The following Management's Discussion and Analysis ("MD&A") prepared as at March 10, 2021 for Dexterra Group Inc. ("Dexterra Group" or the "Corporation"), provides information concerning Dexterra Group's financial condition and results of operations. This MD&A should be read in conjunction with the Corporation's audited Consolidated Financial Statements ("2020 Financial Statements") for the year ended December 31, 2020 and 2019. Additional information about the Corporation, including its Annual Information Form ("AIF") for the year ended December 31, 2020 can be found on SEDAR and sedar.com. Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Information" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors including those described elsewhere in this MD&A and AIF.

On November 13, 2020, the shareholders of the Corporation approved a name change to Dexterra Group Inc. (previously Horizon North Logistics Inc. ("Horizon North")). The common shares now trade on the Toronto Stock Exchange ("TSX") under the ticker symbol "DXT". Adopting a new corporate name reflects the corporate transformation into a pan-Canadian, diversified support services organization and marks a new phase in the Corporation's history as it focuses on delivering quality solutions for the creation, management, and operation of infrastructure.

The accompanying 2020 Financial Statements of Dexterra Group as at and for the year ended December 31, 2020 and December 31, 2019 are the responsibility of Dexterra Group's management and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts presented are in thousands of Canadian dollars unless otherwise indicated.

Financial Summary

	Three months ended December 31,		Years ended December 31,	
(000's except per share amounts)	2020	2019	2020	2019
Total Revenue[(1)]	$ 164,418	$ 64,134	$ 477,815	$ 261,059
EBITDA[(2)(4)]	18,713	3,240	77,190	16,465
Adjusted EBITDA[(2)(4)(5)]	17,477	3,315	71,087	16,540
Operating income[(4)]	6,731	2,031	50,752	12,826
Net earnings[(3)(4)]	27	1,455	64,479	9,304
Earnings per share				
Basic[(6)]	$ 0.00	$ 0.04	$ 1.25	$ 0.28
Diluted[(6)]	$ 0.00	$ 0.04	$ 1.24	$ 0.28
Total assets	$ 513,523	$ 174,830	$ 513,523	$ 174,830
Total loans and borrowings	$ 85,369	$ 5,453	$ 85,369	$ 5,453
Net capital proceeds (spending)	$ (1,242)	$ (1,465)	$ 1,430	$ (3,869)

(1) Revenue for the year ended December 31, 2020 includes $6.6 million related to amounts awarded on two legal proceedings with former customers.
(2) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA.
(3) Net earnings for the three months and year ended December 31, 2020 includes $(4.2) million and $29.9 million, respectively Bargain purchase (reduction)/gain resulting from the Acquisition.
(4) Includes $4.2 million and $32.9 million of pre-tax Canada Emergency Wage Subsidy for the three months and year ended December 31, 2020, respectively .
(5) Non-recurring items excluded from Adjusted EBITDA for Q4 2020 relate to legal costs recovered through legal proceedings with a former customer and for the year ended December 31, 2020 incrementally adjusts for acquisition costs and the revenue in item (1) above.
(6) All share and per share data presented has been retroactively adjusted to reflect the share Consolidation discussed in the "Outstanding Shares" section of the MD&A.

Non-GAAP measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. Non-GAAP measures include "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, depreciation from equity investment, share based compensation, bargain purchase gain (reduction) and gain/loss on disposal of property, plant and equipment, "Adjusted EBITDA", calculated as EBITDA before acquisition costs, other revenue and non-recurring items, "EBITDA as a % of revenue", calculated as EBITDA divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less maintenance capital expenditures, payments for lease liabilities and finance costs, to provide investors with supplemental measures of Dexterra Group's operating performance and thus highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Dexterra Group also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Dexterra Group's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing the Corporation's operating results in a manner that is focused on the performance of the Corporation's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to net earnings and total comprehensive income determined in accordance with GAAP as an indicator of the Corporation's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures".

Management's Discussion and Analysis

Core Business

Dexterra Group is a publicly listed corporation (TSX: DXT.TO) delivering quality solutions to create, manage and operate infrastructure, offering both experience and regional expertise across Canada under its three operating business units: Facilities Management, Workforce Accommodations, Forestry and Energy Services ("WAFES"), and Modular Solutions.

Our Facilities Management business delivers operations and maintenance solutions for built assets and infrastructure in the public and private sectors, including aviation, defense, retail, healthcare, education and government. Our WAFES business provides a full range of workforce accommodations solutions, forestry services and access solutions to clients in the mining, forestry, construction and other natural resource sectors. Our Modular Solutions business integrates modern design concepts with off-site manufacturing processes to produce high-quality building solutions for social and affordable housing, commercial, residential and industrial clients. As a result of our diverse product and service offerings, Dexterra Group is uniquely positioned to meet the needs of our customers in numerous sectors across Canada.

On May 29, 2020, Dexterra Group (previously Horizon North) entered into a transaction (the "Acquisition") with 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), a subsidiary of Fairfax Financial Holdings Limited ("Fairfax Financial"). Pursuant to the Acquisition, the Corporation acquired all of the outstanding common shares of Dexterra and in exchange issued 31,785,993 common shares of Dexterra Group to Dexterra's sole shareholder, 9477179 Canada Inc. ("Dexterra Parent"), a wholly-owned subsidiary of Fairfax Financial. Accordingly, Fairfax Financial indirectly owns a 49% interest in the combined Corporation, while existing shareholders of the Corporation maintain a 51% interest. Prior to the Acquisition, Fairfax Financial had no ownership interest in Dexterra Group.

For accounting purposes, the Acquisition constituted a reverse acquisition that involved a change of control of Dexterra Group and a business combination of Horizon North and Dexterra, to form a new corporation that now carries on operations as Dexterra Group Inc. Based on the guidance in IFRS 3, Business Combinations ("IFRS 3"), it was determined that Horizon North was the accounting acquiree and Dexterra was the accounting acquirer, as Fairfax Financial, the sole shareholder of Dexterra, now controls the Corporation. As a result, 2019 comparative information included herein is solely Dexterra. Horizon North financial results are included subsequent to the Acquisition closing date. Refer to Note 4 of the 2020 Financial Statements for further information.

Consolidated Results for 2020

Annual sales totaled $477.8 million compared to $261.1 million in the prior year, an increase of $216.7 million, primarily due to the Acquisition and partially offset by the pandemic impact on the legacy Facilities Management results. The Corporation reported consolidated net earnings of $64.5 million compared to consolidated net earnings of $9.3 million in the prior year. The net earnings increase of $55.2 million includes a $29.9 million non-cash bargain purchase gain ("BPG") related to the Acquisition. This BPG was based on the fair value of the consideration received by Fairfax Financial which was equal to the share price at the close date in the amount of $100.9 million. The BPG equates to the difference between the estimated fair value of the net assets acquired of Horizon North of $130.8 million and the consideration received by Fairfax Financial, as disclosed in the 2020 Financial Statements.

Fourth Quarter Results and Overview

Highlights

- Consolidated Q4 2020 revenue of $164.4 million and EBITDA of $18.7 million, an increase of $100.3 million and $15.5 million respectively, when compared to Q4 2019. The increase is mainly attributable to $97.3 million of revenue from the Acquisition.
- Net earnings increased by $2.8 million when compared with Q4 2019, excluding the non-cash bargain purchase reduction of $4.2 million in Q4 2020 with the finalization of the purchase price equation related to the Acquisition;
- Dexterra Group generated net cash flows from operating activities in Q4 2020 of $34.0 million, compared to the $2.5 million used in Q4 2019, an increase of $31.5 million, primarily reflecting improvements in EBITDA and in accounts receivable collections;
- Consolidated Adjusted EBITDA for Q4 2020 was $17.5 million compared to $3.3 million in 2019 and included $4.2 million from the Canada Emergency Wage Subsidy ("CEWS") program;
- The Facilities Management business had Q4 2020 revenue of $38.5 million, a decrease of $6.2 million or 14% from Q4 2019. EBITDA for the same period was $2.6 million, a decrease of $0.6 million when compared to Q4 2019;

- The Modular Solutions business had Q4 2020 revenue of $48.2 million and EBITDA of $4.4 million. Revenue in Q4 2020 increased by $8.7 million when compared to Q3 2020. Backlog[1] for social housing was $61.2 million at December 31, 2020, excluding recurring modular business for school portables and specialty commercial structures worth approximately $40 million per annum. Continued growth in Modular solutions revenues in the back half of 2021 and beyond is expected;
- The WAFES business had Q4 2020 revenue of $78.2 million, an increase of 302%, from Q4 2019. EBITDA for the same period was $14.4 million, an increase of $12.6 million when compared to Q4 2019;
- The Corporation has leased a facility in Cambridge, Ontario for NRB Modular Solutions. The capital cost of the plant is estimated to be $7 million and it will provide incremental annual production capacity in excess of $100 million. The facility will be operational by the end of the second quarter of 2021 and will ramp-up production through the remainder of 2021; and
- Dexterra Group paid a dividend of $0.075 per share on January 15, 2021 to shareholders of record on December 31, 2020, and declared a dividend for the first quarter of 2021 of $0.075 per share. The dividend is payable to shareholders of record at the close of business on March 31, 2021, to be paid on April 15, 2021.

Operational Analysis

	Three months ended December 31,		Years ended December 31,	
(000's)	2020	2019	2020	2019
Revenue:				
Facilities Management	$ 38,522	$ 44,698	$ 147,229	$ 166,761
WAFES	78,225	19,436	234,681	94,298
Modular Solutions	48,212	—	98,767	—
Inter-segment eliminations	(541)	—	(2,862)	—
Total Revenue	$ 164,418	$ 64,134	$ 477,815	$ 261,059
EBITDA:				
Facilities Management	$ 2,609	$ 3,195	$ 21,345	$ 9,778
WAFES	14,391	1,744	57,245	11,403
Modular Solutions	4,360	—	10,636	—
Total EBITDA(1)	21,360	4,939	89,226	21,181
Other Revenue	—	—	(6,569)	—
Corporate and non-recurring items(2)	(3,883)	(1,624)	(11,570)	(4,641)
Total Adjusted EBITDA(1)	$ 17,477	$ 3,315	$ 71,087	$ 16,540

(1) Includes CEWS of $4.2 million and $32.9 million for Q4 2020 and the year ended December 31, 2020, respectively.
(2) Includes $1.3 million of legal cost recoveries in Q4 2020 which was applied against expenses and relates to the legal settlement award in Q3 2020 and for the year ended December 31, 2020 incrementally adjusts for transaction costs and $6.6 million awarded in two legal proceedings.

Facilities Management

For 2020, Facilities Management revenues were $147.2 million and decreased by $19.6 million or 12% from the $166.8 million in 2019. Facilities Management revenue decreased primarily due to the temporary closure or reduction in operations at certain facilities as a result of COVID-19. In particular, the aviation and retail sectors decreased by $32.1 million compared to 2019. This was partially offset by new business.

EBITDA as a percentage of revenue increased to 14% in 2020 from 6% in 2019 due to the inclusion of $13.7 million CEWS in 2020. When adjusting for wage subsidies, EBITDA margin decreased to 5% for 2020 in comparison to 6% for the same period in the prior year, mainly due to the increased costs in the healthcare and defense sector, and other costs associated with operating in COVID-19 environment. See "Non-GAAP measures" above for the definition of "EBITDA as a percentage of revenue".

Facilities Management revenues in Q4 2020 were $38.5 million, which represents a decrease of $6.2 million or 14% from the $44.7 million in Q4 2019. Facilities Management revenue decreased primarily due to lower aviation and retail revenue, which decreased by $8.4 million compared to Q4 2019. This was partially offset by new business.

EBITDA as a percentage of revenue was consistent at 7% in both Q4 2020 and Q4 2019 due to the inclusion of $1.0 million in CEWS in Q4 2020 which offset the decrease in revenue from Q4 2019. When adjusting for wage subsidies, EBITDA margin was

[1] Backlog is the total value of work that has not yet been completed that: (a) has a high certainty of being performed based on the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Dexterra Group, as evidenced by an executed letter of award or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured and expects to be recognized in the next 12 months.

4% for Q4 2020 or 3% lower than Q4 2019, due to a restructuring and reorganization in Q4 2020, the increased costs in the healthcare and defense sector, and other costs associated with operating in a COVID-19 environment.

Direct Costs

Direct Costs for the year ended December 31, 2020 were $121.8 million compared to $153.7 million in 2019, a decrease of $31.9 million or 21% mainly due to the inclusion of $13.7 million CEWS in 2020 and decreased activity. When adjusting for wage subsidies, direct costs as a percentage of revenue were at 92% in 2020 which is consistent with the prior year.

Direct Costs for Q4 2020 were $34.8 million compared to $40.7 million in Q4 2019, a decrease of $5.9 million or 14%, mainly due to the inclusion of $1.0 million in CEWS in Q4 2020 and the decrease in costs associated with the lower revenue. When adjusting for wage subsidies, direct costs as a percentage of revenue were at 93% in Q4 2020 compared to 91% in Q4 2019.

Workforce Accommodations, Forestry and Energy Services ("WAFES")

WAFES is comprised of two revenue streams: Workforce accommodations & Forestry and Energy Services.

WAFES revenue performance has been strong in a COVID-19 environment. Revenues from the WAFES segment for the year ended December 31, 2020 were $234.7 million, an increase of $140.4 million compared to same period in 2019. The increase in segment revenues was primarily driven by the Acquisition which added $132.5 million of revenue. Also, WAFES had other revenue of $6.6 million related to amounts awarded for legal proceedings with two former customers.

For 2020, EBITDA as a percentage of revenue increased to 24% from 12% in the same period in 2019 mainly due to the inclusion of $14.7 million CEWS and $6.6 million in legal settlements. When adjusting for wage subsidies and the legal settlements, EBITDA as a percentage of revenue is at 15.3% which is an increase of 3% compared to 2019. This increase in margin is related to stronger occupancy at higher margin camps.

Revenues from the WAFES segment for Q4 2020 were $78.2 million, an increase of $58.8 million compared to Q4 2019. The increase in Q4 2020 segment revenues was primarily driven by the Acquisition which added $49.6 million of revenue growth in catering and infrastructure install and rental activities.

EBITDA as a percentage of revenue increased to 18% in Q4 2020 from 9% in Q4 2019 mainly due to the inclusion of $2.8 million CEWS and stronger occupancy at higher margin camps. When adjusting for wage subsidies, EBITDA as a percentage of revenue is 15% which is an increase of 6% compared to Q4 2019. This increase in margin is related to stronger occupancy at higher margin camps.

Workforce accommodations and forestry revenue

Revenues from workforce accommodations and forestry for 2020 were $216.3 million, an increase of $122.0 million when compared to 2019. The increase in revenues was primarily driven by the Acquisition. When adjusting 2020 revenue to remove acquisition related revenue of $114.1 million, revenue for the workforce accommodation and forestry increased by $7.9 million. The increase in revenue was primarily due to increased activity under catering, infrastructure install and rental activities as a result of new contracts that started in Q1 2020, which was partially offset by a decrease in seasonal work under forestry services, mainly for fire camps and firefighting services and reductions in revenue associated with temporary closure and reduction in operations at certain client facilities as a result of COVID-19.

Revenues from workforce accommodations and forestry for Q4 2020 were $71.8 million and increased by $52.3 million compared to Q4 2019. The increase in Q4 2020 was mainly driven by the Acquisition. When adjusting Q4 2020 revenue to remove Acquisition related revenue of $43.1 million, revenue for the workforce accommodation and forestry increased by $9.2 million to $28.6 million. This was due to increased activity in catering and infrastructure install and rental activities.

Energy Services

Revenues from energy services were $6.5 million and $18.4 million for the three months and year ended December 31, 2020, respectively. The energy services business was part of the Acquisition. Revenue for energy services is primarily from mat and relocatable structures rentals combined with equipment sales and installation. The Corporation has temporarily closed the mat manufacturing plant due to lower business activity, however, the relocatables structures business experienced high utilization throughout 2020.

Direct Costs

Direct costs in the WAFES business unit for the year ended December 31, 2020 were $175.1 million or 75% of revenue compared to $81.3 million or 86% of revenue for 2019. Direct costs in 2020 includes $101.3 million of costs associated with the acquired operations, partially offset by $14.7 million of CEWS. When adjusting for wage subsidies, direct costs were 81% of revenue, which is a decrease of 6% compared to the prior year. This decrease as a percentage of revenue is the result of increased revenue from higher margin services and Acquisition synergies achieved in by combining the WAFES operations.

Direct costs in the WAFES business unit for Q4 2020 were $63.0 million or 80% of revenue compared to $17.3 million or 89% of revenue for Q4 2019. Direct costs in Q4 2020 includes $41.1 million of costs from the acquired operations, partially offset by $2.8 million of CEWS. When adjusting for wage subsidies, direct costs were 84% of revenue, which is a decrease of 5% compared to the prior period and reflects acquisition synergies, partially offset by the lower volumes in Q4 when compared to the rest of 2020.

Modular Solutions

The Modular Solutions business was part of the Acquisition which closed on May 29, 2020. Modular Solutions segment revenues for Q4 2020 and the year ended December 31, 2020 were $48.2 million and $98.8 million, respectively. These revenues are primarily focused on social and affordable housing, industrial projects and portable classrooms.

EBITDA for Q4 2020 and for the 2020 post-Acquisition period, were $4.4 million and $10.6 million, respectively which included $0.4 million and $3.3 million of CEWS impact. The results reflect the focus on social and affordable housing projects where performance and execution have been strong as well as the positive impact of cost reductions and improved efficiencies in our western Canada operations combined with continued strong performance from eastern Canada as we improved resource utilization.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit will be to secure and increase backlog, which was $61.2 million for social housing at the end of Q4 2020. Additionally, Modular Solutions has recurring modular business beyond social housing worth approximately $40 million per annum.

Direct Costs

Direct costs are comprised of labour, raw materials and transportation which vary directly with revenues, and a relatively fixed component which includes rent, utilities and the design and technical services required in the bidding cycle and post award manufacturing and installation of the product.

Direct costs were 89% and 86% of revenue for the three months and year ended December 31, 2020, respectively. Direct costs are driven by labour and were positively impacted by $0.4 million and $3.3 million of CEWS for the three months and year ended December 31, 2020, respectively.

Other Items

Selling, General & Administrative Expense

Selling, general & administrative expenses are comprised of corporate costs reflecting head and corporate office costs including the executive officers and directors of the Corporation, and shared services including information technology, corporate accounting staff and the associated costs of supporting a public company.

Selling, general & administrative expenses for the year ended December 31, 2020 were $22.1 million, an increase of $12.6 million compared to 2019, mainly due to the Acquisition, acquisition costs of $1.7 million incurred for the Acquisition and higher business development costs to support future growth, which was partially offset by non-recurring recoveries of $1.2 million recorded in Q4 2020 related to legal costs recovered through legal proceedings with a former customer and CEWS of $1.2 million. After adjusting for acquisition costs, non-recurring items and wage subsidies, selling and administrative expenses were 5% of total revenue in 2020, which is a 1% increase from 2019.

Selling, general & administrative expenses for Q4 2020 were $6.2 million, an increase of $3.4 million compared to Q4 2019, mainly due to the Acquisition, which was partially offset by the impacts of the items described above. After adjusting for transaction costs, non-recurring items and wage subsidies, selling and administrative expenses were 5% of total revenue in Q4 2020 and 4% in Q4 2019.

Depreciation and Amortization

	Three months ended December 31,		Years ended December 31,	
(000's)	2020	2019	2020	2019
Depreciation of property, plant and equipment and right-of-use assets	$ 10,232	$ 499	$ 22,139	$ 2,309
Amortization of intangibles	905	425	2,925	1,532
Total depreciation and amortization	$ 11,137	$ 924	$ 25,064	$ 3,841

For 2020, depreciation and amortization was $25.1 million, an increase of $21.2 million compared to 2019, due to the increase in Property, plant and equipment and lease liabilities from the Acquisition. For Q4 2020, depreciation and amortization was $11.1 million, an increase of $10.2 million compared to Q4 2019, for the same reasons as the increase during the year. The Corporation's plan for capital light operations will reduce depreciation expense in upcoming years.

Bargain Purchase Gain ("BPG")

A BPG of $29.9 million was recorded for the year ended December 31, 2020. The BPG equates to the difference between the estimated fair value of the net assets acquired of Horizon North of $130.8 million and the consideration received by Fairfax Financial, as disclosed in Note 4 "Business combination" of the 2020 Financial Statements. The BPG was reduced by $4.2 million in Q4 2020 which was primarily due to a further writedown of the fair value of the inventory related to the Fairfield by Marriott hotel project in Kitimat, British Columbia. The pandemic continues to have a significant impact on the hospitality industry affecting the Corporation's ability to obtain a buyer for the hotel project. Manufacturing for the hotel project was stopped earlier in the year and the Corporation is assessing amicable resolutions to obligations associated with the hotel project, which have been impacted by the pandemic.

Finance costs

Finance costs include interest on loans and borrowings, interest on lease liabilities and accretion. For 2020, finance costs were $4.6 million, an increase of $4.4 million compared to 2019. This related to the increase in loans and borrowings as well as the lease liabilities from the Acquisition. For Q4 2020, finance costs were $1.5 million, an increase of $1.5 million compared to Q4 2019.

The effective interest rate on loans and borrowings for the year ended December 31, 2020 was 4.3%. The interest rate is impacted by the debt level and tiered interest rate structure of the credit facility. The rate ranges from bank prime rate plus 1.00% to 3.25%.

Goodwill and intangible assets

Goodwill of $98.6 million is made up of $96.0 million recognized on the acquisition of certain assets and associated liabilities comprising the services business carried on by Carillion Canada and certain of its affiliates (the "Carillion Services Assets") in 2018 and $2.6 million recognized on the acquisition of the Powerful Group of Companies in 2019. Goodwill is not amortized. The goodwill relating to the Carillion Services Assets is deductible for tax purposes via amortization. The Corporation concluded there was no impairment of its goodwill or intangibles at December 31, 2020.

Gain/Loss on disposal

For 2020, the loss on disposal was $0.04 million compared to a gain on disposal of $0.2 million in 2019. For Q4 2020, the loss on disposal was $0.2 million compared to a loss on disposal of $0.3 million in Q4 2019. The gains and losses on disposals are typically generated from ongoing fleet management of operational assets and rationalization of idle assets.

Non-controlling interest

Dexterra Group owns 49% of Tangmaarvik Inland Camp Services Inc. ("Tangmaarvik") and controls its operations. As a result, the results of Tangmaarvik are consolidated with the results of Dexterra Group and a non-controlling interest is recorded. For the three months and year ended December 31, 2020 non-controlling interest of $0.1 million and $0.4 million was recorded, respectively, compared to $0.1 million and $0.3 million in the same periods of the prior year.

Joint Venture

Dexterra Group owns 49% of Gitxaala Horizon North Services LP ("Gitxaala"). This equity investment is recorded at cost and increases or decreases to recognize the Corporation's share of the profit or loss of the entity. Earnings for the year ended December 31, 2020 were $0.7 million. The transactions with Gitxaala are described in Note 23 of the 2020 Financial Statements.

Income taxes

For the year ended December 31, 2020, the Corporation's effective income tax rate was 15.9% (2019 - 26.2%). The lower tax rate for 2020 was primarily due to impact of the non-taxable BPG.

The Corporation has non-capital losses for Canadian tax purposes of $76.3 million available to reduce future taxable income in Canada, and non-capital losses for United States tax purposes of $0.8 million available to reduce future taxable income in the United States. The Corporation expects to fully utilize these losses before their expiry except as noted below.

Deferred tax assets of $2.0 million have not been recognized in respect of $7.2 million of tax losses because it is not probable that future taxable profit will be generated against which the subsidiary of the Corporation can utilize the benefits.

The Corporation has completed the first phase of its restructuring plan to reduce cash taxes payable in 2021 and future years.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. Some of Dexterra Group's businesses are being classified as "essential services" in various cities and regions and are playing an important role in fighting the COVID-19 virus. Dexterra Group and its employees are playing a vital role in keeping client operations and infrastructure safe and virus free. The safety of employees and customers continues to be a top priority.

Dexterra Group's financial results continue to be impacted significantly as a result of the COVID-19 pandemic. The Facilities Management segment continues to experience reductions in revenue as a result of reduced services, mainly in the Aviation and Retail markets. The WAFES and Modular Solutions segments have seen less significant declines in revenue but have still been impacted due to lower activity in camp/catering services, the British Columbia government shutdowns in early 2021 and the delay of social and affordable housing projects and timing of portable classroom builds. New business opportunities in the pipeline have also been affected and are expected to shift to future periods. It is impossible to forecast the duration and full scope of the economic downturn caused by the COVID-19 pandemic and the related consequences it will have on the Corporation and its business, including the potential impact on its services once these social distancing policies are lifted. At this time, it is unknown to the Corporation how the COVID-19 pandemic will evolve and impact demand for the Corporation's services, which may lead to lower revenue, changes to the federal and provincial governments' support programs for businesses to help offset the impact of COVID-19, impact on the Corporation's customers and their solvency and on the Corporation's supply chain and safety of its workforce.

The Corporation is expecting to continue to experience lower revenue in 2021, due to the impacts of the pandemic and the restrictions put in place by both the provincial and federal governments. The management team has implemented plans to modify the cost structure to mitigate the impact of COVID-19, while continuing to provide essential services to its clients. Additionally, the Corporation has applied for government support programs and qualified for $4.2 million and $32.9 million of CEWS funding for the three months and year ended December 31, 2020, respectively. Based on the current changes to the CEWS program, the benefit to the Corporation of any subsidies after December 31, 2020 is declining.

Outlook

Operations Outlook

The Corporation is focused on growth post pandemic, with both organic growth and growth through selective accretive acquisitions. Timing of the acquisitions is unknown and will depend on opportunities.

The Corporation significantly improved its leverage and liquidity position subsequent to the Acquisition as well as increased its available capital by negotiating the amended and extended credit facility with an increased limit to $175 million. Since the Acquisition, approximately $53 million on its credit facility has been repaid. As at December 31, 2020, the Corporation had $81.6 million of available liquidity which provides it with significant financial flexibility. Debt reduction will pause in the first quarter of 2021 due to an increased COVID-19 impact on our WAFES business in British Columbia, and the NRB Modular Solutions plant expansion discussed below.

With the recent announcement by Canada's federal government and CMHC to provide $1 billion of funding to various cities across the country for rapid housing, the Corporation is in a strong position to win a significant portion of that business. As such, the Corporation has leased an NRB Modular Solutions plant in Cambridge, Ontario. The estimated capital cost to build the factory is $7 million and estimated incremental annual production capacity exceeds $100 million annually, though the investment plan assumes a graduated ramp up. Continued growth in Modular solutions revenues in the back half of 2021 and beyond is expected.

In the Facilities Management business, the growth prospects are significant and based on compound annual growth rates for the market which are estimated to be double digit over the next several years. The pandemic has delayed this growth opportunity. There will be no significant rebound in the aviation sector until the population receives vaccinations and has confidence to travel. The Facilities Management business has line of sight to over $300 million of annual revenue being competitively bid in the next three years.

The Crossroads Lodge in Kitimat, British Columbia and Coastal GasLink pipeline camps have been temporarily closed during the first quarter of 2021 given the provincial governments restrictions and impact on the construction of the LNG Canada facility. This short-term decline in revenue and EBITDA is expected to be offset by wins in our Eastern Canadian business and CEWS funding. The management team has implemented plans to modify the cost structure to mitigate the impact of COVID-19, while continuing to provide essential services to its clients.

Seasonality

Dexterra Group's earnings are affected by seasonality in certain operating segments. Historically, earnings in the second and third quarters are positively impacted by the seasonal Forestry operations, which is part of the WAFES segment. For the Workforce Accommodations portion of the WAFES segment, camp occupancy is historically at its lowest level during the holiday season. This, in conjunction with the Forestry Services low revenue winter season, causes revenues to be at their lowest levels in the first and fourth quarters. The Modular Solutions and Facilities Management segments include project work that may also not be evenly distributed throughout the fiscal year.

Liquidity and Capital Resources

For the year ended December 31, 2020, cash generated by operating activities was $72.8 million, compared to $1.6 million in the same period of 2019. The variance was driven primarily by the $55.2 million increase in net earnings for the period and was used to repay debt post-Acquisition.

The significant improvement in cash flow from investing activities for the year ended December 31, 2020, compared to the same period in 2019, is mainly related to 2019 payments of $17.6 million to former shareholders of Carillion Canada in connection with the acquisition of the Carillion Services assets and $12.5 million for the acquisition of the PGC and the Carillion Canada purchase price finalization, as well as 2020 asset sales as a result of the capital light operating model and low capital expenditures.

Cash flows from financing activities decreased due to the significant repayments on the credit facility of $57.9 million and increased lease payments and finance costs related to the Acquisition, compared to the $17.6 million in proceeds received in exchange for common shares in 2019. Finance activities include payments on loans and borrowings, finance costs paid and the cash impact of finance leases.

Working capital at December 31, 2020 was $67.7 million, compared to $19.6 million at December 31, 2019, an increase of $48.1 million. This was mainly due to working capital related to the Acquisition. Working capital investment in the business is also higher in the first and third quarters.

Borrowing capacity *(000's)*	December 31, 2020	December 31, 2019
Bank borrowing:		
Available credit facility	$ 175,000	$ 32,000
Drawings on credit facility	86,411	5,453
Letters of credit	6,963	2,915
Borrowing capacity(1)	$ 81,626	$ 23,632

(1) Calculated as available bank lines less drawings on credit facility and letters of credit.

On June 30, 2020, Dexterra Group reached an agreement with its lenders to amend its credit facility and extend the maturity date to December 30, 2022. The credit facility has an available limit of $175.0 million and is secured by a $400.0 million first fixed and floating charge debenture over all assets of the Corporation and its wholly-owned subsidiaries. The interest rate for the credit facility is calculated on a grid pricing structure based on the Corporation's debt to EBITDA ratio. The Corporation is required to maintain a Debt to EBITDA ratio of less than 3.50:1:00 and an interest coverage ratio greater than 2:50:1:00 as at December 31, 2020. Amounts drawn on the credit facility incur interest at bank prime rate plus 1.00% to 2.25% or the Bankers' Acceptance rate plus 2.00% to 3.25%. The credit facility has a standby fee ranging from 0.50% to 0.81%. The operating facility in place at December 31, 2019 was Dexterra's stand-alone facility prior to the Acquisition. The facility was repaid on May 29, 2020 upon closing the Acquisition.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of $64.0 million in 2020. In future quarters, principal sources of liquidity include generated Free Cash Flow and proceeds from the disposal of idle or underutilized assets across its operating segments. As at December 31, 2020, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

Capital Spending

For the year ended December 31, 2020, gross capital spending was $3.5 million compared to $4.4 million in the same period of 2019. Capital spending in Q4 2020 was mainly focused on small equipment and is in line with the Corporation's capital light strategy.

Management evaluates and manages its capital spending plans taking into account proceeds from the sale of property, plant and equipment, resulting in net capital proceeds of $1.4 million for the year ended December 31, 2020 compared to net capital spending of $3.9 million in the same period of 2019. Capital spending was offset by the proceeds received on selling underutilized energy services assets.

As noted in the Outlook section, the Corporation leased a NRB Modular Solutions plant in Cambridge, Ontario, with an estimated capital cost of $7 million and annual production capacity exceeding $100 million in annual sales revenue. This plant will be used to meet the recent surge in social affordable housing demand and will open for production in Q2 2021. Management expects normalized recurring capital spending to approximate $5 million per annum, excluding the new NRB plant.

Quarterly Summary of Results

(000's except per share amounts)		Three months ended 2020 December		2020 September		2020 June		2020 March
Revenue[1]	$	164,418	$	176,918	$	76,106	$	60,373
EBITDA[2]		18,713		33,444		22,885		2,147
Net earnings (loss) attributable to shareholders		(103)		16,131		47,139		864
Net earnings per share, basic		0.00		0.25		1.08		0.03
Net earnings per share, diluted		0.00		0.24		1.08		0.03

(000's except per share amounts)		Three months ended 2019 December		2019 September		2019 June		2019 March
Revenue	$	64,134	$	76,151	$	66,493	$	54,281
EBITDA		3,240		5,185		6,164		1,876
Net earnings attributable to shareholders		1,370		3,330		3,566		752
Net earnings per share, basic and diluted		0.04		0.10		0.11		0.02

(1) Revenue for the third quarter of 2020 includes $6.6 million related to amounts awarded on two legal proceedings with former customers.
(2) EBITDA for the fourth quarter of 2020 includes 1.2 million in non-recurring items. EBITDA for the third quarter of 2020 includes the $6.6 million impact of other revenue.

Revenue increased in the fourth quarter of 2020 compared to the same period in 2019 primarily due to the revenue from the Acquisition of $97.3 million, partially offset by the impacts of COVID-19 on operations. EBITDA increased significantly in the fourth quarter of 2020 when compared to the same period in 2019 due primarily to the Acquisition, combined with the $4.2 million in wage subsidies and was partially offset by the impacts of COVID-19 on operations. Net earnings in Q4 2020 were impacted by the $4.2 million non-cash reduction in the bargain purchase gain.

When compared to Q3 2020, revenue has decreased by $25.0 million for the WAFES segment, due to the inclusion of $6.6 million of revenue in Q3 2020 related to amounts awarded on two legal proceedings; low levels of camp occupancy during the Q4 holiday season; and the impact of Forestry's low revenue winter season. This decrease was partially offset by revenue increases from Q3 2020 to Q4 2020 for Facilities Management and Modular Solutions as these operations are not impacted by seasonality to the same extent as WAFES. EBITDA was negatively impacted by CEWS decreasing by $5.1 million from Q3 2020 to Q4 2020.

Reconciliation of non-GAAP measures

The following provides a reconciliation of non-GAAP measures to the nearest measure under GAAP for items presented throughout the MD&A.

(000's)		Three months ended December 31, 2020		2019		Years ended December 31, 2020		2019
Net earnings	$	27	$	1,455	$	64,479	$	9,304
Add:								
Share based compensation		148		—		354		—
Depreciation & amortization		11,137		924		25,064		3,841
Equity investment depreciation		141		—		296		—
Finance costs		1,538		59		4,632		222
Bargain purchase gain		4,247		—		(29,881)		—
Loss (Gain) on disposal of property, plant and equipment		156		285		36		(202)
Income tax expense		1,319		517		12,210		3,300
EBITDA	$	18,713	$	3,240	$	77,190	$	16,465
Acquisition costs		—		75		1,702		75
Other revenue[1]		—		—		(6,569)		—
Non-recurring items[2]		(1,236)		—		(1,236)		—
Adjusted EBITDA[3]	$	17,477	$	3,315	$	71,087	$	16,540

(1) Other revenue includes amounts awarded to the Corporation through legal proceedings with two former customers.
(2) Non-recurring items relate to legal costs recovered through legal proceedings with a former customer.
(3) Includes $4.2 million and $32.9 million of pre-tax CEWS for the three months and year ended December 31, 2020, respectively .

(000's)	Three months ended December 31,		Years ended December 31,	
	2020	2019	2020	2019
Net cash flows from operating activities	$ 34,018	$ 2,544	$ 72,806	$ 1,561
Net capital proceeds (spending)	(1,242)	(1,465)	1,430	(3,869)
Finance costs paid	(1,379)	(59)	(4,989)	(222)
Lease payments	(2,328)	(189)	(5,231)	(605)
Free Cash Flow	$ 29,069	$ 831	$ 64,016	$ (3,135)

Changes in Accounting Policies

Dexterra Group's IFRS accounting policies are provided in Note 3 to the 2020 Financial Statements for the years ended December 31, 2020 and 2019.

Outstanding Shares

On July 16, 2020, the Corporation completed a five-for-one share consolidation of all of its issued and outstanding common shares ("the Consolidation"). Prior to the Consolidation, a total of 324,346,871 common shares were issued and outstanding and after the Consolidation the Corporation has 64,869,417 issued and outstanding common shares. All share and per share data presented in the 2020 Financial Statements and MD&A has been retroactively adjusted to reflect the Share Consolidation. The post-Consolidation Common Shares continue to be listed on the Toronto Stock Exchange (TSX) under the trading symbol "DXT". Dexterra Group had 64,869,417 voting common shares issued and outstanding as at March 10, 2021, of which 49% or 31,785,993 are owned by subsidiaries of Fairfax Financial Holdings Limited.

Off-Balance Sheet Financing

Dexterra Group has no off-balance sheet financing.

Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") as defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Corporation is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Throughout 2021, Dexterra Group will continue to evaluate its DC&P, making modifications from time-to-time as deemed necessary. There were no changes in Dexterra Group's DC&P that occurred during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, Dexterra Group's DC&P.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") as defined in NI 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Corporation's ICFR during the period ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2020. Based on this evaluation, the CEO and CFO have concluded that the Corporation's DC&P and ICFR were effective as at December 31, 2020.

Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

Risks and Uncertainties

The financial risks, critical accounting estimates and judgements, and risk factors related to Dexterra Group and its business, which should be carefully considered, are disclosed in the Annual Information Form under "Risk Factors" and in the 2020 Financial Statements under Note 22, both dated March 10, 2021, and this MD&A should be read in conjunction with them. Such risks may not be the only risks facing Dexterra Group. Additional risks not currently known may also impair Dexterra Group's business operations and results of operation.

Critical Accounting Estimates and Judgements

This MD&A of Dexterra Group's financial condition and results of operations is based on its consolidated financial statements, which are prepared in accordance with IFRS. The preparation of the consolidated financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The MD&A should be read in conjunction with the 2020 Financial Statements and the changes to the areas of estimation and judgement are disclosed in Note 3 "Significant accounting policies and determination of fair values".

Financial Instruments and Risk Management

In the normal course of business, the Corporation is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and interest rate risk. The Corporation's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Corporation's financial performance. The MD&A should be read in conjunction with the 2020 Financial Statements and the changes in the risk management or in any risk management policies as disclosed in Note 22 "Financial risk management".

Forward-Looking Information

Certain statements contained in this MD&A may constitute forward-looking information under applicable securities law. Forward-looking information may relate to Dexterra Group's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Dexterra Group's future operating results and economic performance, its leverage, the NRB Modular Solutions plant in Cambridge, and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions, including expected growth, results of operations, performance and business prospects and opportunities regarding Dexterra Group, which Dexterra Group believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Dexterra Group, they may prove to be incorrect. Forward-looking information is also subject to certain known and unknown risks, uncertainties and other factors that could cause Dexterra Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward- looking information, including, but not limited to: the ability to retain clients, renew existing contracts and obtain new business; an outbreak of contagious disease that could disrupt its business; the highly competitive nature of the industries in which Dexterra Group operates; reliance on suppliers and subcontractors could have a material adverse effect on its business; profitability could be adversely affected by cost inflation; volatility of industry conditions could impact demand for its services; a reduction in the availability of credit could reduce demand for Dexterra Group's products and services; Dexterra Group's significant shareholder may substantially influence its direction and operations and its interests may not align with other shareholders; its significant shareholder's 49% ownership interest may impact the liquidity of the common shares; cash flow may not be sufficient to fund its ongoing activities at all times; loss of key personnel; the failure to receive or renew permits or security clearances; risks related to significant legal proceedings or regulatory proceedings/changes; environmental damage and liability is an operating risk in the industries in which Dexterra Group operates; climate changes could increase Dexterra Group's operating costs and reduce demand for its services; liabilities for failure to comply with public procurement laws and regulations; any deterioration in safety performance could result in a decline in the demand for its products and services; failure to realize anticipated benefits of acquisitions and dispositions; inability to develop and maintain relationships with Indigenous communities; the seasonality of Dexterra Group's business; inability to restore or replace critical capacity in a timely manner; reputational, competitive and financial risk related to cyber-attacks and breaches; failure to effectively identify and manage disruptive technology; economic downturns can reduce demand for Dexterra Group's services; its insurance program may not fully cover losses. Additional risks and uncertainties are described in Note 22 of the Corporation's Consolidated Financial Statements for the years ended December 31, 2020 and 2019 contained in our most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at sedar.com. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Dexterra Group is under no obligation and does not undertake to update or alter this information at any time, except as may be required by applicable securities law.