

Condensed Consolidated Interim Financial Statements of

**Vertex Resource Group Ltd.**

June 30, 2021  
(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.

June 30, 2021

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# Vertex Resource Group Ltd.

## Condensed consolidated interim statements of financial position

(in thousands of Canadian dollars)

(unaudited)

As at	Notes	June 30, 2021	December 31, 2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		339	-
Accounts receivable and accrued receivables		32,042	32,429
Contract assets		1,973	212
Inventories		4,442	3,276
Prepaid expenses and deposits		2,537	2,892
		41,333	38,809
Property and equipment	4	74,729	64,197
Right of use assets	5	22,633	20,030
Intangible assets	6	1,998	586
Goodwill		24,826	24,826
Deferred income taxes		2,753	2,753
		168,272	151,201
<b>Liabilities</b>			
Current liabilities			
Operating loan		-	253
Accounts payable and accrued liabilities		15,577	18,886
Contract liabilities		1,294	1,189
Current portion of loans and borrowings	7	14,757	16,992
Current portion of other liabilities	8	1,434	625
Current portion of lease liabilities	5	6,695	5,477
		39,757	43,422
Loans and borrowings	7	58,690	42,607
Other liabilities	8	2,229	475
Lease liabilities	5	15,272	14,639
Deferred income taxes		4,659	2,016
		120,607	103,159
<b>Shareholders' Equity</b>			
Common shares		81,071	81,071
Deficit		(37,027)	(36,650)
Contributed surplus		3,621	3,621
		47,665	48,042
		168,272	151,201

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		Six months ended	
		June 30,		June 30,	
	Notes	2021	2020	2021	2020
<b>Revenue</b>		<b>38,130</b>	28,301	<b>71,078</b>	66,727
Direct costs	11	<b>26,927</b>	19,145	<b>51,841</b>	48,487
<b>Gross profit <sup>(1)</sup></b>		<b>11,203</b>	9,156	<b>19,237</b>	18,240
General and administrative expenses	11	<b>3,664</b>	2,454	<b>7,043</b>	6,215
Depreciation and amortization	4,5,6	<b>5,581</b>	4,811	<b>9,695</b>	10,851
Finance costs	10	<b>1,702</b>	1,727	<b>2,998</b>	3,086
Impairment and restructuring costs		-	954	-	5,248
Share-based compensation		-	45	-	88
<b>Income (loss) before income taxes</b>		<b>256</b>	(835)	<b>(499)</b>	(7,248)
Income tax expense (recovery)		<b>62</b>	(124)	<b>(122)</b>	(938)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	12	<b>194</b>	(711)	<b>(377)</b>	(6,310)
<b>Net income (loss) per share</b>					
Basic and diluted	12	<b>0.00</b>	(0.01)	<b>(0.00)</b>	(0.07)

(1) Direct costs do not include depreciation.

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# Vertex Resource Group Ltd.

## Condensed consolidated interim statements of changes in shareholders' equity

(in thousands of Canadian dollars)

(unaudited)

		Six months ended	
		June 30,	
	Notes	2021	2020
<b>Common Shares</b>			
Balance, beginning of the period		81,071	83,231
Share cancellation		-	(2,160)
Balance, end of the period		81,071	81,071
<b>Contributed Surplus</b>			
Balance, beginning of the period		3,621	1,274
Share cancellation		-	2,160
Share-based compensation		-	88
Balance, end of the period		3,621	3,522
<b>Deficit</b>			
Balance, beginning of the period		(36,650)	(30,952)
Net loss and comprehensive loss		(377)	(6,310)
Balance, end of the period		(37,027)	(37,262)
<b>Total shareholders' equity</b>		<b>47,665</b>	<b>47,331</b>

*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		Six months ended	
		June 30, 2021	2020	June 30, 2021	2020
<b>Operating activities</b>					
Net income (loss)		194	(711)	(377)	(6,310)
Items not affecting cash					
Depreciation and amortization	4,5,6	5,581	4,810	9,696	10,850
Deferred financing charges		62	43	125	75
Gain on disposal of property and equipment		(309)	(523)	(374)	(578)
Deferred income taxes		62	(30)	(145)	(844)
Impairment		-	-	-	3,665
Share-based compensation		-	45	-	88
		5,590	3,634	8,925	6,946
Changes in non-cash operating working capital items	14	(1,200)	785	(4,080)	1,223
Cash provided by operating activities		4,390	4,419	4,845	8,169
<b>Investing activities</b>					
Purchase of property and equipment		(1,763)	(438)	(3,489)	(1,341)
Proceeds from disposal of property and equipment		643	781	838	901
Acquisition of subsidiaries, net of cash acquired	3	-	-	(4,398)	-
Cash used in (provided by) investing activities		(1,120)	343	(7,049)	(440)
<b>Financing activities</b>					
Proceeds from (repayment of) revolving loan	7	3,000	(5,900)	13,500	(5,900)
Proceeds from equipment loans	7	1,199	32	1,199	32
Repayment of term loan	7	(1,381)	(1,523)	(6,385)	(1,523)
Principal payments of lease liabilities	5	(1,778)	(1,226)	(3,262)	(2,586)
Repayment of equipment loans	7	(842)	(425)	(1,433)	(926)
Principal payments of other liabilities	8	(456)	(681)	(756)	(1,405)
Repayment of operating loan	7	(2,607)	-	(253)	-
Repayment of working capital loan	7	(67)	-	(67)	-
Financing charges - deferred		-	(180)	-	(180)
Proceeds from co-lend term loan		-	6,250	-	6,250
Cash provided by (used in) financing activities		(2,932)	(3,653)	2,543	(6,238)
Increase in cash and cash equivalents		339	1,109	339	1,491
Cash and cash equivalents, beginning of period		-	796	-	414
Cash and cash equivalents, end of period		339	1,905	339	1,905

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2021

(in thousands of Canadian dollars, except per share amounts)  
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### 1. Description of business

Vertex Resource Group Ltd. (“the Company”) is a publicly listed company on the TSX Venture Exchange (“TSXV”) trading under the symbol VTX and maintains its head office in Sherwood Park, Alberta, Canada. The Company provides environmental consulting and support services to a diverse clientele across Canada and in select locations in the United States.

In Canada, the level of activity is influenced by seasonal weather patterns as well as trends in the industries in which customers operate. The Company is 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 Canada.

### 2. Basis of preparation

#### a) *Statement of compliance*

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34).

The condensed consolidated interim financial statements were approved by the Board of Directors (the “Directors”) on August 10, 2021. These condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual financial statements as the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those disclosed therein.

#### b) *Significant accounting policies*

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2020.

### 3. Business acquisition

During the six-month period ended June 30, 2021, the Company completed an acquisition. Details of the preliminary purchase price and allocation to the assets and liabilities acquired are as follows:

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## Notes to the condensed consolidated interim financial statements

June 30, 2021

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	<b>Provisional fair value as at February 26, 2021</b>
Cash and cash equivalents	2,564
Other current assets	3,652
Intangible assets	1,667
Property and equipment	14,479
Right of use assets	3,713
	<b>26,075</b>
Current liabilities	<b>(4,001)</b>
Loans and borrowings	<b>(5,057)</b>
Lease liabilities	<b>(3,948)</b>
Deferred tax liability	<b>(2,788)</b>
Net assets	<b>10,281</b>
<b>Fair value of consideration:</b>	
Cash	<b>6,962</b>
Sellers' notes	<b>3,319</b>
	<b>10,281</b>
Goodwill	-

On February 26, 2021, the Company acquired 100% of the outstanding shares of an environmental service company, providing industrial cleaning, waste management and hydro-excavating, based out of northern Alberta. The total consideration of \$10.3 million was comprised of cash of \$7.0 million, unsecured, non-interest bearing promissory notes with a face value of \$3.6 million (fair value of \$3.3 million as noted below) and the assumption of \$8.3 million in equipment loans and leases. Also on February 26, 2021, the Company entered into a 5-year facility lease to rent an office and yard from the sellers. The facility lease resulted in a right of use asset and corresponding lease liability of \$2.4 million. The intangibles acquired relate to non-compete agreements, assembled workforce and customer relationships. The purchase price is still subject to working capital adjustments, but based on the preliminary allocation of fair values the Company identified goodwill of nil as net assets acquired equal consideration paid.

In order to determine the fair value of the consideration, the promissory notes totaling \$3.6 million, being financed over thirty-six months, must be fair valued. The Company measured the fair value of the promissory notes as the present value of all future cash outflows discounted using an estimated market rate of interest of 5.7%. A rate of 5.7% was selected as this is the rate the Company would have been charged if it had borrowed the funds from its lender and paid cash for the transaction. The Company has determined the fair value of the promissory notes at the transaction date to be \$3.3 million. Subsequent to initial recognition, the sellers' notes will be accounted for at amortized costs using the effective interest method.

This company will form part of the environmental logistics CGU and its results are presented in the environmental services segment.

Revenue and net income from the date of acquisition to June 30, 2021 was \$5.2 million and \$0.4 million, respectively. The Company estimates it would have reported consolidated revenue of approximately \$72.5 million and a net loss of approximately \$0.1 million for the six-month period ended June 30, 2021 if the acquisition had been completed on January 1, 2021.



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The Company confirms the preliminary purchase price allocations are incomplete as the Company does not yet have complete and final information on the acquisition. Specifically, the Company has not confirmed and verified all information from the acquired company with respect to the fair value assessments of property and equipment, intangibles, accrued liabilities and the consideration transferred to determine the final purchase price accounting.

#### 4. Property and equipment

	Land, buildings, and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
<b>Cost</b>					
As at December 31, 2020	10,934	59,475	5,225	50,607	126,241
Additions	7	843	251	2,388	3,489
Additions from business acquisition (Note 3)	-	1,931	117	12,431	14,479
Transfer from right of use assets (Note 5)	-	-	-	269	269
Disposals	(31)	(3,766)	(195)	(2,125)	(6,117)
<b>As at June 30, 2021</b>	<b>10,910</b>	<b>58,483</b>	<b>5,398</b>	<b>63,570</b>	<b>138,361</b>
<b>Accumulated depreciation</b>					
As at December 31, 2020	5,690	37,559	2,832	15,963	62,044
Depreciation	279	1,708	384	4,816	7,187
Transfer from right of use assets (Note 5)	-	-	-	54	54
Disposals	(31)	(3,659)	(195)	(1,768)	(5,653)
<b>As at June 30, 2021</b>	<b>5,938</b>	<b>35,608</b>	<b>3,021</b>	<b>19,065</b>	<b>63,632</b>
<b>Carrying value</b>					
As at December 31, 2020	5,244	21,916	2,393	34,644	64,197
<b>As at June 30, 2021</b>	<b>4,972</b>	<b>22,875</b>	<b>2,377</b>	<b>44,505</b>	<b>74,729</b>

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### 5. Right of use assets and lease liabilities

#### a) Right of Use Assets

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

	Real Property	Operating Equipment	Total
<b>Cost</b>			
As at December 31, 2020	18,069	11,126	29,195
Additions	-	1,359	1,359
Additions from business acquisition (Note 3)	2,383	1,329	3,712
Transfer to property and equipment (Note 4)	-	(269)	(269)
<b>As at June 30, 2021</b>	<b>20,452</b>	<b>13,545</b>	<b>33,997</b>
<b>Accumulated depreciation</b>			
As at December 31, 2020	7,096	2,069	9,165
Depreciation	1,654	599	2,253
Transfer to property and equipment (Note 4)	-	(54)	(54)
<b>As at June 30, 2021</b>	<b>8,750</b>	<b>2,614</b>	<b>11,364</b>
<b>Carrying value</b>			
As at December 31, 2020	10,973	9,057	20,030
<b>As at June 30, 2021</b>	<b>11,702</b>	<b>10,931</b>	<b>22,633</b>

#### b) Lease Liabilities Continuity

	Real Property	Operating Equipment	Total
As at December 31, 2020	13,145	6,971	20,116
Additions	-	1,359	1,359
Additions from business acquisition (Note 3)	2,383	1,371	3,754
Interest accretion during the year	472	187	659
Payments	(2,211)	(1,555)	(3,766)
Disposals	-	(155)	(155)
<b>As at June 30, 2021</b>	<b>13,789</b>	<b>8,178</b>	<b>21,967</b>

Lease liabilities are presented on the consolidated statements of financial position as follows:

	2021	2020
Current portion of lease liabilities	6,695	5,477
Lease liabilities	15,272	14,639
	<b>21,967</b>	20,116

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## Notes to the condensed consolidated interim financial statements

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### 6. Intangible assets

	Customer relationships	Intellectual Property	Non-compete agreements	Development Costs	Total
<b>Cost</b>					
As at December 31, 2020	1,690	800	835	801	4,126
Additions (Note 3)	1,341	-	327	-	1,668
Disposals	(1,690)	(800)	(835)	-	(3,325)
<b>As at June 30, 2021</b>	<b>1,341</b>	<b>-</b>	<b>327</b>	<b>801</b>	<b>2,469</b>
<b>Accumulated amortization</b>					
As at December 31, 2020	1,690	800	835	215	3,540
Amortization	141	-	35	80	256
Disposals	(1,690)	(800)	(835)	-	(3,325)
<b>As at June 30, 2021</b>	<b>141</b>	<b>-</b>	<b>35</b>	<b>295</b>	<b>471</b>
<b>Carrying value</b>					
As at December 31, 2020	-	-	-	586	586
<b>As at June 30, 2021</b>	<b>1,200</b>	<b>-</b>	<b>292</b>	<b>506</b>	<b>1,998</b>

### 7. Loans and borrowings

	June 30, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>						
Revolving loan (a)	-	20,400	20,400	-	6,900	6,900
Syndicate term loan (b)	5,451	30,011	35,462	9,067	32,655	41,722
Equipment loans (f)	2,656	6,746	9,402	1,408	1,319	2,727
Co-lend term loan (g)	6,250	-	6,250	6,250	-	6,250
Working capital loan (h)	400	1,533	1,933	267	1,733	2,000
<b>Total borrowings</b>	<b>14,757</b>	<b>58,690</b>	<b>73,447</b>	<b>16,992</b>	<b>42,607</b>	<b>59,599</b>

#### 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 2.00%-3.50%, CAD Bankers' Acceptance rate and USD LIBOR loans plus stamping fees of 3.00%-4.5% and matures on May 31, 2023. 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 0.60%-0.90%. The interest rate ranges are based on the funded debt to Bank EBITDA ratio for the preceding quarter.

#### b) Syndicate term loan

The interest rate on the syndicate term loan can be a mix of rates ranging from HSBC's CAD prime rate or USD base rate plus 2.00%-3.50%, CAD Bankers' Acceptance rate and USD LIBOR loans plus

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stamping fees of 3.00%-4.50%. The interest rate ranges are based on the net senior funded debt to Bank EBITDA ratio for the preceding quarter. The syndicate term loan is repayable in seven quarterly principal payments of \$1,381 commencing September 30, 2021, with a final payment of \$25.9 million due on maturity of May 31, 2023. In addition to the scheduled principal payments, the syndicate term loan includes an additional principal payment based on an annual excess cash flow. The excess cash flow calculation is applicable if the net syndicated funded debt to Bank EBITDA ratio [refer to (e) below] as at December 31, 2020 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 2.00%-3.50%. There was nil on this facility at June 30, 2021.

d) *Transaction costs*

The Company incurs transaction costs from time to time as it negotiates new borrowing arrangements. Transaction costs are capitalized and amortized on a straight-line basis over the term of the respective borrowing arrangement.

	June 30, 2021	December 31, 2020
Term loan - face value	35,586	41,971
Transaction costs	(123)	(249)
<b>Carrying amount</b>	<b>35,462</b>	<b>41,722</b>

e) *Borrowing covenants – Senior Credit Facility*

All loans are being provided in Canadian dollars and are subject to the following financial covenants, except for the subordinate working capital loan Note 7(h):

- The ratio of consolidated syndicated indebtedness to trailing bank EBITDA, calculated on a trailing twelve-month basis, must not exceed:
  - 4.25 to 1.00 for the first two quarters in 2021.
  - 4.00 to 1.00 for the last two quarters in 2021
  - 3.75 to 1.00 for the first three quarters in 2022
  - 3.25 to 1.00 thereafter.
- The ratio of consolidated senior indebtedness to trailing bank EBITDA, calculated on a trailing 12 month basis, must not exceed:
  - 4.75 to 1.00 for the first two quarters in 2021.
  - 4.50 to 1.00 for the last two quarters in 2021
  - 4.25 to 1.00 for the first three quarters in 2022
  - 3.50 to 1.00 thereafter.
- The ratio of net cash flow to fixed charges, the fixed charge coverage ratio, calculated on a rolling four-quarter basis, must not be less than
  - 1.10 to 1.00 for all quarters in 2021
  - 1.10 to 1.00 for the first three quarters in 2022
  - 1.20 to 1.00 thereafter.

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At June 30, 2021, the Company was in compliance with the terms and covenants of its lending agreements.

f) *Equipment loans*

Certain equipment loans are due on demand, bear interest at rates ranging from 2.3% to 9.0% and have maturity dates (assuming they continue until maturity) ranging from September 1, 2021 to May 1, 2026. Equipment loans are secured by rolling stock with a net book value of \$8.7 million (December 31, 2020 - \$5.0 million).

g) *Co-lend term loan*

On June 24, 2020, under a separate loan agreement with HSBC Bank Canada, a demand term loan for \$6.3 million was obtained under BDC Co-Lending Program. The loan is 80% funded by BDC, is secured by the assets of the Company ranking second to the secured credit facility, bears interest at the rate of HSBC's CAD prime rate plus 4.25% per annum, is repayable in monthly interest only payments for the first year, then monthly principal payments of \$104 plus interest payments over five years commencing July 2021 and maturing June 2026. For the purposes of the covenants noted above, this loan meets the definition of net senior funded debt but does not meet the definition of net syndicated funded debt.

h) *Subordinate working capital loan*

Under a separate loan agreement with BDC, a loan for \$2.0 million has been agreed to. The loan is secured by assets of the Company ranking behind the secured credit facility and the co-lend term loan, bears interest at BDC's floating base rate less 1.75% per annum, is repayable in monthly interest only payments beginning November 23, 2020 until April 1, 2021. Commencing May 1, 2021, the Company is required to make 23 monthly principal plus interest payments of \$33 with a final balloon payment of \$1.2 million on April 1, 2023. For the purposes of the covenants noted above, this loan does not meet the definition of net senior funded debt or net syndicated funded debt. This loan was advanced to the Company on October 23, 2020.

i) *Principal payments*

Scheduled principal payments for the co-lend term loan, subordinate working capital loan, equipment loans, revolving loan and syndicate term loan, assuming they continue until maturity, within the next five years are as follows:

Due Within	Working capital and				Total
	Co-lend term loans	Equipment loans	Revolving loan	Term loan	
One year	1,650	2,534	-	5,522	9,706
Two years	2,783	2,650	20,400	29,940	55,773
Three years	1,250	2,573	-	-	3,823
Four years	1,250	1,400	-	-	2,650
Five years	1,250	245	-	-	1,495
Thereafter	-	-	-	-	-
	<b>8,183</b>	<b>9,402</b>	<b>20,400</b>	<b>35,462</b>	<b>73,447</b>

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### 8. Other liabilities

Other liabilities are made up of several promissory notes from multiple acquisitions. The promissory notes are unsecured, bear interest at rates ranging from nil to 6.0% and have maturity dates ranging from August 10, 2022 to February 15, 2024.

	Total
As at December 31, 2020	1,100
Addition (Note 3)	3,319
Interest accretion during the period	44
Payments	(800)
<b>As at June 30, 2021</b>	<b>3,663</b>

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

	June 30, 2021	December 31, 2020
Current portion of other liabilities	1,434	625
Non-current portion of other liabilities	2,229	475
	<b>3,663</b>	1,100

### 9. Share-based compensation

#### Stock Option Plan

The Company grants stock options to directors, officers, employees and consultants of the Company 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:

	June 30, 2021		December 31, 2020	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	3,760,000	1.00	4,085,000	1.00
Forfeited	(320,000)	1.00	(325,000)	1.00
Balance - end of period	3,440,000	1.00	3,760,000	1.00
Exercisable - end of period	3,273,331	1.00	3,593,331	1.00

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### 10. Finance costs

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Interest on loans	1,062	1,080	1,977	2,011
Interest accretion on lease and other liabilities	385	316	703	706
Financing and bank charges	254	331	318	369
	<b>1,702</b>	<b>1,727</b>	<b>2,998</b>	<b>3,086</b>

### 11. Government assistance

For the three months ended June 30, 2021, direct costs and general and administrative expenses are presented net of government assistance of \$1.5 million and \$0.5 million respectively (three months ended June 30, 2020 – \$3.7 million and \$1.0 million). For the six months ended June 30, 2020, direct costs and general and administrative expenses are presented net of government assistance of \$2.4 million and \$0.9 million respectively (six month ended June 30, 2020 - \$4.2 million and \$1.2 million).

### 12. Net income (loss) per share

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss) and comprehensive income (loss) for the period	194	(711)	(377)	(6,310)
Denominator:				
Weighted average shares outstanding - basic & diluted	91,253,115	91,253,115	91,253,115	91,253,115
Loss per share - basic and diluted	0.00	(0.01)	(0.00)	(0.07)

In calculating the income (loss) per share for the three and six month periods ended June 30, 2021, the Company excluded 3,440,000 options (three and six month periods ended June 30, 2020 – 2,197,206 warrants, 3,910,000 options), as their impact was anti-dilutive.

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## Notes to the condensed consolidated interim financial statements

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### 13. Related party transactions

All related party transactions are 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 controlled by a director or officer.

At June 30, 2021, lease liabilities include \$5.0 million (June 30, 2020 - \$5.5 million) of liabilities relating to the leases with a related party. Principal payments of unsecured lease liabilities and associated interest accretion for the three months ended June 30, 2021 were \$0.3 million (three months ended June 30, 2020 - \$0.3 million) and for the six months ended June 30, 2021 were \$0.5 million (six months ended June 30, 2020 - \$0.5 million).

### 14. Supplemental cash flow information

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<i>Changes in non-cash working capital:</i>				
Trade and other receivables	1,990	2,427	2,551	5,875
Contract assets	(1,346)	2,082	(1,761)	(81)
Inventories	105	92	157	(188)
Prepaid expenses and deposits	49	(2,075)	520	(2,424)
Accounts payable and accrued liabilities	(2,052)	(1,760)	(5,635)	(1,888)
Contract liabilities	71	122	105	114
Income taxes payable	(17)	(103)	(17)	(185)
	(1,200)	785	(4,080)	1,223
<i>Net cash paid during the period for:</i>				
Interest	850	1,574	1,810	2,611
Income taxes	-	30	26	112

### 15. Segmented information

The Company has two reportable segments described as Engineering and Environmental Consulting ("Environmental Consulting") and Environmental Services. The accounting policies and practices for each of the segments are the same as those described in Note 2. There are no significant inter-segment transactions. Segment capital expenditures are the total costs incurred during the year to acquire property and equipment and intangible assets.

- Environmental Consulting consists of a variety of services related to assisting its clients to meet internal environmental standards, environmental legislation and related environmental compliance requirements. These services span multiple industries including energy, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include advisory services related to new capital expenditure and asset development, environmental consulting and monitoring on existing assets, emission management solutions, sub-surface engineering, facility engineering, asset retirement and land reclamation services.
- Environmental Services consists of a variety of services related to transportation; removal, storage, disposal of materials; and maintenance of facilities, in an environmentally safe manner. Services include



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fluid management and logistics, waste and recycling, industrial cleaning and maintenance, hydro-excavating, and site services for various industries including energy, telecommunications, public sector, utilities, mining and agriculture.

For the three month period ended June 30, 2021				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	9,217	27,765	1,148	<b>38,130</b>
Operating profit (loss) before depreciation and amortization	1,884	6,622	(967)	<b>7,539</b>
Depreciation and amortization	316	3,810	1,455	<b>5,581</b>
Operating profit (loss)	1,568	2,812	(2,422)	<b>1,958</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	33	1,669	61	<b>1,763</b>

For the three month period ended June 30, 2020				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	7,261	20,190	850	<b>28,301</b>
Operating profit (loss) before depreciation and amortization	2,083	7,772	(3,153)	<b>6,702</b>
Depreciation and amortization	549	3,259	1,003	<b>4,811</b>
Operating profit (loss)	1,534	4,513	(4,156)	<b>1,891</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	31	460	7	<b>498</b>

For the six month period ended June 30, 2021				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	20,283	48,852	1,943	<b>71,078</b>
Operating profit (loss) before depreciation and amortization	3,625	10,685	(2,116)	<b>12,194</b>
Depreciation and amortization	658	6,758	2,279	<b>9,695</b>
Operating profit (loss)	2,967	3,927	(4,395)	<b>2,499</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	310	3,109	70	<b>3,489</b>

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	For the six month period ended ended June 30, 2020			
	Environmental Consulting	Environmental Services	Other	Total
Revenue	18,468	46,323	1,936	<b>66,727</b>
Operating profit (loss) before depreciation and amortization	3,939	12,218	(4,132)	<b>12,025</b>
Depreciation and amortization	1,121	7,599	2,131	<b>10,851</b>
Operating profit (loss)	2,818	4,619	(6,263)	<b>1,174</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	256	1,066	19	<b>1,341</b>

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	Environmental Consulting	Environmental Services	Other	Total
<b>As as June 30, 2021</b>				
Goodwill and intangible assets	<b>20,760</b>	<b>5,520</b>	<b>544</b>	<b>26,824</b>
Total assets	<b>47,597</b>	<b>112,077</b>	<b>8,599</b>	<b>168,273</b>
Total liabilities	<b>11,153</b>	<b>40,079</b>	<b>69,376</b>	<b>120,608</b>
<b>As as December 31, 2020</b>				
Goodwill and intangible assets	20,760	4,066	586	25,412
Total assets	52,658	86,068	12,475	151,201
Total liabilities	17,389	25,369	60,401	103,159