Condensed Consolidated Interim Financial Statements of

Vertex Resource Group Ltd.

For the three-month period ended March 31, 2019
(Unaudited)

Notice to Reader: As required by National Instrument 51-102, Part 4, subsection 4.3(3)(a), readers are advised that the Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

Vertex Resource Group Ltd.

March 31, 2019

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Vertex Resource Group Ltd.

Condensed consolidated interim statements of financial position

(in thousands of Canadian dollars)
(unaudited)

As at	Notes	**March 31, 2019**	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		**969**	2,347
Accounts receivable		**39,562**	40,303
Contract assets		**3,358**	2,325
Inventories		**3,592**	3,204
Prepaid expenses and deposits		**2,431**	2,906
		49,912	51,085
Property and equipment	4	**88,311**	91,591
Right of use assets	5	**23,967**	-
Intangible assets		**1,591**	1,854
Goodwill		**34,081**	34,081
Deferred income taxes		**6,210**	6,210
		204,072	184,821
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**16,526**	17,188
Contract liabilities		**853**	1,135
Income taxes payable		**18**	44
Current portion of loans and borrowings	6	**10,851**	10,600
Current portion of provisions	7	**3,493**	3,058
Current portion of right of use lease liabilities	5	**4,020**	-
		35,761	32,025
Loans and borrowings	6	**74,695**	77,005
Provisions	7	**631**	2,360
Right of use lease liabilities	5	**22,062**	-
Deferred income taxes		**7,476**	7,736
		140,625	119,126
Shareholders' Equity			
Common shares		**83,231**	83,231
Deficit		**(20,924)**	(18,622)
Contributed surplus		**1,140**	1,086
		63,447	65,695
		204,072	184,821

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of net loss and comprehensive loss

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

		Three months ended March 31,	
	Notes	**2019**	2018
Revenue		**42,628**	34,686
Direct costs		**32,005**	25,885
Gross profit		**10,623**	8,801
General and administrative expenses		**4,316**	4,464
Share-based compensation	8	**54**	45
Amortization		**4,664**	3,228
Amortization right of use assets	5	**1,041**	-
Finance costs	9	**1,389**	1,531
Loss before income taxes		**(841)**	**(467)**
Income tax recovery		**(227)**	-
Loss and comprehensive loss for the period		**(614)**	(467)
Net loss and comprehensive loss for the period per share			
Basic and diluted	10	**(0.01)**	(0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share			
Basic and diluted	10	**91,253,115**	88,439,302

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of changes in shareholders' equity

(in thousands of Canadian dollars)
(unaudited)

	Notes	**March 31, 2019**	March 31, 2018
Common Shares			
Balance, beginning of the period		**83,231**	79,794
Shares issued in settlement of seller's note		**-**	1,773
Balance, end of the period		**83,231**	81,567
Contributed Surplus			
Balance, beginning of the period		**1,086**	892
Share-based compensation		**54**	45
Balance, end of the period		**1,140**	937
Deficit			
Balance, beginning of the period		**(18,622)**	(20,913)
Net loss and comprehensive loss		**(614)**	(467)
Adoption of IFRS 16	14	**(1,688)**	-
Balance, end of the period		**(20,924)**	(21,380)
Total shareholders' equity		**63,447**	61,124

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of cash flows

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

	Notes	Three months ended March 31, 2019	2018
Operating activities			
Net loss		**(614)**	(467)
Items not affecting cash			
Amortization		**5,704**	3,227
Share-based compensation		**54**	45
Interest accretion		**349**	23
Deferred financing charges		**32**	128
Gain on disposal of property and equipment		**(327)**	24
Deferred income taxes		**(265)**	-
		4,933	2,980
Change in non-cash operating working capital items		**(1,168)**	4,804
Cash provided by operating activities		**3,765**	7,784
Investing activities			
Purchase of property and equipment		**(865)**	(1,966)
Proceeds from disposal of property and equipment		**596**	208
Cash (used in) investing activities		**(269)**	(1,758)
Financing activities			
Repayment of term loan		**(1,562)**	-
Proceeds from equipment loans		**-**	545
Repayment of equipment loans		**(482)**	(8)
Repayment of obligation under capital lease		**(572)**	(221)
Repayment of right of use lease liabilities		**(1,420)**	-
Repayment of provisions		**(838)**	(298)
Repayment of senior debt		**-**	(2,139)
Repayment of demand operating loan		**-**	(3,077)
Cash used in financing activities		**(4,874)**	(5,198)
Increase (decrease) in cash and cash equivalents		**(1,378)**	828
Cash and cash equivalents, beginning of period		**2,347**	296
Cash and cash equivalents, end of period		**969**	1,124

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

1. Description of business

Vertex is a publicly listed company on the TSX Venture Exchange (“TSXV”) trading under the symbol VTX. The Company provides environmental and industrial services to a diverse clientele across Western Canada.

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

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Certain information has been reclassified to conform with the financial statement presentation adopted in the current year.

The condensed consolidated interim financial statements were approved by the Board of Directors (the “Directors”) on May 10, 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual financial statements. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the most recent annual financial statement, except for those policies disclosed in Note 3. The effects of the adoption of new IFRS pronouncements is disclosed in Note 14.

3. Summary of significant accounting policies

The following significant accounting policy was amended as a result of the adoption of IFRS 16, Leases (Note 14). All other significant accounting policies are consistent with those reported in the Company’s 2018 annual consolidated financial statements.

Leases

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Note 14 outlines the effect of adopting IFRS 16 requirements on January 1, 2019.

At inception of a contract, the Company assesses whether a contact is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, if applicable, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right of use ("ROU") asset and a right of use ("ROU") lease liability at the commencement date of a lease. The ROU asset is initially measured at cost, which is comprised of the initial amount of the ROU lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The ROU asset is subsequently amortized from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the ROU asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the ROU lease liability.

A ROU lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the laser.

The ROU lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments are not included in the initial measurement of the ROU lease liability are charged directly to profit.

The Company has elected not to recognize ROU assets and ROU lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

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

4. Property and equipment

	Land, Buildings, and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
Cost					
As at December 31, 2018	11,305	64,570	5,005	63,406	144,286
Additions	88	203	32	1,066	1,389
Disposals	-	(50)	-	(2,761)	(2,811)
As at March 31, 2019	**11,393**	**64,723**	**5,037**	**61,711**	**142,864**
Accumulated amortization					
As at December 31, 2018	5,969	33,240	2,632	10,854	52,695
Amortization	242	1,420	218	2,520	4,400
Disposals	-	(46)	-	(2,496)	(2,542)
As at March 31, 2019	**6,211**	**34,614**	**2,850**	**10,878**	**54,553**
Carrying value					
As at December 31, 2018	5,336	31,330	2,373	52,552	91,591
As at March 31, 2019	**5,182**	**30,109**	**2,187**	**50,833**	**88,311**
Carrying value of assets under finance leases and equipment loans					
As at December 31, 2018	-	-	-	16,293	16,293
As at March 31, 2019	**-**	**-**	**-**	**15,843**	**15,843**

Rolling stock acquired under capital leases during the three month period ended March 31, 2019 totaled $0.5 million (three month period ended March 31, 2018 - $0.5 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)

5. Right-of-Use Assets and Liabilities

a) Right of Use Assets

The Company's significant lease arrangements include contracts for leasing office, shop and yard premises.

	Total
Cost	
As at December 31, 2018	-
IFRS 16 adoption (Note 14)	25,008
As at March 31, 2019	**25,008**
Accumulated amortization	
As at December 31, 2018	-
Amortization	1,041
As at March 31, 2019	1,041
Carrying value	
As at March 31, 2019	**23,967**

b) Right of Use Lease Liabilities Continuity

As at December 31, 2018	-
IFRS 16 adoption (Note 14)	27,203
Interest accretion during the period	299
Payments	(1,420)
As at March 31, 2019	**26,082**

c) Right of Use Lease Liabilities

Minimum lease payments in respect of right-of-use lease liabilities and the effect of discounting are as follows:

	Total
Not later than one year	**5,168**
Later than one year and not later than five years	**17,374**
Later than five years	**11,204**
Total minimum lease payments	**33,747**
Less: amounts representing interest at rates ranging from 6.0% to 7.4%	**7,664**
Present value of minimum lease payments	**26,082**
Less: current portion	**4,020**
As at March 31, 2019	**22,062**

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

6. Loans and borrowings

	March 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Revolving loan (a)	-	29,000	29,000	-	29,000	29,000
Term loan (b)	7,188	37,833	45,021	6,875	39,676	46,551
Equipment loans	1,793	2,303	4,095	1,800	2,777	4,577
Finance leases	1,870	5,560	7,430	1,925	5,552	7,477
Total borrowings	10,851	74,695	85,546	10,600	77,005	87,605

a) Revolving loan

The revolving loan is authorized to a maximum of $30.0 million and can be drawn by a mix of account overdraft with interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75%-2.00%, CAD Bankers' Acceptance rate and USD LIBOR loans plus stamping fees of 1.75%-3.00%. The Company pays a standby fee on any unutilized portion of the revolving facility on the last day of each fiscal quarter at rates ranging from 0.35%-0.60%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

b) Term loan

The term loan, when originally drawn, was $50.0 million and can be a mix of account overdraft with interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75%-2.00%, CAD Bankers' Acceptance rate and USD LIBOR loans plus stamping fees of 1.75%-3.00%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter. The term loan is repayable in four quarterly principal payments of $1,563, followed by eight quarterly principal payments of $1,875 with a final payment of $28.8 million due on maturity of May 10, 2021. In addition to the scheduled principal payments the term loan includes an additional principal payment based on an annual excess cash flow. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio at December 31, 2019 exceeds 2.75:1.00.

c) Operating loan

The syndicate facilities include a secured operating facility authorized to a maximum of $5.0 million to be used for general corporate purposes. The operating loan may be borrowed, repaid and re-borrowed on a revolving basis from the Closing Date until the Maturity Date. To the extent funds are drawn on the operating facility they will bear interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75%-2.00%. There was no amount drawn on this facility at March 31, 2019.

d) Transaction costs

The Company incurred $0.4 million of transaction costs in 2018 which were capitalized and are being amortized on a straight-line basis over the three year term of the credit facility.

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

	March 31, 2019	December 31, 2018
Term loan - face value	**45,313**	46,875
Transaction costs	**(292)**	(324)
Carrying amount	**45,021**	46,551

e) *Borrowing covenants – Senior Credit Facility*

All loans are being provided in Canadian dollars and are 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:
  - 3.75 to 1.00 for all quarters ending in fiscal 2019;
  - 3.00 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.

The relevant definitions of key ratio terms set forth in senior secured credit facility is as follows:

- Consolidated senior indebtedness is defined as the outstanding balance of the revolving loan, plus the outstanding principal balance of the senior term loan, plus principal portions of any equipment loans and 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.

At March 31, 2019 the Company was in compliance with the terms and covenants of its lending agreements which are as follows:

	Target	**March 31, 2019**	December 31, 2018
Credit facilities			
Funded debt to EBITDA	< 3.75 : 1	**3.63**	3.37
Fixed charge coverage ratio	> 1.20 : 1	**1.61**	1.98

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

7. Provisions

	Onerous lease	Contingent deferred payment	Sellers' notes	Total
As at December 31, 2018	506	1,175	3,737	5,418
IFRS 16 adoption (Note 14)	(506)	-	-	(506)
Interest accretion during the period	-	-	50	50
Payments	-	-	(838)	(838)
As at March 31, 2019	**-**	**1,175**	**2,949**	**4,124**

Provisions are presented on the consolidated interim statements of financial position as follows:

	March 31, 2019	December 31, 2018
Current portion of provisions	**3,493**	2,899
Non-current portion of provisions	**631**	1,682
	4,124	4,581

8. 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.

A summary of the status of the Company's stock options is as follows:

	March 31, 2019		December 31, 2018	
	Outstanding options	**Weighted average exercise price ($)**	Outstanding options	Weighted average exercise price ($)
Balance - Beginning of period	**4,875,000**	**1.00**	4,428,155	1.00
Granted	**-**	**1.00**	750,000	1.00
Expired	**-**	**-**	(78,155)	-
Forfeited	**(25,000)**	**1.00**	(225,000)	1.00
Balance - end of period	**4,850,000**	**1.00**	4,875,000	1.00
Exercisable - end of period	**1,375,000**	**1.00**	1,375,000	1.00

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

9. Finance costs

	Three months ended March 31, 2019	2018
Interest on long-term debt	**893**	1,163
Interest accretion on right of use lease liabilities	**299**	-
Interest on finance leases	**95**	25
Financing and bank charges	**52**	320
Interest accretion on sellers' notes	**50**	-
Interest accretion on onerous lease	**-**	23
	1,389	1,531

10. Net loss per share

	Three months ended March 31, 2019	2018
Numerator:		
Loss and comprehensive loss for the period	**(614)**	(467)
Denominator:		
Weighted average shares outstanding - basic & diluted	**91,253,115**	88,439,302
Loss per share		
Basic & diluted	**(0.01)**	(0.01)

In calculating the loss per share for the three month period ended March 31, 2019, the Company excluded 2,197,206 warrants and 4,825,000 options (three month ended March 31, 2018 – 2,197,206 warrants and 4,203,155 options), as their impact was anti-dilutive.

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

11. Related party transactions

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 or officer.

	Nature of relationship	Three months ended March 31, **2019**	2018
Transactions:			
General and administrative expenses - rent	(i)	**225**	225
Property and equipment additions	(i)	**-**	489

(i) Related by common director, officer

12. Supplemental cash flow information

	Three months ended March 31, **2019**	2018
Changes in non-cash working capital:		
Trade and other receivables	**741**	6,224
Contract assets	**(1,033)**	(1,278)
Inventories	**(388)**	(295)
Prepaid expenses and deposits	**475**	(128)
Accounts payable and accrued liabilities	**(655)**	149
Contract liabilities	**(282)**	198
Income taxes payable	**(26)**	(66)
	(1,168)	4,804
Net cash paid during the period for:		
Interest	**977**	1,337
Income taxes	**64**	66

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

13. 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 2. 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.

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.

	For the three month period ended March 31,							
	Environmental		**Industrial**		**Corporate**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**40,717**	23,231	**1,898**	11,447	**13**	8	**42,628**	34,686
Net Income (loss) before tax	**2,082**	1,096	**131**	1,150	**(3,054)**	(2,713)	**(841)**	(467)
Amortization	**5,318**	2,827	**262**	401	**125**	-	**5,705**	3,228
Capital expenditures	**1,376**	2,170	**13**	317	**-**	-	**1,389**	2,487

	Environmental	**Industrial**	**Corporate**	**Total**
As as March 31, 2019				
Total assets	**179,469**	**14,365**	**10,238**	**204,072**
Goodwill and Intangible assets	**35,672**	**-**	**-**	**35,672**
Total liabilities	**46,859**	**3,668**	**90,098**	**140,625**
As as December 31, 2018				
Total assets	159,726	16,968	8,127	184,821
Goodwill and Intangible assets	35,935	-	-	35,935
Total liabilities	27,761	4,329	87,036	119,126

14 Adoption of IFRS 16 IFRS Pronouncement

The Company adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. We have recorded ROU assets of $25.0 million and ROU lease liabilities of $27.2 million. The amount recorded for ROU assets includes the reclassification of an onerous lease liability recorded on the balance sheet at December 31, 2018 of $0.5 million. As noted below, the Company used the practical expedient for the impairment assessment of ROU assets related to onerous contracts. An adjustment against opening deficit of $1.7 million for the net difference between the opening values of the ROU assets and ROU lease liabilities.

As part of the initial application of IFRS 16 the Company has elected to apply the following practical expedients permitted under the standard:

(i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term lease;
(ii) Leases of low dollar value will continue to be expensed as incurred;
(iii) Grandfathering IFRIC 4 assessment to conclude no leases are contained in service agreement;
(iv) Apply a single discount rate to a portfolio of leases with similar characteristics;
(v) Use the Company's previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on January 1, 2019.

The weighted average incremental borrowing rate for ROU lease liabilities recognized as of January 1, 2019 was 6.0% for a portfolio of leases designated as low value and 7.4% for a portfolio of leases designated as high value. The designation of high and low value leases for the purpose of allocating them to portfolios was based a variety of factors including: the location of the lease, the term of the lease, the weighted average cash flow of the lease payments and the rate of the lease.