

Condensed Consolidated Interim Financial Statements of

# **Vertex Resource Group Ltd.**

September 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.

September 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	September 30, 2021	December 31, 2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		796	-
Accounts receivable and accrued receivables		42,569	32,429
Contract assets		1,649	212
Inventories		4,700	3,276
Prepaid expenses and deposits		3,488	2,892
		<b>53,202</b>	38,809
Property and equipment	4	72,417	64,197
Right of use assets	5	21,300	20,030
Intangible assets	6	2,281	586
Goodwill		24,826	24,826
Deferred income taxes		2,753	2,753
		<b>176,779</b>	151,201
<b>Liabilities</b>			
Current liabilities			
Operating loan		-	253
Accounts payable and accrued liabilities		22,078	18,886
Contract liabilities		2,006	1,189
Current portion of loans and borrowings	7	14,575	16,992
Current portion of other liabilities	8	1,374	625
Current portion of lease liabilities	5	6,574	5,477
		<b>46,607</b>	43,422
Loans and borrowings	7	61,327	42,607
Other liabilities	8	1,880	475
Lease liabilities	5	13,695	14,639
Deferred income taxes		4,956	2,016
		<b>128,465</b>	103,159
<b>Shareholders' Equity</b>			
Common shares		81,071	81,071
Deficit		(36,378)	(36,650)
Contributed surplus		3,621	3,621
		<b>48,314</b>	48,042
		<b>176,779</b>	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)

	Notes	Three months ended		Nine months ended	
		September 30,		September 30,	
		2021	2020	2021	2020
<b>Revenue</b>		<b>42,284</b>	32,067	<b>113,362</b>	98,794
Direct costs	11	<b>30,202</b>	22,509	<b>82,043</b>	70,996
<b>Gross profit <sup>(1)</sup></b>		<b>12,082</b>	9,558	<b>31,319</b>	27,798
General and administrative expenses	11	<b>4,449</b>	2,736	<b>11,492</b>	8,951
Depreciation and amortization	4,5,6	<b>5,224</b>	3,243	<b>14,919</b>	14,094
Finance costs	10	<b>1,551</b>	1,480	<b>4,549</b>	4,566
Impairment and restructuring costs		-	189	-	5,437
Share-based compensation		-	46	-	134
<b>Income (loss) before income taxes</b>		<b>858</b>	1,864	<b>359</b>	(5,384)
Income tax expense (recovery)		<b>209</b>	393	<b>87</b>	(545)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	12	<b>649</b>	1,471	<b>272</b>	(4,839)
<b>Net income (loss) per share</b>					
Basic and diluted	12	<b>0.01</b>	0.02	<b>0.00</b>	(0.05)

(1) Direct costs do not include depreciation.

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)

	Nine months ended	
	September 30,	
	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	-	134
Balance, end of the period	3,621	3,568
<b>Deficit</b>		
Balance, beginning of the period	(36,650)	(30,952)
Net income (loss) and comprehensive income (loss)	272	(4,839)
Balance, end of the period	(36,378)	(35,791)
<b>Total shareholders' equity</b>	<b>48,314</b>	<b>48,848</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		Nine months ended	
		September 30, 2021	2020	September 30, 2021	2020
<b>Operating activities</b>					
Net income (loss)		649	1,471	272	(4,839)
Items not affecting cash					
Depreciation and amortization	4,5,6	5,224	3,243	14,919	14,094
Deferred financing charges		31	64	156	139
Gain on disposal of property and equipment		(243)	(46)	(617)	(625)
Deferred income taxes		229	393	85	(451)
Impairment		-	-	-	3,665
Share-based compensation		-	46	-	134
		<b>5,890</b>	<b>5,171</b>	<b>14,815</b>	<b>12,117</b>
Changes in non-cash operating working capital items	14	(4,848)	2,775	(8,928)	3,998
Cash provided by operating activities		<b>1,042</b>	<b>7,946</b>	<b>5,887</b>	<b>16,115</b>
<b>Investing activities</b>					
Purchase of property and equipment		(1,838)	(712)	(5,327)	(2,053)
Proceeds from disposal of property and equipment		1,065	172	1,903	1,073
Acquisition of subsidiaries, net of cash acquired	3	(130)		(4,528)	-
Cash used in investing activities		<b>(903)</b>	<b>(540)</b>	<b>(7,952)</b>	<b>(980)</b>
<b>Financing activities</b>					
Proceeds from (repayment of) revolving loan	7	4,600	(6,600)	18,100	(12,500)
Proceeds from equipment loans	7	220	-	1,419	32
Repayment of term loan	7	(1,381)	(1,105)	(7,766)	(2,628)
Principal payments of lease liabilities	5	(1,698)	(1,361)	(4,960)	(3,947)
Repayment of equipment loans	7	(706)	(488)	(2,139)	(1,414)
Principal payments of other liabilities	8	(409)	(225)	(1,165)	(1,630)
Repayment of working capital and co-lend term loans	7	(308)	-	(375)	-
Repayment of operating loan	7	-	-	(253)	-
Financing charges - deferred		-	(8)	-	(188)
Proceeds from co-lend term loan		-	-	-	6,250
Cash provided by (used in) financing activities		<b>318</b>	<b>(9,787)</b>	<b>2,861</b>	<b>(16,025)</b>
Increase in cash and cash equivalents		<b>457</b>	<b>(2,381)</b>	<b>796</b>	<b>(890)</b>
Cash and cash equivalents, beginning of period		<b>339</b>	<b>1,905</b>	<b>-</b>	<b>414</b>
Cash and cash equivalents, end of period		<b>796</b>	<b>(476)</b>	<b>796</b>	<b>(476)</b>

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

September 30, 2021

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

(unaudited)

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2021

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

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	<b>Provisional fair value as at February 26, 2021</b>
Cash and cash equivalents	2,576
Other current assets	2,746
Intangible assets	2,116
Property and equipment	14,876
Right of use assets	3,712
	<b>26,026</b>
Current liabilities	<b>(3,742)</b>
Loans and borrowings	<b>(5,251)</b>
Lease liabilities	<b>(3,754)</b>
Deferred tax liability	<b>(2,855)</b>
Net assets	<b>10,424</b>
<b>Fair value of consideration:</b>	
Cash	<b>7,105</b>
Sellers' notes	<b>3,319</b>
	<b>10,424</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 \$10.4 million was comprised of cash of \$7.1 million, unsecured, non-interest bearing promissory notes with a fair value of \$3.3 million 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.

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 September 30, 2021 were \$10.0 million and \$0.8 million, respectively. The Company estimates it would have reported consolidated revenue of approximately \$114.8 million and net income \$0.5 million for the nine-month period ended September 30, 2021 if the acquisition had been completed on January 1, 2021.

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 and accrued liabilities to determine the final purchase price accounting.



# Vertex Resource Group Ltd.

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### 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	63	1,002	347	3,915	5,327
Additions from business acquisition (Note 3)	-	2,853	223	11,800	14,876
Transfer from right of use assets (Note 5)	-	-	-	562	562
Disposals	(664)	(5,237)	(195)	(4,612)	(10,708)
<b>As at September 30, 2021</b>	<b>10,333</b>	<b>58,093</b>	<b>5,600</b>	<b>62,272</b>	<b>136,298</b>
<b>Accumulated depreciation</b>					
As at December 31, 2020	5,690	37,559	2,832	15,963	62,044
Depreciation	415	2,555	582	7,466	11,018
Transfer from right of use assets (Note 5)	-	-	-	241	241
Disposals	(70)	(5,095)	(195)	(4,062)	(9,422)
<b>As at September 30, 2021</b>	<b>6,035</b>	<b>35,019</b>	<b>3,219</b>	<b>19,608</b>	<b>63,881</b>
<b>Carrying value</b>					
As at December 31, 2020	5,244	21,916	2,393	34,644	64,197
<b>As at September 30, 2021</b>	<b>4,298</b>	<b>23,074</b>	<b>2,381</b>	<b>42,664</b>	<b>72,417</b>

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

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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)	-	(562)	(562)
<b>As at September 30, 2021</b>	<b>20,452</b>	<b>13,252</b>	<b>33,704</b>
<b>Accumulated depreciation</b>			
As at December 31, 2020	7,096	2,069	9,165
Depreciation	2,491	989	3,480
Transfer to property and equipment (Note 4)	-	(241)	(241)
<b>As at September 30, 2021</b>	<b>9,587</b>	<b>2,817</b>	<b>12,404</b>
<b>Carrying value</b>			
As at December 31, 2020	10,973	9,057	20,030
<b>As at September 30, 2021</b>	<b>10,865</b>	<b>10,435</b>	<b>21,300</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	699	287	986
Payments	(3,331)	(2,460)	(5,791)
Disposals	-	(155)	(155)
<b>As at September 30, 2021</b>	<b>12,896</b>	<b>7,373</b>	<b>20,269</b>

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

	2021	2020
Current portion of lease liabilities	6,574	5,477
Lease liabilities	13,695	14,639
	<b>20,269</b>	20,116

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

September 30, 2021

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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)	1,786	-	330	-	2,116
Disposals	(1,690)	(800)	(835)	-	(3,325)
<b>As at September 30, 2021</b>	<b>1,786</b>	<b>-</b>	<b>330</b>	<b>801</b>	<b>2,917</b>
<b>Accumulated amortization</b>					
As at December 31, 2020	1,690	800	835	215	3,540
Amortization	263	-	38	120	421
Disposals	(1,690)	(800)	(835)	-	(3,325)
<b>As at September 30, 2021</b>	<b>263</b>	<b>-</b>	<b>38</b>	<b>335</b>	<b>636</b>
<b>Carrying value</b>					
As at December 31, 2020	-	-	-	586	586
<b>As at September 30, 2021</b>	<b>1,523</b>	<b>-</b>	<b>292</b>	<b>466</b>	<b>2,281</b>

### 7. Loans and borrowings

	September 30, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>						
Revolving loan (a)	-	25,000	25,000	-	6,900	6,900
Syndicate term loan (b)	5,473	28,639	34,112	9,067	32,655	41,722
Equipment loans (f)	2,660	6,255	8,915	1,408	1,319	2,727
Co-lend term loan (g)	6,042	-	6,042	6,250	-	6,250
Working capital loan (h)	400	1,433	1,833	267	1,733	2,000
<b>Total borrowings</b>	<b>14,575</b>	<b>61,327</b>	<b>75,902</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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## Notes to the condensed consolidated interim financial statements

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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 six quarterly principal payments of \$1,381 commencing December 31, 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, 2021 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 drawn on this facility at September 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.

	<b>September 30, 2021</b>	December 31, 2020
Term loan - face value	<b>34,205</b>	41,971
Transaction costs	<b>(93)</b>	(249)
<b>Carrying amount</b>	<b>34,112</b>	41,722

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:
  - 4.00 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:
  - 4.50 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.

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

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(in thousands of Canadian dollars, except per share amounts)  
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f) *Equipment loans*

Certain equipment loans are due on demand, bear interest at rates ranging from 2.0% to 9.0% and have maturity dates (assuming they continue until maturity) ranging from October 1, 2021 to May 1, 2026. Equipment loans are secured by rolling stock with a net book value of \$9.0 million (December 31, 2020 - \$5.0 million).

g) *Co-lend term loan*

On September 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 September 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.

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	2,555	-	5,473	9,678
Two years	2,683	2,919	25,000	28,639	59,241
Three years	1,250	2,303	-	-	3,553
Four years	1,250	962	-	-	2,212
Five years	1,042	176	-	-	1,218
Thereafter	-	-	-	-	-
	<b>7,875</b>	<b>8,915</b>	<b>25,000</b>	<b>34,112</b>	<b>75,902</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 July 10, 2023 to February 15, 2024.

	Total
As at December 31, 2020	1,100
Addition (Note 3)	3,319
Interest accretion during the period	85
Payments	(1,250)
<b>As at September 30, 2021</b>	<b>3,254</b>

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

	September 30, 2021	December 31, 2020
Current portion of other liabilities	1,374	625
Non-current portion of other liabilities	1,880	475
	<b>3,254</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:

	September 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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(unaudited)

### 10. Finance costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Interest on loans	1,079	1,075	3,056	3,086
Interest accretion on lease and other liabilities	369	346	1,072	1,052
Financing and bank charges	103	59	421	428
	1,551	1,480	4,549	4,566

### 11. Government assistance

For the three-months ended September 30, 2021, direct costs and general and administrative expenses are presented net of government assistance of \$0.3 million and \$0.1 million respectively (three-months ended September 30, 2020 – \$2.8 million and \$0.8 million). For the nine-months ended September 30, 2021, direct costs and general and administrative expenses are presented net of government assistance of \$2.7 million and \$1.0 million respectively (nine-months ended September 30, 2020 - \$7.1 million and \$2.0 million).

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss) and comprehensive income (loss) for the period	649	1,471	272	(4,839)
Denominator:				
Weighted average shares outstanding - basic & diluted	91,253,115	91,253,115	91,253,115	91,253,115
Net income (loss) per share - basic and diluted	0.01	0.02	0.00	(0.05)

In calculating the net income (loss) per share for the three and nine month periods ended September 30, 2021, the Company excluded 3,440,000 options (three and nine month periods ended September 30, 2020 – 3,910,000 options), as their impact was anti-dilutive.

# Vertex Resource Group Ltd.

## 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 September 30, 2021, lease liabilities include \$4.8 million (September 30, 2020 - \$5.4 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 September 30, 2021 were \$0.2 million (three-months ended September 30, 2020 - \$0.2 million) and for the nine-months ended September 30, 2021 were \$0.7 million (nine-months ended September 30, 2020 - \$0.7 million).

### 14. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<i>Changes in non-cash working capital:</i>				
Trade and other receivables	(10,953)	265	(8,402)	6,140
Contract assets	324	1,538	(1,437)	1,457
Inventories	(752)	(52)	(595)	(240)
Prepaid expenses and deposits	(939)	1,194	(419)	(1,230)
Accounts payable and accrued liabilities	6,800	(252)	1,165	(2,117)
Contract liabilities	712	59	817	173
Income taxes payable	(40)	23	(57)	(185)
	(4,848)	2,775	(8,928)	3,998
<i>Net cash paid during the period for:</i>				
Interest	1,162	1,059	2,972	3,670
Income taxes	39	8	65	120

### 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 September 30, 2021				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	12,762	28,829	693	<b>42,284</b>
Operating profit (loss) before depreciation and amortization	2,496	6,416	(1,279)	<b>7,633</b>
Depreciation and amortization	408	4,507	309	<b>5,224</b>
Operating profit (loss)	2,088	1,909	(1,588)	<b>2,409</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	173	1,530	135	<b>1,838</b>

For the three-month period ended September 30, 2020				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	10,401	20,388	1,278	32,067
Operating profit (loss) before depreciation and amortization	2,858	6,059	(2,095)	6,822
Depreciation and amortization	280	2,088	875	3,243
Operating profit (loss)	2,578	3,971	(2,970)	3,579
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	102	600	10	712

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For the nine-month period ended September 30, 2021				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	33,045	77,681	2,636	<b>113,362</b>
Operating profit (loss) before depreciation and amortization	6,121	17,101	(3,395)	<b>19,827</b>
Depreciation and amortization	1,249	12,701	969	<b>14,919</b>
Operating profit (loss)	4,872	4,400	(4,364)	<b>4,908</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	483	4,639	205	<b>5,327</b>

For the nine-month period ended September 30, 2020				
	Environmental Consulting	Environmental Services	Other	Total
Revenue	28,869	66,711	3,214	98,794
Operating profit (loss) before depreciation and amortization	6,797	18,277	(6,227)	18,847
Depreciation and amortization	1,401	9,687	3,006	14,094
Operating profit (loss)	5,396	8,590	(9,233)	4,753
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	358	1,666	29	2,053

	Environmental Consulting	Environmental Services	Other	Total
<b>As as September 30, 2021</b>				
Goodwill and intangible assets	<b>20,760</b>	<b>5,880</b>	<b>466</b>	<b>27,107</b>
Total assets	<b>55,920</b>	<b>109,233</b>	<b>11,626</b>	<b>176,779</b>
Total liabilities	<b>15,480</b>	<b>39,542</b>	<b>73,443</b>	<b>128,465</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