

BENNETT ENVIRONMENTAL INC.

Management's Discussion and Analysis

May 8, 2012

The following is management's discussion in respect of the results of operations of Bennett Environmental Inc. ("Bennett" or the "Company") for the quarter ended March 31, 2012 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the quarters ended March 31, 2012 and 2011 and the Company's audited consolidated financial statements and management's discussion and analysis ("MD&A") for the years ended December 31, 2011 and 2010. The financial statements of the Company are presented in Canadian dollars and are in accordance with International Financial Reporting Standards ("IFRS"). The following MD&A is dated May 8, 2012. Additional information related to the Company, including its Annual Information Form, Management Information Circular and Proxy form is available on SEDAR at www.sedar.com.

OVERVIEW

The Company generates its revenues by treating contaminated soils pursuant to contracts obtained in a competitive bidding process. The Company's customer base is composed mainly of government agencies, utilities, environmental services companies and 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 Company's soil treatment facility located in Saint Ambroise, Quebec is an ISO 14001(2004) certified facility. It treats soils contaminated with organics and its Certificate of Authorization was expanded in 2005 to include dioxins and furans. The facility has an annual processing capacity of up to 100,000 metric tonnes depending on the nature of material being processed.

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 facility has not processed soil since it was shut down at the conclusion of its last campaign, which ended on September 23, 2010. As at May 1, 2012 the Company had accumulated approximately 51,000 tonnes of untreated soil at the facility with approximately 2,000 tonnes currently anticipated to be received from various jobs which have been awarded but not shipped

or not fully shipped. For each of these contracts awarded but not yet shipped, the tonnage amounts are approximate, and in each case there is no commitment on the part of the client with respect to the amount of material or remaining material that will be shipped under the contract, or the timing of these shipments. Actual amounts shipped may be more or less than the anticipated amounts. No current revenue related to this soil in inventory or to be shipped, has been recorded in results released to date. Revenue from this soil will be a function of the type of soil treated, pricing of the various contracts, and other factors. Revenue may vary from past revenues due to these and other variables, and the variances may be significant. The processing of soil held in inventory commenced on May 2, 2012.

STRATEGY

The Board of Directors has actively continued the process of positioning the Company for the future, and is united in its view to enhance the value of the Company for the benefit of the Company's shareholders and other stakeholders. The Company is continuing to pursue strategic merger and acquisition opportunities, has engaged investment bankers and has been working with them for a number of months. The Board and CEO will seek to source, structure and complete one or more transformative transactions, designed to create meaningful value to shareholders. This may or may not be in the environmental space, and may involve one or more of a sale of the Company as a whole, a sale of all or substantially all of the Company's assets, an acquisition, a merger or a strategic investment. However, there can be no assurance that any transactions may occur or when.

With respect to its core soil remediation business, Bennett will continue to focus on building sustainable growth and shareholder value by securing orders for soil treatment, and building new relationships with key market players and decision makers in treatment projects.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters, expressed in millions of Canadian dollars (except per share data – basic and diluted which is in dollars).

	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	-	-	-	-	-	-	10.60	10.91
Net income (loss)	(1.22)	(1.57)	(1.67)	(4.29)	(1.77)	(2.91)	7.34	5.09
Earnings (loss) per common share								
Basic	(0.03)	(0.04)	(0.04)	(0.11)	(0.05)	(0.08)	0.20	0.15
Diluted	(0.03)	(0.04)	(0.04)	(0.11)	(0.05)	(0.08)	0.19	0.14

Variations in revenue over the last eight quarters are primarily due to the volumes of material processed in each quarter. The variations in earnings that occurred in the second and third quarters of 2010 were caused by differences in the amounts of income tax recovered or expensed during each quarter. While there is no revenue in any of the six most recent quarters the last quarter of 2010 and second quarter of 2011 have significantly higher losses. The losses in the last quarter of 2010 were due to higher income taxes, operating costs and finance costs. Costs incurred in connection with the proxy contest are responsible for the higher losses in the second quarter of 2011.

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2012

Sales

Sales for the first quarter of 2012 were nil compared to nil in the same period a year earlier. The Saint Ambroise facility was shut down during the first quarter of both years.

Operating Costs

Operating costs consist mainly of transportation costs, fuel, processing supplies, maintenance costs, and labour. Some of these costs fluctuate based on the number of tonnes processed; however, there are some costs which are fixed in nature.

Operating costs for the first quarter of 2012 were \$0.5 million compared to \$0.4 million in 2011. The increase in operating costs compared to the prior year is primarily due to increased labour and equipment costs required to receive large amounts of soil during the current quarter offset by the absence of operating costs from the Belledune facility which was sold in the second quarter of 2011.

OTHER INCOME STATEMENT ITEMS

Administration and Business Development Costs

Administration and business development costs were \$1.2 million in the first quarter of 2012, compared with \$1.5 million in the same quarter of 2011. The decrease is due to lower non-cash share-based compensation expense, and a reduction in insurance premiums and property taxes due to the sale of the Belledune facility, as noted above.

Management/Board Restructuring Costs

The Company was engaged in a proxy contest with its largest shareholder during the first half of 2011. For the first three months of that year, the costs of this contest and related events amounted to \$0.2 million primarily composed of professional fees and consulting fees.

Amortization

Amortization expense has remained relatively flat at approximately \$0.2 million during the first quarter of both years.

Finance Income/Costs

Finance income earned in the first quarter of 2012 increased by \$0.2 million over the comparable quarter in 2011. The increase was due to a larger interest refund in connection with an income tax reassessment of a return filed in a prior period compared to the same period in 2011.

Finance costs have remained relatively flat at approximately \$0.05 million during the first quarter of both years.

Income Taxes

The Company recorded an income tax recovery of \$0.2 million both in the first quarter of 2012 and in the same period in the prior year. The income tax recovery of the current quarter is due to a reduction to income tax accruals, recorded in prior periods, which are no longer required. The income tax recovery in the same period of the prior year is due to the reassessment of a return filed in a prior period.

Net Loss

The net loss for the first quarter of 2012 was \$1.2 million or a basic and diluted loss per share of \$0.03 compared to a net loss of \$1.8 million or basic and diluted earnings per share of \$0.05 for the first quarter of 2011. The net loss for the first quarter of both years was the result of no processing at the Saint Ambroise facility throughout the period.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

At March 31, 2012 the Company had cash and equivalents of \$57.6 million and working capital (including cash) of \$51.5 million compared to cash and equivalents of \$58.7 million and working capital (including cash) of \$52.3 million on December 31, 2011.

Cash from Operating Activities

For the first quarter of 2012, cash used by operations amounted to approximately \$1.0 million as compared to the first quarter of 2011 when cash used by operations amounted to \$1.8 million. The loss during the first quarter of both years was primarily responsible for the use of cash by operations. Deferred costs grew by approximately \$2.4 million during the most recently completed quarter as compared to \$1.0 million in the same quarter of the prior year. These are costs such as freight-in which are accrued in advance of processing soil and are recorded as current assets provided they are recoverable under the terms of the Company's contracts with its customers. The impact of the growth in deferred costs on the Company's cash position was offset by an increase in deferred revenue and accounts payable. Deferred revenue consists of cash received from customers where revenue recognition has not yet occurred.

Cash from Investing Activities and Capital Expenditures

Cash used in investing activities and capital expenditures during the first quarter of both years was negligible.

Cash from Financing Activities

Cash used in financing activities was \$0.05 million in the first quarter of 2012 versus cash provided by financing activities was \$0.60 million in the same period of the prior year. The exercise of options was responsible for the generation of cash in the prior period.

Contractual Obligations

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	\$ 0.79	\$ 0.85	\$ 0.06	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	0.47
Operating leases	-	0.01	0.01	-	-	-	-	-
Finance leases	0.11	0.11	0.08	0.03	-	-	-	-
Accounts payable and accrued liabilities	2.86	2.86	2.86	-	-	-	-	-
Total contractual obligations	\$ 3.76	\$ 3.83	\$ 3.01	\$ 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.

FINANCIAL AND OTHER INSTRUMENTS

On occasion short-term foreign exchange forward contracts are used to reduce foreign exchange risk. The Company marks these contracts to market, and records the corresponding gain or loss in income.

As at March 31, 2012 the Company had no foreign exchange contracts outstanding. As at December 31, 2011, the Company held a foreign exchange contract to buy \$1,300,000 U.S. The fair value of the contract was an unrealized loss of \$14,000 which was recorded as an accrued liability on the Statement of Financial Position and a foreign exchange loss on the Statement of Operations and Comprehensive Income (Loss).

CONTINGENCIES AND PROVISIONS

Developments subsequent to year end are as follows:

There were no changes to the provisions and contingencies as described in notes 12 and 29 to the Company's 2011 financial statements except for a foreign exchange adjustment to provisions as described in note 9 to the accompanying financial statements for the first quarter of 2012.

TRANSACTIONS WITH RELATED PARTIES

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 March 31, 2012, the Company incurred consulting fee expenses of nil (2011 – \$50,003) under this arrangement.

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.

CRITICAL ACCOUNTING ESTIMATES

There are no changes in the Company's critical accounting estimates as described in the Company's annual MD&A dated March 28, 2012 which can be found on SEDAR at www.sedar.com:

SHARE CAPITAL

The number of common shares outstanding at March 31, 2012 was 38,685,562. There were 1,708,960 stock options outstanding as at March 31, 2012 exercisable at prices from \$0.24 to \$2.12 per share. The number of warrants outstanding as at March 31, 2012 was 4,713,115. There are 532,768 compensation options outstanding which entitle the holder to purchase one common share and one-half of a warrant for an aggregate price of \$3.05. There are also 39,959 compensation options outstanding which allows the holder to acquire one-half of a warrant for \$0.22.

CHANGES IN ACCOUNTING POLICIES

During the first quarter of 2012 there were no changes in accounting policies and no new standards or interpretations were announced by the International Accounting Standards Board which are expected to have a material impact on the Company's financial statements.

RISK FACTORS

Information on "Risk Factors" can be found in the Company's Annual Information Form dated March 28, 2012 for the fiscal year ended December 31, 2011.

CONTROLS AND PROCEDURES

In compliance with the requirements of National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, our Certifying Officers have reviewed and certified the interim Condensed Consolidated Financial Statements for the period ended March 31, 2012, together with other financial information included in our quarterly securities filings. Our Certifying Officers have also certified that disclosure controls and procedures have been

designed to provide reasonable assurance that material information relating to our Company is made known within our Company. Further, our Certifying Officers have also certified that internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim Condensed Consolidated Financial Statements. There have not been any material changes in internal controls over financial reporting or disclosure controls and procedures since the last year end.

Forward Looking Statements

Certain statements contained in this MD&A, or incorporated herein by reference, may constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in international, national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of the Company. The foregoing list of factors is not exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as expressly required by law.