Consolidated financial statements of

Vertex Resource Group Ltd.

December 31, 2017

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Independent Auditor's Report

To the Shareholders of
Vertex Resource Group Ltd.

We have audited the accompanying consolidated financial statements of Vertex Resource Group Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vertex Resource Group Ltd. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "Deloitte LLP"

Chartered Professional Accountants
March 19, 2018

Vertex Resource Group Ltd.

Consolidated statements of financial position
Years ended December 31
(in thousands of Canadian dollars)

As at	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents		**296**	44
Accounts receivable	7	**34,900**	21,442
Unbilled revenue	8	**3,246**	3,073
Inventories	9	**2,079**	2,168
Prepaid expenses and deposits		**1,261**	1,151
		41,782	27,878
Property and equipment	10	**59,523**	59,541
Intangible assets	11	**2,264**	1,083
Goodwill	12	**34,081**	27,598
Deferred income taxes	16	**6,506**	6,271
		144,156	122,371
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	**11,927**	8,272
Deferred revenue	8	**636**	247
Income taxes payable		**66**	247
Current portion of loans and borrowings	14	**5,788**	54,865
Current portion of provisions	15	**2,899**	5,727
		21,316	69,358
Loans and borrowings	14	**56,372**	2,811
Provisions	15	**1,682**	4,896
Deferred income taxes	16	**5,013**	4,472
		84,383	81,537
Shareholders' Equity			
Common shares	17	**79,794**	57,912
Deficit		**(20,913)**	(17,965)
Contributed surplus		**892**	887
		59,773	40,834
		144,156	122,371

Approved by the Board

(Signed) "Terry Freeman" Director
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(Signed) "Brian F. Butlin" Director
....

The accompanying notes are an integral part of these consolidated financial statements.

Vertex Resource Group Ltd.

Consolidated statements of net loss and comprehensive loss
Years ended December 31
(in thousands of Canadian dollars, except per share amounts)

	Notes	**2017**	2016
Revenue	20	**118,419**	86,153
Direct costs	21	**86,116**	61,348
Gross profit		**32,303**	24,805
General and administrative expenses	21	**16,771**	14,678
Share-based compensation	18	**5**	-
Restructuring costs		**-**	5,548
Amortization	10, 11	**13,641**	13,215
Finance costs	22	**5,571**	2,992
Loss before income taxes		**(3,685)**	(11,628)
Income tax recovery	16	**(737)**	(3,461)
Net loss and comprehensive loss for the year		**(2,948)**	(8,167)
Net loss and comprehensive loss for the year per share			
Basic and diluted	23	**(0.04)**	(0.16)
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic and diluted	23	**76,501,608**	52,093,019

The accompanying notes are an integral part of these consolidated financial statements.

Vertex Resource Group Ltd.

Consolidated statements of changes in shareholders' equity
Years ended December 31
(in thousands of Canadian dollars)

	Notes	2017	2016
Common shares	17		
Balance, beginning of the year		**57,912**	45,667
Shares issued in business acquisitions	6	**12,239**	11,500
Shares issued in settlement of acquisition obligation	15 (c)	**6,727**	-
Shares issued in settlement of advances from shareholders	14 (f)	**2,151**	797
Shares issued in capital restructuring	6	**735**	-
Shares issued in exercise of stock options	18	**30**	-
Share redemption		**-**	(52)
Balance, end of the year		**79,794**	57,912
Contributed surplus			
Balance, beginning of the year		**887**	887
Share-based compensation	18	**5**	-
Balance, end of the year		**892**	887
Deficit			
Balance, beginning of the year		**(17,965)**	(9,798)
Net loss and comprehensive loss for the year		**(2,948)**	(8,167)
Balance, end of the year		**(20,913)**	(17,965)
Total shareholders' equity		**59,773**	40,834

The accompanying notes are an integral part of these consolidated financial statements.

Vertex Resource Group Ltd.

Consolidated statements of cash flows
Years ended December 31
(in thousands of Canadian dollars)

	Notes	2017	2016
Operating activities			
Net loss		**(2,948)**	(8,167)
Items not affecting cash			
Amortization - property and equipment	10	**12,072**	12,651
Amortization - intangible assets	11	**1,569**	564
Interest accretion on provisions	15	**700**	832
Deferred financing charges	14	**257**	-
Gain on disposal of property and equipment	10	**(294)**	(521)
Bargain purchase gain	6	**(922)**	-
Capital restructuring costs	6	**636**	-
Deferred income taxes	16	**(816)**	(3,512)
Gain on settlement of contingent consideration		**-**	(1,000)
Restructuring costs	15 (a)	**-**	3,323
Share-based compensation		**5**	-
		10,259	4,170
Change in non-cash operating working capital items	25	**(11,283)**	3,336
Cash (used in) provided by operating activities		**(1,024)**	7,506
Investing activities			
Acquisition of subsidiaries, net of cash acquired	6	**(454)**	83
Purchase of property and equipment	10	**(4,771)**	(4,358)
Proceeds from disposal of property and equipment	10	**2,370**	8,597
Cash (used in) provided by investing activities		**(2,855)**	4,322
Financing activities			
Proceeds from (repayment of) operating loan	14	**6,327**	(1,246)
Proceeds from senior debt	14	**40,000**	-
Financing charges on senior debt	14	**(2,569)**	-
Repayment of long-term debt	14	**(37,961)**	(4,072)
Repayment of obligation under capital lease	14	**(506)**	(310)
Repayment of provisions	15	**(1,190)**	(4,248)
Issuance of common shares	17	**30**	-
Repayment of advances from shareholders		**-**	(706)
Redemption of common shares		**-**	(52)
Cash provided by (used in) financing activities		**4,131**	(10,634)
Increase in cash and cash equivalents		**252**	1,194
Cash and cash equivalents (bank indebtedness), beginning of year		**44**	(1,150)
Cash and cash equivalents, end of year		**296**	44

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of business

Vertex Resource Group Ltd. (the "Company") was a private company incorporated under the Alberta Business Corporation Act up to October 15, 2017. On October 16, 2017, the Company completed a qualifying transaction as outlined in Note 6(d). On October 18, 2017, the Company became a public listed company on the TSX Venture Exchange trading under the symbol VTX. The Company provides environmental and industrial services to a diverse clientele across Western Canada and maintains its head office in Sherwood Park, Alberta.

Activity levels in both the environmental services segment and industrial services segment are affected by seasonality as well as industry trends in the industries in which its customers operate.

In Canada, the level of activity in the environmental services and oilfield services sector is influenced by seasonal weather patterns. On a quarterly basis, activity can vary greatly. In typical years, the first calendar quarter is the most active in the oil and gas services industry, the second quarter is the least active, and the third and fourth quarters typically reflect increasing activity over the preceding quarter. Environmental and industrial services are typically the busiest during the third and fourth quarters with lower activity levels in the first and second quarters. In particular, during the second quarter, commonly referred to as the "spring break-up", the frost leaves the ground making certain roads incapable of supporting the weight of heavy equipment resulting in restrictions in the level of industrial and energy service activity across western Canada.

2. Basis of preparation and conversion to International Financial Reporting Standards

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the accounting policies set out below have been applied consistently to all periods presented. These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations by International Financial Reporting Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors (the "Directors") on March 15, 2018.

b) Basis of measurement

The Company's consolidated financial statements have been prepared on a going concern basis, under the historical cost model, except for certain financial instruments measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

In preparing the financial statements of each subsidiary, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Company's operations in the U.S. are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

d) Principles of Consolidation

These consolidated financial statements include the results of the Company and its subsidiaries and its limited partnerships. Subsidiaries and limited partnerships are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries and limited partnerships are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

The Company's principal subsidiaries and limited partnerships at December 31, 2017 are Vertex Resource Services Ltd., Vertex Professional Services Ltd., Vertex Oilfield Services Ltd, Acden Vertex LP, and Dominion Leasing Inc. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the subsidiaries are all consistent with the Company.

e) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities reported each period. Actual results could differ from those estimates. Significant estimates and judgments are outlined in Note 5.

f) Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.

3. Significant accounting policies

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, cash equivalents and bankers' acceptances. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs and bargain purchase gains are recognized in profit or loss as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Changes in the fair value of liability classified contingent consideration are recognized in net loss.

c) Inventories

Inventory is stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis for raw materials and weighted average cost for finished goods. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

d) Property and equipment

Property and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Costs include the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are expensed in profit or loss as incurred.

Amortization is provided on the straight-line method over the estimated useful life of the assets as described below.

Buildings and improvements	20 years
Machinery and equipment	3-15 years
Office furniture and equipment	3-5 years
Rolling stock	5-10 years

Leasehold improvements are amortized using a straight-line method over the lesser of the estimated useful life and the term of the lease.

The estimated useful lives and methods of amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are amortized over their expected useful lives on the same basis as owned assets; however, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Property and equipment under construction is amortized at the time the asset is deemed available for productive use, based on the estimated useful life.

e) *Intangible assets*

Intangible assets with finite useful lives that are acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at acquisition date, which is regarded as their cost. Subsequent to initial recognition, intangible assets are recorded at cost, less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the periods during which they are expected to generate benefits. Amortization is recorded using the following estimated useful lives:

Customer relationships	3-5 years
Intellectual property	3-5 years
Non-compete agreements	3-5 years

The estimated useful lives and methods of amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

f) *Goodwill*

Goodwill is measured as the excess of the fair value of the purchase price of a business acquisition over the estimated fair value of the net identifiable assets of the acquired business, at the date of acquisition. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

g) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets, primarily consisting of property and equipment and intangible assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors such as expected future prices, costs and other market factors, are monitored to determine if indications of impairment exist.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount of an asset or cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on estimated market values based on actual market transactions, if available, or a fair value estimation model. The value in use is the present value of estimated future cash flows that reflect current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, and referred to as the CGU. For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its recoverable amount, and is recorded in the period when it is determined that the carrying amount of the asset, or its CGU, may not be recoverable. The impairment loss will be recorded in profit or loss for the period as the excess of the carrying amount of the asset, or it's CGU, over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, at the end of each reporting period, the Company makes an assessment as to whether there is any indication that previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's, or its CGU's, recoverable amount, and compares it to the carrying amount, net of accumulated depreciation that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

h) *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of sales tax, returns and discounts and after eliminating sales within the Company

i. <u>Sales of goods:</u> Revenue from the sales of goods is mainly comprised of manufactured products and is recognized when the significant risks and rewards of ownership transfer to the customer (products shipped), the Company does not have any continuing managerial involvement, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred in respect of the transaction can be measured reliably and the amount of the revenue can be measured reliably.

ii. Rendering of services: The Company's services revenue includes equipment rentals, fluid hauling and consulting services. The Company recognizes revenue when services are performed and approved by the customer. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided and the costs can be measured reliably, the rate is fixed and determinable and revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained.

iii. Industrial contracting: Industrial contracting revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, forestry and petrochemical. Revenue from such contracts is recorded either using (i) the percentage of completion method or (ii) as services are performed and related costs and hours are incurred.

When the outcome of a construction contract can be estimated reliably, the stage of completion is measured based on the proportion of contract cost incurred for work performed to date in relation to the total estimated cost for the contract. Variations in contract work are included to the extent that the amount can be measure reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract cost will exceed total contract revenue, the expect loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profit exceed progress billings, the surplus is shown as unbilled revenue in the consolidated statement of financial position. For contracts where progress billings exceed contract costs incurred to date plus recognized profits, the surplus is shown as deferred revenue in the consolidated statement of financial position.

i) Income taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

j) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

k) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'

i. Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income. The Company does not have any financial assets or liabilities that are classified at fair value through profit and loss.

ii. Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment. The Company does not have any financial assets that are classified as held-to-maturity.

iii. Available-for-sale financial assets: Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financials assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income. The Company does not have any financial assets that are classified as available-for-sale.

iv. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are note quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The effective interest method amortization is included in the finance cost in the consolidate statement of comprehensive income. Any impairment losses are recognized in the profit and loss. The Company's loans and receivables are comprised of cash and cash equivalent and trade and other receivables and are presented as current assets or non-current assets depending on their maturity.

v. Other financial liabilities: Other financial liabilities are initially recognized at the fair value of the consideration received less attributable transaction costs. After initial recognition, other financial liabilities are subsequently measure at amortized cost using the effective interest rate method. Gains and losses are recognized in net profit or loss when the financial liabilities are derecognized or remeasured through the amortization process. The Company's other financial liabilities are comprised of trade payables and accrued liabilities, loans and borrowing, onerous lease obligation and acquisition obligation and are presented as current liabilities or non-current liabilities depending on their maturity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

l) Financial asset impairment

The Company assesses impairment of all its financial assets measured at cost or amortized cost. Financial assets, other than those at Fair Value through Profit and Loss ("FVTPL"), are assessed for indicators of impairment at the end of each financial reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or breach of contract, such as a default or delinquency in interest or principal payments; or, it becoming probable that the borrower will enter bankruptcy of financial re-organization; or, the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

m) Share Capital

Common shares are classified as equity. Transaction costs that are incremental and directly attributable to the issue of common shares are recognized as a deduction from equity net of any tax effects.

n) *Fair Value Measurement*

The Company determines the fair value of items classified as fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1	Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
Level 3	Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Currently no items are classified as fair value through profit or loss.

o) *Leases*

The Company leases certain property and equipment. Leases of property and equipment where the Company has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are incurred in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income and comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

p) *Segment reporting*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues or incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments are identified on the basis that internal reports about components of the Company are regularly reviewed by the Executive Management Team acting as the key decision maker in order to allocate resources to the segments and to assess their performance, and for which discrete financial information is available.

q) *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for the Company's own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential common shares, including share options granted to employees and Directors and shares related to convertible debentures, assuming that all of the debenture holders converted as allowed.

Share held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding. Contingently issuable shares are included in the computation of basic EPS from the date when all necessary conditions have been satisfied and, thus, although issuing the shares is still a future transaction, it is no longer contingent.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the period during which the options were outstanding.

r) Provisions and Contingencies

Provisions and contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely that not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The timing or amount of the outflow may still be uncertain. Provisions and contingencies are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Each obligation is discounted to present value using the expected future cash flow at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

s) Finance costs

Finance costs encompass interest expense on financial liabilities and accretion expense on debt and are recognized as an expense in the period in which they are incurred.

4. Future accounting standard pronouncements

The following new standards have been issued, but are not effective for the year ended December 31, 2017:

a) IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments ("IFRS 9"), was issued by the IASB on July 24, 2014, and will replace IAS 39 - Financial Instruments: recognition and measurement ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014, also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard and amendments on its consolidated financial statements.

b) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts and Customers ("IFRS 15"), was issued by the IASB on May 24, 2014, and will replace IAS 18 – Revenue, IAS 11, Construction Contracts and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts and customers, except for contracts that are within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition IFRS 15 introduces a 5-step approach to revenue recognition:

i. Identify the contract with a customer;

ii. Identify the performance obligation in the contract;

iii. Determine the transaction price;

iv. Allocate the transaction price to the performance obligations in the contract;

v. *Recognize revenue when (or as) the entity satisfies a performance obligation.*

Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

c) *IFRS 16 – Leases*

IFRS 16 - Leases ("IFRS 16"), was issued by the IASB on January 13, 2016, and will replace IAS 17 - Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company is evaluating the impact of this standard on its consolidated financial statements.

d) *Amendments to IFRS 2, Share-based Payments*

In June 2016, the IASB published *Classification and Measurement of Share-based Payment Transactions*, which provides amendments to the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

5. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Company's accounting policies

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period, as well as the disclosures of contingent assets and liabilities. Accordingly, actual results could differ from these estimates and judgments. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

a) *Percentage of completion*

Judgment used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete include the various construction projects. Given that the expected period of contract revenue is based on judgment, future results could be affected if management's current assessment of its estimated costs to complete differ from actual performance.

b) *Property and equipment*

As part of the capitalization process, management must estimate the expected period of benefit over which capitalized costs should be depreciated. The considerations for estimated useful lives include the timing of technological obsolescence and competitive pressures, as well as historical experience and internal business plans for the projected use of related assets. Given that the expected period of benefit is an estimate, future results could be affected if management's current assessment of its property and equipment's useful lives differs from actual performance.

c) *Cash-generating unit*

For the purpose of assessing impairment of non-financial assets, the Company must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU.

Management has determined that the appropriate CGUs for the Company are the Industrial, Safety, Consulting, Fluid Management, and Rentals divisions.

d) Provisions and Contingencies

The determination of provisions and contingencies is a complex process that involves judgement about the outcome of future events, estimates of timing and amount of future expenditures, and discount rates. The amount recognized as a provision or contingency is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Impairment of financial assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration individual customer credit worthiness, current economic trends as well as past experience. If future collections differ from estimates, future earnings would be affected.

b) Property and equipment and goodwill Impairment

The Company tests property and equipment (if indicators are present) and goodwill annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the property and equipment and goodwill is allocated, exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future operating results and performs sensitivity testing of key assumptions in the process of measuring expected future cash flows which are based on future events and circumstances disclosed in Note 12 to these consolidated financial statements.

c) Business combinations

The Company applies the acquisition method of accounting to business combinations which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair values. The Company uses valuation techniques in determining fair values of the various elements of a business combination, including intangible assets, based on future expected cash flows and a discount rate. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risks and weighted average cost of capital. If future events or results differ significantly from these estimates and assumptions, the Company may be required to record impairment charges in the future.

d) Deferred tax assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on Company forecasts. The Company also takes into consideration non-taxable income and expenses and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific circumstances.

(in thousands of Canadian dollars, except per share amounts)

6. Business acquisitions

During the year ended December 31, 2017, the Company completed six acquisitions and one capital restructuring compared to one acquisition in the year ended December 31, 2016. Details of the purchase prices and allocation to the assets and liabilities acquired, net of debt financing, are as follows:

	Engineering (a)	Chemical (b)	Environmental (c)	Vier (d)	**2017 Total**
Cash and cash equivalents	1,094	975	(72)	93	**2,090**
Accounts receivable and other	3,391	329	632	6	**4,358**
Property and equipment	198	-	8,262	-	**8,460**
Deferred tax asset	3	-	159	-	**162**
Intangibles	2,750	-	-	-	**2,750**
Goodwill	3,010	3,473	-	-	**6,483**
	10,446	4,777	8,981	99	**24,303**
Current liabilities	(4,208)	(217)	(1,427)	-	**(5,852)**
Obligation under capital leases	-	-	(190)	-	**(190)**
Deferred tax liability	(743)	-	(538)	-	**(1,281)**
Net assets	5,495	4,560	6,826	99	**16,980**
Fair value of consideration:					
Class A common shares	5,100	4,560	2,579	735	**12,974**
Cash	395	-	2,150	-	**2,545**
Contingent deferred payment	-	-	1,175	-	**1,175**
	5,495	4,560	5,904	735	**16,694**
Bargain purchase gain	-	-	922	-	**922**
Capital restructuring costs	-	-	-	(636)	**(636)**

The net gain of $286, related to the bargain purchase gain and the capital restructuring costs, is included in the consolidated statements of net loss and comprehensive net loss under finance costs.

	Red Giant (e)	2016 Total
Cash and cash equivalents	83	83
Other current assets	1,662	1,662
Property and equipment	7,250	7,250
Intangibles	1,647	1,647
Goodwill	5,955	5,955
	16,597	16,597
Current liabilities	(3,397)	(3,397)
Deferred tax liability	(1,700)	(1,700)
Net assets	11,500	11,500
Fair value of consideration:		
Class A common shares	11,500	11,500

a) *Engineering and Land Consulting Services*

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of an engineering firm that provides abandonment, completion and drilling engineering services for $2.7 million. For the total consideration of $2.7 million, the Company issued 771,429 Class A Common shares (prior to the share exchange 6(d)). Goodwill on acquisition was attributable primarily to the skills and competence of the acquired workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of a second engineering firm that provides estimating and project management services for $2.4 million. For the total consideration of $2.4 million, the Company issued 631,580 Class A Common shares (prior to the share exchange 6(d)). Goodwill on acquisition was attributable primarily to the skills and competence of the acquired workforce and growth opportunity for the combined operations. Goodwill is not deductible for tax purposes.

On December 31, 2017, the Company reached an agreement to purchase 100% of the operating assets of a land consulting company, for cash consideration of $0.4 million.

These companies form part of the consulting CGU and their results are presented in the environmental services segment.

b) *Chemical Services*

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of a company that provides engineered chemical solutions for $4.6 million. For the total consideration of $4.6 million, the Company issued 1,200,000 Class A Common shares (prior to the share exchange 6(d)). Goodwill on acquisition was attributable primarily growth opportunity of the combined operations. Goodwill is not deductible for tax purposes. Of the $4.6 million consideration, $3.1 million is contingent on the chemical service company achieving annual and cumulative EBITDA targets totalling $4.2 million over the next three years. Accordingly, 805,263 (3,060,003 after share exchange) of the shares issued for the acquisition were issued in escrow and will be released over the next three years based on performance. This company forms part of the fluid management CGU and its results are presented in the environmental services segment.

c) *Environmental Services*

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of an environmental services company who specializes in vacuum, pressure and stable foam operations for $1.4 million. For the total consideration of $1.4 million, the Company issued 401,115 Class A Common shares (prior to the share exchange 6(d)). Based on the final allocation of fair values the company identified a bargain purchase gain on acquisition of $0.5 million as net assets acquired exceeded consideration paid.

On December 23, 2017, the Company reached an agreement to purchase 100% of the operating assets of an environmental services company that provides pressure trucks, fluid hauling, chemical and KCL products for $4.5 million. For the total consideration of $4.5 million, the Company paid cash of $2.1 million and issued 2,350,000 Class A Common shares at fair value of $0.50 per share. The agreement contains a contingent share consideration amount that could result in the issuance of additional shares if the trading price of the Company does not reach or exceed $1.00 per share prior to December 31, 2019. Of the 2,350,000 shares issued, $1.2 million has been recorded as an increase in share capital and $1.2 million has been recorded as a long-term provision to reflect contingent shares that may be issued in the future. Share that could be issued in the future range from nil to 2,350,000. Based on the final allocation of fair values the company identified a gain on acquisition of $0.5 million as net assets acquired exceeded consideration paid.

These companies form part of the fluid management CGU and their results are presented in the environmental services segment.

d) *Vier Capital Corp.*

On October 16, 2017, the Company completed a qualifying transaction ("the Transaction") with VIER Capital Corp. ("VIER"), a Capital Pool Corporation as defined in Policy 2.4 on the TSX Venture Exchange ("the Exchange") and on October 18, 2017, following the issuance by the Exchange of its final bulletin in respect of the qualifying transaction, the Company began trading on the Exchange under the symbol "VTX". The Transaction and acquisition of VIER did not meet the definition of a business and has been accounted for as a capital restructuring.

In connection with the Transaction, the 7,350,000 issued and outstanding shares of VIER were consolidated (the "Consolidation") on a 10 to 1 basis for total consideration of $0.7 million.

Pursuant to the Qualifying Transaction: (i) Vier acquired all of the issued and outstanding class A common shares of Vertex Resource Group Ltd. ("Old Vertex") from the shareholders of Old Vertex in exchange for an aggregate of 85,773,459 Common Shares; and (ii) Vier, Old Vertex and a wholly-owned subsidiary of Old Vertex amalgamated to form the Company. In addition, an aggregate of 2,197,206 warrants to acquire Common Shares ("Warrants") were issued in exchange for share purchase warrants to acquire class A common shares in the capital of Old Vertex (Note 18). Shares of Old Vertex were exchanged on a 1 to 3.8 basis.

Immediately following completion of the Qualifying Transaction and the issuance of an aggregate of 30,345 Common Shares upon the concurrent exercise of Vier options to acquire Common Shares, the Company now had 86,538,804 Common Shares issued and outstanding, on a non-diluted basis. The aggregate 56,695,250 Common Shares and 2,197,206 Warrants held by the directors and officers of the Company, as well as certain Common Shares held by certain other shareholders of the Company are subject to escrow restrictions as described in Note 17.

Based on the final allocation of fair values the Company recorded a listing expense of $0.6 million which has been included in financing and bank charges (Note 22).

Revenue and net income from the date of acquisitions to December 31, 2017 were $9.2 million and $1.0 million, respectively. The Company estimates it would have reported consolidated revenue of approximately $146.6 million and a net loss of approximately $1.3 million for the year ended December 31, 2017 if the acquisitions had been completed on January 1, 2017. Proforma EBITDA for the purposes of Note 14 (g) bank covenants would have been $18.7 million when the Company includes the trailing twelve month EBITDA of the acquired companies.

e) *Red Giant Energy Services Ltd.*

On September 30, 2016, the Company reached an agreement to purchase 100% of the outstanding shares of Red Giant Energy Services Ltd. ("Red Giant"), a fluid storage, logistic and treatment company based in Calgary, for $11.5 million. For the total consideration of $11.5 million, the Company issued 3,993,056 Class A Common shares. Goodwill on acquisition was attributable primarily to the skills and competence of the acquire workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.

Revenue and net income from the date of acquisition to December 31, 2016 were $0.6 million and $0.3 million, respectively. The Company estimates it would have reported consolidated revenue of approximately $89.3 million and a net loss of approximately $6.4 million for the year ended December 31, 2016 if the acquisition had been completed on January 1, 2016.

(in thousands of Canadian dollars, except per share amounts)

7. Accounts receivables

	2017	2016
Trade accounts receivable	**33,677**	21,028
Other receivables	**1,285**	612
Less: allowance of doubtful accounts	**(62)**	(198)
	34,900	21,442

8. Unbilled revenue and deferred revenue

The net amount due from (to) customers for contract in progress at the consolidated statement of financial position date is as follows:

	2017	2016
Contract cost incurred plus recognized profit less recognized losses to date	30,031	12,158
Less: progress billings	(27,421)	(9,332)
Total net contract position	2,610	2,826
Unbilled revenue	**3,246**	3,073
Deferred revenue	**(636)**	(247)
Total net contract position	**2,610**	2,826

9. Inventories

	2017	2016
Insulation inventory - raw materials	**792**	1,180
Safety - raw materials	**715**	651
Chemical - raw materials	**572**	337
	2,079	2,168

During the year ended December 31, 2017, the Company recognized $15.2 million (2016 - $12.6 million) of inventories in direct costs as an expense.

(in thousands of Canadian dollars, except per share amounts)

10. Property and equipment

	Land	Buildings and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
Cost						
As at December 31, 2015	1,436	14,314	65,223	7,054	31,343	119,370
Additions	-	211	1,382	138	3,047	4,778
Additions from business acquisition (Note 6)	-	6	5,805	169	1,269	7,250
Disposals	(1,116)	(6,250)	(13,447)	(1,424)	(7,838)	(30,075)
As at December 31, 2016	320	8,281	58,963	5,937	27,821	101,323
Additions	-	35	2,411	331	2,893	5,670
Additions from business acquisition (Note 6)	-	6	1,537	298	6,619	8,460
Disposals	-	-	(2,158)	-	(4,556)	(6,714)
As at December 31, 2017	**320**	**8,322**	**60,753**	**6,566**	**32,777**	**108,739**
Accumulated amortization						
As at December 31, 2015	-	7,069	32,048	3,875	8,140	51,132
Amortization	-	1,732	4,939	1,102	4,878	12,651
Disposals	-	(3,548)	(12,096)	(1,562)	(4,795)	(22,001)
As at December 31, 2016	-	5,253	24,891	3,415	8,223	41,782
Amortization	-	1,364	5,929	688	4,091	12,072
Disposals	-	-	(1,839)	-	(2,799)	(4,638)
As at December 31, 2017	**-**	**6,617**	**28,981**	**4,103**	**9,515**	**49,216**
Carrying value						
As at December 31, 2016	320	3,028	34,072	2,522	19,598	59,541
As at December 31, 2017	**320**	**1,705**	**31,772**	**2,463**	**23,262**	**59,523**
Carrying value of assets under finance lease						
As at December 31, 2016	-	-	-	-	1,231	1,231
As at December 31, 2017	**-**	**-**	**-**	**-**	**2,097**	**2,097**

Rolling stock acquired under finance leases during the year ended December 31, 2017 totaled $0.9 million (2016 - $0.4 million) and have been treated as non-cash transactions for purposes of the consolidated statement of cash flows.

(in thousands of Canadian dollars, except per share amounts)

11. Intangible assets

	Customer relationships	Intellectual Property	Non-compete agreements	Total
Cost				
As at December 31, 2015	7,841	-	385	8,226
Additions	1,647	-	-	1,647
As at December 31, 2016	9,488	-	385	9,873
Additions	1,375	800	575	2,750
As at December 31, 2017	**10,863**	**800**	**960**	**12,623**
Accumulated amortization				
As at December 31, 2015	7,841	-	385	8,226
Amortization	564	-	-	564
As at December 31, 2016	8,405	-	385	8,790
Amortization	1,337	133	99	1,569
As at December 31, 2017	**9,742**	**133**	**484**	**10,359**
Carrying value				
As at December 31, 2016	1,083	-	-	1,083
As at December 31, 2017	**1,121**	**667**	**476**	**2,264**

The intangible assets were acquired as part of a business combination (see note 6). They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives.

12. Goodwill

Goodwill is monitored by management at the level of the consulting, fluid management and rentals cash-generating unit. A cash-generating unit level summary of the goodwill allocation is presented below:

		Consulting	Fluid Management	Rentals	Total
Cost					
As at December 31, 2015		17,750	3,893	-	21,643
Additions - Red Giant		-	-	5,955	5,955
As at December 31, 2016		17,750	3,893	5,955	27,598
Additions - Engineering	6(a)	3,010	-	-	3,010
Additions - Chemical	6(b)	-	3,473	-	3,473
As at December 31, 2017		**20,760**	**7,366**	**5,955**	**34,081**
Carrying value					
As at December 31, 2016		17,750	3,893	5,955	27,598
As at December 31, 2017		**20,760**	**7,366**	**5,955**	**34,081**

The recoverable amount of cash-generating units was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the cash-generating unit. The key assumptions used in the estimation of value in use were as follows:

(in thousands of Canadian dollars, except per share amounts)

In percent	**2017**	2016
Discount rate	**16.0**	16.0
Terminal value growth rate	**1.0**	1.0
Budgeted EBITDA growth rate (average of next five years)		
Consulting CGU	**6.3**	15.9
Fluid management CGU	**6.7**	14.5
Rentals CGU	**8.6**	8.4

The discount rate was a pre-tax discount rate adjusted for a risk premium to reflect both the risk of investing in equities generally and the systematic risk of the specific cash-generating unit. Seven years of cash flows were included in the discounted cash flow model and a long-term growth rate into perpetuity based on the long-term compound annual EBITDA growth rate estimated by management. Budgeted EBITDA was based on management's expectations for future outcomes taking into account past experience and recent industry conditions, adjusted for anticipated revenue growth. Revenue growth was projected taking into account historical growth and the estimated sales volume and price growth for the seven years.

The recoverable amount of the CGUs with allocated goodwill were estimated to be higher than their carrying amount and no impairment was required.

13. Accounts payable and accrued liabilities

	2017	2016
Trade accounts payable	**4,967**	3,610
Employee related accounts payable	**1,398**	1,240
Accrued liabilities	**5,562**	3,422
	11,927	8,272

14. Loans and borrowings

	2017			2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Operating loan (a)	**-**	**18,302**	**18,302**	11,975	-	11,975
Bank loans (b)	**61**	**-**	**61**	37,022	-	37,022
Senior debt (c)	**5,000**	**31,688**	**36,688**	-	-	-
Subordinated debt (d)	**-**	**5,500**	**5,500**	5,500	-	5,500
Lease liabilities (e)	**727**	**882**	**1,609**	368	660	1,028
Total Secured borrowings	**5,788**	**56,372**	**62,160**	54,865	660	55,525
Unsecured						
Advance from shareholders (f)	**-**	**-**	**-**	-	2,151	2,151
Total borrowings	**5,788**	**56,372**	**62,160**	54,865	2,811	57,676

a) Operating loan

On June 23, 2017, the Company refinanced its operating loan and the authorized maximum is $20.0 million plus an additional temporary bulge of $3.0 million (2016 - $20.0 million and nil respectively). The new facility is a three year committed loan maturing June 22, 2020. The operating loan can be drawn by a mix of account overdraft with interest at rates ranging from prime rate plus 1.25%-2.75%, Bankers' Acceptance rate plus stamping fees of 2.25%-3.75%, letter of credit at rates of 2.25%-3.75%. The Company pays a standby fee on any unutilized portion of the operating loan facility on the last day of each fiscal quarter at rates ranging from 0.45%-0.75%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

(in thousands of Canadian dollars, except per share amounts)

b) Bank loans

	Nominal interest rate	Maturity date	**2017**	2016
Extendable revolving loan	Bankers acceptance + 3.00%	May 31, 2017	**-**	32,500
Demand non-revolving loan	Prime +1.0%	November 14, 2016	**-**	1,557
Demand non-revolving loan	Prime +1.0%	January 27, 2020	**-**	1,519
Demand non-revolving loan	Prime +1.0%	July 30, 2019	**-**	1,292
Term loan	7.25%	July 17, 2018	**61**	154
Total bank loans			**61**	37,022

On June 23, 2017, the Company refinanced its extendable revolving loan and demand non-revolving loans. The extendable revolving loan and the three demand non-revolving loans were repaid from the proceeds of new senior debt facility of $40.0 million. The terms of the extendable revolving and non-revolving loans required the Company to maintain certain minimum financial rations. At December 31, 2016, the Company was in breach of its funded debt to EBITDA covenant and accordingly, the operating loan, the extendable revolving loan, the demand non-revolving loans and subordinated debt were classified as current.

c) Senior debt

On June 23, 2017, the Company obtained a new senior debt facility of $40 million and incurred $2.6 million of transaction costs which were capitalized and are being amortized on a straight line basis over the five year term of the loan.

	2017	2016
Senior debt - face value	**39,000**	-
Transaction costs	**(2,312)**	-
Carrying amount	**36,688**	**-**

The new senior debt facility bears interest at the greater of 1.0% or the 30 day Banker's Acceptance rate quoted from the Bank of Canada plus 8.0%. The senior debt credit facility is repayable in 3 quarterly principal payments of $1,000, followed by 4 quarterly principal payments of $1,500, followed by 12 quarterly principal payments of $1,750 with a final payment of $10,000 due on loan maturity of June 22, 2022. Interest is payable quarterly. In addition to the scheduled principal payments the senior debt includes an additional principal payment based on an annual excess cash flow calculation starting December 31, 2017. If the Company elects to make voluntary repayments the facility includes prepayment penalties equal to 4.0% of the voluntary repayment prior to the first anniversary of the closing date, 3.0% after the first anniversary but prior to the second anniversary of the closing date, and 2.0% after the second anniversary but prior to the third anniversary of the closing date.

(in thousands of Canadian dollars, except per share amounts)

Principal payments for all loans within the next five years, based on the senior debt facility repayment terms as negotiated on June 23, 2017, are as follows:

	Total
2018	5,000
2019	6,500
2020	7,000
2021	7,000
2022	13,500
	39,000

d) Subordinated debt

On June 23, 2017 when the Company refinanced its senior debt the maturity date of the subordinated debt with BDC Capital Inc. ("BDCC") was extended to June 30, 2022. This bears interest at 14.0% and the Company makes monthly interest payments. There is no principal repayment schedule other than payment in full at maturity. The Company has the option to make two voluntary principal repayments per year with a minimum of $0.3 million per payment and no maximum payment. There are no prepayment penalties applicable if the Company elects to make these voluntary repayments.

e) Finance lease liabilities

	2017	2016
Not later than one year	**819**	423
Later than one year and not later than five years	**943**	696
Later than five years	**-**	-
Total minimum lease payments	**1,762**	1,119
Less: amounts representing interest at rates ranging from 3.4% to 9.4%	**(153)**	(91)
Present value of minimum lease payments	**1,609**	1,028
Less: current portion	**(727)**	(368)
	882	660

Finance lease obligations are secured by equipment and automobiles with a net book value of $2.1 million (2016 - $1.2 million) (Note 10).

f) *Advances from shareholders*

On January 5, 2017, the $2.2 million (2016 - $0.6 million) advance from shareholders, from a director of the Company, was settled in exchange for 746,938 (2016 – 276,952) Class A common shares of the Company and has been treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

g) Borrowing covenants – Operating loan, Senior debt, and Subordinated debt

In conjunction with the operating loan and senior debt, Vertex is subject to the following financial covenants:

- The ratio of consolidated senior indebtedness to trailing EBITDA, calculated on a trailing twelve month basis, must not exceed:
  - 4.25 to 1.00 for the quarters ending September 30, 2017 and December 31, 2017;
  - 3.75 to 1.00 for all quarters ending in fiscal 2018;
  - 3.25 to 1.00 for all quarters ending in fiscal 2019;
  - 2.75 to 1.00 thereafter.
- The ratio of net cash flow to fixed charges, the Fixed Charge Coverage ratio, must be more than 1.20 to 1.00 calculated on a rolling four-quarter basis.

(in thousands of Canadian dollars, except per share amounts)

- Working capital ratio must be more than 1.25 to 1.00 calculated on a quarterly basis.

The relevant definitions of key ratio terms set forth in operating loan and senior debt facilities are as follows:

- Consolidated senior indebtedness is defined as the outstanding balance of the operating loan, plus the outstanding principal balance of senior debt, plus principal portions of any capital lease obligations.
- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill/intangible impairment, stock-based compensation, and other gains and losses not considered reflective of underlying operations. Trailing twelve month EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.
- Net cash flow is defined as EBITDA reduced by net capital expenditures and cash taxes.
- Fixed charges is calculated as interest expense plus scheduled principal payments of indebtedness during the twelve month trailing period.
- Current assets for the working capital ratio are calculated as current assets at the balance sheet date less cash and current deferred tax asset balances, if any. Current liabilities are calculated as current liabilities at the balance sheet date less, to the extend they are included in current liabilities, operating loan, current portion of loans and borrowings, current deferred tax liabilities and unearned revenue.

The operating loan, senior debt and subordinated debt agreements contain cross default clauses, such that a breach in one agreement results in all three agreements being in breach. At December 31, 2017, 2017 the Company was in compliance with the terms and covenants of its lending agreements which are calculated as follows:

	Target	**2017**	2016
Operating loan & senior debt			
Funded debt to EBITDA	< 4.25 : 1	**3.18**	-
Fixed charge coverage ratio	> 1.20 : 1	**2.47**	-
Working capital ratio	> 1.25 : 1	**3.16**	-
Extendable revolving & demand non-revolving loans			
Funded debt to EBITDA	< 3.50 : 1	**-**	4.10
Fixed charge coverage ratio	> 1.25 : 1	**-**	1.44
Working capital ratio	> 1.25 : 1	**-**	3.34

h) Borrowing covenants – Subordinated debt

In conjunction with the subordinated debt, Vertex is subject to financial covenants that are calculated on an annual basis at December 31, 2017 that mirror the covenants of the operating loan and senior debt.

For the year ended December 31, 2016 the company was subject to the following financial covenants that were calculated on an annual basis:

- The ratio of adjusted working capital to annual gross sales of the preceding year must be greater than 30% - calculated at 34.3% for 2016.
- The ratio of term debt to tangible equity must be less than 0.90 to 1.00, calculated at 0.78 for 2016.

The subordinated debt covenants were in compliance at both December 31, 2017 and December 31, 2016.

(in thousands of Canadian dollars, except per share amounts)

15. Provisions

	Onerous lease(a)	Contingent share consideration (b)	Acquisition obligation (c)	Total
As at December 31, 2015	-	-	11,716	11,716
Additions	3,323	-	-	3,323
Interest accretion during the period	115	-	717	832
Gain on revaluation of contingent consideration	-	-	(1,000)	(1,000)
Payments	(748)	-	(3,500)	(4,248)
As at December 31, 2016	2,690	-	7,933	10,623
Additions	-	1,175	-	1,175
Interest accretion during the period	133	-	567	700
Settlement in exchange for class A common shares	-	-	(6,727)	(6,727)
Payments	(1,190)	-	-	(1,190)
As at December 31, 2017	**1,633**	**1,175**	**1,773**	**4,581**

Other liabilities are presented on the consolidated balance sheet as follows:

	2017	2016
Current portion of provisions	**2,899**	5,727
Non-current portion of provisions	**1,682**	4,896
	4,581	10,623

a) Onerous lease

During the year ended December 31, 2016, the Company restructured its operations and in the course of restructuring ceased to operate at two geographic locations. The Company negotiated to terminate the operating leases but was unable to come to an agreement. Given the leases had no future benefit to the Company, management estimated the present value of the remaining lease and operating costs payments and recorded a restructuring cost expense of nil (2016 - $3.3 million). The contractual cash payments over the next three years as at December 31, 2017, totaling $1.7 million, are as follows:

	Total
2018	1,127
2019	466
2020	40
	1,633

b) Contingent share consideration

The arrangement to acquire one of the environmental services companies (Note 6c) contains a contingent deferred payment amount that could result in the issuance of additional shares if the trading price of the Company does not reach or exceed $1.00 per share prior to December 31, 2019. Of the $2.4 million share consideration, $1.2 million has been recorded as an increase in share capital and $1.2 million has been recorded as a long term provision to reflect the difference between the deemed price of $1.00 per share that was agreed upon and an estimate of the fair value of the Company's shares at December 31, 2017. The contingent share consideration will be remeasured each period and will be adjusted through the consolidated statement of net loss and comprehensive loss.

c) Acquisition obligation

On May 31, 2017, the acquisition obligation with an aggregate face value of $6.7 million (2016 – nil) was settled in exchange for 1,922,070 (2016 – nil) Class A common shares of the Company and has been treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

(in thousands of Canadian dollars, except per share amounts)

Subsequent to the year end, the remaining acquisition obligation with an aggregate face value of $1.8 million was settled for 1,924,320 Class A common shares of the Company on January 10, 2018.

16. Income taxes

The statutory tax rate applied by the Company as of the year ended December 31, 2017 was 27.0% (2016 - 27.0%). The rate changed during the year due to changes in provincial statutory rate. A reconciliation of the statutory tax rates and income taxes payable at these rates to the effective income tax rates and provision for income taxes is as follows:

	2017	2016
Loss before income taxes	**(3,685)**	(11,628)
Combined federal and provincial income taxes statutory rate	**27.0%**	27.0%
Expected income tax recovery	**(994)**	(3,140)
Effect on income taxes of:		
Non-deductible items (non-taxable items)	**216**	(188)
Apprenticeship credits	**(1)**	(47)
Non-taxable capital gain	**-**	(58)
Change in valuation allowance in respect of future tax assets	**37**	35
Prior year adjustments	**5**	(63)
	257	(321)
Income tax recovery	**(737)**	(3,461)

Income taxes were comprised of the following:

	2017	2016
Current income tax expense	**79**	51
Deferred income tax recovery	**(816)**	(3,512)
Income tax recovery	**(737)**	(3,461)

The movement in the components of deferred income taxes is as follows:

	2016	Acquired in business combination	Recognized in profit or loss	**2017**
Deferred tax liabilities (assets) in relation to:				
Property, plant and equipment	6,807	538	(1,265)	**6,080**
Intangibles assets	292	743	(424)	**611**
Losses carryforward	(8,601)	(159)	800	**(7,960)**
Investments	(50)	-	7	**(43)**
Investment tax credits	(247)	-	66	**(181)**
	(1,799)	1,122	(816)	**(1,493)**

(in thousands of Canadian dollars, except per share amounts)

	2015	Acquired in business combination	Recognized in profit or loss	2016
Deferred tax liabilities (assets) in relation to:				
Property, plant and equipment	6,273	1,255	(721)	6,807
Intangibles assets	-	445	(153)	292
Losses carryforward	(6,090)	-	(2,511)	(8,601)
Investments	(50)	-	-	(50)
Investment tax credits	(120)	-	(127)	(247)
	13	1,700	(3,512)	(1,799)

Accumulated loss carryforward balances are $30.4 million (2016 - $32.0 million) with December 31, 2031 being the earliest expiry date of loss carryforward balances.

Deferred income tax balances are classified

	2017	2016
Deferred tax assets	**6,506**	6,271
Deferred tax liabilities	**(5,013)**	(4,472)
	1,493	1,799

17. Share capital

a) Common shares

Authorized, unlimited number
Class A common voting shares
Class B common non-voting shares

	Notes	Class A	Amount
		#	$
As at December 31, 2015		12,641,816	45,667
Shares issued in business combination	6	3,993,056	11,500
Shares issued in settlement of advances from shareholders	14(f)	276,952	797
Share redemption		(13,000)	(52)
As at December 31, 2016		16,898,824	57,912
Shares issued in settlement of advances from shareholders	14(f)	746,938	2,151
Shares issued in business combinations prior to share exchange	6(a-c)	3,004,124	11,064
Shares issued in settlement of acquisition obligation	15(c)	1,922,070	6,727
Sub-total prior to share exchange on October 16, 2017		22,571,956	77,854
Share exchange on completion of capital restructuring	6(d)	63,201,503	-
Sub-total prior to share exchange		85,773,459	77,854
Shares issued in exercise of stock options	18	30,345	30
Shares issued for pursuant to capital restructuring	6(d)	735,000	735
Shares issued in business combinations subsequent to share exchange	6(c)	2,350,000	1,175
As at December 31, 2017		**88,888,804**	**79,794**

(in thousands of Canadian dollars, except per share amounts)

During the year ended December 31, 2017, the Company redeemed common shares for nil (2016 - $0.05 million) resulting in a premium on redemption of common shares which has been charged directly to retained earnings.

b) Escrow shares

As at December 31, 2017, the Company has the following escrowed common shares.

	2017	2018
Directors and officers	**51,025,725**	22,678,100
Vier shareholders	**288,750**	96,250
Acquisition	**5,991,435**	5,091,441
	57,305,910	27,865,791

Included in the escrowed share balances are 3,060,003 related to the acquisition of the chemical service company, Note 6(b), that are contingent on meeting annual and cumulative EBITDA targets. Subsequent to the year end, the Company released 899,994 shares from escrow as the chemical service company results exceeded the target EBITDA for the year ending December, 31, 2017.

18. Share-based compensation

Stock Option Plan

The Company grants stock options to directors, officers, employees and consultants of the Company affiliates under its Stock Option Plan. Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of the Company for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five years from the date of grant.

In estimating expected stock price volatility at the time of a particular stock option grant, the company relies on observations of historical volatility trends. In determining the expected term of the option grants, the company has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant.

Other assumptions required for estimating fair value with the Black-Scholes model are the expected risk-free interest rate and expected dividend yield of the company's Common Shares. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. The expected dividend yield of the Company's Common Shares over the expected term of the option was determined based on the Company's dividend policy on the date of grant. The expected forfeiture rate was determined based on the Company's prior historical forfeiture rates on the date of grant.

The total number of stock options available to be granted under the Stock Option Plan cannot exceed 8,577,346. Each stock option will entitle the option-holder to acquire one Common Share of the Company. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board of Directors when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority and shall be an amount at least equal to the weighted average trading price of the Common Shares of the company for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to three years and expire in five years.

(in thousands of Canadian dollars, except per share amounts)

	2017		2016	
	Outstanding options	**Weighted average exercise price ($)**	Outstanding options	Weighted average exercise price ($)
Balance - Beginning of period	**108,500**	**1.00**	108,500	1.00
Granted	**4,350,000**	**1.00**	-	-
Exercised	**(30,345)**	**1.00**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Balance - end of year	**4,428,155**	**1.00**	108,500	1.00
Exercisable - end of year	**78,155**	**1.00**	108,500	1.00

The following table summarizes information about share options outstanding as at December 31, 2017:

	Options outstanding			Options exercisable	
Exercise Price($)	**Outstanding options**	**Weighted average exercise price ($)**	**Weighted average remaining term (years)**	**Outstanding options**	**Weighted average exercise price($)**
1.00	78,155	1.00	0.75	78,155	1.00
1.00	4,200,000	1.00	4.75	-	1.00
	4,278,155	1.00	4.50	78,155	1.00

The fair value of options granted to employees and consultants was estimated at the date of grant using the Black-Scholes Option Pricing Model, using the following weighted average assumptions:

For the years ended	**2017**	2016
Volatility factor of expected market price (%)	**55.8**	90.0
Weighted average risk - free interest rate (%)	**1.8**	0.8
Weighted average expected life in years	**4.8**	4.0
Weighted average expected annual dividends per share (%)	**-**	-
Weighted average fair value per option($)	**0.14**	0.64
Weighted average forfeiture rate (%)	**3.8**	-

Warrants

On August 31, 2015, the grant date, the Company issued 2,197,206 (578,212 before share exchange Note 6d) warrants (the “Warrant Awards”) to two directors of the Company. The Warrant Awards vested immediately on the date of grant. Each warrant entitles the holder to purchase a Class A common share at an exercise price of $4.55 per Class A common share. The exercise price of each warrant of $4.55 was equal to the fair value of a Class A common share on August 31, 2015. The Warrant Awards expire in five years, or August 31, 2020 and are subject to escrow provisions to be released over the next two years.

(in thousands of Canadian dollars, except per share amounts)

The following warrants were issued and outstanding:

Date issued	Number issued	Expiry date	Exercise price (per warrant)	Fair value at grant date (per warrant)	Number outstanding as at December 31, 2017	Number outstanding as at December 31, 2016
			$	$		
August 31, 2015	2,197,206	August 31, 2020	1.20	0.33	2,197,206	2,197,206

The weighted average exercise price of the warrants outstanding as at December 31, 2017 was $1.20 after the Transaction (2016 - $4.55).

Total compensation cost recognized for share-based compensation awards for the year ended December 31, 2017, is $5 (2016 - $nil) and is credited to the share-based payment reserve on the consolidated statements of financial position. There were no forfeitures incurred during the year.

19. Commitments

Future minimum annual operating lease payments for office equipment and premises, excluding any future payments related to terminated leases, are as follows:

2018	4,106
2019	4,407
2020	4,110
2021	4,455
2022	4,132
Thereafter	7,941
	29,151

20. Revenue

Major categories of revenue recognized during the year are as follows:

	2017	2016
Sales of goods	**6,998**	11,416
Rendering of services	**74,863**	49,114
Industrial construction and manufacturing	**36,558**	25,623
	118,419	86,153

(in thousands of Canadian dollars, except per share amounts)

21. Expenses by nature

	2017	2016
Personnel	**49,913**	39,035
Subcontractors	**23,315**	10,406
Materials	**19,047**	13,580
Equipment costs	**2,911**	5,968
Property and maintenance	**5,432**	4,571
Other general and administrative expenses	**2,269**	2,466
Share-based compensation	**5**	-
Amortization	**13,641**	13,215
Restructuring costs	**-**	5,548
Total expenses	**116,533**	94,789

	2017	2016
Direct costs	**86,116**	61,348
General and administrative expenses	**16,771**	14,678
Share-based compensation	**5**	-
Amortization	**13,641**	13,215
Restructuring costs	**-**	5,548
Total expenses	**116,533**	94,789

22. Finance costs

	2017	2016
Interest on long-term debt	**4,076**	2,864
Interest on acquisition	**567**	717
Financing and bank charges	**720**	231
Interest on onerous lease	**133**	115
Interest on finance leases	**75**	65
Gain on settlement of contingent consideration	**-**	(1,000)
	5,571	2,992

23. Net loss per share

	2017	2016
Net loss and comprehensive loss for the year	**(2,948)**	(8,167)
Weighted average shares	**76,501,608**	52,093,019
Loss per share		
Basic	**(0.04)**	(0.16)
Diluted	**(0.04)**	(0.16)

In calculating the loss per share for the year ended December 31, 2017, the Company excluded 2,197,206 warrants (2016 – 2,197,206), and 4,428,155 options (2016 – nil) as their impact was anti-dilutive.

(in thousands of Canadian dollars, except per share amounts)

24. Related party transactions

a) All related party transactions are provided in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and are recorded at the exchange amount. Related party transactions include transactions with other private companies that are owned or controlled by a director.

	Nature of relationship	**2017**	2016
Transactions:			
General and administrative expenses - rent	(i)	**900**	700
Repayments of advances from shareholders	(i)	**-**	(706)
Property and equipment additions	(i)	**709**	-
Proceeds from sale of property and equipment	(i)	**75**	4,973

(i) Related by common director, officer

Land and building and improvements disposed of during the 2016 year (Note 10) were purchased by related party. This related party transaction was not in the normal course of operations; however, it resulted in a substantive change in ownership and the exchange amount was supported by an independent valuation, as such, the transaction was recorded at the exchange amount, which approximates fair value.

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2017, remuneration of $1,189 included $1,184 of salaries and short-term benefits and $5 of share-based compensation (2016 - $903 and nil, respectively) which were paid to key management. Directors and key management own 63.8% of the company.

25. Supplemental cash flow information

	2017	2016
Changes in non-cash working capital:		
Trade and other receivables	**(9,579)**	2,142
Corporate income taxes recoverable	**-**	256
Unbilled revenue	**(173)**	5,144
Inventories	**525**	(10)
Prepaid expenses and deposits	**(64)**	(3)
Accounts payable and accrued liabilities	**(2,125)**	(3,400)
Deferred revenue	**389**	(787)
Income taxes payable	**(256)**	(6)
	(11,283)	3,336

	2017	2016
Net cash paid (received) during the period for:		
Interest	**3,017**	2,929
Income taxes	**335**	(198)

(in thousands of Canadian dollars, except per share amounts)

26. Financial assets and liabilities

Fair value of financial instruments

The fair value of financial instruments is the amount that would be agreed to in arm's length transaction between knowledgeable, willing parties who are under no obligation to act. Fair value can be determined by reference to prices in active markets to which the Company has access. In the absence of active markets, the Company determines fair value based on market or by reference to other similar products.

The carrying values of cash and cash equivalents, accounts receivables, and accounts payables and accrued liabilities approximate their estimated fair value due to their short terms to maturity.

The fair value of the Company's operating loan and senior debt bear interest at floating interest rates and carrying value approximates fair value. The subordinated debt is a level 2 measurement and does not differ significantly from its carrying value. The carrying value of the Company's provisions have been discounted to reduce the provision to fair value.

Financial risk management

The significant financial risks to which the Company is exposed are credit risk, interest rate risk, currency risk and liquidity risk. Management reviews these risk on an ongoing basis to ensure that the risks are appropriately managed. The Company had no derivatives outstanding at December 31, 2017 and 2016.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Company does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The Company's revenues are from a diverse customer base that includes the energy, real estate, utility and mining industries in Western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivables outside of the normal risk associated with contract audits and normal trade terms common in the industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2017 the company had two customers that accounted for 27.2% of the consolidated sales (2016 – one customer for 11.7%). The aging analysis of accounts receivables is as follows:

	2017	2016
0 to 30 days	15,058	10,036
31 to 60 days	9,531	5,724
61 to 90 days	6,756	3,559
Over 90 days	2,254	1,497
Holdbacks	77	212
Trade accounts receivable	33,676	21,028
Allowance for doubtful accounts	(62)	(198)
Trade receivables, net of allowance	33,614	20,830
Other receivables	1,286	612
	34,900	21,442

(in thousands of Canadian dollars, except per share amounts)

The movement in the Company's allowance for doubtful account is as follows:

	2017	2016
Balance, beginning of the period	**198**	214
Receivables written of during the year	**(146)**	(159)
Additional allowance for doubtful accounts	**10**	143
Balance, end of the period	**62**	198

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The operating loan (Note 14) bear interest at variable rates based on the bank's prime lending rate and/or the Bankers' Acceptance rate plus 1.00 to 3.00%. Changes in the bank's prime lending rate and/or the Bankers' Acceptance rate can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to alter the effects of this risk. The senior debt (Note 14) bears interest at a variable based on 8% plus the greater of 1.0% or the 30 day Bankers' Acceptance rate quoted from the Bank of Canada. The subordinated debt (Note 14) bears interest at a fixed rate of 14.00%. As at December 31, 2017, with other variables unchanged, an increase or decrease of 1% in interest rates would impact loss before income taxes by approximately $0.6 million (December 31, 2016 - $0.6 million)

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchases and sales transactions and has assets and liabilities that are dominated in foreign currencies and thus is exposed to financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk arising primarily from the bank demand operating loan and the demand non-revolving loans (Note 14). The Company's ability to meet obligations depends on the receipt of funds from its operating subsidiaries and other related sources, whether in the form of revenue or advances. At December 31, 2017, significant liabilities of the Company include the operating loan, trade accounts payable and accrued liabilities, other liabilities (excluding the deferred gain, which has no future cash payment obligations), long-term debt, and obligations under capital leases, subordinated debt and advances from shareholders. Contractual maturities for financial liabilities as at December 31, 2017 are as follows:

(in thousands of Canadian dollars, except per share amounts)

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	11,927	-	**11,927**
Operating loan	-	18,302	**18,302**
Bank loans	61	-	**61**
Senior debt	5,000	31,688	**36,688**
Subordinated debt	-	5,500	**5,500**
Lease liabilities	727	882	**1,609**
Onerous leases	1,127	506	**1,633**
Contingent deferred payment	-	1,175	**1,175**
Acquisition obligation	1,773	-	**1,773**
Long-term financial liabilities	8,688	58,053	**66,741**

The acquisition obligation of $1.8 million was settled for 1,924,320 Class A common shares of the Company on January 10, 2018.

The Company does not have any future payments that extend past five years.

27. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities and preserve financial flexibility in order to benefit from potential opportunities that may arise.

The capital structure of the Company consists of net debt and Shareholders' equity. Net debt is made up of operating loan, senior debt and subordinated debt less cash. The Company continues to manage towards a more balance split between the level of net debt and shareholders' equity in order to facility growth in capital markets.

The Company manages the capital structure and adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, adjust the amount of cash and bank indebtedness through the refinancing of existing bank debt facilities to change amounts or terms and adjust long-term debt balances.

The Company typically monitors it capital using measures that are consistent with the main covenant under its operating loan, senior debt and subordinated debt (Note 14).

28. Segmented information

The Company operates as an environmental and industrial services provider which form its two reporting segments. The accounting policies and practices for each of the segments are the same as those described in Note 3. Segment capital expenditures are the total costs incurred during the year to acquire property and equipment and intangible assets.

a) Environmental – The Company provides a variety of services related to assisting their clients meet internal environmental standards, regulatory environmental standards and related environmental compliance needs. These services span multiple industries including infrastructure, mining, oil and gas, telecommunications and utility.

(in thousands of Canadian dollars, except per share amounts)

b) Industrial – The Company offers services related to infrastructure or facility construction, as well as, the maintenance of those same assets. These services span a range of industries including agriculture, forestry, governments, midstream companies, public infrastructure, oil and gas production companies, potash and utilities.

	Environmental		**Industrial**		**Corporate**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenue	**72,693**	46,173	**45,625**	39,704	**101**	276	**118,419**	86,153
Net Income (loss) before tax	**2,902**	(5,354)	**2,900**	1,813	**(9,487)**	(8,087)	**(3,685)**	(11,628)
Amortization	**11,216**	10,485	**2,425**	2,730	**-**	-	**13,641**	13,215
Capital expenditures	**5,243**	4,398	**427**	380	**-**	-	**5,670**	4,778
Total assets	**105,779**	90,707	**32,094**	25,540	**6,283**	6,124	**144,156**	122,371
Goodwill and Intangible assets	**36,345**	28,681	**-**	-	**-**	-	**36,345**	28,681
Total liabilities	**21,521**	5,311	**12,494**	7,076	**50,368**	69,150	**84,383**	81,537