

Condensed Consolidated Interim Financial Statements of

# **Vertex Resource Group Ltd.**

March 31, 2022  
(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, 2022

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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, 2022	December 31, 2021
<b>Assets</b>			
Current assets			
Cash		463	-
Accounts receivable		57,452	56,339
Inventories		4,196	4,237
Prepaid expenses and deposits		2,286	2,866
		<b>64,397</b>	63,442
Property and equipment	3	71,846	72,790
Right of use assets	4	21,480	21,789
Intangible assets		1,662	1,784
Goodwill		25,194	25,194
Deferred income taxes		1,321	1,571
		<b>185,900</b>	186,570
<b>Liabilities</b>			
Current liabilities			
Operating loan		-	400
Accounts payable and accrued liabilities		31,673	31,207
Current portion of loans and borrowings	5	15,377	18,433
Current portion of other liabilities		1,405	1,390
Current portion of lease liabilities	12	6,638	7,096
		<b>55,093</b>	58,526
Loans and borrowings	5	51,375	61,085
Other liabilities		1,169	1,527
Lease liabilities	12	12,758	13,262
Convertible debenture	6	12,489	-
Deferred income taxes		1,996	2,470
		<b>134,880</b>	136,870
<b>Shareholders' Equity</b>			
Common shares		81,071	81,071
Contributed surplus		3,671	3,621
Equity portion of convertible debenture	6	2,010	-
Deficit		(35,732)	(34,992)
		<b>51,020</b>	49,700
		<b>185,900</b>	186,570

Subsequent event - Note 14

*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	2022	2021
<b>Revenue</b>		<b>45,429</b>	32,948
Direct costs <sup>(1)</sup>		<b>34,972</b>	24,914
<b>Gross profit</b>		<b>10,457</b>	8,034
General and administrative expenses		<b>4,797</b>	3,379
Depreciation and amortization	3,4	<b>4,933</b>	4,114
Finance costs	8	<b>1,644</b>	1,296
Share-based compensation	7	<b>50</b>	-
<b>Loss before income taxes</b>		<b>(967)</b>	(755)
Income tax recovery		<b>(227)</b>	(184)
<b>Net loss and comprehensive loss for the period</b>		<b>(740)</b>	(571)
<b>Net loss per share</b>			
Basic and diluted	10	<b>(0.01)</b>	(0.01)

(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)

	Three months ended	
	March 31,	
	2022	2021
<b>Common Shares</b>		
Balance, beginning of the period	81,071	81,071
Balance, end of the period	81,071	81,071
<b>Contributed Surplus</b>		
Balance, beginning of the period	3,621	3,621
Share-based compensation	50	-
Balance, end of the period	3,671	3,621
<b>Equity portion of Convertible Debenture</b>		
Balance, beginning of the period	-	-
Equity portion of convertible debenture	2,010	-
Balance, end of the period	2,010	-
<b>Deficit</b>		
Balance, beginning of the period	(34,992)	(36,650)
Net loss and comprehensive loss	(740)	(571)
Balance, end of the period	(35,732)	(37,221)
<b>Total Shareholders' Equity</b>	<b>51,020</b>	<b>47,471</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	
		March 31, 2022	2021
<b>Operating activities</b>			
Net loss		(740)	(571)
Adjustments for:			
Depreciation and amortization	3,4	4,933	4,114
Finance costs	8	1,644	1,296
Gain on disposal of property and equipment		(197)	(65)
Income tax recovery		(227)	(207)
Share-based compensation		50	-
		5,463	4,567
Changes in non-cash operating working capital items	12	(96)	(2,880)
Income tax received		3	-
Cash provided by operating activities		5,370	1,687
<b>Investing activities</b>			
Purchase of property and equipment	3	(2,763)	(1,726)
Proceeds from disposal of property and equipment		427	195
Acquisition, net of cash acquired		-	(4,398)
Cash used in investing activities		(2,336)	(5,929)
<b>Financing activities</b>			
(Repayment of) proceeds from revolving loan		(7,500)	10,500
Proceeds from convertible debenture	6	15,000	-
Proceeds from equipment loans	12	563	-
Repayment of term loan	12	(4,381)	(5,004)
Repayments of lease liabilities	12	(2,376)	(1,802)
Repayment of equipment loans	12	(1,053)	(591)
Repayments of other liabilities		(375)	(300)
Repayment of working capital and co-lend term loans	12	(413)	-
Repayment of operating loan		(400)	-
Proceeds from operating loan		-	2,354
Interest paid		(1,188)	(915)
Deferred financing charges		(519)	-
Changes in non-cash financing working capital	12	71	-
Cash provided by (used in) financing activities		(2,571)	4,242
Increase in cash		463	-
Cash, beginning of period		-	-
Cash, end of period		463	-

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

March 31, 2022

(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.

### 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 May 10, 2022. 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, 2021.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

March 31, 2022

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

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### 3. Property and equipment

	Land, buildings, and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
<b>Cost</b>					
As at December 31, 2021	10,414	57,981	5,928	60,025	134,348
Additions	3	193	16	2,551	2,763
Transfer from right of use assets (Note 4)	-	-	-	409	409
Disposals	(58)	-	-	(1,258)	(1,316)
<b>As at March 31, 2022</b>	<b>10,359</b>	<b>58,174</b>	<b>5,944</b>	<b>61,727</b>	<b>136,204</b>
<b>Accumulated depreciation</b>					
As at December 31, 2021	6,170	34,774	3,415	17,199	61,558
Depreciation	136	809	204	2,436	3,585
Transfer from right of use assets (Note 4)	-	-	-	206	206
Disposals	(48)	-	-	(943)	(991)
<b>As at March 31, 2022</b>	<b>6,258</b>	<b>35,583</b>	<b>3,619</b>	<b>18,898</b>	<b>64,358</b>
<b>Carrying value</b>					
As at December 31, 2021	4,244	23,207	2,513	42,826	72,790
<b>As at March 31, 2022</b>	<b>4,101</b>	<b>22,591</b>	<b>2,325</b>	<b>42,829</b>	<b>71,846</b>



# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

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### 4. 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, 2021	21,280	13,968	35,248
Additions	54	1,453	1,507
Transfer to property and equipment (Note 3)	-	(409)	(409)
Disposals	(1,046)	-	(1,046)
<b>As at March 31, 2022</b>	<b>20,288</b>	<b>15,012</b>	<b>35,300</b>
<b>Accumulated depreciation</b>			
As at December 31, 2021	10,409	3,050	13,459
Depreciation	900	326	1,226
Transfer to property and equipment (Note 3)	-	(206)	(206)
Disposals	(660)	-	(660)
<b>As at March 31, 2022</b>	<b>10,649</b>	<b>3,170</b>	<b>13,819</b>
<b>Carrying value</b>			
As at December 31, 2021	10,871	10,918	21,789
<b>As at March 31, 2022</b>	<b>9,639</b>	<b>11,841</b>	<b>21,480</b>

### 5. Loans and borrowings

	March 31, 2022			December 31, 2021		
	Current	Non- current	Total	Current	Non- current	Total
<b>Secured</b>						
Revolving loan	-	22,500	22,500	-	30,000	30,000
Syndicate term loan	5,470	22,921	28,391	8,424	24,330	32,754
Equipment loans	4,090	4,721	8,811	3,880	5,422	9,302
Co-lend term loan	5,417	-	5,417	5,729	-	5,729
Working capital loan	400	1,233	1,633	400	1,333	1,733
<b>Total borrowings</b>	<b>15,377</b>	<b>51,375</b>	<b>66,752</b>	<b>18,433</b>	<b>61,085</b>	<b>79,518</b>

At March 31, 2022, the Company was in compliance with the terms and covenants of its lending agreements.

#### a) 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.

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## Notes to the condensed consolidated interim financial statements

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	March 31, 2022	December 31, 2021
Term loan - face value	28,444	32,824
Transaction costs	(53)	(70)
<b>Carrying amount</b>	<b>28,391</b>	<b>32,754</b>

### b) 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 co-lend term loans	Equipment loans	Revolving loan	Term loan	Total
One year	1,650	2993	-	5,470	10,113
Two years	2,583	2931	22,500	22,921	50,935
Three years	1,250	2099	-	-	3,349
Four years	1,250	591	-	-	1,841
Five years	317	197	-	-	514
	<b>7,050</b>	<b>8,811</b>	<b>22,500</b>	<b>28,391</b>	<b>66,752</b>

## 6. Convertible debenture

On March 7, 2022, the Company completed a \$15 million, private placement of secured and subordinated convertible debenture ("the Debenture"). The Debenture has a five (5) year term from the date of issuance bearing interest at a rate of 8.0% per annum, payable monthly in arrears in cash. At any time during the term, the holders of the Debenture may elect to convert the outstanding net principal amount, or any portion thereof, into common shares of the Company at a conversion price of \$0.65 per share.

Interest on the principal amount outstanding is calculated and payable monthly and was first payable on March 31, 2022.

The Debenture is denominated in Canadian dollars and can be converted to ordinary shares at the option of the holder and the number of shares to be issued is fixed and does not vary with changes in fair value. The liability component of the convertible debenture is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

March 31, 2022

(in thousands of Canadian dollars, except per share amounts)  
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	March 31, 2022
Proceeds from issuance of convertible debenture	15,000
Less transaction costs	(501)
Net proceeds	14,499
Amount classified as equity (net of transaction costs of \$48)	2,010
Carrying amount of liability	12,489

### 7. 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:

	March 31, 2022		December 31, 2021	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	3,000,000	0.63	3,760,000	1.00
Granted	-	-	2,500,000	1.00
Forfeited	(250,000)	0.73	(3,260,000)	1.00
Balance - end of period	2,750,000	0.62	3,000,000	1.00
Exercisable - end of period	500,000	1.00	500,000	1.00

### 8. Finance costs

	Three months ended	
	March 31, 2022	2021
Interest on loans	1,109	915
Interest accretion on lease and other liabilities	421	318
Interest on convertible debenture	79	-
Financing and bank charges	35	64
	1,644	1,296

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

March 31, 2022

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### 9. Government assistance

For the three months ended March 31, 2022, direct costs (personnel) and general and administrative expenses (personnel) are presented net of government assistance of nil and nil respectively (three months ended March 31, 2021 – \$0.9 million and \$0.4 million).

### 10. Net loss per share

	Three months ended	
	March 31,	2021
	2022	
Numerator:		
Net loss and comprehensive loss for the period	(740)	(571)
Denominator:		
Weighted average shares outstanding - basic & diluted	91,253,115	91,253,115
Net loss per share - basic and diluted	(0.01)	(0.01)

In calculating the loss per share for the three-month period ended March 31, 2022, the Company excluded 3,000,000 options and the impact of the convertible debenture fully converted to common shares of 23,076,923 (three-month period ended March 31, 2021 – 3,760,000 options), as the impact was anti-dilutive.

### 11. Related party transactions

All related party transactions are in the normal course of business and are on terms that are similar to those that would be adopted if the parties were dealing at arm's length. Related party transactions include transactions with other private companies that are controlled by a director or officer.

At March 31, 2022, lease liabilities include \$4.5 million (March 31, 2021 - \$5.1 million) of liabilities relating to leases with a related party. Principal payments of unsecured lease liabilities and associated interest accretion for the three-month period ended March 31, 2022 were \$0.2 million (three months ended March 31, 2021 - \$0.2 million).

### 12. Supplemental cash flow information

	Three months ended	
	March 31,	2021
	2022	
<i>Changes in non-cash working capital:</i>		
Accounts receivable	(1,113)	146
Inventories	41	52
Prepaid expenses and deposits	580	471
Accounts payable and accrued liabilities	467	(3,549)
Changes in non-cash working capital	(25)	(2,880)
<i>Changes in non-cash working capital items from:</i>		
Operating activities	(96)	(2,880)
Financing activities	71	-

# Vertex Resource Group Ltd.

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The table below reconciles the movement of financial liabilities to cash flows arising from financing activities:

	<b>Lease liabilities</b>	<b>Loans and borrowings</b>
As at December 31, 2021	20,358	79,518
Changes from financing cash flows:		
Additions/Proceeds	1,507	563
Interest accretion during the year	388	-
Repayments	(2,376)	(13,347)
Debt issue costs	-	(17)
Amortization of deferred debt costs	-	35
Disposals	(481)	-
Total changes from financing cash flows:	19,396	66,752
<b>As at March 31, 2022</b>	<b>19,396</b>	<b>66,752</b>

### 13. 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.

- a) 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.
- b) 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 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.
- c) The “Corporate” segment is comprised of corporate costs and other minor operations.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

March 31, 2022

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

(unaudited)

For the three month period ended March 31, 2022				
	Environmental Consulting	Environmental Services	Corporate	Total
Revenue	14,488	30,390	551	<b>45,429</b>
Operating profit (loss) before depreciation and amortization	2,469	4,959	(1,768)	<b>5,660</b>
Depreciation and amortization	474	4,301	159	<b>4,933</b>
Operating profit (loss)	1,995	658	(1,927)	<b>727</b>
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	137	2,618	8	<b>2,763</b>

For the three month period ended March 31, 2021				
	Environmental Consulting	Environmental Services	Corporate	Total
Revenue	11,066	21,087	795	32,948
Operating profit (loss) before depreciation and amortization	1,741	4,063	(1,149)	4,655
Depreciation and amortization	342	2,948	824	4,114
Operating profit (loss)	1,399	1,115	(1,973)	541
<b>Other information</b>				
Expenditures for additions to :				
Property and equipment	277	1,440	9	1,726
Intangibles	-	2,106	-	2,106

	Environmental Consulting	Environmental Services	Corporate	Total
<b>As as March 31, 2022</b>				
Goodwill and intangible assets	<b>20,760</b>	<b>5,710</b>	<b>386</b>	<b>26,856</b>
Total assets	<b>68,111</b>	<b>111,069</b>	<b>6,720</b>	<b>185,900</b>
Total liabilities	<b>24,445</b>	<b>36,877</b>	<b>73,558</b>	<b>134,880</b>
<b>As as December 31, 2021</b>				
Goodwill and intangible assets	20,760	5,792	426	26,978
Total assets	70,798	107,103	8,669	186,570
Total liabilities	26,146	36,227	74,497	136,870

# Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

March 31, 2022

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

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## 14. Subsequent event

On April 25, 2022, the Company completed a definitive amalgamation agreement (the Amalgamation Agreement) that combined, in an all-share transaction (the "Transaction") with Cordy Oilfield Services Inc. (TSXV:CKK) (Cordy Oilfield), a provider of environmental and hydro-excavating services. Under the terms of the Amalgamation Agreement, shareholders of Cordy Oilfield received 0.081818 common shares of Vertex for every one common share of Cordy Oilfield. The combined company will operate as Vertex and remain listed on the TSXV as VTX.