Interim Consolidated Balance Sheets
(Unaudited)
(Expressed in Canadian dollars)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 64,144,682	$ 17,645,459
Restricted cash (note 3)	10,617	865,918
Amounts receivable (note 5)	3,877,053	10,215,767
Holdbacks receivable (note 6)	-	3,029,363
Prepaid expenses and other	790,743	446,104
Future income tax asset (note 13)	-	3,915,650
	68,823,095	36,118,261
Property, plant and equipment	7,942,359	8,424,518
Assets under capital leases	505,700	412,074
Assets held for sale	2,675,532	2,675,532
	$ 79,946,686	$ 47,630,385
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,255,235	$ 5,710,496
Liabilities related to assets held for sale	579,269	475,532
Income taxes payable	991,924	2,087,079
Deferred revenue	987,417	7,286,897
Current portion of long-term liabilities (note 9)	284,115	565,258
Current portion of obligations under capital lease (note 10)	182,310	135,316
	7,280,270	16,260,578
Long-term liabilities (note 9)	2,854,679	2,912,430
Long-term portion of obligations under capital lease (note 10)	201,115	229,330
Shareholders' equity:		
Share capital (note 11)	93,364,040	71,949,963
Contributed surplus (note 11)	4,626,981	4,244,554
Share purchase warrants (note 12)	2,721,131	429,056
Accumulated deficit	(31,101,530)	(48,395,526)
	69,610,622	28,228,047
Continuing operations (note 1)		
Contingencies (note 16)		
	$ 79,946,686	$ 47,630,385

See accompanying notes to interim consolidated financial statements.

BENNETT ENVIRONMENTAL INC.

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales	$ 10,604,723	$ 10,916,688	$ 32,668,014	$ 17,411,462
Expenses:				
Operating costs	2,396,652	3,000,741	7,877,376	7,373,743
Administration and business Development	1,642,495	1,183,396	4,225,923	3,585,294
Depreciation and amortization	271,551	456,881	795,593	1,356,452
Foreign exchange loss (gain)	(1,456)	4,519	812	7,623
Interest	79,561	11,780	608,267	105,777
	4,388,803	4,657,317	13,507,971	12,428,889
Earnings before the undernoted	6,215,920	6,259,371	19,160,043	4,982,573
Other income, including interest	129,887	60,231	214,833	160,200
Earnings before income taxes	6,345,807	6,319,602	19,374,876	5,142,773
Income tax expense (recovery) (note 13)				
Current	(1,509,817)	-	(1,834,770)	67,684
Future	520,140	(2,595,354)	3,915,650	(2,595,354)
	(989,677)	(2,595,354)	2,080,880	(2,527,670)
Net earnings and comprehensive income	$ 7,335,484	$ 8,914,956	$ 17,293,996	$ 7,670,443
Net earnings from operations per common share (note 14)				
Basic	$ 0.20	$ 0.33	$ 0.52	$ 0.28
Diluted	0.19	0.32	0.50	0.28

See accompanying notes to interim consolidated financial statements.

BENNETT ENVIRONMENTAL INC.
Interim Consolidated Statements of Accumulated Deficit
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Accumulated deficit, beginning of period	$ (38,437,014)	$ (64,953,443)	$ (48,395,526)	$ (63,708,930)
Net earnings	7,335,484	8,914,956	17,293,996	7,670,443
Accumulated deficit, end of period	$ (31,101,530)	$ (56,038,487)	$ (31,101,530)	$ (56,038,487)

See accompanying notes to interim consolidated financial statements.

BENNETT ENVIRONMENTAL INC.

Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash provided by (used in):				
Operations:				
Net earnings	$ 7,335,484	$ 8,914,956	$ 17,293,996	$ 7,670,443
Items not involving cash:				
Depreciation and amortization	271,551	456,881	795,593	1,356,452
Stock-based compensation	33,235	40,486	98,621	224,053
Foreign exchange related to U.S. Department of Justice accrual	(78,961)	(214,337)	(48,796)	(342,057)
Accretion interest	15,435	20,552	48,789	67,237
Future income taxes (recovery)	520,140	(2,595,354)	3,915,650	(2,595,354)
Loss on disposal of property, plant and equipment	-	-	2,552	-
Changes in non-cash operating working capital	(2,706,811)	(5,315,692)	(2,358)	(3,178,459)
Repayments of long-term liabilities	(19,750)	(5,319)	(59,250)	(512,791)
Cash provided by (used for) operating activities	5,370,323	1,302,173	22,044,797	2,689,524
Financing:				
Repayment of lease obligations	(45,249)	(30,035)	(176,497)	(30,035)
Issuance of share capital due to exercise of stock options	-	91,200	142,500	91,200
Issuance of share capital due to exercise of warrants	-	-	885,600	-
Issuance of shares and warrants due to public offering, net of costs	-	-	22,961,859	-
Cash provided by (used in) financing activities	(45,249)	61,165	23,813,462	61,165
Investments:				
Change in restricted cash	(32)	875,339	855,301	923,178
Proceeds on disposal of property, plant and equipment	-	-	30,000	-
Purchase of property, plant and equipment	(61,216)	(62,902)	(244,337)	(131,907)
Cash provided by (used in) investing activities	(61,248)	812,437	640,964	791,271
Increase in cash and cash equivalents	5,263,826	2,175,775	46,499,223	3,541,960
Cash and cash equivalents, beginning of period	58,880,856	3,968,877	17,645,459	2,602,692
Cash and cash equivalents, end of period	$ 64,144,682	$ 6,144,652	$ 64,144,682	$ 6,144,652
Supplemental cash flow information:				
Interest paid	$ 327,357	$ 3,049	$ 338,152	$ 33,112
Interest received	153,632	-	153,632	-
Income taxes paid	361,220	13,149	361,220	85,149
Income tax refunded	550,590	40,668	700,543	338,926
Supplemental disclosure of non-cash transactions:				
Leases on asset acquisitions	-	-	222,000	397,360

See accompanying notes to interim consolidated financial statements.

1. Continuing operations:

After several years of sporadic operations resulting from the lack of soil for processing, the Saint Ambroise facility re-opened on April 6, 2009 and with the exception of maintenance shutdowns, has operated continuously until September 23, 2010 when the Company announced that its current operating campaign at its Saint Ambroise facility ended. This period of uninterrupted production has been primarily responsible for the Company's profitability in 2009 and the first three quarters of 2010.

In the third quarter of 2010, the Company entered into a contract to remove and treat approximately 10,500 tonnes of PCB contaminated soil located in southern Ontario. It is expected that the soil will be removed from the property in 2010 and processed at the Company's Saint Ambroise facility once the minimum amounts of soil are received to meet the operating requirements of the facility. The removal and treatment of the soil is subject to the client completing specified financial requirements. Future soil treatment operations require receipt of sufficient material for efficient operations through the Company obtaining additional soil treatment contracts, however, there is no assurance that it will be able to secure such contracts.

As at September 30, 2010 the Company has in excess of $64 million in cash available to fund acquisitions and its daily operating needs.

2. Significant accounting policies:

(a) Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, do not include all disclosures required for annual financial statements. These consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements except as disclosed in note 2(c) to these interim consolidated financial statements. In the opinion of management, all adjustments, including reclassifications and normal recurring adjustments necessary to present fairly the financial position, results of operations and retained earnings and cash flows at September 30, 2010 and for all periods presented, have been made. Interim results are not necessarily indicative of the results for a full year.

These interim consolidated financial statements should be read in conjunction with the December 31, 2009 annual consolidated financial statements.

2. Significant accounting policies (continued):

(b) Revenue recognition:

The Company provides highly specialized treatment of contaminated materials. In some cases, the Company is also engaged to remove and transport the contaminated materials to its facilities for processing and disposal. The Company recognizes revenue for these activities using the proportional performance method when all of the following criteria are met:

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

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

(iii) collection is reasonably assured.

For those contracts whereby the Company is engaged to transport the contaminated material from the customer's site to the Company's facilities, the transportation costs incurred are deferred until the materials have been treated and the Company has determined that the contaminants have been 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.

Revenue from long-term fixed-price soil remediation contracts is recognized using the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. This method is used because management considers costs to be the best available measure of performance on these contracts. Contract costs include all direct material and wages and related benefits. Revenue related to unpriced change orders under the percentage of completion method is recognized to the extent of the costs incurred, if the amount is probable of collection. If it is probable that the contract will be adjusted by an amount that exceeds the costs attributable to the change order and the amount of the excess can be reliably estimated, revenue in excess of the costs attributable to unpriced change orders is recorded when realization is assured beyond a reasonable doubt.

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2. Significant accounting policies (continued):

The Company records revenue relating to claims to the extent of costs incurred and only when it is probable that the claim will result in additional contract revenue and the amount can be reasonably estimated. Claims are amounts in excess of the agreed upon contract price that the Company seeks to collect from its customers for customer-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs.

The Company did not have any long-term fixed price sales contracts in process during the nine month periods ended September 30, 2010 and 2009.

(c) Recently issued pronouncements not yet adopted:

(i) International Financial Reporting Standards:

In February 2008, The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning January 1, 2011.

(ii) Other pronouncements not yet adopted:

In October 2008, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests".

Section 1582 establishes standards for accounting for business combinations and is equivalent to IFRS 3. The new standards apply to business combinations with an acquisition date on or after January 1, 2011; however, earlier adoption is permitted.

Sections 1601 and 1602, together, replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary to a business combination. It is equivalent to the provisions of IFRS standard, IAS 27, Consolidated and Separate Financial Statements. The new standards apply to interim and annual consolidated financial statements with fiscal years beginning on or after January 1, 2011. Early adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

(Expressed in Canadian dollars)

3. Restricted cash:

As at September 30, 2010, the Company had restricted cash of $10,617 (2009- $865,918) which includes $10,617 (2009 - $10,560) as required under the Company's corporate credit card agreement; nil (2009 - $255,189) required for foreign exchange hedging agreements and nil (2009 - $600,169) required for butane price swap agreements.

4. Assets and liabilities held for sale:

In December of 2009, the Company sold an option to purchase the Belledune facility expiring December 31, 2010. The option consideration was $100,000 which is refundable under certain conditions and can be applied to the purchase of the property when the option is exercised. The option entitles the holder to purchase the facility for base consideration of $2,200,000 plus accumulated property tax liabilities to be assumed by the purchaser. The base consideration that would be received if the option is exercised and the transaction closes is composed of the option deposit, $900,000 in cash on closing and two subsequent payments of $600,000 on the first and second anniversary date of closing, bearing interest at 3% compounded semi-annually.

5. Amounts receivable:

	September 30, 2010	December 31, 2009
Billed	$ 3,724,748	$ 10,057,115
HST, GST and QST receivable	152,305	-
Due from purchaser[i]	-	158,652
	$ 3,877,053	$ 10,215,767

[i] On December 18, 2008 the Company sold the shares of its Trans-Cycle Industries, Ltd. and Material Resource Recovery S.R.B.P. Inc. subsidiaries. See note 6 of the Company's audited consolidated financial statements for the years ended December 31, 2009 and 2008 for further details. The amount due from the purchaser was collected in January, 2010.

6. Holdbacks receivable:

Under the terms of an agreement with a contractor managing a large contract for the Ontario Ministry of the Environment ("MOE"), the contractor is permitted to hold back 20% of amounts invoiced by the Company. During the three months ended September 30, 2010 the Company completed processing the balance of the soil received from the site and in accordance with the agreement the holdback to the contractor was billed and the holdback was transferred to accounts receivable. The MOE holds a payment bond for approximately $32 million which is intended to guarantee payment to subcontractors in the event of non-payment by the contractor.

7. Financial instruments:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. The Board of Directors has responsibility for the review 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.

(a) Credit risk:

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.

Credit risk arises from the potential default of a customer in meeting its financial obligation to the Company. The Company has credit evaluation, approval and monitoring processes to mitigate potential credit risk.

The Company evaluates the collectability of amounts 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, 2010, two customers represented 95% and 1% (December 31, 2009 – 44% and 43%) respectively, of the aggregate amounts receivable and holdbacks receivable.

(Expressed in Canadian dollars)

7. Financial instruments (continued):

The Company performs ongoing credit evaluations of its customers' financial condition and requires letters of credit or other guarantees whenever deemed necessary. Payments from the customer representing 95% (2009 – 87%) of the aggregate amount of amounts receivable and holdbacks receivable are protected by a payment bond as described in note 6.

The aging of amounts receivable at the reporting date was:

	September 30, 2010	December 31, 2009
Current	$ 3,070,367	$ 4,972,277
31-90 days	741,152	4,924,171
Greater than 90 days	65,534	319,319
Total amounts receivable, net	$ 3,877,053	$10,215,767

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

Credit risk exists in the event of non-performance by a 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.

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

	September 30, 2010	December 31, 2009
Cash and cash equivalents	$ 64,144,682	$ 17,645,459
Restricted cash	10,617	865,918
Amounts receivable	3,877,053	10,215,767
Holdbacks receivable	-	3,029,363
Total	$ 68,032,352	$ 31,756,507

7. Financial instruments (continued):

(b) 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 Company did not designate its foreign exchange forward contracts or its butane swap contracts as hedges of underlying assets, liabilities, firm commitments or anticipated transactions in accordance with CICA Handbook Section 3865, Hedges, and accordingly did not use hedge accounting. As a result of this, the foreign exchange forward contracts and butane swap 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.

(i) Foreign exchange risk:

The Company periodically enters 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 of September 30, 2010 and December 31, 2009, the Company had no foreign exchange contracts outstanding.

The Company is exposed to the following currency risk at the reporting date excluding the foreign exchange contracts as described above:

	September 30, 2010 U.S.	December 31, 2009 U.S.
Cash and cash equivalents and restricted cash	$2,439,816	$ 1,030,863
Amounts receivable	-	1,452,748
Accounts payable and accrued liabilities	(2,462,775)	(2,608,210)
Net exposure in U.S. dollars	$ (22,959)	$ (124,599)

(Expressed in Canadian dollars)

7. Financial instruments (continued):

After considering the effects of any foreign exchange contracts as described above, a 10% strengthening of the Canadian dollar against the U.S. dollar would have increased the gain from operations by approximately $2,000 for the nine month period ended September 30, 2010 (for the year ended December 31, 2009 – approximately $13,000).

The following summary illustrates the fluctuations in the exchange rates applied during the period ended September 30, 2010:

	U.S. $
Opening exchange rate as at January 1, 2010	1.0510
Closing exchange rate as at September 30, 2010	1.0290
Average exchange rate for the three months ended September 30, 2010	1.0395
Average exchange rate for the nine months ended September 30, 2010	1.0359

(ii) Butane swap contract price risk

The Company is exposed to commodity price risk on butane used to fuel the thermal oxidizer at its Saint Ambroise facility. Swap contracts and other agreements are periodically used to fix the price of butane and reduce the adverse impact of price increases. As at September 30, 2010 the Company has no outstanding swap contracts. As at December 31, 2009 the Company had an outstanding swap contract whereby it had agreed to pay a fixed rate of $0.4052 per litre and its counterparty had agreed to pay spot on a notional amount of 1.4 million litres of butane over the five month period ended February, 2010.

At December 31, 2009 the fair value of the contract was an unrealized gain of approximately $17,165 which was recorded as a prepaid expense on the balance sheet and a gain on the statement of operations and comprehensive income. A 10% strengthening in the forward price of butane over the remaining life of the swap would have increased the earnings from operations by approximately $24,370 for the year ended December 31, 2009 due to an increase in the value of the swap contract. The mark-to-market gain and sensitivity analysis described above do not consider the offsetting impact of price changes on the costs incurred by the facility on its physical purchases of butane.

7. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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, 2010, the Company has a cash and cash equivalents balance of $64,144,682 and positive working capital of $61,542,825. Management believes the Company will have sufficient cash flows to meet its obligations as they become due.

The Company had no bank borrowings outstanding at September 30, 2010 or December 31, 2009.

The following lists the Company's significant contractual obligations:

	2010	2011	2012	2013	2014	Thereafter	Total
				(In millions)			
Department of Justice Fine and Restitution	$ 0.21	$ 0.21	$ 0.21	$ 1.80	$ –	$ –	$ 2.43
Tenure agreement	0.02	0.08	0.08	0.08	0.08	0.63	0.97
Operating leases	0.03	0.11	0.04	–	–	–	0.18
Capital leases	0.05	0.19	0.12	0.03	–	–	0.39
Total contractual obligations	$ 0.31	$ 0.59	$ 0.45	$ 1.91	$ 0.08	$ 0.63	$ 3.97

(d) Fair values:

The Company's financial instruments consist of cash and cash equivalents, restricted cash, amounts receivable, accounts payable and accrued liabilities, long-term liabilities, lease obligations, foreign exchange contracts and butane swap contracts.

The carrying values of cash and cash equivalents, restricted cash, amounts receivable, deferred transportation costs and accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these financial instruments.

The carrying value of the long-term liabilities approximates fair value because the future cash flows have been discounted using a risk adjusted discount rate.

(Expressed in Canadian dollars)

7. Financial instruments (continued):

The table below analyzes the Company's financial liabilities which will be settled into relevant maturity groupings based on the remaining periods at September 30, 2010 to the contractual maturity date. The amounts disclosed in this table are the contractual undiscounted cash flows for accounts payable and accrued liabilities, liabilities related to assets held for sale, long-term liabilities and lease obligations.

Payments due:					
In less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Greater than 5 years	Total
$ 5,172,596	$ 132,292	$ 439,261	$ 2,303,857	$ 572,750	$ 8,620,756

8. 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. As described in note 11 the Company issued additional equity during the second quarter of 2010. The cash proceeds of this financing transaction, net of costs, were $22,961,859 which the Company intends to use to diversify its business. The funds were raised at this time in order to be immediately available, if and when, the Company finds a suitable acquisition target.

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)

9. Long-term liabilities:

Long-term liabilities comprise the following:

	Tenure agreement	Severance payable	U.S. Department of Justice	Total
	(a)	(b)	(c)	
Balance December 31, 2009	$ 866,908	$ 279,637	$ 2,331,143	$ 3,477,688
Paid during 2010	(59,250)	-	-	(59,250)
Accretion charge	16,984	-	31,805	48,789
Foreign exchange gain	-	-	(48,796)	(48,796)
Reclassified to accounts payable and accrued liabilities	-	(279,637)	-	(279,637)
	824,642	-	2,314,152	3,138,794
Less current portion	(79,000)	-	(205,115)	(284,115)
Balance September 30, 2010	$ 745,642	$ -	$ 2,109,037	$ 2,854,679

(a) The tenure agreement is between the Company and its founder and former CEO. The total value of the liability related to this agreement is $824,642 at September 30, 2010 which is a decrease of $42,266 over the fair value as at December 31, 2009.

(b) The liability represents the Company's contractual obligation for severance to an employee terminated in 2007 as described in note 16 (d)(iii).

(c) 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 (note 16(a)). The Company had accrued a liability of $2.77 million U.S. during 2007 in connection with this matter which was decreased by $332,468 to reflect the final sentencing in the fourth quarter of 2008. During the first nine months of 2010, the unrealized foreign exchange gain on this liability amounted to $48,796 (2009 – unrealized gain of $342,057). This gain was offset by the Company's efforts to hedge its overall foreign exchange exposure as described in note 7(b)(i).

The amounts are payable over a three year period.

(Expressed in Canadian dollars)

10. Obligations under capital lease:

	Monthly Principal Payments	Interest Rate	Effective Rate	Maturity Date
Obligations under capital lease	$ 15,192	Up to 1.75%	1.75%	October, 2013

The obligations under capital lease are secured by the related equipment.

Repayments required over the next four years are as follows:

	Obligations under capital lease		
Twelve month period following September 30,	Principal	Interest	Total
2010	$ 182,310	$ 3,274	$ 185,584
2011	153,279	1,182	154,461
2012	45,782	123	45,905
2013	2,054	-	2,054
	$ 383,425	$ 4,579	$ 388,004

11. Share capital:

(a) The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of Series I non-voting redeemable preferred shares. No Series I, non-voting redeemable preferred shares have been issued.

(b) On May 7, 2010, the Company completed a financing arrangement with a syndicate of underwriters ("Underwriters") whereby the Underwriters agreed to purchase on a bought deal basis, an aggregate of 8,196,722 units ("Units") at a price of $3.05 per Unit. Each Unit consists of one common share of the Company and one-half of one warrant of the Company, with each warrant entitling the holder to purchase one common share of the Company at a price of $3.75 expiring May 7, 2012. The gross proceeds received by the Company from the distribution on May 7, 2010 were $25,000,002. Net proceeds from this financing transaction were $22,836,993.

(Expressed in Canadian dollars)

11. Share capital (continued):

The Company had agreed to grant the Underwriters an over-allotment option to purchase an additional 15% of the offering, which expired on June 7, 2010. The Underwriters sold 1,229,508 units in connection with the over-allotment which was the maximum amount allowed by the prospectus. The share portion of the over-allotment was satisfied by the Underwriters' purchase of 1,229,508 common shares of the Company on the secondary market. On May 21, 2010 the Company provided the warrant portion of the over-allotment by issuing 614,754 warrants for gross proceeds of $135,246. Net proceeds from this additional financing transaction were $126,455.

The Company granted the Underwriters compensation options to purchase additional Units equal to 6.5% of all Units issued pursuant to the May 7, 2010 closing at a price of $3.05 per Unit. The Underwriters also received compensation options equal to 6.5% of the warrants issued in connection with the over-allotment option. The compensation options issued on May 21, 2010 carry the right to purchase one-half of one warrant at a price of $0.22. All the compensation options expire on May 7, 2012, none have been exercised as at September 30, 2010. The value assigned to these compensation options is provided in note 11(e).

(c) The issued share capital of the Company is as follows:

	Common shares	Amount
Balance December 31, 2009	27,487,176	$ 71,949,963
Stock options exercised	283,332	241,220
Warrants exercised	1,080,000	1,314,656
Shares issued in connection with public offering closing May 7, 2010	8,196,722	22,213,117
Share issue costs	-	(2,354,916)
Balance, September 30, 2010	37,047,230	$ 93,364,040

The fair value of the shares issued in connection with the public offering closing May 7, 2010 was determined to be $2.71, the closing price of the stock on the Toronto Stock Exchange on May 6, 2010.

(Expressed in Canadian dollars)

11. Share capital (continued):

(d) Stock option plan:

The Company has a stock 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.

No stock options were granted during the nine months ended September 30, 2010 (2009 – 1,850,000).

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

	2010	2009
Risk-free interest rate	-	1.95%
Expected option lives	-	5 years
Expected volatility	-	159%
Dividend yield	-	Nil%

Total fair value of options on date of grant was $395,569 or $0.21 per option. One-third of options vested immediately, and the remaining options vest equally over the next two years on each anniversary date.

Stock option activity for the nine months ended September 30, 2010 is as follows:

	Shares	Weighted average exercise price
Outstanding, December 31, 2009	2,009,999	$ 0.46
Exercised	(283,332)	0.50
Cancelled	(10,000)	4.20
Outstanding, September 30, 2010	1,716,667	$ 0.43
Exercisable, September 30, 2010	1,100,000	$ 0.54

(Expressed in Canadian dollars)

11. Share capital (continued):

The following table summarizes information relating to outstanding and exercisable options at September 30, 2010:

	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	1,136,667	3.50	$ 0.24	520,000	$ 0.24
$ 0.67	500,000	1.08	0.67	500,000	0.67
$ 1.73	80,000	0.83	1.73	80,000	1.73
	1,716,667		$ 0.43	1,100,000	$ 0.54

(e) Contributed surplus:

	September 30, 2010	December 31, 2009
Opening balance	$ 4,244,554	$ 4,085,649
Stock-based compensation charged to earnings	98,621	259,705
Options exercised	(98,721)	(100,800)
Fair value of compensation options issued in connection with share and warrant offering closing May 7, 2010	483,992	-
Excess fair value of warrants issued on over-allotment closing May 21, 2010 over consideration received	(110,656)	-
Fair value of compensation options issued in connection with over-allotment closing May 21, 2010	9,191	-
Closing balance	$ 4,626,981	$ 4,244,554

The fair value of the compensation options granted in connection with the May 7, 2010 share and warrant issuance was determined using the Black Scholes model based on the following assumptions: expected option life of 2 years, volatility of 48%, risk-free interest rate of 1.8%. The fair value of all compensation options was treated as issuance costs and recorded as a reduction of share capital and warrants and an increase to contributed surplus.

(Expressed in Canadian dollars)

12. Share purchase warrants:

At September 30, 2010, the Company has 4,713,115 warrants outstanding which are exchangeable into common shares of the Company at the holder's option on a one-for-one basis at an exercise price of $3.75. All outstanding warrants expire May 7, 2012. None of these warrants were exercised during the three month period ended September 30, 2010.

The fair value of one warrant issued in connection with the public offering closing on May 7, 2010 was determined to be $0.68, twice the difference between the Unit price of $3.05 and the fair value of the shares issued of $2.71.

The fair value of the warrants issued on May 21, 2010 as the over-allotment option was determined to be $0.40, the closing price of the warrant on the Toronto Stock Exchange on May 20, 2010.

At December 31, 2009, the Company had 1,080,000 outstanding warrants which were exchangeable into common shares of the Company at the holder's option on a one-for-one basis, at any time between March 1, 2008 and March 1, 2010, at a price of $0.77 for the first 540,000 warrants exercised and at $0.87 with respect to the remaining 540,000 warrants. On February 19, 2010 all of these warrants were exercised for aggregate consideration of $885,600.

	Warrants		Amount
Balance, December 31, 2009	1,080,000	$	429,056
Warrants exercised	(1,080,000)		(429,056)
Warrants issued in connection with public offering closing May 7 and 21, 2010 net of issue costs (note 11(b))	4,713,115		2,721,131
Balance, September 30, 2010	4,713,115	$	2,721,131

(Expressed in Canadian dollars)

13. Income taxes:

The Company has non-capital losses carried forward of approximately $5,424,400 which are available to reduce future years' income for income tax purposes.

Non-capital loss carryforwards expire as follows:

2010	$ 8,000
2027	766,700
2028	1,495,000
2029	2,957,800
2030	196,900
	$ 5,424,400

The composition of the future tax assets are as follows:

	September 30, 2010	December 31, 2009
Future tax assets:		
Loss carryforwards	$ 1,467,669	$ 8,051,155
Property, plant and equipment	6,732,190	6,748,633
Holdbacks receivable	-	(908,809)
Share issue costs	501,328	24,267
Tenure/severance	331,284	346,282
Capital loss carryforward	56,314	56,314
Other	213	273
	9,088,998	14,318,115
Less valuation allowance	(9,088,998)	(10,402,465)
Net future income tax asset	$ -	$ 3,915,650

(Expressed in Canadian dollars)

14. Earnings per share:

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net earnings (loss) for the period	$ 7,335,484	$ 8,914,956	$ 17,293,996	$ 7,670,443
Net earnings (loss) per common share –				
Basic	0.20	0.33	0.52	0.28
Diluted	0.19	0.32	0.50	0.28
Weighted average number of shares				
Basic	37,047,230	27,017,392	32,955,191	27,010,618
Diluted	38,471,133	27,506,604	34,468,735	27,040,637

Options aggregating 1,423,903 (2009 – 640,000) and warrants aggregating nil (2009 – 1,080,000) have been included in the computation of diluted earnings per share for the three months ended September 30, 2010.

Options aggregating 1,513,191 (2009 – 640,000) and warrants aggregating nil (2009 – 1,080,000) have been included in the computation of diluted earnings per share for the nine months ended September 30, 2010.

(Expressed in Canadian dollars)

15. Segmented information:

(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:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales by country:				
Customers domiciled in the United States	$ 93,857	$ 112,605	$ 93,857	$ 4,383,846
Customers domiciled in Canada	10,510,866	10,804,083	32,574,157	13,027,616
	$ 10,604,723	$ 10,916,688	$ 32,668,014	$ 17,411,462

(b) Major customers:

For the three and nine months ended September 30, 2010 one customer represented approximately 99% (2009 - 89% and 59%) of total revenue.

16. Contingencies:

(a) Federal Creosote project

During the second quarter of 2008, the prime contractor on the Federal Creosote 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 claims these three individuals colluded with an employee of the prime contractor relating to, among other things, the awarding of the Federal Creosote 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 vigorously defend against this claim if the current stay is lifted. The outcome of this matter is not determinable and no amount has been recorded in the Company's consolidated financial statements in respect of the complaint.

16. Contingencies (continued):

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

The U.S. Department of Justice Civil Division is 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 outcome of this investigation is not determinable and no amount has been recorded in the Company's financial statements in respect of this investigation. The Company continues to bid on work for various U.S. government entities and does not believe that this matter will affect its eligibility for this work. The Company is cooperating fully with the investigation.

(c) Claim against Company's founder for unlawful activities

The Company has filed a claim against the Company's founder and former CEO 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 as described in note 9(c). 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 Company's claim has been stayed pending the outcome of the criminal proceedings involving the Company's founder and former CEO that are related to the Company's claim.

(d) Other:

(i) 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. During the fourth quarter of 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 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.

16. Contingencies (continued):

(ii) During 2009, a former officer and director requested indemnification from the Company for legal costs incurred in connection with the U.S. Department of Justice anti-trust investigation (note 9(c)). The Company has accrued and expensed all invoices received to date in the amount of $241,188, (approximately $230,000 U.S.). During the first quarter of 2010, this individual brought an Application to the Ontario Superior Court to compel the Company to reimburse him for these invoices and any future costs he may incur in connection with this matter. The Company believes it is not required to indemnify the individual for the expenses and has served a Motion Record seeking to stay the former director's Application pending a resolution of the criminal proceedings against the same individual in the United States. The individual has served a cross-motion seeking interim relief. The Court heard both of these motions on October 26, 2010 and a decision is expected in the next few weeks. Other former officers and directors may also seek indemnification from the Company for legal fees incurred in connection with this investigation.

(iii) The Company terminated an employment arrangement in 2007 and recorded $279,637 as an expense in accordance with this employee's employment contract in its 2007 consolidated financial statements. In the first quarter of 2008, the Company was served with a claim by this employee claiming breach of contract for $540,000. A formal motion of defence has been filed with the courts. Management will vigorously defend the claim.

(iv) In the ordinary course of business, other lawsuits have been filed against and by the Company. In the opinion of management, the outcome of the lawsuits now pending will involve amounts that would not have a material adverse effect on the consolidated position of the Company. However, should any loss result from the resolution of these claims, such loss would be charged against income in the year the claim is resolved.

17. Related party transactions

During the three months ended September 30, 2010, the Company paid tenure payments of $19,750 (2009 - $5,319), nine months ended September 30, 2010 $59,250 (2009 - $237,633) to a former director and officer of the Company.

During the three months ended September 30, 2010, the Company paid consulting fees of nil (2009 - nil), nine months ended September 30, 2010 nil (2009 – $275,157) and related interest of nil (2009 – nil), nine months ended September 30, 2010 nil (2009 - $9,297) to a company owned by a former director and officer of the Company pursuant to the termination agreement that was accrued and recorded in expense in 2004.

17. Related party transactions (continued)

The Company has retained the services of a corporation, owned by a current director, to support its corporate development activity for a six month period ending in February, 2011. During the three months ended September 30, 2010, the Company paid consulting fees of $33,335 (2009 – nil), nine months ended September 30, 2010 $33,335 (2009 – nil) under this arrangement.