

# **FILING STATEMENT**

**IN RESPECT OF THE  
QUALIFYING TRANSACTION OF  
VIER CAPITAL CORP.  
WITH  
VERTEX RESOURCE GROUP LTD.**

**OCTOBER 4, 2017**

*All information contained in this Filing Statement with respect to Vertex Resource Group Ltd. (“**Vertex**”) was supplied by Vertex for inclusion herein.*

*Neither the TSX Venture Exchange Inc. (the “**Exchange**”) nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

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## GLOSSARY OF GENERAL TERMS

*In this Filing Statement, the following terms shall have the meanings ascribed thereto as set out below:*

“**32 Degrees**” means, collectively, 32 Degrees Diversified Energy Fund II (Canadian) LP, 32 Degrees Diversified Energy Fund II (Service & Technology Co-Invest AIV) LP, 32 Degrees Diversified Energy Fund II (U.S.) LP, 32 Degrees Diversified Energy Fund III (U.S.) LP and 32 Degrees Diversified Energy Fund III CAN LP;

“**ABCA**” means the *Business Corporations Act* (Alberta), including the regulations promulgated thereunder, as amended from time to time;

“**Affiliate**” means a company that is affiliated with another company as follows:

- (a) a company is an “Affiliate” of another company if:
  - (i) one of them is the subsidiary of the other; or
  - (ii) each of them is controlled by the same Person;
- (b) a company is “controlled” by a Person if:
  - (i) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person; and
  - (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation;
- (c) a Person beneficially owns securities that are beneficially owned by:
  - (i) a company controlled by that Person; or
  - (ii) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**Agent’s Option**” means the option to purchase (on a pre-consolidation basis) up to 350,000 Vier Common Shares at a price of \$0.10 per Vier Common Share granted to PI Financial Corp., the agent in connection with the IPO, as partial consideration for its services to Vier in connection with the IPO;

“**Amalgamation**” means the vertical, short-form amalgamation involving Vier, Vertex and Kinetichem pursuant to the ABCA intended to occur on Closing.

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; and
- (d) in the case of Person who is an individual:
  - (i) that Person’s spouse or child; or
  - (ii) any relative of the Person or of his spouse who has the same residence as that Person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a member firm, member corporation or holding company of a member corporation of the Exchange, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the Exchange with respect to that member firm, member corporation or holding company;

**“Barlon Escrow Agreement”** means the escrow agreement dated May 31, 2017 entered into among Vertex, each of the Former Barlon Shareholder, and Vertex’s legal counsel, as escrow agent, entered into in respect of the Vertex Common Shares issued to such shareholders as consideration for the purchase by Vertex of all of the issued and outstanding shares of The Barlon Engineering Group Ltd., a private engineering company;

**“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Calgary for the transaction of banking business;

**“Closing”** or **“Closing Date”** means the closing of the Transaction as set forth herein and in accordance with the terms of the Pre-Acquisition Agreement, including the issuance of Resulting Issuer Shares described herein;

**“Completion of the Qualifying Transaction”** means the date the Final Exchange Bulletin is issued by the Exchange;

**“Control Person”** means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

**“CPC”** means a corporation:

- (a) that has been incorporated or organized in a jurisdiction in Canada;
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Completion of the Qualifying Transaction has not yet occurred;

**“CPC Escrow Agreement”** means the escrow agreement dated January 27, 2015 entered into among Vier, the Escrow Agent and certain shareholders of Vier;

**“CPC Policy”** means Exchange Policy 2.4 – *Capital Pool Companies*;

**“Escrow Agent”** means TSX Trust Company (formerly Equity Financial Trust Company);

**“Exchange”** or **“TSXV”** means the TSX Venture Exchange Inc.;

**“Exchange Requirements”** means and includes the articles, by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), the *Securities Act* (Alberta) and rules and regulations thereunder as amended, and any policies, rules, orders, rulings, forms or regulations from time to time enacted by the Alberta Securities Commission and all applicable provisions of the securities Laws of any other jurisdiction;

**“Expiry Time”** means the date until which the Offer is open for acceptance, being 5:00 p.m. (Toronto time) on October 6, 2017, unless the Offer is extended by Vier in which case it means the expiry time of the Offer as extended from time to time;

**“Filing Statement”** means this filing statement together with all schedules hereto and including the summary hereof;

**“Final Exchange Bulletin”** means the Exchange Bulletin issued following closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction;

**“Former Barlon Shareholders”** means the former shareholders of The Barlon Engineering Group Ltd., a private engineering company that was acquired by Vertex on May 31, 2017;

**“Former Kinetichem Shareholders”** means the former shareholders of Kinetichem;

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards and implemented in Canada through the Accounting Recommendations in the Chartered Professional Accountants of Canada Handbook;

**“IPO”** means Vier’s initial public offering which closed on April 30, 2015;

**“Initial Listing Requirements”** means the minimum financial, distribution and other standards that must be met by an issuer seeking a listing on a particular tier of the Exchange;

**“Insider”** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of a company that is an Insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities;

**“Kinetichem”** means Kinetichem Corp., a private engineered chemical solutions company that was acquired by Vertex on June 30, 2017 and is currently a wholly-owned subsidiary of Vertex;

**“Kinetichem Escrow Agreement”** means the escrow agreement dated July 1, 2017 entered into among Vertex, each of the Former Kinetichem Shareholders and Vertex’s legal counsel, as escrow agent, entered into in respect of the Vertex Common Shares issued to such shareholders as consideration for the purchase by Vertex of all of the issued and outstanding shares of Kinetichem;

**“Law”** or **“Laws”** means all laws (including common law), by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgements, injunctions, determinations, awards, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of any governmental entity or self-regulatory authority (including the TSXV);

**“Lock-up Agreements”** has the meaning set out under Part I – *“Summary of Filing Statement – The Qualifying Transaction”*;

**“material adverse effect”** means in respect of any Person, any change, effect, event or occurrence that either individually or in the aggregate with other such changes, effects, events or occurrences, is or would reasonably be expected to be, material and adverse to the business, results of operations or assets, properties, capitalization, condition (financial or otherwise) or liabilities of that Person and its subsidiaries, on a consolidated basis, except any change, effect, event or occurrence resulting from or relating to: (i) the announcement of the execution of the Pre-Acquisition Agreement or the transactions contemplated hereby; (ii) changes in general economic, securities, financial, banking or currency exchange markets; (iii) any change in IFRS; (iv) any natural disaster provided that it

does not have a materially disproportionate effect on that person relative to comparable companies; (v) changes affecting that Person's industry generally, provided that such changes do not have a materially disproportionate effect on that person relative to comparable companies; (vi) generally applicable changes in applicable Law; (vii) the commencement or continuation of any war, armed hostilities or acts of terrorism provided that it does not have a materially disproportionate effect on that Person relative to comparable companies; (viii) any decrease in the market price or any decline in the trading volume of that Person's common shares (it being understood that the causes underlying such change in market price or trading volume (other than those in items (i) to (vii) above) may be taken into account in determining whether a material adverse effect has occurred);

**"NI 62-104"** means National Instrument 62-104 – *Take-over Bids and Issuer Bids*;

**"Non-Arm's Length Qualifying Transaction"** means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both Vier and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

**"Offer"** means the offer made by Vier to the Vertex Shareholders to acquire by way of exempt take-over bid all of the issued and outstanding Vertex Common Shares for the Purchase Price, all in accordance with the Pre-Acquisition Agreement;

**"Person"** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity or an individual;

**"Pre-Acquisition Agreement"** means the pre-acquisition agreement between Vier and Vertex made as of September 8, 2017 in respect of the Qualifying Transaction;

**"Promoter"** means:

- (a) a person or company that, acting alone or in conjunction with one or more other persons, companies or a combination of them, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer; or
- (b) a person or company that, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property or both services and property, 10% or more of the issued securities of a class of securities of the issuer or 10% or more of the proceeds from the sale of a class of securities of a particular issue, but a person or company who receives the securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be considered a Promoter within the meaning of this definition where that person or company does not otherwise take part in founding, organizing or substantially reorganizing the business;

**"Purchase Price"** means 3.8 Vier Common Shares for each Vertex Common Share (at a deemed value of \$1.00 per Vier Common Share for a purchase price of \$3.80 per Vertex Common Share);

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, which, for purposes of this Filing Statement, shall mean the Transaction;

**"Resulting Issuer"** means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin, which, for the purposes of this Filing Statement, shall mean the corporation to be named "Vertex Resource Group Ltd." resulting from the Amalgamation after Completion of the Qualifying Transaction;

**"Resulting Issuer Options"** means the stock options granted to directors, officers, employees and consultants of the Resulting Issuer to acquire Resulting Issuer Shares;

**“Resulting Issuer Option Plan”** means the incentive stock option plan which provides that the board of directors of the Resulting Issuer may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees, and consultants to the Resulting Issuer, and of the Resulting Issuer’s subsidiaries and Affiliates, non-transferable options to purchase Resulting Issuer Shares, provided that the number of Resulting Issuer Shares reserved for issuance will not exceed 10% of the issued and outstanding Resulting Issuer Shares from time to time;

**“Resulting Issuer Shares”** means common shares in the capital of the Resulting Issuer, after Completion of the Qualifying Transaction;

**“Resulting Issuer Warrant”** means a share purchase warrant entitling the holder thereof to purchase one Resulting Issuer Share;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval;

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by Vier, together with any concurrent transactions would result in Vier meeting the initial listing requirements of the Exchange;

**“Surplus Security Escrow Agreement”** means the escrow agreement, in the form of Exchange Form 5D – *Escrow Agreement (Surplus Security Escrow)* to be entered into upon Completion of the Qualifying Transaction among the Resulting Issuer, the Escrow Agent and certain shareholders of the Resulting Issuer;

**“Tag Group”** has the meaning ascribed thereto in the Vertex USA;

**“Transaction”** means the completion of the acquisition by Vier of all of the issued and outstanding Vertex Common Shares upon the terms and conditions set forth in the Pre-Acquisition Agreement by way of a take-over bid that is exempt from the requirements of NI 62-104 for purposes of completing Vier’s Qualifying Transaction, as further described under Part I – *“Summary of Filing Statement – The Qualifying Transaction”* and the subsequent Amalgamation.

**“United States”** or **“US”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

**“Vertex”** means Vertex Resource Group Ltd., a corporation existing under the ABCA;

**“Vertex Common Shares”** means the Class A common shares in the capital of Vertex;

**“Vertex Escrow Agreements”** means, together, the Barlon Escrow Agreement and the Kinetichem Escrow Agreement;

**“Vertex Promissory Notes”** means the two promissory notes issued by Vertex to two Vertex Shareholders on June 26, 2015, having an aggregate current outstanding balance of \$1,772,749.76, which Vertex and the holders of such promissory notes agreed to settle such notes in January 2018 in exchange for an aggregate of 506,500 Vertex Common Shares;

**“Vertex Shareholders”** means all of the holders of the Vertex Common Shares;

**“Vertex USA”** means the amended and restated unanimous shareholders agreement dated October 28, 2016 entered into among Vertex and the Vertex Shareholders, which agreement will terminate in connection with the Completion of the Qualifying Transaction;

**“Vertex Warrant”** means a share purchase warrant entitling the holder thereof to purchase one Vertex Common Share;

“**Vertex Warrantholders**” means all of the holders of Vertex Warrants;

“**Vier**” means Vier Capital Corp., a corporation existing under the ABCA;

“**Vier Common Shares**” means the common shares in the capital of Vier;

“**Vier Options**” means incentive stock options to purchase (on a pre-consolidation basis) up to 735,000 Vier Common Shares at a price of \$0.10 per Vier Common Share on or before April 30, 2020, granted to the directors, of Vier under Vier’s Share Option Plan in connection with the IPO,;

“**Vier Share Option Plan**” means the incentive stock option plan which provides that the board of directors of Vier may from time to time, in its discretion, and in accordance with the Exchange Requirements, grant to directors, officers, employees, and consultants to Vier, and of Vier’s subsidiaries and Affiliates, non-transferable options to purchase Vier Common Shares, provided that the number of Vier Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Vier Common Shares from time to time;

“**Vier Shareholders**” means the holders of the Vier Common Shares;

“**Warrant Exchange Agreements**” means agreements entered into between Vier, Vertex and the Vertex Warrantholders pursuant to which such holders have agreed to tender their Vertex Warrants for warrants to acquire Vier Common Shares as contemplated under the Pre-Acquisition Agreement; and

“**Working Capital**” means current assets excluding cash (accounts receivable, other receivables, inventory, inventory in transit, prepaid expenses and security deposits) minus current liabilities excluding short-term portion of any loans (accounts payable and accrued liabilities).

## FORWARD-LOOKING INFORMATION

This Filing Statement contains certain forward-looking statements and forward-looking information (collectively referred to herein as “**forward-looking information**”) within the meaning of applicable Canadian securities Laws. This forward-looking information is not based on historical facts, but rather on the expectations regarding Vertex’s, Vier’s and the Resulting Issuer’s future growth, results of operations, performance and business prospects and opportunities. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumptions underlying any of the foregoing. Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “achieve”, “believe”, “plan”, “intend”, “objective”, “continuous”, “ongoing”, “estimate”, “outlook”, “expect”, “may”, “will”, “project”, “should” or similar words suggesting future outcomes. Such forward-looking information reflects management’s current expectations, assumptions or beliefs with respect to future events and are, based on information currently available to them.

Forward-looking information involves significant risks, uncertainties and assumptions. In particular, this Filing Statement contains forward-looking information pertaining to:

- the completion of the Transaction, including the Purchase Price, timing and expenses;
- the description of the Resulting Issuer following Completion of the Qualifying Transaction;
- expectations regarding the expansion, growth and business plan of the Resulting Issuer, its business and operations;
- expectations regarding the Resulting Issuer’s capital budget expenditures;
- expectations regarding results of operations and industry conditions;
- trends in the oil and gas industry and the environmental industry that affect demand for the Resulting Issuer’s services;
- expectations regarding the Resulting Issuers’ operation activity levels and seasonality;
- the Resulting Issuer’s customer base and continuing demand from customers;
- the capitalization of the Resulting Issuer;
- trends in the Resulting Issuer’s industry;
- executive and director compensation of the Resulting Issuer;
- the use of available funds by the Resulting Issuer;
- the ability of the Resulting Issuer to settle outstanding debt and the method of such settlement;
- the ability of the Resulting Issuer to attract and retain skilled labour;
- the maintenance of supplier and customer relationships following Completion of the Qualifying Transaction; and
- the forward-looking information and statements specifically identified as such in the management’s discussion and analysis of Vier and Vertex attached to this Filing Statement as Appendix “C” and Appendix “E”, respectively.

Forward-looking information included in this Filing Statement is based, in part, on assumptions that may change, thus causing actual future results or anticipated events to differ materially from those expressed or implied in any forward-looking information. Specific assumptions include, but are not limited to:

- the proposed Qualifying Transaction will be completed as contemplated;
- the Resulting Issuer will achieve, sustain or increase profitability, and will be able to fund its operations with existing capital, and/or it will be able to raise additional capital to fund operations;
- oil and natural gas commodity prices and production levels;
- capital expenditure programs and other expenditures by the Resulting Issuer and its customers;
- the Resulting Issuer will be able to attract and retain key personnel;
- continuing demand for the Resulting Issuer’s services and the pricing of such services;
- the Resulting Issuer will be able to acquire any necessary parts, consumables, equipment, technology and supplies it requires in a timely manner to carry out its activities;
- the ability of the Resulting Issuer to market its services successfully to existing and new customers and reliance on major customers;

- Vier will be successful in obtaining all necessary approvals from all applicable regulatory authorities, including the approval of the TSXV with respect to the proposed Qualifying Transaction;
- the general regulatory environment will not change in a manner adverse to the business of the Resulting Issuer;
- the tax treatment of the Resulting Issuer will remain constant and the Resulting Issuer will not become subject to any material legal proceedings;
- the economy generally;
- environmental risks;
- competition;
- no significant disruption of the Resulting Issuer's operations such as may result from harsh weather, natural disaster, accident or other calamitous event;
- no significant unexpected technological or commercial difficulties that adversely affect the Resulting Issuer's operating activities; and
- anticipated and unanticipated costs.

The foregoing list of assumptions is not exhaustive and is not intended to represent a complete list of the factors that could affect Vertex, Vier or the Resulting Issuer.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Actual results, performance or achievement could differ materially from that expressed in, or implied by, any forward-looking information in this Filing Statement, and, accordingly, investors should not place undue reliance on any such forward-looking information. Certain factors that may affect the future results, performance or achievements are summarized under the heading "Risk Factors" in this Filing Statement. Further, any forward-looking information speaks only as of the date on which such statement is made and neither Vier nor Vertex undertakes any obligation to update any forward-looking information to reflect the occurrence of unanticipated events, except as required by Law including applicable securities Laws. New factors may emerge from time to time and the importance of current factors may change from time to time and it is not possible for management to predict all of such factors, changes in such factors and to assess in advance the impact of each such factor or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information contained in this Filing Statement.

## INFORMATION CONTAINED IN THIS FILING STATEMENT

The information contained in this Filing Statement is given as at September 25, 2017, except where otherwise noted.

No Person has been authorized to give any information or to make any representation in connection with the Qualifying Transaction and other matters described herein other than those contained in this Filing Statement and, if given or made, any such information or representation should be considered not to have been authorized by Vier or Vertex.

This Filing Statement does not constitute the solicitation of an offer to purchase any securities or the solicitation of a proxy by any Person in any jurisdiction.

Information contained in this Filing Statement should not be construed as legal, tax or financial advice and readers are urged to consult their own professional advisers in connection therewith.

### CONVENTIONS

All dollar (\$) amounts stated in this Filing Statement refer to Canadian dollars.

Prior to Completion of the Qualifying Transaction, Vier will amend its articles of incorporation to consolidate the issued and outstanding Vier Common Shares on a 10:1 basis. Following Completion of the Qualifying Transaction, on exercise, Vier Options and the Agent's Option will be exercisable for one-tenth of the number of Vier Common Shares they would have been exercisable for prior to the consolidation at an exercise price of \$1.00 per Vier Common Share. Unless otherwise specified, all references in this Filing Statement to Vier Common Shares are presented on a post-consolidation basis.

All financial information in this Filing Statement has been prepared in accordance with IFRS. The financial year end for Vier and Vertex is December 31.

### NON-IFRS MEASURES

This filing statement includes the term “**Adjusted EBITDA**” which is a financial measure not presented in accordance with IFRS. Adjusted EBITDA is calculated as income from operations before finance expense, income taxes, share-based compensation, depreciation of property, plant and equipment, amortization of deferred development costs and intangible assets gains or losses on the sale of assets, and the impairment of assets. Adjusted EBITDA is considered to be a non-IFRS measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Management believes Adjusted EBITDA is useful for providing readers with additional clarity of Vertex's operational performance prior to consideration of how these activities are financed, taxed or depreciated.

The following tables present, in respect of Vertex, reconciliations of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income (loss):

	Six Months Ended June 30, 2017 (unaudited) (\$)	Year Ended December 31, 2016 (audited) (\$)	14 Months Ended December 31, 2015 (audited) (\$)
Net Loss, in Total	(1,046,508)	(8,167,714)	(11,714,512)
Income tax (recovery)	(433,805)	(3,460,703)	(3,478,087)
Finance costs	1,917,517	3,991,132	7,495,654
Amortization and impairment	6,750,179	13,215,758	25,992,891
Other expenses (recovery)	(753,269)	4,027,106	(130,824)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>6,434,114</b>	<b>9,605,579</b>	<b>18,165,122</b>

Note:

(1) Adjusted EBITDA is an unaudited financial measure.

	Quarter Ended							
	December 31, 2016 (\$)	September 30, 2016 (\$)	June 30, 2016 (\$)	March 31, 2016 (\$)	December 31, 2015 (\$)	September 30, 2015 (\$)	June 30, 2015 (\$)	March 31, 2015 <sup>(1)</sup> (\$)
Net Income (Loss), in Total	(2,440,132)	(3,540,729)	(1,773,874)	(412,979)	(13,355,071)	2,225,171	(1,044,616)	460,004
Income tax expense (recovery)	(972,418)	(1,357,374)	(962,962)	(167,949)	(3,838,972)	662,647	276,751	(578,513)
Finance costs	1,143,919	1,021,787	950,151	875,275	2,295,360	1,385,002	1,674,010	2,141,282
Amortization and impairment	3,583,541	3,383,912	3,061,067	3,187,238	16,713,635	2,534,823	2,460,919	4,283,514
Other expenses (recovery)	1,545,542	1,990,486	(336,690)	827,768	2,103,469	(2,307,611)	(617,204)	690,522
<b>Adjusted EBITDA</b>	<b>2,860,452</b>	<b>1,498,082</b>	<b>937,692</b>	<b>4,309,353</b>	<b>3,918,421</b>	<b>4,500,032</b>	<b>2,749,860</b>	<b>6,996,809</b>

Note:

(1) For the five months ended March 31, 2015.

## PART I - SUMMARY OF FILING STATEMENT

The following is a summary of information relating to Vier, Vertex and the Resulting Issuer (assuming Completion of the Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

This Filing Statement is prepared in accordance with the CPC Policy in connection with Vier's Qualifying Transaction.

### **Vier Capital Corp.**

Vier is a corporation incorporated under the ABCA. Vier is a CPC. Following completion of its IPO on April 30, 2015, the Vier Common Shares were listed on the Exchange under the symbol "VIE.P". In accordance with the CPC Policy, the principal business of Vier has been to identify businesses and assets with a view to completing a Qualifying Transaction and, having identified and evaluated such opportunities, to negotiate a proposed Qualifying Transaction subject to acceptance by the Exchange.

Following completion of the consolidation, Vier will have outstanding: (i) 735,000 Vier Common Shares; (ii) Vier Options exercisable for an aggregate of 73,500 Vier Common Shares at a price of \$1.00 per Vier Common Share; and (iii) the Agent's Option exercisable for an aggregate of 35,000 Vier Common Shares at a price of \$1.00 per Vier Common Share.

For a detailed description of Vier, see Part II – "*Information Concerning Vier*".

### **Vertex Resource Group Ltd.**

Vertex is a corporation amalgamated under the ABCA. Vertex is a leading North American provider of environmental and industrial services, including environmental and land consulting, fluid hauling and management, industrial insulation services, industrial cleaning services, and equipment rentals. Headquartered in Sherwood Park, Alberta, Vertex employs 770 staff and services a wide array of high quality customers in industries such as oil and gas, midstream, utilities, mining, telecommunications, forestry, agriculture, petrochemical, oilsands, drilling, renewable energy and government. Vertex operates principally in Western Canada (Alberta, British Columbia, Saskatchewan and Manitoba), but also has facilities in the United States.

Vertex currently has outstanding: (i) 22,571,956 Vertex Common Shares; and (ii) Vertex Warrants exercisable for an aggregate of 578,212 Vertex Common Shares at a price of \$4.55 per Vertex Common Share.

For a detailed description of Vertex, see Part III – "*Information Concerning Vertex*".

### **The Qualifying Transaction**

On July 17, 2017, Vier entered into a non-binding letter of intent (as amended on August 15, 2017) with Vertex to pursue a possible acquisition transaction with Vertex and the Vertex Shareholders, which transaction would constitute Vier's Qualifying Transaction. On September 8, 2017 Vier and Vertex entered into the Pre-Acquisition Agreement, pursuant to which, subject to conditions set forth therein, Vier agreed to acquire all of the issued and outstanding securities of Vertex for the Purchase Price of 3.8 Vier Common Shares per Vertex Common Share for an aggregate of 85,773,459 Vier Common Shares. The deemed issue price per Vier Common Share is \$1.00, which equates to Vertex Shareholders receiving aggregate deemed consideration of \$85,773,459. A copy of the Pre-Acquisition Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com) and attached as Appendix "A" to this Filing Statement.

The Pre-Acquisition Agreement provides that the Qualifying Transaction shall be carried out as an exempt take-over bid pursuant to NI 62-104. Completion of the Qualifying Transaction shall be carried out in the following manner:

- (a) on September 18, 2017, Vier mailed an offer to purchase to each Vertex Shareholder, pursuant to which Vier offered to purchase all of the issued and outstanding Vertex Common Shares;

- (b) each Vertex Common Share that is tendered to the take-over bid shall be exchanged for consideration of 3.8 Vier Common Shares;
- (c) Vertex Shareholders holding in the aggregate approximately 94% of the issued and outstanding Vertex Common Shares have entered into lock-up agreements with Vier (the “**Lock-up Agreements**”), pursuant to which such Vertex Shareholders have agreed to, among other things and subject to the terms thereof:
  - (i) tender all of their Vertex Common Shares to the take-over bid and not withdraw their Vertex Common Shares from the take-over bid except in certain circumstance; and
  - (ii) exercise their rights under the drag-along provisions of the Vertex USA such that any Vertex Shareholder that does not tender its Vertex Common Shares to the take-over bid will be required to transfer all of their Vertex Common Shares to Vier in exchange for 3.8 Vier Common Shares per Vertex Common Share; and
- (d) the Vertex Shareholders shall have the option to exchange their Vertex Common Shares for Vier Common Shares on a tax-deferred basis pursuant to section 85 of the Income Tax Act (Canada).

Closing is subject to certain conditions, including but not limited to, receiving all necessary regulatory and third party approvals. In addition, subject to the provisions of the Pre-Acquisition Agreement, Vier reserves the right to withdraw or terminate the Offer and not take up and pay for, or to extend the period of time during which the Offer is open and postpone taking-up and paying for, any Vertex Common Shares deposited under the Offer unless all of the following conditions are satisfied or waived by Vier:

- (a) prior to the Expiry Time, and at the time Vier shall first take-up and pay for Vertex Common Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn not less than 90% of the then outstanding Vertex Common Shares (on a non-diluted basis);
- (b) Vier shall have determined, acting reasonably, that all third party, government or regulatory approvals, orders, rulings, exemptions and consents that Vier, acting reasonably, considers necessary or desirable to enable Vier to acquire Vertex Common Shares under the Offer, or the non-existence of which may be materially adverse to the business of Vertex or the value of the Vertex Common Shares to Vier or that would make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction, including, without limitation, the conditional listing approval of the Exchange for the Vier Common Shares issuable pursuant to the Offer, shall have been obtained on terms satisfactory to Vier, acting in its sole judgment, and shall be in full force and effect and all applicable statutory or regulatory waiting or suspensory periods in connection therewith shall have expired or been terminated and no objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory waiting period;
- (c) Vier shall have determined, acting reasonably, that there does not exist or has not occurred (or, if there does exist or shall have previously occurred, there shall not have been publicly disclosed and Vier shall not have otherwise learned of) any change (or any condition, event, circumstance or development involving a prospective change) in the business, condition (financial or otherwise), operations, results of operations, performance, properties, assets, liabilities (contingent or otherwise), capitalization, value, prospects, licences, rights or privileges, whether contractual or otherwise, of Vertex and/or its subsidiaries taken as a whole which may be materially adverse to the business of Vertex or the value of the Vertex Common Shares to Vier or that would make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;

- (d) Vier shall have determined, acting reasonably, that there shall not have occurred, developed or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law, regulation, action, enquiry or other occurrence of any nature whatsoever which may be materially adverse to the business of Vertex or the value of the Vertex Common Shares to Vier or that would make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (e) Vier shall have determined, acting reasonably, that: (A) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission or before or by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group, trust, trustee, personal representative or other entity) in Canada or elsewhere, whether or not having the force of law; and (B) no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated or applied, in the case of either (A) or (B):
  - (i) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by, or the sale to, Vier of Vertex Common Shares or the right of Vier to own or exercise full rights of ownership of the Vertex Common Shares; or
  - (ii) which may be materially adverse to the business of Vertex or the value of the Vertex Common Shares to Vier or that would make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (f) Vier shall have determined, acting reasonably, that no material property, asset, agreement, right or license of Vertex or any of its subsidiaries has been or would be impaired or adversely affected as a result of the making of the Offer, the taking-up and paying for Vertex Common Shares under the Offer, the completion of a compulsory acquisition and/or subsequent acquisition transaction or otherwise, which might make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (g) Vier shall have determined, acting reasonably, that there does not exist any covenant, term or condition in any of the instruments or agreements to which Vertex or any of its subsidiaries is a party or to which they or any of their material properties or material assets are subject that might make it inadvisable for Vier to proceed with the Offer, the taking-up and paying for Vertex Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction (including but not limited to any covenant, term or condition that may be breached or cause a default or permit third parties to exercise rights against Vertex or any of its subsidiaries);
- (h) there shall not have occurred, developed or come into effect or existence any event, action, state, condition or occurrence of national or international consequence which, in Vier's sole judgment, acting reasonably, has materially adversely affected the financial markets in Canada or the United States;
- (i) Vier shall have determined, acting reasonably, that there shall not exist any prohibition at law against Vier making the Offer or taking-up and paying for Vertex Common Shares validly deposited and not withdrawn under the Offer, or completing a compulsory acquisition or subsequent acquisition transaction;
- (j) the Pre-Acquisition Agreement shall not have been terminated or Vier shall have determined, acting reasonably, that such termination shall not affect the ability of Vier to consummate the

Offer or that such termination was not related to any matter that is materially adverse to the business of Vertex or the value of the Vertex Common Shares to Vier;

- (k) the Lock-up Agreements with the directors and officers of Vertex and certain other Vertex Shareholders shall not have been terminated and shall have been complied with in all material respects or Vier shall have determined, acting reasonably, that such termination shall not affect the ability of Vier to consummate the Offer; and
- (l) the Warrant Exchange Agreements with the Vertex Warrantholders shall not have been terminated and shall have been complied with in all material respects or Vier shall have determined, acting reasonably, that such termination shall not affect the ability of Vier to consummate the Offer.

No fractional Vier Common Shares will be issued pursuant to the Transaction. Any Vertex Shareholder that would otherwise be entitled to a fractional Vier Common Share will be entitled to receive the next greater whole number of Vier Common Shares. In calculating such fractional interest, all Vertex Common Shares held by a beneficial Vertex Shareholder shall be aggregated.

The Offer may be extended, at the sole discretion of Vier, if the conditions of the Offer set forth above are not satisfied on the date and time at which the Offer would otherwise expire and if Vier determines that there is a reasonable prospect that the conditions of the Offer may not be satisfied prior to the Expiry Time; or if such conditions are satisfied or waived at or prior to the time set for the expiry of the Offer and Vier has concurrently with or before such extension taken up and paid for all Vertex Common Shares then validly tendered (and not properly withdrawn) pursuant to the Offer.

In the event that any appropriate regulatory approval is not obtained prior to the time the Offer is scheduled to terminate, unless such approval has been denied, Vier will extend the Offer for not less than two additional successive 10 day periods, if upon the expiry of any extension, the appropriate regulatory approval has not been obtained.

Any Vertex Shareholder who does not tender their Vertex Common Shares to the Offer will nevertheless have their Vertex Common Shares acquired by Vier in exchange for 3.8 Vier Common Shares as a result of the exercise by the Vertex Shareholders who have exercised Lock-up Agreements (which Vertex Shareholders constitute a Tag Group under the Vertex USA) of their drag-along rights under the Vertex USA. Following Closing, Vier will own 100% of the issued and outstanding Vertex Common Shares.

The Offer is not being made for any rights to acquire Vertex Common Shares. Each of the holders of Vertex Warrants has entered into a Warrant Exchange Agreement whereby, immediately following take-up by Vier of the Vertex Common Shares under the Offer and immediately prior to the Amalgamation, each Vertex Warrant will be exchanged for 3.8 warrants each exercisable for one Vier Common Share at an exercise price of \$1.20 per Vier Common Share. Following completion of the Amalgamation, such warrants will be Resulting Issuer Warrants, which will be exercisable at an exercise price of \$1.20 per Resulting Issuer Share.

Upon Closing, Vier, Vertex and Kineticchem will amalgamate under the vertical, short-form amalgamation provisions of the ABCA to form the Resulting Issuer, which will be named "Vertex Resource Group Ltd.". In connection with the Amalgamation, all Vertex Common Shares owned by Vier and all securities of Kineticchem owned by Vertex will be cancelled without any repayment of capital in respect of those shares, and the Vier Common Shares issued and outstanding immediately prior to completion of the Amalgamation shall become Resulting Issuer Shares, and the Vier Options and Agent's Option will be exercisable for Resulting Issuer Shares..

Pursuant to the terms of the Pre-Acquisition Agreement, concurrently with Vier's take-up of the Vertex Common Shares under the Offer: (i) the board of directors of Vier will be reconstituted through resignations of all of the current directors of Vier and the proposed directors of the Resulting Issuer listed under Part IV – "Information Concerning the Resulting Issuer – Directors and Officers" will be appointed to fill the vacancies created by such resignations, all without requiring the holding of a meeting of the Vier Shareholders; and (ii) the current officers of Vier will resign and the proposed officers of the Resulting Issuer listed under Part IV – "Information Concerning the

*Resulting Issuer – Directors and Officers*” will be appointed by the new board members as officers of the Resulting Issuer.

### **Resulting Issuer**

Following Closing, the Resulting Issuer will be named “Vertex Resource Group Ltd.” and will carry on the business of Vertex. See Part III – “*Information Concerning Vertex – General Development of the Business*” and Part III – “*Information Concerning Vertex – Narrative Description of the Business*”.

At Closing, the current directors of Vier will resign and will be replaced by nominees of Vertex. The board of directors of the Resulting Issuer is expected to consist of five directors being Brian Butlin, Terry Freeman, Trent Baker, Terry Stephenson and Stuart O’Connor. Senior management of the Resulting Issuer is expected to consist of Terry Stephenson – President and Chief Executive Officer, Michael Zvonkovic – Chief Financial Officer and Corporate Secretary, Jason Clemett – Executive Vice President, Paul Blenkhorn – Vice President, Consulting Services, Deon Walsh – Vice President, Environmental Services, Sherry Bielopotocky – Vice President, Corporate Services and Howard Start – Vice President, Finance. See Part III – “*Information Concerning the Resulting Issuer – Directors and Officers and Promoters*”.

### **Interests of Insiders, Promoters and Control Persons**

Except as otherwise stated herein, no Insider, Promoter or Control Person of Vier or any of their respective Associates and Affiliates (before and after giving effect to the Qualifying Transaction) has any interest in the Qualifying Transaction. See Part IV – “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*”.

### **Arm’s Length Qualifying Transaction**

The Transaction, if completed, will not constitute a Non-Arm’s Length Qualifying Transaction.

### **Estimated Available Funds and Principal Purposes**

It is anticipated that following Completion of the Qualifying Transaction, the Resulting Issuer will have approximately \$26,474,100 in available funds, which will be used as set forth below. See Part IV – “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

The following table sets forth the funds anticipated to be available to the Resulting Issuer on a consolidated basis after giving effect to the Qualifying Transaction:

<b>Source of Funds</b>	<b>Available Funds (\$)</b>
Approximate Working Capital as of August 31, 2017	20,250,000
Remaining Estimated Costs of Transaction <sup>(1)</sup>	250,000
Undrawn Amounts under Operating Loan and Term Loan as of August 31, 2017 <sup>(2)</sup>	6,474,100
<b>Total Available Funds<sup>(3)</sup></b>	<b>26,474,100</b>

Notes:

- (1) Estimated costs include the amounts estimated to be spent on legal, auditor and TSXV fees and related costs.
- (2) Undrawn amounts under Vertex’s operating loan and term loan following as of August 31, 2017. See Part III – “*Information Concerning Vertex – Consolidated Capitalization*”.
- (3) “Total Available Funds” is working capital less net remaining costs of the Transaction plus other funds available to the Resulting Issuer.

The ongoing business operations of the Resulting Issuer are expected to generate revenue sufficient to cover its ordinary course business expenses. As such, management currently intends to use the available funds for reserve Working Capital; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. See Part IV – “*Information Concerning the Resulting Issuer – Narrative Description of the Business – Stated Business Objectives*”.

### Selected Pro Forma Financial Information

The following table sets forth selected financial information for the Resulting Issuer as at June 30, 2017 on a pro forma basis, assuming completion of the Transaction. Such information is derived from the unaudited pro forma balance sheet of the Resulting Issuer as at June 30, 2017, which is attached hereto as Appendix “F”, and should be read in conjunction with such financial statements.

	Vier (unaudited) (\$)	Vertex (unaudited) (\$)	Resulting Issuer Pro Forma (unaudited) (\$)
Current Assets	250,948	37,583,424	37,584,372
Total Assets	250,948	131,846,733	131,847,681
Current Liabilities	7,608	17,785,297	17,792,905
Total Liabilities	7,608	72,117,093	72,124,701
Total Shareholders' Equity	243,340	59,729,640	59,722,980

### Market for Securities

The Vier Common Shares are listed on the Exchange under the trading symbol “VIE.P”, but trading is currently halted pending Completion of the Qualifying Transaction. As at May 4, 2017, the last day on which Vier Common Shares traded prior to the announcement of the proposed Qualifying Transaction, the closing trading price of the Vier Common Shares was \$0.115. Trading of the Vier Common Shares was halted on May 4, 2017 as Vier had not completed a Qualifying Transaction within 24 months from the date the Vier Common Shares were listed on the Exchange. It is anticipated that the Resulting Issuer Shares will resume trading on the Exchange upon completion of the Transaction under the symbol “VTX”. See Part II – “*Information Concerning Vier – Stock Exchange Price*”.

As at the date of this Filing Statement, none of the Vertex Common Shares or Vertex Warrants are listed or quoted on any stock exchange in Canada, the United States or internationally.

### Sponsor

No Sponsor has been retained in connection with the Qualifying Transaction of Vier as the Exchange has granted a waiver of the sponsorship requirements of Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*. See Part V – “*General Matters – Sponsorship and Agent Relationship*”.

### Interests of Experts

MNP LLP is the external auditor of Vier and is independent of Vier within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

Deloitte LLP is the external auditor of Vertex and is independent of Vier within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

### Conflicts of Interest

Certain of the individuals proposed for appointment as directors or officers of the Resulting Issuer are also directors, officers, and/or shareholders of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. See Part IV – “*Information Concerning the Reporting Issuer – Directors, Officers and Management – Conflicts of Interest*” and Part VI – “*Risk Factors*”.

Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the ABCA to act at all times in good faith in the best interests of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. To the best of their respective knowledge, neither Vier nor Vertex is aware of the existence of any conflicts of interest between Vier or Vertex and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon Completion of the Qualifying Transaction, as of the

date of this Filing Statement. See Part III – “*Information Concerning Vertex – Non-Arm’s Length Party Transactions*” for a description of the transactions Vertex has engaged in with non-arm’s length parties.

### **Risk Factors**

The proposed Qualifying Transaction and Vertex’s business are subject to numerous risks and uncertainties, including those highlighted in Part VI – “*Risk Factors*”. These risks include, but are not limited to, the following:

- (a) the Transaction is subject to a number of conditions precedent and may not be completed;
- (b) the Pre-Acquisition Agreement may be terminated;
- (c) completion of the Transaction is dependent on the current management of Vier and management conflicts of interest may arise prior to or following completion of the Qualifying Transaction;
- (d) Vertex’s commercial and financial success depends on market acceptance, and, if not achieved, will result in Vertex not being able to generate revenue to support its operations;
- (e) volatility of the oil and natural gas industry may adversely affect Vertex’s business;
- (f) Vertex’s business operations depend on customer contracts;
- (g) Vertex is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions;
- (h) materials necessary to manufacture Vertex products may not be available on commercially reasonable terms, or at all, which may delay development, manufacturing and commercialization of Vertex products;
- (i) Vertex may require additional capital to support its operations or the growth of its business, and it cannot be certain that access to such capital will be available;
- (j) Vertex’s growth strategy may not achieve the anticipated results;
- (k) Vertex depends on highly skilled personnel to grow and operate its business. If Vertex is not able to hire, retain, and motivate its key personnel, its business may be adversely affected;
- (l) Vertex may be exposed to possible claims resulting from negligence or fault in the provision of its products or services;
- (m) the market for Vertex’s products and services is subject to government and regulatory approvals;
- (n) Vertex is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities
- (o) Vertex may fail to realize anticipated benefits of future acquisitions;
- (p) the markets in which Vertex operates are subject to intense competition;
- (q) currency exchange rates fluctuations could adversely affect Vertex’s operating results;
- (r) downturns in general economic and market conditions may reduce demand for Vertex’s products and services, and could negatively affect Vertex’s revenue, operating results and cash flow;
- (s) Vertex’s operations are subject to operational hazards and unforeseen interruptions for which Vertex may not be adequately insured;

- (t) adverse litigation judgments or settlements resulting from legal proceedings in the normal course of business could reduce Vertex's profits or limit its ability to operate;
- (u) changes resulting from the 2016 U.S. presidential election may result in legislative and regulatory changes that could have an adverse effect on Vertex;
- (v) the requirements of being a public company may strain the Resulting Issuer's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members;
- (w) Vertex's indebtedness, including any accelerated repayment of such indebtedness, could adversely affect its financial flexibility and its competitive position;
- (x) restrictive covenants in Vertex's borrowing arrangements may limit Vertex's ability to capitalize on potential acquisitions and other business opportunities;
- (y) positive covenants in Vertex's material contracts could limit its ability to operate and failure to perform such positive covenants could adversely affect Vertex;
- (z) Vertex is exposed to third party credit risk;
- (aa) Vertex may become involved in disputes regarding intellectual property;
- (bb) a terrorist attack or armed conflict could harm Vertex's business;
- (cc) loss of Vertex's information and computer systems or cyber-attacks could adversely affect Vertex's business;
- (dd) some of Vertex's directors and officers may have conflicts of interest as a result of their involvement with other companies in Vertex's industries;
- (ee) a successful reassessment by tax authorities of Vertex's income (loss) calculations could have a material adverse effect on Vertex's financial condition and cash flows. Changes to tax laws, or the interpretation thereof, may have a detrimental effect on Vertex;
- (ff) increased wage costs could impact Vertex's financial results;
- (gg) increased fuel costs could impact Vertex's financial results;
- (hh) there has been no prior public market for the Resulting Issuer Shares, and an active trading market may not develop;
- (ii) the value placed on Vertex may prove to be inaccurate; and
- (jj) the price of the Resulting Issuer Shares could be volatile.

**Conditional Approval for Qualifying Transaction**

The Exchange has conditionally accepted Vier's Qualifying Transaction subject to Vier fulfilling all of the requirements of the Exchange on or before January 2, 2017.

## **PART II - INFORMATION CONCERNING VIER**

### **Corporate Structure**

#### ***Name and Incorporation***

Vier Capital Corp. was incorporated on September 23, 2014 pursuant to the ABCA. Vier's head and registered office is located at 1900, 520 3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 0R3.

At the annual and special meeting of Vier Shareholders held on May 17, 2017, the Vier Shareholders passed a special resolution approving amendments to the articles of incorporation of Vier to consolidate the issued and outstanding Vier Common Shares on the basis of one post-consolidation Vier Common Share for up to every ten pre-consolidation Vier Common Shares. The Vier Common Shares will be consolidated in this manner prior to Completion of the Qualifying Transaction. It is anticipated that following Closing, Vier, Vertex and Kinetichem will amalgamate and carry on business under the name "Vertex Resource Group Ltd."

Vier does not currently have any subsidiaries.

### **General Development of the Business**

#### ***History***

Vier is a CPC pursuant to the CPC Policy and, as a CPC, Vier is required to continue to comply with all of the requirements and restrictions in the CPC Policy.

On April 30, 2015, Vier completed its IPO of 3,500,000 pre-consolidation Vier Common Shares at a price of \$0.10 per pre-consolidation Vier Common Share for total gross proceeds of \$350,000 by way of a final prospectus dated February 2, 2015, which was filed in the Provinces of Alberta, British Columbia and Saskatchewan. The Vier Common Shares commenced trading on the Exchange on April 30, 2015 under the symbol "VIE.P". Trading in the Vier Common Shares was halted on May 4, 2017 as Vier had not completed its Qualifying Transaction within 24 months of the Vier Common Shares being listed on the Exchange.

Concurrently with the IPO on April 30, 2015, Vier issued Vier Options exercisable for an aggregate of 735,000 pre-consolidation Vier Common Shares to the directors of Vier. The Vier Options are exercisable at a price of \$0.10 per pre-consolidation Vier Common Share and expire on April 30, 2020. In connection with its IPO, Vier also granted to PI Financial Corp., the agent in respect of the IPO, the Agent's Option to purchase up to 350,000 pre-consolidation Vier Common Shares at a price of \$0.10 per pre-consolidation Vier Common Share for a period of 24 months following completion of the IPO. On April 26, 2017, the Exchange consented to an extension of the expiry date of the Agent's Option until the earlier of: (i) delisting of Vier's Common Shares; (ii) transfer of the Vier Common Shares to the NEX board of the Exchange; or (iii) issuance of the Final Exchange Bulletin.

As a CPC, Vier was required to complete a Qualifying Transaction by May 1, 2017, being 24 months from completion of its IPO to complete a Qualifying Transaction. On June 19, 2017, Vier announced that it had applied for and received an extension from the Exchange for completion of its Qualifying Transaction. The new deadline for completion of Vier's Qualifying Transaction is January 31, 2018.

On July 17, 2017, Vier entered into a non-binding letter of intent (as amended on August 15, 2017) with Vertex to pursue a possible acquisition transaction with Vertex and the Vertex Shareholders, which transaction would constitute Vier's Qualifying Transaction. On September 8, 2017 Vier and Vertex entered into the Pre-Acquisition Agreement, pursuant to which, subject to conditions set forth therein, Vier agreed to acquire all of the issued and outstanding securities of Vertex for the Purchase Price by way of exempt take-over bid. It is anticipated that the Resulting Issuer Shares will commence trading on the Exchange in due course upon Closing and the issuance of the Final Exchange Bulletin under the symbol "VTX".

As required by the CPC Policy, Vier has conducted no business operations except for the identification and evaluation of potential Qualifying Transactions.

### **Selected Consolidated Financial Information and Management’s Discussion and Analysis**

Since incorporation, Vier has incurred costs in carrying out its IPO, in seeking, evaluating and negotiating potential Qualifying Transactions and in meeting the disclosure obligations imposed upon it as a reporting issuer in the provinces of Alberta, British Columbia and Saskatchewan.

The following tables set out certain selected financial information of Vier. The selected financial information has been derived from Vier’s audited financial statements for the fiscal years ended December 31, 2016 and 2015 and Vier’s unaudited financial statement for the six months ended June 30, 2017. The following information should be read in conjunction with Vier’s financial statements attached as Appendix “B” to this Filing Statement and Vier’s management’s discussion and analysis attached as Appendix “C” to this Filing Statement. The financial results are not necessarily indicative of the results that may be expected for any other period. Vier’s financial statements are presented in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles and IFRS where applicable.

<b>Item</b>	<b>Six Months Ended June 30, 2017 (unaudited) (\$)</b>	<b>Year Ended December 31, 2016 (audited) (\$)</b>	<b>Year Ended December 31, 2015 (audited) (\$)</b>
Total Expenses	44,552	112,486	66,163
Amounts Deferred in Connection with the Qualifying Transaction	3,640	3,910	3,000

### ***Management’s Discussion and Analysis***

See Appendix “C” for Vier’s management’s discussion and analysis for the years ended December 31, 2015 and 2016.

### **Description of the Securities**

#### ***Vier Common Shares***

Vier is authorized to issue an unlimited number of Vier Common Shares without nominal or par value. Following completion of the consolidation, 735,000 Vier Common Shares will be issued and outstanding as fully paid and non-assessable. An additional 73,500 Vier Common Shares will be reserved for issuance pursuant to the exercise of the Vier Options and an additional 35,000 Vier Common Shares will be reserved for issuance pursuant to the exercise of the Agent’s Option. See Part II – “*Information Concerning Vier – Stock Option Plan*”.

The holders of Vier Common Shares are entitled to one vote in respect of each Vier Common Share held at any meetings of the shareholders of Vier. The holders of Vier Common Shares are entitled to receive, and Vier shall pay out of funds of Vier properly applicable to the payment of dividends, only those dividends in such amounts as may be declared in the absolute discretion of the directors from time to time in respect of the Vier Common Shares. The directors shall not declare or pay a dividend on the Vier Common Shares if such declaration or payment would contravene any applicable statute, regulation or rule of law or equity. In the event of liquidation, dissolution or winding up of Vier or other distribution of assets of Vier among its shareholders for the purpose of winding-up its affairs or upon a reduction of capital and each of the holders of the Vier Common Shares shall be entitled to receive any declared but unpaid dividends together with any remaining property or assets of Vier pro rata based upon the ratio of the number of Vier Common Shares that the shareholder holds to the total number of Vier Common Shares. Vier Common Shares do not provide the holders thereof with any special rights, privileges restrictions or conditions other than as set out above or otherwise provided by statute. All Vier Common Shares outstanding after Completion of the Qualifying Transaction will be fully paid and non-assessable.

#### ***Preferred Shares***

Vier is authorized to issue an unlimited number of non-voting preferred shares (the “**Preferred Shares**”) without nominal or par value. The Preferred Shares may be issued from time to time in one or more series, each consisting of

a number of Preferred Shares as determined by the board of directors of Vier which also may fix the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares including, without limitation, any voting rights, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion if any, and any sinking fund or other provisions. There are no Preferred Shares issued and outstanding. The Preferred Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of Vier or any other distribution of the assets of Vier among its shareholders for the purpose of winding-up its affairs, rank on parity with the Preferred Shares of every other series and shall be entitled to preference over the Vier Common Shares and the shares of any other class ranking junior to the Preferred Shares. The holders of Preferred Shares are not entitled to receive notice, attend or vote at any meetings of the shareholders of Vier.

### **Stock Option Plan**

Vier's stock option plan (the "**Vier Option Plan**") is administered by the board of directors of Vier, and the directors, officers, employees and consultants of Vier or its Affiliates, and employees of a person or corporation which provides management services to Vier or its subsidiaries are eligible to participate in the Option Plan (each a "**Participant**"). The number of Vier Common Shares that may be reserved for issuance from time to time upon the exercise of options granted under the Vier Option Plan will not at any point in time exceed 10% of the issued and outstanding Vier Common Shares. No more than an aggregate of 5% of the issued and outstanding Vier Common Shares may be granted to any one individual in any 12-month period without disinterested shareholder approval. No more than an aggregate of 2% of the issued and outstanding Vier Common Shares may be granted to any one consultant in any 12-month period. No more than 2% of the issued and outstanding Vier Common Shares may be granted, in the aggregate, to employees or consultants conducting investor relations activities in any 12-month period. The exercise price of the options shall be determined by Vier's board of directors at the time any option is granted. In no event shall such the option exercise price be lower than the exercise price permitted by the Exchange. Subject to any vesting restrictions imposed by the Exchange, Vier's board of directors may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. Disinterested shareholder approval is required for any amendment to an option granted to an Insider which results in a decrease of the exercise price of the option. The consideration for all option exercises must be paid in cash and the Vier Option Plan must be approved by shareholders on a yearly basis.

Vier Options will expire 90 days following the date the Participant ceases to be a director, officer, employee or consultant of Vier, unless such Participant was engaged in investor relations activities, in which case such options expire 30 days following the cessation of the Participant's services to Vier. Vier Options are exercisable for a maximum of ten years from the date of grant.

Notwithstanding the terms of the Vier Option Plan, the CPC Policy imposes certain restrictions on options during the period that Vier remains a CPC. Such restrictions shall remain in place until the Exchange issues the Final Exchange Bulletin. Under the CPC Policy, Vier, while it remains a CPC, is limited to granting Vier Options only to directors, officers and consultants of Vier or to corporations, all of whose securities are owned by such officer, director or consultant.

Following completion of the consolidation, there will be Vier Options to acquire an aggregate of 73,500 Vier Common Shares outstanding, all of which are held by directors and officers of Vier. Following Completion of the Qualifying Transaction, the Vier Options will remain outstanding as Resulting Issuer Options to acquire an aggregate of 73,500 Resulting Issuer Shares and, pursuant to the terms of the Stock Option Plan, as none of the holders of such options will continue to be directors or officers of the Resulting Issuer, must be exercised within 12 months of the Completion of the Qualifying Transaction.

### Prior Sales

Since the date of incorporation of Vier, 7,350,000 Vier Common Shares have been issued (on a pre-consolidation basis) as described in the following table:

<b>Date</b>	<b>Number of Vier Common Shares</b>	<b>Issue Price Per Share</b>	<b>Gross Proceeds</b>	<b>Consideration</b>
September 30, 2014 <sup>(1)</sup>	3,850,000	\$0.05	\$192,500	cash
April 30, 2015 <sup>(2)</sup>	3,500,000	\$0.10	\$350,000	cash

Notes:

- (1) Issued to the directors and officers of Vier and are being held in escrow pursuant to the CPC Escrow Agreement. See Part IV – “*Information Concerning the Resulting Issuer – Escrowed Securities*”.
- (2) Issued pursuant to the IPO.

### Stock Exchange Price

The Vier Common Shares have been listed and trading on the Exchange since April 30, 2015 under the trading symbol “VIE.P”. Trading in the Vier Common Shares was halted on May 4, 2017 as Vier had not completed its Qualifying Transaction within 24 months from the Vier Common Shares being listed on the Exchange. Trading is expected to be reinstated on the Exchange following Completion of the Qualifying Transaction under the symbol “VTX”. On May 4, 2017, the trading price of the Vier Common Shares, immediately prior to the halt on the Exchange was \$0.115.

The following table sets forth the daily high and low closing trading prices and the volume of trading of the Vier Common Shares (on a pre-consolidation basis) on days on which there was trading activity, on the Exchange for the periods indicated:

<b>Period Ending</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (000s)</b>
September 1 to September 25, 2017 <sup>(1)</sup>	N/A	N/A	-
August 2017 <sup>(1)</sup>	N/A	N/A	-
July 2017 <sup>(1)</sup>	N/A	N/A	-
June 2017	N/A	N/A	-
May 2017	0.115	0.075	7.5
April 2017	0.75	0.75	0
Quarter Ended March 31, 2017	0.080	0.075	21
Quarter Ended December 31, 2016	0.150	0.075	78.5
Quarter Ended September 30, 2016	0.100	0.080	16
Quarter Ended June 30, 2016	0.100	0.100	20
Quarter Ended March 31, 2016	0.100	0.050	22
Quarter Ended December 31, 2015	0.050	0.050	27
Quarter Ended September 30, 2015	0.100	0.050	40

Note:

- (1) Trading of Vier Common Shares on the Exchange was halted on May 4, 2017. Trading in the Vier Common Shares is expected to be reinstated following Completion of the Qualifying Transaction.

### Non-Arm’s Length Transactions

The Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction. As a result, no meeting of Vier Shareholders is required as a condition to complete the Transaction.

### **Legal Proceedings**

Vier is neither a party to, nor is any of its property the subject matter of, any legal proceedings, nor are any such proceedings known to Vier to be contemplated by any party.

### **Auditor, Transfer Agent and Registrar**

The auditor of Vier is MNP LLP, Chartered Professional Accountants, of 1500, 640 – 5th Avenue SW, Calgary, Alberta, T2P 3G4.

The transfer agent and registrar of Vier is TSX Trust Company at its principal offices in Calgary, Alberta.

### **Material Contracts**

Vier has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than:

- (a) the CPC Escrow Agreement (see Part IV – *“Information Concerning the Resulting Issuer – Escrowed Securities”*);
- (b) the agency agreement dated February 2, 2015 between Vier and PI Financial Corp. in connection with the IPO;
- (c) the transfer agent, registrar and dividend disbursing agent agreement dated as of February 2, 2015 between Vier and Equity Financial Trust Company (now TSX Trust Company);
- (d) the Pre-Acquisition Agreement (see Part I – *“Summary of Filing Statement – The Qualifying Transaction”*); and
- (e) the Lock-up Agreements (see Part I – *“Summary of Filing Statement – The Qualifying Transaction”*).

Copies of material contracts will be available for inspection without charge at the offices of Borden Ladner Gervais LLP at 1900, 520 3rd Avenue SW, Calgary, Alberta, T2P 0R3, during ordinary business hours from the date hereof until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

## PART III - INFORMATION CONCERNING VERTEX

### Corporate Structure

#### *Name and Incorporation*

Vertex Resource Group Ltd. was amalgamated on May 26, 2005 pursuant to the ABCA under the name “TWT Vegetation Management Ltd.”. On June 26, 2012, Vertex changed its name to “Vertex Resource Group Ltd.” and on July 1, 2015, Vertex amalgamated with Blackjack Investments Ltd. Vertex’s head office is located at Suite 121 – 2055 Premier Way, Sherwood Park, Alberta, T8H 0G2. Vertex’s registered office is located at 2200, 10235 – 101 Street N.W., Edmonton, Alberta, T5J 3G1.

#### *Intercorporate Relationships*

The following table sets forth the material direct and indirect subsidiaries of Vertex as at the date of this Filing Statement:

Corporation	Jurisdiction	Ownership Percentage <sup>(1)</sup> (%)
Vertex Professional Services Ltd.	Alberta	100
Vertex Oilfield Services Ltd.	Alberta	100
Vertex Resource Services Ltd.	Alberta	100
Vertex Resource Services Inc.	Nevada	100
Dominion Leasing Inc.	Alberta	100
Acden Vertex Limited Partnership	Alberta	49

Note:

(1) Reflects the percentage of voting securities owned directly or indirectly by Vertex.

### General Development of the Business

Vertex is an award-winning environmental and industrial services company that provides integrated environmental and industrial services for customers in Canada and the United States. Vertex’s experienced professional staff and high-performance safety culture provides innovative and cost effective solutions to its customers.

#### *History*

##### *Recent Developments*

In 2017, Vertex renegotiated its senior credit facility, reducing the overall size of the facility from \$65.5 million to \$60.0 million as the extra facilities were not required to operate Vertex’s business and it will provide a cost savings to Vertex.

In 2017, Vertex negotiated shareholder loans and vendor notes in the aggregate principal amount of \$8.9 million, and converted these loans into Vertex Common Shares.

In the first six months of 2017, Vertex acquired four complementary businesses in arm’s length transactions for share consideration. Two of these businesses provide engineering services, a third business provides engineered chemistry products and solutions, and the fourth business provides environmental services including the provision of vacuum trucks, foaming units and hydrovacacs to Vertex’s customers. Two of the businesses were acquired effective May 31, 2017 for aggregate consideration valued at \$4.1 million and consisting of 1,172,544 Vertex Common Shares at a deemed issue price of \$3.50 per Vertex Common Share. The other two businesses were acquired effective June 20, 2017 for aggregate consideration valued at \$7.0 million and consisting of 1,831,580 Vertex Common Shares at a deemed issue price of \$3.80 per Vertex Common Share.

On September 1, 2017, Michael Zvonkovic joined Vertex as Chief Financial Officer and Corporate Secretary.

#### *2016*

In March 2016, in response to the down turn in the oil and gas industry, Vertex implemented a number of cost reduction initiatives, which included facility closures and consolidations, staff reductions, wage rollbacks, and a reduction in all discretionary spending. During this same month, Vertex started an industrial cleaning services division in Lloydminster, Saskatchewan.

In May 2016, Vertex entered into a sale leaseback of an office and shop facility in Blackfoot, Alberta. Proceeds of the sale were used to reduce Vertex's debt.

From May 2016 through August 2016, some of Vertex's operations were affected by the Fort McMurray fires, resulting in decreased revenue for 2016.

In September 2016, Vertex acquired Red Giant Energy Services Ltd. ("**Red Giant**") located out of Grande Prairie in an arm's length transaction. Red Giant Energy Services Ltd. provides fluid storage, logistics and treatment services. This acquisition complements Vertex's environmental consulting, environmental services (including vacuum and cleaning services) and Vertex's existing environmental rental fleet. Red Giant was acquired for consideration valued at \$11.5 million and consisting of 3,993,056 Vertex Common Shares at a deemed issue price of \$2.88 per Vertex Common Share.

#### *2015*

During 2015, Vertex began to experience the down turn in the oil and gas economy. In response to this, Vertex began to rationalize facilities and reduce costs where possible.

In August 2015, Vertex acquired Ignite Energy Services Ltd. ("**Ignite**"), a fluid management and logistics company with offices in Rycroft, Valleyview and Whitecourt, Alberta in an arm's length transaction. Ignite was acquired for consideration valued at \$30.0 million and consisting of: (i) 4,672,088 Vertex Common Shares at a deemed issue price of \$4.55 per Vertex Common Share; and (ii) the assumption of \$8.7 million of Ignite's debt.

In August 2015, Vertex converted \$6.8 million of shareholder loans into Vertex Common Shares. During this same month, Vertex reduced subordinated debt from \$20.4 million to \$5.5 million using its operating line and issuing Vertex Common Shares for proceeds of \$9.0 million.

#### *2014*

In July 2014, Vertex acquired Navus Environmental Inc. ("**Navus**"), an environmental consulting firm of 100 employees based out of Edmonton and Fort McMurray, Alberta, and Fort St. John, British Columbia in an arm's length transaction. Navus was acquired for consideration valued at \$22.5 million and consisting of: (i) \$6.5 million in cash; and (ii) an acquisition obligation of \$16.0 million payable in cash over the three years following completion of the acquisition.

#### *Historical*

Vertex's history dates back to 1976 with the founding of Farmstead Buildings and later Pioneer Land Services Ltd., both of which subsequently formed part of Vertex's business. Vertex has grown through acquisitions and organic growth to become a leading provider of environmental and industrial services, including environmental and land consulting, fluid hauling and management, industrial insulation, cleaning and equipment rentals. Between 2005 and 2013, Vertex completed eight acquisitions and divested three subsidiaries.

#### *Significant Acquisitions and Dispositions*

Vertex has not made any significant acquisitions or dispositions in respect of which financial statements would be required to be included in this filing statement pursuant to National Instrument 41-101 – *General Prospectus Requirements* (if this filing statement was a prospectus of Vertex) in 2017 or in any of the three most recently completed financial years.

## **Narrative Description of the Business**

Vertex is an environmental and industrial services provider to the oil and gas, midstream, utilities, telecommunications, forestry, agriculture, petrochemical, oilsands, drilling, renewable energy and government sectors. Vertex conducts its business through two business segments: the Environmental Services Segment, in which subsidiaries or predecessors of Vertex have been providing services since 1978, and the Industrial Services Segment, in which subsidiaries or predecessors of Vertex have been providing services since 1976.

### ***Environmental Services***

The Environmental Services Segment of Vertex accounted for approximately 54% of the 2016 total revenue generated by Vertex (approximately 43% in 2015). The majority of the environmental services are provided to oil and gas production companies, midstream companies, potash and coal mining, utilities, forestry, private developers, public infrastructure and governments throughout Alberta, Saskatchewan, Manitoba, British Columbia, North Dakota, Oklahoma and Texas.

Services provided by the Environmental Services Segment include:

- (a) environmental consulting, including: planning and regulatory approvals, site assessments and reclamation, remediation, groundwater monitoring, drilling waste, gas migration and well abandonment, and occupational hygiene;
- (b) land and regulatory services consisting of:
  - (i) stakeholder consultation on mineral and surface rights; and
  - (ii) permitting, right of ways, access and use rights and other land use consulting for oil and natural gas, midstream, wind, solar, power, utility, and telecommunications customers;
- (c) emergency spill response to assist customers in efficient and effective spill cleanup to ensure safety, environmental remediation, and regulatory compliance;
- (d) high-quality rental tanks, containment equipment, trucks and related equipment to handle, haul, and manage fluids including drilling, completion, and production fluids for oil and natural gas, petrochemical, and other industrial customers;
- (e) vacuum, hydro-vac, pressure and steam truck services for customers in drilling, production, turnaround, completion operations;
- (f) industrial chemical cleaning and high pressure water blasting services;
- (g) turnarounds and shutdowns;
- (h) engineered chemistry products and solutions;
- (i) waste management bins and disposal;
- (j) surface rentals and wellsite accommodations;
- (k) specialized equipment and experienced personnel to provide stable foam services for use in drilling and completions activities in oil and natural gas wells;
- (l) abandonment, completion and drilling engineering; and
- (m) geographical information services, mapping and drone services, including the provision of such services to governments, industry and commercial clients including construction and real estate customers.

The Environmental Services Segment uses Vertex employees and equipment to manage and carry out environmental services projects. Vertex also utilizes rented or leased equipment, subcontractors or consultants, as necessary. The Environmental Services Segment operates and carefully maintains a modern fleet of specialized equipment with 83 trucks and trailers for the environmental services and 1,235 pieces of equipment in its rental fleet. The operational facilities include leased shops and yards that are used to maintain and repair equipment in addition to being used for storage. The Environmental Services Segment also utilizes leased office space for professional staff. See Part III – “*Information Concerning Vertex – Non-Arm’s Length Party Transactions*” for a description of certain non-arm’s length leases to which Vertex is a party.

This segment currently employs approximately 390 of Vertex’s 770 employees.

### ***Industrial Services***

The Industrial Services Segment accounts for approximately 46% of the 2016 total revenue generated by Vertex (approximately 57% in 2015). The majority of these industrial services are provided to oil and gas production companies, midstream companies, potash, utilities, forestry, public infrastructure and governments throughout Alberta, Saskatchewan, Manitoba, British Columbia, and the North West Territories.

Services provided by the Industrial Services Segment include:

- (a) provision of industrial insulation, glycol tracing, and Utilidor products to the oil and gas, mining and other resource industries;
- (b) manufacturing and installing custom industrial insulation blankets;
- (c) provision of self-frame metal buildings custom designed and build by Vertex for use in industrial applications;
- (d) safety and rescue services consisting of:
  - (i) supplying medical personnel and equipment for use in the resource, construction, mining, and oilsands industries;
  - (ii) conducting hazardous materials assessments and remediation including of asbestos and lead;
  - (iii) providing on-site safety supervision and high-angle and confined space rescue services for resource and industrial customers;
- (e) breathing air services; and
- (f) safety and industrial consumables.

The Industrial Services Segment uses Vertex employees and equipment in providing services and utilizes rented or leased equipment, subcontractors or consultants, as necessary. The leased operational facilities contain shops and yards that are used to maintain and repair equipment in addition to being used for storage. The Industrial Services Segment also utilizes leased project offices as required to effectively conduct Vertex’s work. See Part III – “*Information Concerning Vertex – Non-Arm’s Length Party Transactions*” for a description of certain non-arm’s length leases to which Vertex is a party.

This segment currently employs approximately 380 of Vertex’s 770 employees.

### ***Regulation***

Vertex’s operations are subject to various federal, provincial, state and local laws affecting the environmental and industrial services industries across Canada and the United States. These laws include those relating to employee health and safety, environmental permitting and licensing, the release of substances into the environment, emissions,

water pollution, waste management, remediation of soil and groundwater contamination, land use, reclamation and restoration of properties, hazardous materials, and the oil and gas industry in the jurisdictions where Vertex operates. Vertex and its clients are required to adhere to these regulations and non-compliance can result in significant costs and liabilities.

While Vertex believes that its operations are in substantial compliance with federal, provincial, state or local laws and regulations, and that continued compliance with current requirements would not have a material adverse effect on Vertex's business, financial position, or results of operations or cash flows, there is no assurance that this degree of compliance will continue into the future. Furthermore, there can be no assurance that future events, such as changes in existing laws or enforcement policies, the promulgation of new laws or regulations, or the development or discovery of new facts or conditions adverse to its operations will not cause the Company to incur significant costs.

Many of Vertex's clients, particularly those that operate in the oil and gas, potash and coal mining, utilities and forestry industries, are subject to extensive controls and regulations imposed by various levels of government. These governments may regulate or intervene with respect to, among other things, price, taxes, royalties, and exportation. Such regulations may be changed from time to time in response to economic and political conditions and could potentially have an adverse effect on the Company's clients and thus an effect on its operations.

Vertex and its clients are also subject to environmental regulations pursuant to a variety of Canadian and United States federal, provincial, state and local legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain industry operations. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in significant penalties, material fines, and civil liability for pollution damage.

Vertex is committed to meeting its responsibilities to protect the environment where it operates and has taken the required steps to ensure compliance with environmental legislation wherever it operates. Vertex did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate any environmental protection requirements to have any material effects on capital expenditures or earnings in 2017.

### ***Specialized Skills and Knowledge***

Vertex's team is carefully selected for its technical and professional experience and education. Vertex's highly skilled and experienced professionals and equipment operators have enabled the advancement of technological and operation advancements and efficiencies. Vertex places particular emphasis on, and continued investment in, the human capital of the organization.

Professionals and equipment operators are required to complete numerous safety certifications and training courses in order to ensure Vertex's representatives have the necessary training, skill, and experience to meet the needs of Vertex's customers in an efficient manner that is safe to themselves, the community and the environment.

### ***Components***

Vertex has agreements with a number of its suppliers to both the Environmental Services Segment and the Industrial Services Segment capable of providing any equipment and materials needed at competitive rates. Wherever possible, Vertex has negotiated these rates to be in line with industry conditions.

### ***Marketing Plans and Strategies***

Vertex employs an experienced and talented business development and sales force. Vertex's sales force markets its products and services to industrial, oil and natural gas, midstream customers and governments through sales force presentations and pitches to existing and prospective customers, as well as by providing an overview of products and services offered by Vertex as well as company contact information on Vertex's website at [www.vertex.ca](http://www.vertex.ca).

Members of Vertex's sales force are based in Sherwood Park and Calgary, Alberta as well as Regina, Saskatchewan and Houston, Texas. Vertex also has field sales capabilities throughout its offices. Some members of Vertex's sales staff travel to customer sites to observe and review sales opportunities and provide convenient sales support in the field.

Vertex has a sales incentive program in place that Vertex's management team believes incentivizes high-performance by its sales force.

Historically, Vertex has from time to time offered discounts on its products and services in instances of bundling multiple offerings for a customer. Vertex believes that such bundling discounts, combined with Vertex's unique breadth of integrated products and services, are attractive to customers.

The table below sets forth the amounts Vertex spent on marketing activities in 2016 and the first six months of 2017:

Item	Six Months Ended June 30, 2017 (\$)	Year Ended December 31, 2016 (\$)
Salaries	297,285	483,546
Advertising & Promotion	237,392	337,677
Travel & Other	88,217	110,450
<b>Total</b>	<b>622,894</b>	<b>931,673</b>

### *Competitive Conditions*

The markets and geographic areas in which Vertex operates are highly competitive. The principal competitive factors in both the Environmental Services Segment and the Industrial Services Segment include knowledge, skill, experience, breadth and integration of service offerings, capacity to perform, geographical coverage, price and efficiency. Although Vertex does have some competitors who offer specialized services in environmental and/or industrial services, Vertex believes that its combination of breadth of services, expertise, experience, and ability to provide integrated solutions are the keys to its competitive positioning.

### *Environmental Services Segment*

In general, it requires significant resources, capital, knowledge and expertise in order to compete effectively with the service offering of the Environmental Services Segment. For select services, the capital requirement required to obtain the necessary specialized equipment to perform the complex duties tasked by customers of this segment is significant. Further, it requires a significant investment to attract, develop and retain employees with the required education, experience and knowledge to effectively utilize or operate this specialized equipment. This creates a significant barrier to entry as many operations do not possess the ability to develop the human capital required, nor the mobilization capabilities to operate in remote locations, and develop trusted relationships and specialized knowledge of the jurisdictional regulatory requirements.

Vertex's primary competitors in the Environmental Services Segment are currently Clean Harbors Inc., Ceda International Corporation and GFL Environmental Inc. Vertex's Environmental Services Segment has set locations with specialized and in-depth knowledge of jurisdictional regulatory requirements that provide it with a significant competitive advantage as the professionals and operators within this segment have an intimate knowledge of the region in which they operate, while having access to specialized equipment, requiring significant investment.

### *Industrial Services Segment*

In general, within the Industrial Services Segment, competition for larger capital projects is narrowing. These larger capital projects are primarily limited to those capable of meeting the capital, equipment, skilled labour, and management requirements for the job. The barriers to entry in the Industrial Services Segment are financially and logistically low depending on project scope, however, company reputation and safety performance remain a decisive factor in the determination of project awards. This creates a unique barrier to entry.

Vertex's primary competitors in the Industrial Services Segment are currently Brand Industrial Services Inc., Stuart Olsen Inc. and The Brock Group Inc. In the estimate of Vertex management, few, if any, of Vertex's competitors provide the breadth and integration of services that Vertex does which results in a fragmented market. In the

fragmented market, Vertex’s management believes that is uniquely positioned with its large pool of skilled labour and professional staff, cost-effective products and services, top-tier project management expertise, geographical spread and industry knowledge and ability to integrate multiple service offerings and complete projects safely. In Vertex management’s opinion, Vertex’s reputation and ability to provide the skill to complete complex projects safely and within the specified time and budget remain a strong differentiator.

***Trends and Seasonality***

Activity levels in both the Environmental Services Segment and the 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 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.

Vertex’s activity in the United States is generally not as influenced by seasonal conditions.

See Part III – “*Information Concerning Vertex – Trends*” for a description of material industry trends Vertex anticipates may impact its business.

***Proprietary Protection***

Vertex undertakes to protect the intellectual property that it develops through confidentiality agreements. However, Vertex does not have any formal proprietary intellectual property protection in the form of registered trademarks, patents or copyrights, nor does it consider any such formal protection to be important or necessary for Vertex’s operations within the Environmental Services Segment or Industrial Services Segment.

**Selected Consolidated Financial Information and Management’s Discussion and Analysis**

The following tables set out certain selected financial information of Vertex. The financial results are not necessarily indicative of the results that may be expected for any other period. Vertex’s financial statements are presented in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles and IFRS where applicable.

***Selected Annual Information***

The selected financial information in the following table has been derived from and should be read in conjunction with Vertex’s audited financial statements for the fiscal years ended December 31, 2016 and 2015 and Vertex’s unaudited financial statement for the six months ended June 30, 2017, which are attached as Appendix “D” to this Filing Statement.

<b>Item</b>	<b>Six Months Ended June 30, 2017 (unaudited) (\$)</b>	<b>Year Ended December 31, 2016 (audited) (\$)</b>	<b>14 Months Ended December 31, 2015 (audited) (\$)</b>
Net Sales or Total Revenues	47,657,917	86,153,316	124,217,016
Income from Continuing Operations	(1,046,508)	(8,167,714)	(11,714,512)
Net Income (Loss), in Total	(1,046,508)	(8,167,714)	(11,714,512)
Adjusted EBITDA <sup>(1)</sup>	6,434,114	9,605,579	18,165,122
Total Assets	131,846,733	118,688,698	124,404,376

Item	Six Months Ended June 30, 2017 (unaudited) (\$)	Year Ended December 31, 2016 (audited) (\$)	14 Months Ended December 31, 2015 (audited) (\$)
Total Long-Term Financial Liabilities	54,331,796	8,496,501	46,500,909
Cash Dividends Declared	Nil	Nil	Nil

Note:

(1) See "Non-IFRS Measures".

### ***Selected Quarterly Information***

The selected financial information in the following table has been derived from and should be read in conjunction with Vertex's audited financial statements for the fiscal years ended December 31, 2016 and 2015, which are attached as Appendix "D" to this Filing Statement.

Item	Quarter Ended							
	December 31, 2016 (\$)	September 30, 2016 (\$)	June 30, 2016 (\$)	March 31, 2016 (\$)	December 31, 2015 (\$)	September 30, 2015 (\$)	June 30, 2015 (\$)	March 31, 2015 <sup>(2)</sup> (\$)
Net Sales or Total Revenues	25,011,011	20,519,089	17,785,096	22,838,120	27,482,161	26,714,754	21,629,694	48,390,407
Income from Continuing Operations	(2,440,132)	(3,540,729)	(1,773,874)	(412,979)	(13,355,071)	2,225,171	(1,044,616)	460,004
Net Income (Loss), in Total	(2,440,132)	(3,540,729)	(1,773,874)	(412,979)	(13,355,071)	2,225,171	(1,044,616)	460,004
Adjusted EBITDA <sup>(1)</sup>	2,860,452	1,498,082	937,692	4,309,353	3,918,421	4,500,032	2,749,860	6,996,809

Note:

(1) See "Non-IFRS Measures".

(2) For the five months ended March 31, 2015.

### ***Management's Discussion and Analysis***

See Appendix "E" for Vertex's management's discussion and analysis for the years ended December 31, 2016 and 2015 and the six months ended June 30, 2017.

### **Trends**

Vertex has seen improved year-over-year results in 2017 compared to 2016, as upstream oil and gas activity has increased with the improvement in oil and natural gas commodity pricing. Vertex anticipates a year-over-year improvement in the company's activity levels for the remainder of 2017, subject to any negative trends in oil and natural gas commodity pricing which may lower industry sentiment and spending. With the current cost structure in place, any year-over-year increase in revenue is expected to have a positive impact on Vertex's operating margin and net income.

Vertex's focus remains on increasing operating, maintenance and reclamation related services while also continuing to cultivate and pursue opportunities to provide its services to customers outside the oil and gas industry. Based on anticipated activity levels, Vertex anticipates the pricing of its services to remain at or near current rates.

### **Description of the Securities**

Vertex is authorized to issue an unlimited number of Vertex Common Shares issuable in series 1A-50A, an unlimited number of class B common shares issuable in series 1B-50B, an unlimited number of class C preferred

shares and an unlimited number of class D preferred shares. As at the date of this Filing Statement, 22,571,956 Vertex Common Shares, nil class B common shares, nil class C preferred shares and nil class D preferred shares are issued and outstanding.

### ***Vertex Common Shares***

The Vertex Common Shares and class B common shares have the following rights, privileges, restrictions and conditions:

*Issuable in Series:* The directors of Vertex may at any time and from time to time create one or more additional series of Vertex Common Shares or class B common shares consisting of such number of authorized shares as may before the issuance thereof be fixed by the Vertex board of directors. The Vertex board of directors may determine a designation for such series and any rights or privileges of conversion to other classes or series of shares, but shall not otherwise determine any rights, privileges, restrictions or conditions to be attached to such series.

*Voting Rights:* Holders of Vertex Common Shares are entitled to receive notice of and to attend and vote at all meetings of Vertex and are entitled to one vote per Vertex Common Share held at such meetings. Holders of class B common shares do not have any voting rights nor are they entitled to notice of or to attend any meeting of Vertex, subject to the provisions of the *ABCA*.

*Dividends:* Holders of Vertex Common Shares and class B common shares are entitled to receive dividends if, as and when declared by the board of directors of Vertex in their complete uncontrolled discretion, provided that if a dividend is declared on the Vertex Common Shares, a separate dividend of an equal amount per share must contemporaneously be declared on the class B common shares.

*Ranking:* In the event of any liquidation, dissolution or winding up of Vertex or any other distribution of assets of Vertex among its shareholders for the purpose of winding up its affairs (a “**Distribution**”), and subject to the preferences accorded to holders of any other shares of Vertex ranking senior to the Vertex Common Shares or class B common shares from time to time with respect to payment on a Distribution, all of the property and assets of Vertex available for distribution to the holders of the Vertex Common Shares and the class B common shares shall be paid or distributed equally share for share to the holders of Vertex Common Shares and the class B common shares, respectively, without preference or distinction.

### ***Preferred Shares***

The Vertex class C preferred shares and class D preferred Shares have the following rights, privileges, restrictions and conditions:

*Issuable in Series:* The class C preferred shares and class D preferred shares may be issued in series, and subject to such restrictions and rights as the board of directors of Vertex may impose on the issue thereof.

*Voting Rights:* Holders of class C preferred shares and class D preferred shares do not have any voting rights nor are they entitled to notice of or to attend any meeting of Vertex, subject to the provision of the *ABCA*.

*Dividends:* Holders of class C preferred shares and class D preferred shares shall be entitled to receive non-cumulative dividends at a rate set by the board of directors of Vertex at the time of issuance, provided such rate shall not exceed six percent per annum, payable upon declaration by the board of directors of Vertex, based on the redemption amount thereof.

*Ranking:* In the event of any liquidation or dissolution, holders of class C preferred shares and class D preferred shares are each entitled to receive the remaining property of Vertex in priority to and with preference over the other shares of Vertex to the extent of the Redemption Amount (as defined below), and the class C preferred shares and class D preferred shares shall rank *pari passu* with each other.

*Redemption:* The class C preferred shares and class D preferred shares are redeemable at the option of Vertex or of the holder at an amount per share set by the board of directors of Vertex at the time of issue as may be adjusted from time to time pursuant to the adjustment provisions set forth in Vertex’s articles (the “**Redemption Amount**”), provided that the class C preferred shares and the class D preferred shares shall not be redeemed for an amount less than the lesser of the Redemption Amount and the net realizable value of the assets of Vertex less its liabilities.

Pursuant to the Vertex USA, Vertex may not issue securities unless it has first offered to sell such unissued securities to the Vertex Shareholders.

Other than the rights and restrictions noted above and the applicable provisions of the ABCA, the securities of Vertex do not provide for any conversion or exchange rights; redemption, retraction, purchase for cancellation or surrender provisions; sinking or purchase fund provisions; provisions permitting or restricting the issuance of additional securities or any other material restrictions; nor do they require a Vertex Shareholder to contribute additional capital.

### **Vertex Warrants**

As of the date of this Filing Statement, Vertex Warrants entitling the holders thereof to acquire 578,212 Vertex Common Shares at an exercise price of \$4.55 per Vertex Common Share on or before August 31, 2020 have been issued by Vertex to two of its directors.

### **Consolidated Capitalization**

The following table sets forth the share capital and loan capital of Vertex as at June 30, 2017, based on the unaudited interim financial statements of Vertex contained in this Filing Statement as Appendix “D”, after giving effect to the Qualifying Transaction and as at August 31, 2017 prior to giving effect to the Qualifying Transaction.

<b>Designation</b>	<b>Authorized</b>	<b>As at June 30, 2017<sup>(7)</sup></b>	<b>As at August 31, 2017 prior to giving effect to the Qualifying Transaction</b>
<b>Indebtedness</b>			
Operating loan <sup>(1)</sup>	\$20,000,000	\$10,708,816	\$15,088,292
Senior term loan <sup>(2)</sup>	\$40,000,000	\$40,000,000	\$40,000,000
Term loan <sup>(3)</sup>	\$425,000	\$108,308	\$92,705
Subordinated loan <sup>(4)</sup>	\$5,500,000	\$5,500,000	\$5,500,000
Lease liabilities <sup>(5)</sup>	\$2,000,000	\$1,313,691	\$1,229,044
<b>Share Capital</b>			
Vertex Common Shares <sup>(6)</sup>	Unlimited	22,571,956	22,571,956
Share Capital	N/A	\$77,854,506	\$77,854,506

Notes:

- (1) HSBC Bank Canada operating loan committed until June 22, 2020. This revolving facility bears interest at rates ranging from HSBC prime plus 1.25%-2.75% based on the funded debt to adjusted EBITDA ratio for the preceding quarter. Can be drawn as a prime loan, or Bankers’ Acceptance or letter of credit. The loan is secured by a first charge on working capital and a second charge on property and equipment.
- (2) Midstar Lending Corp. senior term facility maturing June 22, 2022. The facility bears interest at the greater of 1.0% or the 30 day Bankers’ Acceptance rate quoted from the Bank of Canada plus 8.0%. The loan is secured by a first charge on property and equipment and a second charge on working capital and both interest and principal are payable in quarterly instalments.
- (3) Canadian Western Bank term loan maturing July 2018. This loan bears interest at 7.25%, pays principal and interest monthly and is secured by specific assets.
- (4) BDC Capital Inc. subordinated loan maturing June 30, 2022. This loan bears interest at 14.0%, pays interest monthly and is secured by a third charge on all assets of the Company.
- (5) Capital lease liabilities, each secured by specific assets. Multiple maturity dates ranging from one to four years. Principal and interest is paid monthly and interest rates range from 5.2%-9.1%.
- (6) Does not include 578,212 Vertex Common Shares that are issuable upon exercise of the Vertex Warrants or 506,450 Vertex Common Shares that are issuable in January 2018 to settle the Vertex Promissory Notes.

(7) The deficit of Vertex as of June 30, 2017 was \$19,011,830.

### Prior Sales

The following table sets forth details of the number and price at which securities of Vertex have been sold within the 12 months prior to the date of this Filing Statement:

Date	Number of Vertex Common Shares	Issue Price Per Share
June 30, 2017	1,831,579 <sup>(1)</sup>	\$3.80
May 31, 2017	3,094,614 <sup>(2)</sup>	\$3.50
January 5, 2017	746,938 <sup>(3)</sup>	\$2.88
September 30, 2016	4,270,008 <sup>(4)</sup>	\$2.88

Notes:

- (1) Jason Clemett acquired 98,182 Vertex Common Shares through his holding company, Clemett Capital Corp., and two existing Vertex Shareholders acquired an aggregate of 631,579 Vertex Common Shares. Mr. Clemett is not arm's length to Vertex,
- (2) Brian Butlin acquired 289,010 Vertex Common Shares, Terry Stephenson acquired 63,143 Vertex Common Shares and an existing Vertex Shareholder acquired 496,500 Vertex Common Shares. Messrs. Butlin and Stephenson are not arm's length to Vertex,
- (3) Brian Butlin acquired 746,938 Vertex Common Shares. Mr. Butlin is not arm's length to Vertex,
- (4) Terry Stephenson purchased 129,400 Vertex Common Shares and an existing Vertex Shareholder acquired 147,552 Vertex Common Shares. Mr. Stephenson is not arm's length to Vertex,

### Executive Compensation

The following disclosure is presented in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*. The following table discloses all non-security compensation paid to Vertex's President and the four most highly compensated executive officers (collectively, the "NEOs") of Vertex and the directors of Vertex that will for fiscal years ended December 31, 2016 and 2015 and the six months ended June 30, 2017.

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$) <sup>(2)</sup>	Value of All Other Compensation (\$)	Total Compensation (\$)
<b>Terry Stephenson</b> <sup>(3)</sup> President, Chief Executive Officer and Director	2017 <sup>(1)</sup>	120,000	Nil	Nil	Nil	Nil	120,000
	2016	245,893	Nil	Nil	Nil	Nil	245,893
	2015	275,000	333,333	Nil	Nil	Nil	608,333
<b>Sherry Bielopotocky</b> Vice President, Corporate Services	2017 <sup>(1)</sup>	70,000	Nil	Nil	Nil	Nil	70,000
	2016	132,083	Nil	Nil	Nil	Nil	132,083
	2015	128,542	28,500	Nil	Nil	Nil	157,042
<b>Howard Start</b> Vice President, Finance	2017 <sup>(1)</sup>	62,500	Nil	Nil	Nil	Nil	62,500
	2016	125,000	Nil	Nil	Nil	Nil	127,700
	2015	125,000	15,000	Nil	Nil	Nil	150,800
<b>Paul Blenkhorn</b> Vice President, Consulting	2017 <sup>(1)</sup>	80,000	Nil	Nil	Nil	Nil	85,400
	2016	160,000	Nil	Nil	Nil	Nil	170,800
	2015	160,000	Nil	Nil	Nil	Nil	170,800

Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$) <sup>(2)</sup>	Value of All Other Compensation (\$)	Total Compensation (\$)
<b>Deon Walsh</b> <sup>(3)</sup> Vice President, Environmental Services	2017 <sup>(1)</sup>	90,000	Nil	Nil	Nil	Nil	95,400
	2016	165,729	Nil	Nil	Nil	Nil	173,829
<b>Brian Butlin</b> Director, Chairman	2017 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	Nil	333,333	Nil	Nil	Nil	333,333
<b>Jason Clemett</b> <sup>(3)(4)</sup> Executive Vice President and Director	2017 <sup>(1)</sup>	90,000	Nil	Nil	Nil	Nil	96,000
	2016	45,000	Nil	Nil	Nil	Nil	48,000
<b>Trent Baker</b> <sup>(3)</sup> Director	2017 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
<b>Larry Evans</b> Director	2017 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
	2015	7,500	Nil	1,500	Nil	Nil	9,000
<b>Barry Hubich</b> <sup>(4)</sup> Director	2017 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) For the six months ended June 30, 2017 only.
- (2) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$15,000 (if their salary is less than \$150,000) or 10% of their salary (if their salary is greater than \$150,000) per annum.
- (3) Mr. Stephenson and Mr. Clemett do not receive any compensation in their capacity as directors of Vertex.
- (4) Was not employed by Vertex and/or did not serve as a director of Vertex during 2015.

#### ***Stock Options and Other Compensation Securities***

No compensation securities have been granted or issued to, or exercised by, directors and NEOs of Vertex during the most recently completed financial year.

On December 31, 2016, Vertex had issued and outstanding to: (i) Brian Butlin, Vertex Warrants exercisable for 289,106 Vertex Common Shares; and (ii) Terry Stephenson, Vertex Warrants exercisable for 289,106 Vertex Common Shares. All of the Vertex Warrants are fully vested. Pursuant to the Warrant Exchange Agreements, the Vertex Warrants will, in connection with Completion of the Qualifying Transaction, be exchanged for warrants to acquire Vier Common Shares.

#### ***Oversight and Description of Compensation***

With respect to compensation, the primary function of the Governance, HSE and Compensation Committee is to monitor the activities of Vertex with respect to retaining and motivating directors, senior management and employees of Vertex, while ensuring conformity between compensation and company objectives. This is to be achieved through:

- (a) the development, implementation and assessment of the compensation policy of Vertex and by recommending to the board of directors the compensation to be paid to the President and Chief Executive Officer, and the Chief Financial Officer of the Company; and

- (b) the oversight of director, officer, and employee remuneration and compensation together with oversight of the evaluation of management.

The Governance, HSE and Compensation Committee is responsible for reviewing and approving corporate goals and objectives relevant to Chief Executive Officer compensation, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and determining and recommending for approval by the board of directors the Chief Executive Officer's compensation level based on this evaluation. Special consideration shall be made in light of corporate goals and objectives relevant to the health, safety and environmental matters of Vertex during this evaluation. It is also the responsibility of the Governance, HSE and Compensation Committee to review these policies as often as deemed appropriate, not less than twice per year, to ensure their appropriateness and to review the associated inherent risks.

#### ***Compensation Philosophy and Objectives***

Vertex has adopted a compensation policy which outlines the philosophy, strategy and guiding principles for the compensation of all employees, including the NEOs and Vice Presidents. The compensation program is an important part of Vertex's relationship with its executive and employees which also includes challenging and rewarding work, growth and career development. Vertex maintains consistent compensation and benefit practices that are affordable to the business.

Conformity between compensation and the ability to meet company objectives is fundamental to Vertex's compensation policy. Vertex's compensation policies will be competitive with other like companies. The compensation policy set forth by the Governance, HSE and Compensation Committee is designed to attract and retain individuals of high caliber to serve as employees of Vertex, to motivate their performance in order to achieve Vertex's strategic objectives, and to align the interests of all employees with the long term interests of shareholders. The program currently includes short term, cash based, incentives and, following Completion of the Qualifying Transaction is expected to also include long term, securities based, incentives. The program is designed to provide goal congruence between the compensation program and Vertex's strategic plan and budget and is also designed to be competitive within Vertex's operating region and industry.

#### ***Benchmarking/Peer Group Comparisons***

Vertex used a number of compensation peer companies while developing its current approach to executive compensation. The compensation peer group of companies determined relevant included the following:

- Total Energy Services Inc.
- Strad Energy Services Ltd.
- Horizon North Logistics Inc.
- Black Diamond Group Ltd.
- Mullen Group Ltd.
- Secure Energy Services
- Stuart Olson Inc.
- Mcoy Global Inc.
- Badger Daylighting Ltd.
- ZCL Composites Inc.
- CES Energy Solutions Corp.

In choosing the peer companies against which the Governance, HSE and Compensation Committee completes its comparative analysis, the Governance, HSE and Compensation Committee selected companies with assets and market values similar to Vertex. The Governance, HSE and Compensation Committee also considered revenue levels and enterprise values of such companies. Companies residing in the United States have also been included given Vertex's North American operational footprint. The Governance, HSE and Compensation Committee believes these metrics are appropriate for determining peers because they provide a reasonable point of reference for comparing executives with similar positions and accountabilities.

The Governance, HSE and Compensation Committee reviews the compensation peer group of companies at minimum on an annual basis, or as is deemed necessary thereafter.

### ***Components of Executive Compensation***

Vertex's NEO executive compensation program currently consists of base salary and annual bonuses, and following Completion of the Qualifying Transaction, the executive compensation program of the Resulting Issuer is expected to consist of base salary, annual bonuses and long term incentives. The compensation plan targets total direct compensation to align with market practices and the overall compensation philosophy of Vertex.

#### ***Base Salary***

Executive salaries are established after giving consideration to individual accountabilities and experience, size and complexity of operations or functions for which these individuals are accountable and competitive market information, in comparison to the peer group chosen. Salary adjustments consider the individual's success in their role and competitive market information. The Governance, HSE and Compensation Committee annually reviews and recommends to the board of directors the base salary for the President and Chief Executive Officer, the Chief Financial Officer and, if applicable, the Chief Operating Officer.

In addition to the base salary, the executive compensation program includes Vertex's benefit program, including a vacation entitlement and a vehicle allowance. These benefits are designed to be competitive within the regions in which Vertex operates.

#### ***Annual Bonus Program***

The guiding principles of Vertex's compensation policy serves to ensure the elements that make up the employee value proposition are performance oriented; competitively positioned within Vertex's markets and among a group of peers; affordable for both Vertex and the employee; and geared towards aligning desired behaviors of employees towards Vertex's goals and objectives. Vertex's annual variable pay program is based on simplicity and profitability and is designed to align behaviors with objectives measured by the achievement of corporate financial and operational performance metrics recommended by the Governance, HSE and Compensation Committee and approved by the board of directors. Variable pay amounts are also to be determined based on certain subjective criteria, most notably, Vertex's ability to pay such amounts. The annual variable pay program payout is determined by comparing the results of pre-determined goals against the metrics which have been established. For 2016, the key measurement criteria for the annual variable pay program were based on achieving a pre-determined adjusted EBITDA target. Vertex did not pay annual bonuses in 2016 as the adjusted EBITDA targets described above were not satisfied.

The structure of the annual bonus program for the NEOs is based 100% on corporate performance for the Chief Executive Officer, Chief Financial Officer and, if applicable, Chief Operating Officer rather than a split between corporate performance and business unit performance. Annual bonuses for officers other than the Chief Executive Officer, Chief Financial Officer and, if applicable, the Chief Operating Officer, are based upon both corporate performance and business unit performance.

Each NEO participating in the annual variable pay program is awarded 25% based on personal goals established beginning of fiscal year if Vertex meets at least 90% of adjusted EBITDA targets. The other 75% of their bonus eligibility is based solely on a sliding scale stating at 90% of adjusted EBITDA targets. The annual variable pay program does not pay out rewards until financial results are confirmed and EBITDA numbers can be calculated from independently audited financial statements.

#### ***Long Term Incentives***

Vertex has not historically granted any security-based or other long term incentives to its executives or employees. Following Completion of the Qualifying Transaction, the Resulting Issuer may grant long term incentives to its executives, employees and consultants in the form of Resulting Issuer Options granted under the Resulting Issuer Option Plan. In addition, following Completion of the Qualifying Transaction the Governance, HSE and

Compensation Committee of the Resulting Issuer will conduct a review of the long term incentive program, including the types of security-based compensation offered, to ensure it reflects Vertex's transition to being a public company and to align with its publicly traded peers.

### ***Director Compensation***

While Vertex has historically compensated its directors through the payment of director fees, this practice was suspended in 2016. Vertex has not, since the beginning of 2016, paid any compensation to its directors.

The board of directors plays a central role in enhancing shareholder value. Due to this, following Completion of the Qualifying Transaction, the Resulting Issuer will adopt a new director compensation program that is designed to attract and retain highly qualified people to serve on the board of directors and takes into account the risks and accountabilities of being a director. The new program is also designed to align the interests of the directors with those of the shareholders and discourage risk taking, as set out in the Governance, HSE and Compensation Committee Charter. Each year, the Governance, HSE and Compensation Committee, which is to be composed of not less than two members of the board of directors, at least two of which qualify as independent directors, will review the adequacy and form of directors' compensation to ensure it is competitive and realistically reflects the risks and accountabilities involved in serving on the board. The new director compensation program will be composed of three elements: (1) meeting fees, (2) retainers for directors and for directors acting as Chair of the board of directors or of a committee, and (3) the eligibility for grants of Resulting Issuer Options. Directors will be compensated for reasonable out of pocket expenses and travel fees, but will not receive special benefits or perquisites. It is the belief of the Governance, HSE and Compensation Committee that this combination of fixed cash compensation and share-based award compensation will compensate the directors of the board for their time and expertise and ensure their interests are aligned with creating long term shareholder value through their tenure on the board of directors.

The board of directors will not compensate Mr. Stephenson or Mr. Clemett for their service on the board of directors beyond the compensation they receive as President and Chief Executive Officer of Vertex (and the Resulting Issuer) and Executive Vice President of Vertex (and the Resulting Issuer), respectively.

Compensation for directors who are not employees of the Resulting Issuer will be as follows: annual retainer of \$50,000 for the board of directors Chair and \$25,000 for each other board of directors member; an annual retainer of \$5,000 for the Chair of the Audit Committee and \$3,000 for the Chair of each other committee as established by the board of directors; board of directors meeting fee of \$1,000 per meeting attended; and committee meeting fee of \$500 per meeting attended.

### ***Minimum Share Ownership Requirements***

Vertex's board of directors believes that the economic interests of its executives and directors should be aligned with those of shareholders. To achieve this, the board of directors approved minimum share ownership guidelines for the executives and directors such that, within a three-year period of becoming a board member or an NEO, each director or NEO is required to own shares or stock options as per the following guideline: (1) each director is required to own Vertex Common Shares or options exercisable for Vertex Common Shares with a market value of at least \$50,000, (2) the President and Chief Executive Officer is required to own Vertex Common Shares or options exercisable for Vertex Common Shares equivalent to five times their annual base compensation, and (3) all other NEOs are required to own Vertex Common Shares or options exercisable for Vertex Common Shares equivalent to two times their annual base compensation.

As at June 30, 2017 all then-current directors and NEOs met or exceeded their mandatory ownership requirements. Mr. Zvonkovic and Mr. O'Connor will have three years from their respective start dates to satisfy their mandatory ownership requirements.

### ***Term Limits***

The board of directors has not and does not believe it should establish term limits. It is the belief that consecutive terms will ensure the continuity of expertise. Although having limits could help ensure fresh ideas and viewpoints on the board of directors, it poses the disadvantage of losing the contribution of directors who have been able to

develop, over a period of time, increasing insight into Vertex's operations and, therefore, provide an increasing contribution to the board of directors as a whole.

The Governance, HSE and Compensation Committee will review each director's compensation on the board of directors at minimum once per year, and as often thereafter as is required (as an alternative to term limits). Each director is given the opportunity to confirm his or her desire to continue as a member of the board of directors; although it is generally expected that a director shall hold office for the entire term, or until they are removed by the board of directors or until their successor is appointed. Although the board of directors has not adopted a formal policy regarding a retirement age for directors, it believes that once a director reaches the age of 75 his or her continued service on the board of directors should be reviewed by both the Governance, HSE and Compensation Committee and the board of directors.

Upon retirement or resignation from the board of directors, a director is not entitled to, nor receives, any form of retirement compensation. The only payment received by a director upon retirement or resignation is the vested portion on his or her Vertex Options.

#### ***Indebtedness of Directors and Executive Officers***

Management of Vertex is not aware of any indebtedness outstanding to Vertex by the directors, executive officers and employees or former directors, executive officers and employees of Vertex, including indebtedness under securities purchase and other programs, as at the fiscal year ended December 31, 2016 or as at June 30, 2017.

#### **Directors and Officers Insurance**

Vertex carries on its own behalf a directors' and officers' liability insurance policy. This policy has a coverage limit of \$5,000,000. The annual premium paid by Vertex in the last completed fiscal year in respect of its directors' and officers' liability insurance as a group was \$7,893 covering the period February 28, 2017 to February 28, 2018.

#### **Compensation Governance**

##### ***Composition of the Governance, HSE and Compensation Committee***

Vertex's Governance, HSE and Compensation Committee is required to be comprised of not less than two members of the board of directors. At minimum, two committee members shall qualify as an independent director for the purpose of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation. Following Completion of the Qualifying Transaction, the members of the Governance, HSE and Compensation Committee are expected to be Mr. Butlin (Chair) and Mr. O'Connor.

##### ***Accountabilities, Powers and Operations of the Governance, HSE and Compensation Committee***

Pursuant to the Governance, HSE and Compensation Committee's Charter, it is charged with the accountability of reviewing and approving the recommended compensation program for NEOs of Vertex, including base salaries, the adjusted EBITDA based cash incentive program, the long term incentive program which includes share-based awards. With the exception of the Vertex Option Plan, which is maintained solely by the Governance, HSE and Compensation Committee, the Committee then presents their recommendations and/or modifications on the compensation program to the board of directors for final approval. The Governance, HSE and Compensation Committee, in conjunction with the board of directors, periodically reviews the base salary and other compensation of the Company's Chief Executive Officer, keeps itself apprised of non-Chief Executive Officer compensation and provides the Chief Executive Officer (who is accountable for establishing the terms of employment of officers, other than himself) with such advice and direction as may be solicited by the Chief Executive Officer or as the Governance, HSE and Compensation Committee may consider appropriate in relation to non-Chief Executive Officer Compensation.

Base salary for all non-executive employees is reviewed and approved annually by Vertex's executive management team.

The mandate of the Governance, HSE and Compensation Committee also includes the accountability to ensure that an appropriate and effective corporate governance system is in place for the overall board stewardship and to

propose and evaluate new nominees to the board of directors. The board of directors, as a whole, completes an extensive questionnaire to evaluate the performance and strengths of the current directors. This questionnaire is used by the Governance, HSE and Compensation Committee in their evaluation of the overall board of directors efficiency and effectiveness.

#### ***Risk Mitigation in the Compensation Program***

As part of its mandate in reviewing the compensation philosophy and guidelines for executive management, the Governance, HSE and Compensation Committee reviews the compensation program to align the pay outcomes with Vertex's risk management strategies to discourage inappropriate risk taking by the executive team.

Compensation Consultant or Advisor

The Governance, HSE and Compensation Committee has the ability to retain third party compensation consultants or advisors to evaluate executive and director compensation.

#### **Employment Agreements**

##### ***Non-Competition and Non-Solicitation***

All employees of Vertex are subject to non-competition or non-solicitation agreements in varying scope and duration. Mr. Stephenson's agreement restricts him from (a) soliciting Vertex customers for whom Vertex has undertaken business development efforts during the last two years of his employment, (b) soliciting or attempting to solicit any Vertex staff, and (c) competing with Vertex's business in Canada or the United States. These restrictions apply for two years following the termination of his employment. The Chief Financial Officer is subject to similar restrictions; however, his covenants apply for one year following the termination of his employment. Other Vertex staff are generally subject to agreements that restrict competition and solicitation of Vertex staff for a period of one year following termination of employment and restrict solicitation of clients or prospective clients for a period of two years following termination of employment.

##### ***Confidentiality***

All employees of Vertex are subject to confidentiality agreements that apply indefinitely. Following the termination of an employee's employment, all notes, data and information accumulated or developed by the employee must be returned to Vertex. All such information remains confidential and employees are prohibited from disclosing such information in a manner that is not expressly permitted by the confidentiality agreement.

##### ***Benefits on Termination and Change of Control***

Vertex pays no additional benefit to any NEO upon termination or change of control other than what is required by the applicable legislation.

#### **Management Contracts**

Management functions of Vertex are substantially performed by directors or senior officers of Vertex and have not been performed, to any substantial degree, by any other person with whom Vertex has contracted.

#### **Non-Arm's Length Party Transactions**

Vertex currently rents two facilities from a private company owned by an executive director at fair market rates. Total rent paid during the six months ending June 30, 2017 was \$450,000 in cash (\$700,000 in cash in 2016 and \$490,000 in cash in 2015). The executive director acquired one of these facilities from Vertex in May 2016 for \$4,972,681 in cash and the sale resulted in a capital gain of \$1,154,053 in the same year. Proceeds of the sale were used to reduce Vertex's debt. Vertex and the executive director entered into a sales leaseback agreement in respect of the property.

In the first quarter of 2017, Vertex acquired some fluid storage equipment from a private company that is owned or controlled by another executive director for \$489,000 in cash. In the second quarter of 2017, Vertex sold property and equipment to this same entity for cash proceeds of \$75,000. Both transactions were estimated by Vertex management to be at fair market value.

**Legal Proceedings**

Neither Vertex nor any of its subsidiaries is a party to, nor is any of their respective property the subject matter of, any legal proceedings, nor are any such proceedings known to Vertex to be contemplated by any party.

**Material Contracts**

Vertex has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than the Pre-Acquisition Agreement (see Part I – “*Summary of Filing Statement – The Qualifying Transaction*”).

Copies of material contracts will be available for inspection without charge at the office of Stikeman Elliott LLP, 4300 Bankers Hall West, 888-3<sup>rd</sup> Street, SW, Calgary, Alberta, T2P 5C5, during ordinary business hours from the date hereof until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

## **PART IV - INFORMATION CONCERNING THE RESULTING ISSUER**

### **Corporate Structure**

#### ***Name and Incorporation***

In connection with Completion of the Qualifying Transaction, Vier, Vertex and Kineticchem will amalgamate under the vertical, short-form amalgamation provisions of the ABCA and continue to carry on business under the name “Vertex Resource Group Ltd.”. Other than with respect to the name of the Resulting Issuer, the constating documents of the Resulting Issuer will be the same as the current constating documents of Vier.

It is expected that, following Completion of the Qualifying Transaction, the Resulting Issuer’s head and registered office will be located at 2200, 10235 – 101<sup>st</sup> Street NW, Edmonton, Alberta, T5J 3G1.

#### ***Intercorporate Relationships***

Following the Completion of the Qualifying Transaction, the material direct and indirect subsidiaries of the Resulting Issuer, and the ownership thereof, will be the same as the current material direct and indirect subsidiaries of Vertex. See Part III “*Information Concerning Vertex – Corporate Structure – Intercorporate Relationships*”.

### **Narrative Description of the Business**

#### ***Stated Business Objectives***

Following Completion of the Qualifying Transaction, the Resulting Issuer will carry on the business of Vertex and use the funds available to it as stated in this Filing Statement. The Resulting Issuer is expected to have the same management team and the same employees as Vertex and is expected to continue with Vertex’s business plan, including as described under the heading “*7.0 Outlook*” in Vertex’s management’s discussion and analysis for the six months ended June 20, 2017, which is attached as Appendix “E”.

The Resulting Issuer’s business objective will be to continue with Vertex’s business as currently operated by it and consider possibilities for expanding the business. In connection with continuing with Vertex’s business as currently operated, the Resulting Issuer is expected to incur net capital expenditures of approximately \$5 million in the 18 months following Completion of the Qualifying Transaction, which expenditures are expected to be spread fairly evenly over the next six quarters. The capital expenditure budget is structured such that it can be reduced by the Resulting Issuer in the event that industry activity and demand for the Resulting Issuer’s services fall short of expectations. Approximately \$2.7 million of the total capital expenditure budget is anticipated to go toward organic growth activities to assist the Resulting Issuer in delivering on its growth plans. The Resulting Issuer is expected to fund these capital expenditures out of earnings and working capital.

Vertex currently does not have, and immediately following Completion of the Qualifying Transaction the Resulting Issuer is not expected to have, any planned or identified acquisitions. In connection with considering possibilities for expanding its business, the Resulting Issuer will continually seek accretive, synergistic acquisitions and organic growth opportunities. These opportunities, if found, would allow the Resulting Issuer to further grow its service lines and diversify geographically and industrially. However, there is no certainty regarding if or when such opportunities may arise and, if they do arise, whether they could be completed on terms acceptable to the Resulting Issuer or at all.

See “*Available Funds and Principal Purposes*” below and Part III – “*Information Concerning Vertex – Narrative Description of the Business*”.

#### ***Milestones***

The Resulting Issuer does not anticipate that any significant event must occur for the business objectives described above to be accomplished. The business of the Resulting Issuer will be self-sustaining and it is anticipated that revenue will be sufficient to pay estimated expenses .

## Description of the Securities

The authorized capital of the Resulting Issuer will be the same as the current authorized capital of Vier. The holders of Resulting Issuer Shares will be entitled to the same rights as the holders of the Vier Common Shares were prior to Completion of the Qualifying Transaction. See Part II – “*Information Concerning Vier – Description of the Securities*”.

Upon Completion of the Qualifying Transaction it is expected that the following securities will be issued and outstanding in the capital of the Resulting Issuer: 86,508,459 Resulting Issuer Shares; Resulting Issuer Options entitling the holders thereof to purchase an aggregate of 73,500 Resulting Issuer Shares; the Agent’s Option entitling PI Financial Corp. to purchase an aggregate of 35,000 Resulting Issuer Shares; and Resulting Issuer Warrants entitling the holders thereof to purchase up to an aggregate of 2,197,206 Resulting Issuer Shares. See “*Fully Diluted Share Capital*” below. The Agent’s Option is expected to be exercised following Completion of the Qualifying Transaction, but prior to the issuance of the Final Exchange Bulletin. If the Agent’s Option is not exercised prior to the issuance of the Final Exchange Bulletin it will expire in accordance with the extension granted by the Exchange. See Part II “*Information Concerning Vier – General Development of the Business – History*”.

Subject to the approval of the board of directors of the Resulting Issuer, the Resulting Issuer may also issue additional incentive stock options to its directors, officers, employees and consultants after Completion of the Qualifying Transaction. See “*Options to Purchase Securities*” below. In addition, the Resulting Issuer may adopt additional security-based compensation arrangements providing for the issuance of different types of securities to its directors, officers, employees and consultants.

## Pro Forma Consolidated Capitalization

The following table sets forth the pro forma share capital and loan capital of the Resulting Issuer as at June 30, 2017, based on the pro forma statement of financial position contained in this Filing Statement as Appendix “F”, after giving effect to the Qualifying Transaction.

Designation	Amount Authorized or to be Authorized	Assuming Completion of the Qualifying Transaction <sup>(7)</sup>
<b>Indebtedness</b>		
Operating loan <sup>(1)</sup>	\$20,000,000	\$10,708,816
Senior term loan <sup>(2)</sup>	\$40,000,000	\$40,000,000
Term loan <sup>(3)</sup>	\$425,000	\$108,308
Subordinated loan <sup>(4)</sup>	\$5,500,000	\$5,500,000
Lease liabilities <sup>(5)</sup>	\$2,000,000	\$1,313,691
<b>Share Capital</b>		
Resulting Issuer Shares <sup>(6)</sup>	Unlimited	86,508,459
Share Capital <sup>(6)</sup>	N/A	\$78,589,506

Notes:

- (1) HSBC Bank Canada operating loan committed until June 22, 2020. This revolving facility bears interest at rates ranging from HSBC prime plus 1.25%-2.75% based on the funded debt to adjusted EBITDA ratio for the preceding quarter. Can be drawn as a prime loan, or Bankers’ Acceptance or letter of credit. The loan is secured by a first charge on working capital and a second charge on property and equipment.
- (2) Midstar Lending Corp. senior term facility maturing June 22, 2022. The facility bears interest at the greater of 1.0% or the 30 day Bankers’ Acceptance rate quoted from the Bank of Canada plus 8.0%. The loan is secured by a first charge on property and equipment and a second charge on working capital and both interest and principal are payable in quarterly instalments.
- (3) Canadian Western Bank term loan maturing July 2018. This loan bears interest at 7.25%, pays principal and interest monthly and is secured by specific assets.
- (4) BDC Capital Inc. subordinated loan maturing June 30, 2022. This loan bears interest at 14.0%, pays interest monthly and is secured by a third charge on all assets of Vertex.
- (5) Capital lease liabilities, each secured by specific assets. Multiple maturity dates ranging from one to four years. Principal and interest is paid monthly and interest rates range from 5.2%-9.1%.

- (6) Does not include: (i) 73,500 Resulting Issuer Shares that will be issuable upon exercise of the Resulting Issuer Options; (ii) 35,000 Resulting Issuer Shares that will be issuable upon exercise of the Agent's Option; (iii) 2,197,206 Resulting Issuer Shares that will be issuable upon exercise of the Resulting Issuer Warrants, or (iv) 1,924,700 shares that will be issuable to settle the Vertex Promissory Notes. The Agent's Option is expected to be exercised following Completion of the Qualifying Transaction but prior to the issuance of the Final Exchange Bulletin. See Part IV – "Information Concerning the Resulting Issuer" under the headings, "Fully Diluted Share Capital" and "Options to Purchase Securities".
- (7) The pro forma deficit of the Resulting Issuer as of June 30, 2017 was \$19,753,490.

### ***Fully Diluted Share Capital***

The following table summarizes the securities of Vier and Vertex currently issued and outstanding and the securities of the Resulting Issuer to be issued and outstanding following the Completion of the Qualifying Transaction:

	Number of Securities	Percentage of Total Number of Resulting Issuer Shares Outstanding Following Completion of the Qualifying Transaction	
		(undiluted)	(fully-diluted)
Vier Common Shares outstanding as of the date of this Filing Statement (on a post-consolidation basis)	735,000	0.85%	0.81%
Resulting Issuer Shares to be issued as consideration for the Vertex Common Shares	85,773,459	99.15%	94.53%
<b>Total Resulting Issuer Shares (undiluted)</b>	<b>86,508,459</b>	<b>100%</b>	<b>95.34%</b>
Resulting Issuer Shares Issuable upon exercise of the Resulting Issuer Options	73,500	-	0.08%
Resulting Issuer Shares Issuable upon exercise of the Agent's Option <sup>(1)</sup>	35,000		0.04%
Resulting Issuer Shares Issuable upon exercise of the Resulting Issuer Warrants	2,197,206	-	2.42%
Resulting Issuer Shares Issuable to repay Promissory Notes <sup>(2)</sup>	1,924,700	-	2.12%
<b>Total Resulting Issuer Shares (fully diluted)</b>	<b>90,738,865</b>	<b>-</b>	<b>100%</b>

Notes:

- (1) The Agent's Option is expected to be exercised following Completion of the Qualifying Transaction but prior to the issuance of the Final Exchange Bulletin.
- (2) In connection with the Amalgamation, the Vertex Promissory Notes will become an obligation of the Resulting Issuer. The Resulting Issuer will enter into amending agreements with the holders of the Vertex Promissory Notes whereby the Vertex Promissory Notes will be repaid in January 2018 for an aggregate of 1,924,700 Resulting Issuer Shares at a price of \$0.92 per Resulting Issuer Share.

### **Estimated Available Funds and Principal Purposes**

#### ***Funds Available***

It is anticipated that following Completion of the Qualifying Transaction, the Resulting Issuer will have approximately \$26,474,100 in available funds, which will be used as set forth below. See Appendix "D" – *Financial Statements of Vertex* and Appendix "F" – *Pro Forma Financial Statements of the Resulting Issuer*.

The following table sets forth the funds anticipated to be available to the Resulting Issuer on a consolidated basis after giving effect to the Qualifying Transaction:

<b>Source of Funds</b>	<b>Available Funds (\$)</b>
Approximate Working Capital as of August 31, 2017	20,250,000
Remaining Estimated Costs of Transaction <sup>(1)</sup>	250,000
Undrawn Amounts under Operating Loan and Term Loan as of August 31, 2017 <sup>(2)</sup>	6,474,100
<b>Total Available Funds<sup>(3)</sup></b>	<b>26,474,100</b>

Notes:

- (1) Estimated costs include the amounts estimated to be spent on legal, auditor and TSXV fees and related costs.
- (2) Undrawn amounts under Vertex's operating loan and term loan following as of August 31, 2017. See Part III – *“Information Concerning Vertex – Consolidated Capitalization”*.
- (3) “Total Available Funds” is working capital less net remaining costs of the Transaction plus other funds available to the Resulting Issuer.

The ongoing business operations of the Resulting Issuer are expected to generate revenue sufficient to cover its ordinary course business expenses. As such, management currently intends to use the available funds for reserve Working Capital and to fund a portion of the Resulting Issuer's approximately \$5.0 million capital expenditure budget for the 18 months following Completion of the Qualifying Transaction; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. See Part IV – *“Information Concerning the Resulting Issuer – Narrative Description of the Business – Stated Business Objectives”*.

### **Dividends**

Other than as described below, there are no restrictions in the Resulting Issuer's articles or elsewhere which could prevent the Resulting Issuer from paying dividends subsequent to the completion of the Transaction. The Resulting Issuer does not contemplate paying any dividends on any shares of the Resulting Issuer in the immediate future subsequent to the Completion of the Qualifying Transaction, as it anticipates investing all available funds to finance the growth of the Resulting Issuer's business. The board of directors of the Resulting Issuer will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid on a per share basis. Any planned dividends would require lender approval prior to distributions.

Under Vertex's borrowing arrangements, which will become the borrowing arrangements of the Resulting Issuer at Closing, Vertex and its subsidiaries are restricted from declaring and making dividend payments or other distributions of assets, properties, cash, rights, obligations or securities, or purchasing, redeeming or otherwise acquiring for value any outstanding Vertex Common Shares unless: (i) such payment would not cause an event of default under the borrowing arrangements; (ii) such payment would not breach any financial covenant under the borrowing arrangements; and (iii) the lender under the borrowing arrangement has given its prior written consent.

In addition, the payment of dividends by a corporation is governed by the liquidity and insolvency tests described in the ABCA. Pursuant to the ABCA, after the payment of a dividend, the corporation must be able to pay its liabilities as they become due and the realizable value of its assets must be greater than its liabilities and the legal stated capital of its outstanding securities.

### **Principal Securityholders**

To the best of the knowledge of management and the directors of Vier and Vertex, other than as set out in the following table, there is no Person who will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to all of the outstanding shares of the Resulting Issuer after Completion of the Qualifying Transaction.

<b>Name and Municipality of Residence</b>	<b>Ownership</b>	<b>Resulting Issuer Shares Upon Completion of the Qualifying Transaction<sup>(1)</sup> (\$)</b>
Brian Butlin <i>Edmonton, Alberta</i>	Of Record and Beneficially	10,073,709 Resulting Issuer Shares (11.64%)
Terry Stephenson <i>Sherwood Park, Alberta</i>	Of Record and Beneficially	13,964,054 Resulting Issuer Shares (16.14%)
32 Degrees <i>Calgary, Alberta</i>	Control or Direction	16,791,061 Resulting Issuer Shares (19.41%)
Clemett Capital Corp. <sup>(2)</sup> <i>Calgary, Alberta</i>	Of Record and Beneficially	15,546,705 Resulting Issuer Shares (17.97%)

Notes:

- (1) On a fully diluted basis, Brian Butlin would own 11,172,312 Resulting Issuer Shares (12.31%), Terry Stephenson would own 15,062,657 Resulting Issuer Shares (16.60%), 32 Degrees would own 16,791,061 Resulting Issuer Shares (18.50%) and Clemett Capital Corp. would own 15,546,705 Resulting Issuer Shares (17.13%).
- (2) Jason Clemett, the proposed Executive Vice President of the Resulting Issuer is the sole shareholder and director of Clemett Capital Corp.

### **Directors, Officers and Promoters**

It is expected that upon Completion of the Qualifying Transaction, the individuals disclosed in the table below will be the directors and officers of the Resulting Issuer, with the term of office of the directors to expire on the date of the next annual general meeting of the shareholders of Resulting Issuer.

The following table lists the name, municipality of residence, proposed office, principal occupation and anticipated shareholdings of each proposed director and officer of the Resulting Issuer.

<b>Name and Municipality of Residence</b>	<b>Positions and Offices to be Held</b>	<b>Principal Occupation During the Past Five Years<sup>(6)</sup></b>	<b>Resulting Issuer Shares Owned, Beneficially Held or Controlled Assuming Completion of the Qualifying Transaction<sup>(7)</sup></b>	<b>Director or Officer of Vertex Since</b>
Brian Butlin <sup>(1)</sup> <i>Edmonton, Alberta</i>	Director and Chairman	Brian Butlin was Chairman and Chief Executive Officer of Flint Energy Services Ltd. from 1992 to 2001 and Chief Executive Officer from 2001 to 2005, remaining a director until 2007 and has since acted as a director for other private companies.	10,073,709 Resulting Issuer Shares (11.64%)	February 6, 2007

Name and Municipality of Residence	Positions and Offices to be Held	Principal Occupation During the Past Five Years <sup>(6)</sup>	Resulting Issuer Shares Owned, Beneficially Held or Controlled Assuming Completion of the Qualifying Transaction <sup>(7)</sup>	Director or Officer of Vertex Since
Terry Freeman <sup>(2)</sup> <i>Edmonton, Alberta</i>	Director	Terry Freeman has been Head of Investments of ATB Investments Capital since January 2016, has been Chairman and Chief Executive Officer of Magnum Energy Services since 2011, Managing Director of Northern Plains Capital from 2007 to 2012, and was previously director & Chief Financial Officer of Flint Energy Services Ltd.	Nil	June 2, 2013
Trent Baker <sup>(3)(8)</sup> <i>Calgary, Alberta</i>	Director	Trent Baker has been a Managing Partner of 32 Degrees Capital since 2007.	Nil	March 1, 2016
Stuart O'Connor <sup>(4)</sup> <i>Calgary, Alberta</i>	Director	Co-founder & Chairman of Fitzroy Developments Ltd. and co-founder and Director of Arcurve Inc. Previously President and Chief Executive Officer of Merak Projects Ltd, and was Director and Chairman of Flint Energy Services Ltd. from 1998-2012. Past Partner at Bennett Jones LLP.	Nil	N/A
Terry Stephenson <sup>(5)</sup> <i>Sherwood Park, Alberta</i>	Director, President and Chief Executive Officer	Terry Stephenson has been the President of Vertex since 2005.	13,964,054 Resulting Issuer Shares (16.14%)	April 4, 2005
Michael Zvonkovic <i>Edmonton, Alberta</i>	Chief Financial Officer and Corporate Secretary	Michael Zvonkovic was an Executive Financial Consultant from November 2009 to August 2017. Mr. Zvonkovic was also Executive Vice President and Chief Financial Officer of FIRMA Foreign Exchange Corporation from September 2012 to June 2016.	Nil	September 1, 2017

Name and Municipality of Residence	Positions and Offices to be Held	Principal Occupation During the Past Five Years <sup>(6)</sup>	Resulting Issuer Shares Owned, Beneficially Held or Controlled Assuming Completion of the Qualifying Transaction <sup>(7)</sup>	Director or Officer of Vertex Since
Jason Clemett <i>Calgary, Alberta</i>	Executive Vice President	Jason Clemett has been the Executive Vice President of Vertex since October 2016. Mr. Clemett was the Chief Executive Officer of Red Giant Energy Services Ltd. from August 2014 to October 2016. Prior to that, Mr. Clemett was a member of the executive of Trinidad Drilling Ltd. from 2006 to 2014.	15,546,705 Resulting Issuer Shares <sup>(9)</sup> (17.97%)	October 1, 2016
Paul Blenkhorn <i>Calgary, Alberta</i>	Vice President, Consulting Services	Paul Blenkhorn has been the Vice President, Consulting of Vertex since 2006.	284,430 Resulting Issuer Shares (0.33%)	June 1, 2006
Deon Walsh <i>Regina, Saskatchewan</i>	Vice President, Environmental Services	Deon Walsh has been the Vice President, Environmental Services of Vertex since February 2016. Until October 2015, Mr. Walsh was the Senior Vice President Oilfield Services for North America of AECOM.	38,000 Resulting Issuer Shares (0.04%)	February 8, 2016
Sherry Bielopotocky <i>Sherwood Park, Alberta</i>	Vice President, Corporate Services	Sherry Bielopotocky has been the Vice President, Corporate Services of Vertex since 2015, prior to which Ms. Bielopotocky was a Corporate Controller at Vertex.	54,287 Resulting Issuer Shares (0.06%)	April 1, 2005
Howard Start <i>Sherwood Park, Alberta</i>	Vice President, Finance	Howard Start has been the Vice President, Finance of Vertex since 2007.	193,367 Resulting Issuer Shares (0.22%)	October 1, 2007

Notes:

- (1) Chair of the Governance, HSE and Compensation Committee.
- (2) Chair of the Audit Committee.
- (3) Member of the Audit Committee. Notwithstanding that Mr. Baker is a representative of 32 Degrees, the Vertex board of directors has determined he is independent within the meaning of National Instrument 52-110 – Audit Committees and National Instrument 58-201 – Corporate Governance Guidelines.
- (4) Member of the Governance, HSE and Compensation Committee.
- (5) Member of the Audit Committee.
- (6) For a complete description of the proposed directors, officers and other management personnel of the Resulting Issuer, see “Directors, Officers and Promoters – Biographies” below.
- (7) All percentages are on a non-diluted basis and include shares held directly and indirectly, or over which control or direction is exercised.

- (8) Mr. Baker is a Managing Partner of 32 Degrees Capital and is a representative of 32 Degrees, which is a principal securityholder that will holding an aggregate of 16,791,061 Resulting Issuer Shares (19.41%).
- (9) These shares are registered in the name of Clemett Capital Corp., of which Mr. Clemett is the Director, President and sole shareholder.

Lawrence Evans and Barry Hubich, both of Calgary, Alberta, have served as directors of Vertex since August 28, 2015 and September 30, 2016, respectively, and will continue to serve as directors of Vertex up to the time of the Transaction but will not be directors of the Resulting Issuer.

Each director will hold office until the next annual meeting of shareholders of the Resulting Issuer at which time any or all of the directors may be elected to hold office for a term expiring no later than the close of the next annual meeting of shareholders of the Resulting Issuer. All of the officers will be full time employees of the Resulting Issuer.

Upon completion of the Qualifying Transaction, the Resulting Issuer Shares beneficially owned, directly or indirectly, by all directors and officers of the Resulting Issuer, as a group, will be 40,154,552 Resulting Issuer Shares or approximately 46.42% (non-diluted) of the Resulting Issuer Shares then to be issued and outstanding. All Resulting Issuer Shares held by the directors and officers of the Resulting Issuer will be held in escrow. See Part IV – “*Information Concerning the Resulting Issuer – Escrowed Securities*”.

### ***Biographies***

The following are biographies of the proposed directors and officers of the Resulting Issuer:

#### ***Brian Butlin – Director***

Brian Butlin, age 67, has been Chairman of the Vertex board of directors since February 6, 2007 and is expected to be the Chairman of the Resulting Issuer. As Chairman of the Vertex board of directors, Mr. Butlin provides vision, mentorship and leadership to the Vertex management team.

Previously, Mr. Butlin was the Chairman and Chief Executive Officer of Flint Energy Services Ltd. (“**Flint**”), a publicly traded energy company, until 2007 and 2005, respectively. Under his guidance, Flint grew from a small Canadian oilfield services firm to a public corporation with over 7,500 employees, 49 North American locations and \$1 billion of revenues. During Mr. Butlin’s 25-year tenure at Flint and its predecessor company, HMW Construction Ltd., he led the acquisition of over 29 companies and the listing of Flint on the Toronto Stock Exchange.

Mr. Butlin is currently a Director of The Crossing Company. Previously, Mr. Butlin was a Director of the Edmonton Eskimo’s Football Club, Graham Construction Ltd., Derrick Golf & Winter Club and past Chairman of the Northern Alberta Institute of Technology.

Mr. Butlin holds a Bachelor of Science degree in Business Administration from the Michigan Technological University.

#### ***Terry Freeman – Director***

Terry Freeman, age 57, is currently Head of Investments for ATB Capital, a private equity firm making minority equity investments in Alberta based companies.

In the past, Mr. Freeman has served as Managing Director of Northern Plains Capital, a niche private equity firm specializing in growth oriented oil field services and energy industrial investments. Founded in 2005, Northern Plains Capital had \$140 million under management in three funds and made 17 investments in various companies. As a Managing Director, Mr. Freeman was responsible for sourcing investments and investors, driving strategy, value creation and eventual exits for investments and corporate governance at a Board of Directors level. Terry also spent fifteen years as Chief Financial Officer of Flint and its predecessors, where he managed the financial and administrative operations of the company including investor and banking relations, risk management, mergers and acquisitions and various other executive responsibilities including acting as Corporate Secretary. He spent five years on the board of Flint after his tenure as Chief Financial Officer until its eventual sale. He currently sits on the boards

of a number of private construction, energy services, and private equity and real estate ventures as well as on the board of directors of McCoy Global Inc., a publicly traded oilfield services company.

In addition to these roles, Mr. Freeman has held multiple volunteer positions with the Chartered Professional Accountants of Alberta, Chief Financial Officer Leadership Program, the University of Alberta, and various other community and charitable organizations.

Mr. Freeman graduated from the University of Alberta in 1982 with a Bachelor of Commerce degree, is a Fellow of the Chartered Professional Accountants of Alberta and holds the ICD.D designation from the Institute of Corporate Directors.

*Trent Baker – Director*

Trent Baker, age 36, is a managing partner for 32 Degrees Capital, a private equity firm focused on investing in Canadian oil and gas opportunities with approximately \$200 million under management. Mr. Baker has been with the firm since 2007, and is responsible for deal sourcing, driving strategy and value creation, investment due diligence, and investor relations.

Prior to joining 32 Degrees Capital Mr. Baker worked in the audit department of KPMG LLP. He currently serves on the board of directors of CORE Linepipe Inc., Sphere Energy Corp. and HPC Energy Services Ltd. and has served on the board of directors of a number of previous companies.

Mr. Baker holds a Bachelor of Commerce degree from Queen's University, is a member of the Chartered Professional Accountants of Alberta, and is a CFA charter holder.

*Stuart O'Connor – Director*

Mr. O'Connor, age 56, is currently the President of Timber Ridge Capital Ltd., a private holding and advisory company.

In the past, Mr. O'Connor has served as a Director and as Chairman of Flint, Director of IROC Energy Services Corp., President and Chief Executive Officer of Merak Projects Ltd., a software company focused on the international oil and gas industry, and as a Partner with Bennett Jones LLP, a national law firm where he practiced corporate and securities law. He currently sits on the boards of a number of private construction, software services, and real estate ventures.

Mr. O'Connor is also active in the community and currently serves with various organizations including on the Board of Directors of the Calgary Stampede and of Hull Services.

Mr. O'Connor holds a Bachelor of Science (Chemical Engineering) degree from University of Calgary and a Bachelor of Laws degree from Queen's University in Kingston, Ontario.

*Terry Stephenson – Director, President and Chief Executive Officer*

Terry Stephenson, age 43, founded and became President of Vertex in 2005. As President, Mr. Stephenson is responsible for Vertex's day-to-day operations.

Mr. Stephenson began his career with KPMG LLP gaining experience in audit, due diligence, valuations and taxation, where he advanced to Manager with a heavy clientele of construction clients. Mr. Stephenson joined Flint as the Director of Finance, where he was responsible for merger and acquisition transaction structure, support and execution along with public company compliance, tax planning and treasury management. In 2005, Mr. Stephenson founded Blackjack Investments Ltd., a privately held investment company focused on investments in the energy and resources sector.

Mr. Stephenson holds a Bachelor of Commerce degree from the University of Alberta and is a Chartered Professional Accountant.

*Michael Zvonkovic – Chief Financial Officer and Corporate Secretary*

Michael Zvonkovic, age 40, became Chief Financial Officer and Corporate Secretary of Vertex on September 1, 2017.

Prior to his position with Vertex, Mr. Zvonkovic was an Executive Financial Consultant with MMZ Professional Services from 2009 to 2017. Mr. Zvonkovic also held the positions of Executive Vice President and Chief Financial Officer with FIRMA Foreign Exchange Corporation from 2012 to 2016. Mr. Zvonkovic was the Vice President, Financial Reporting and Vice President, Finance of The Cash Store Financial Services Inc., a Toronto Stock Exchange and New York Stock Exchange listed issuer, from 2007 to 2012.

Mr. Zvonkovic holds a Bachelor of Commerce degree from the University of Alberta and is a Chartered Professional Accountant.

*Jason Clemett – Executive Vice President*

Jason Clemett, age 45, has been Executive Vice President of Vertex since October 2016. Mr. Clemett is responsible for the daily operations of Vertex's rentals division, as well as Vertex's fluid management solutions service offering. Mr. Clemett is also responsible for the corporate safety program and for the sales and growth initiatives across all divisions at Vertex.

With over 20 years of oil and gas experience, Mr. Clemett was previously President and Chief Executive Officer of Red Giant Energy Services Ltd. Under his leadership, Red Giant Energy Services Ltd. grew to become a leading oilfield service company providing clients in the industrial and commercial sector with fluid management and logistic services in the Western Canadian Sedimentary Basin. Before founding Red Giant Energy Services Ltd., Mr. Clemett served as Senior Vice President, Sales and Marketing of Trinidad Drilling Ltd., where he was responsible for the sales and growth initiatives. Mr. Clemett quickly advanced to Chief Operating Officer, where he was responsible for Trinidad Drilling Ltd.'s daily operations in North America, Mexico and South America.

Mr. Clemett was a member of the Calgary Stampeder Football Club, winning a Grey Cup in 1998.

*Paul Blenkhorn – Vice President, Consulting Services*

Paul Blenkhorn, age 41, has been Vice President, Consulting Services of Vertex since 2006. Mr. Blenkhorn is responsible for the day-to-day operation of the consulting division of Vertex.

Mr. Blenkhorn began his career with Hood Packaging Corporation, a privately held manufacturing company in the paper converting and packing industry. At Hood Packaging Corporation, Mr. Blenkhorn gained experience in process improvement, capital investment, technical sales support, product development in a wide array of business efficiency and improving initiatives. Mr. Blenkhorn joined Pioneer Land Services Ltd. in 2006, as a project engineer but quickly became responsible for the development and growth of their environmental division.

Mr. Blenkhorn holds a Bachelor of Engineering Science degree from the University of Western Ontario and is a Professional Engineer, registered in both Alberta and Saskatchewan. Mr. Blenkhorn came to Calgary in 2000, after being drafted by the Calgary Stampeders. Mr. Blenkhorn remains active in the community, supporting the Stampeders alumni association and the United Way of Calgary.

*Deon Walsh – Vice President, Environmental Services*

Deon Walsh, age 50, has been Vice President, Environmental Services of Vertex since February 2016. Mr. Walsh is responsible for the day-to-day operations of the industrial cleaning, safety, and environmental services operations of Vertex.

With over 25 years of industrial maintenance and fluid services experience, Mr. Walsh was previously Senior Vice President Oilfield Services for North America with AECOM, a global infrastructure firm. Mr. Walsh served AECOM and its predecessors since 1993. Prior to 1993, Mr. Walsh was with CEDA International Corporation in Fort McMurray as Area Supervisor for industrial cleaning, maintenance and turnarounds.

Mr. Walsh is a graduate of the Queen's School of Business Executive Program and has successfully completed the Corporate Executive Program at the University of Alberta School of Business.

*Sherry Bielopotocky – Vice President, Corporate Services*

Sherry Bielopotocky, age 38, joined Vertex in 2005 as a Corporate Controller and was appointed Vice President of Corporate Services in 2015. Ms. Bielopotocky is responsible for Vertex's entire financial management, which includes budgeting, forecasting and planning, risk management, financial reporting, information technology, human resources and all administrative functions at Vertex.

Prior to joining Vertex, Ms. Bielopotocky began her career with Flint as a corporate accountant where she was responsible for maintaining all of the financial records of the organization. Ms. Bielopotocky has extensive experience in acquisitions and integrations and has a strong background in construction and the oil and gas industry.

Ms. Bielopotocky holds a Bachelor of Applied Business Administration - Accounting degree from the Northern Alberta Institute of Technology and is a Certified Professional Accountant.

*Howard Start – Vice President, Finance*

Howard Start, age 45, has been Vice President, Finance of Vertex since 2007. Mr. Start is responsible for treasury management and banking relationships, shareholder and board reporting, and tax compliance and planning.

Prior to joining Vertex, Mr. Start worked as a Senior Manager at KPMG LLP in Edmonton for ten years where he provided audit and advisory services, tax compliance and planning services to customers in the construction, manufacturing, and energy sectors.

Mr. Start is currently the Treasurer of the Sherwood Park Archery Club and a minor sport coach. Mr. Start holds a Bachelor of Commerce degree from the University of Alberta and is a Chartered Professional Accountant.

***Non-Competition and Non-Disclosure Agreements***

All of the officers of the Resulting Issuer will continue to be subject to the non-solicitation, non-competition and confidentiality agreements by which they are currently bound as officers of Vertex. See Part III – “*Information Concerning Vertex – Employment Agreements*”.

***Promoters***

Jason Krueger, of Vier, can be considered to be a promoter of Vier in that he took the initiative in founding and organizing Vier. Following Completion of the Qualifying Transaction, Mr. Krueger will have beneficial ownership of: (i) 55,000 Resulting Issuer Shares (0.06% of the issued and outstanding Resulting Issuer Shares), which Resulting Issuer Shares are held in escrow pursuant to the CPC Escrow Agreement; and (ii) Resulting Issuer Options to acquire an additional 14,184 Resulting Issuer Shares.

***Cease Trade Orders or Bankruptcies***

None of the proposed directors, officers, insiders or the Promoters of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within ten years before the date of this Filing Statement has been, a director, officer, insider or Promoter of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days; or

- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Freeman was a director of GLM Industries Ltd., a private company, until April 9, 2015. GLM Industries Ltd. was placed into receivership on July 6, 2015.

***Penalties or Sanctions***

None of the proposed directors, officers, insiders or the Promoters of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision

***Personal Bankruptcies***

None of the proposed directors, officers, insiders or the Promoters of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within the ten years before the date of this Filing Statement, has been declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

***Conflicts of Interest***

There may from time to time be potential conflicts of interest to which some of the directors, officers, insiders and Promoters of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. Certain of the individuals proposed for appointment as directors or officers of the Resulting Issuer are also directors, officers, and/or shareholders of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the ABCA to act at all times in good faith in the best interests of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise. Conflicts, if any, will be subject to the procedures and remedies provided for under the ABCA. The ABCA requires that directors and officers of the Resulting Issuer who are also directors or offices of a party which enters into a material contract with the Resulting Issuer or otherwise have a material interest in a material contract entered into by the Resulting Issuer must disclose their interest and, in certain circumstances, refrain from voting on any resolution of the Resulting Issuer’s directors to approve the material contract.

To the best of their respective knowledge, neither Vier nor Vertex is aware of the existence of any conflicts of interest between Vier or Vertex and any of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon Completion of the Qualifying Transaction, as of the date of this Filing Statement.

***Other Reporting Issuer Experience***

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or Promoters of other reporting issuers:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Trading Market</b>	<b>Position</b>	<b>From</b>	<b>To</b>
Terry Freeman	Flint Energy Services Ltd. McCoy Global Inc.	TSX TSX	Director Director	May 2007 September 2009	May 2012 Present

Name	Name of Reporting Issuer	Trading Market	Position	From	To
Michael Zvonkovic	The Cash Store Financial Services Inc.	TSX, NYSE	Vice President, Financial Reporting and Vice President, Finance	April 2007	August 2012
Trent Baker	Powder Mountain Energy Ltd.	TSX-V	Director	June 2014	June 2015
Jason Clemett	Trinidad Drilling Ltd.	TSX	Chief Operating Officer	October 2010	July 2014

### Executive Compensation

It is expected that compensation of directors and NEOs of the Resulting Issuer will be substantially similar to the current compensation for Vertex directors and NEOs, subject to the addition of a long term incentive program for NEOs and the reinstatement of fees for directors. See Part III – “*Information Concerning Vertex – Executive Compensation*”.

### Indebtedness of Directors and Officers

No director or officer of Vier or Vertex or any proposed director or officer of the Resulting Issuer, or any Associate or Affiliate of any of them was or ever has been indebted to Vier or Vertex nor has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Vier or Vertex.

### Investor Relations Arrangements

The Resulting Issuer has not entered into, and does not presently intend to enter into, any written or oral agreement or understanding with any person to provide promotional or investor relations services to either of them, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

### Options to Purchase Securities

Assuming Completion of the Qualifying Transaction there will be Resulting Issuer Options to acquire an aggregate of 73,500 Resulting Issuer Shares, the Agent’s Option to acquire an aggregate of 35,000 Resulting Issuer Shares and Resulting Issuer Warrants to acquire an aggregate of 2,197,206 Resulting Issuer Shares outstanding. The following table illustrates the number of options and warrants of the Resulting Issuer that will be held by the current and/or former officers, directors, employees and consultants of Vier, Vertex and the Resulting Issuer upon completion of the Qualifying Transaction. **The Resulting Issuer does not anticipate granting any other options or other securities exercisable for or convertible into Resulting Issuer Shares on or before the Closing of the Qualifying Transaction.**

Category	Number of Resulting Issuer Shares Under Option/Warrant	Exercise Price (\$/Resulting Issuer Share)	Market Value of Securities Under Option/Warrant on Grant Date (\$)	Market Value of Securities Under Option/Warrant on Date of Filing Statement <sup>(7)</sup> (\$)
Proposed Officers of the Resulting Issuer, as a group <sup>(1)</sup>	1,098,603	1.20	-	-
Proposed Directors of the Resulting Issuer who are not Officers, as a group <sup>(2)</sup>	1,098,603	1.20	-	-

Category	Number of Resulting Issuer Shares Under Option/Warrant	Exercise Price (\$/Resulting Issuer Share)	Market Value of Securities Under Option/Warrant on Grant Date (\$)	Market Value of Securities Under Option/Warrant on Date of Filing Statement <sup>(7)</sup> (\$)
Former Officers of the Resulting Issuer, as a group <sup>(3)</sup>	27,078	1.00	1.00	-
Former Directors of the Resulting Issuer who are not Officers, as a group <sup>(4)</sup>	46,422	1.00	1.00	-
Agent's Option <sup>(5)</sup>	35,000	1.00	1.00	-
<b>TOTAL<sup>(6)</sup></b>	<b>2,305,706</b>			

Notes:

- (1) Comprised of Resulting Issuer Warrants held by Terry Stephenson, proposed president and director of the Resulting Issuer.
- (2) Comprised of Resulting Issuer Warrants held by Brian Butlin, proposed director of the Resulting Issuer.
- (3) Comprised of Resulting Issuer Options held by David McGoey, director and chief financial officer of Vier, and Jason Krueger, director, president, chief executive officer, corporate secretary and promoter of Vier.
- (4) Comprised of Resulting Issuer Options held by Lonny Thiessen, Paul Crilly and Randy Ollenberger, directors of Vier.
- (5) The Agent's Option is expected to be exercised following Completion of the Qualifying Transaction but prior to the issuance of the Final Exchange Bulletin.
- (6) Table does not include 506,450 Vertex Common Shares that will be issuable to an employee (and the family trust of an employee) of the Resulting Issuer in January 2018 to settle the Vertex Promissory Notes, at a price of \$0.92 per Resulting Issuer Share.
- (7) As trading of the Vier Common Shares has been halted since May 4, 2017, the Market Value of Securities Under Option/Warrant on Date of Filing Statement is not reasonably ascertainable.

### ***Stock Option Plan***

Upon Completion of the Qualifying Transaction, the Resulting Issuer will initially maintain the current stock option plan of Vier. See Part II – “*Information Concerning Vier – Stock Option Plan*”.

Following Completion of the Qualifying Transaction the Governance, HSE and Compensation Committee of the Resulting Issuer will conduct a review of the long term incentive program, including the types of security-based compensation offered, to ensure it is appropriate for a public company of the Resulting Issuer's nature and size and to align with the Resulting Issuer's publicly traded peers.

### ***Escrowed Securities***

Following Completion of the Qualifying Transaction, an aggregate of 385,000 Resulting Issuer Shares will continue to be held in escrow with the Escrow Agent under the terms of the CPC Escrow Agreement, an aggregate of 56,695,249 Resulting Issuer Shares will be held in escrow with the Escrow Agent under the terms of the Surplus Security Escrow Agreement pursuant to the policies of the Exchange and an aggregate of 5,991,435 Resulting Issuer Shares will be held in escrow with Vertex's legal counsel under the terms of the Vertex Escrow Agreements, as set out in the following table:

Name and Municipality of Residence of Securityholder	Class of Securities	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Vier Common Shares held in Escrow	Percentage of Class <sup>(1)</sup>	Number of Resulting Issuer Shares to be held in Escrow	Percentage of Class <sup>(1)</sup>
Lonny Thiessen <sup>(2)</sup> <i>Hythe, Alberta</i>	Resulting Issuer Shares	70,000	9.52%	70,000	0.08%

Name and Municipality of Residence of Securityholder	Class of Securities	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of Vier Common Shares held in Escrow	Percentage of Class <sup>(1)</sup>	Number of Resulting Issuer Shares to be held in Escrow	Percentage of Class <sup>(1)</sup>
Paul Crilly <sup>(2)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	60,000	8.16%	60,000	0.07%
Aoi Maru Corp. <sup>(2)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	50,000	6.80%	50,000	0.06%
David McGoey <sup>(2)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	50,000	6.80%	50,000	0.06%
Jason Krueger <sup>(2)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	55,000	7.48%	55,000	0.06%
Michael Labiak <sup>(2)</sup> <i>Windsor, Ontario</i>	Resulting Issuer Shares	50,000	6.80%	50,000	0.06%
Randy Ollenberger <sup>(2)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	50,000	6.80%	50,000	0.06%
Brian Butlin <sup>(3)(4)</sup> <i>Edmonton, Alberta</i>	Resulting Issuer Shares	-	-	10,073,709	11.64%
Terry Stephenson <sup>(3)(4)</sup> <i>Sherwood Park, Alberta</i>	Resulting Issuer Shares	-	-	13,964,054	16.14%
Clemett Capital Corp. <sup>(5)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	-	-	15,546,705	17.97%
Paul Blenkhorn <sup>(3)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	-	-	284,430	0.33%
Deon Walsh <sup>(3)</sup> <i>Regina, Saskatchewan</i>	Resulting Issuer Shares	-	-	38,000	0.04%
Sherry Bielopotocky <sup>(3)</sup> <i>Sherwood Park, Alberta</i>	Resulting Issuer Shares	-	-	54,287	0.06%
Howard Start <sup>(3)</sup> <i>Sherwood Park, Alberta</i>	Resulting Issuer Shares	-	-	193,367	0.22%
32 Degrees <sup>(3)</sup> <i>Calgary, Alberta</i>	Resulting Issuer Shares	-	-	16,791,061	19.41%
Former Barlon Shareholders <sup>(6)</sup>	Resulting Issuer Shares	-	-	2,931,432	3.39%
Former Kinetichem Shareholders <sup>(7)</sup>	Resulting Issuer Shares	-	-	2,809,640	3.25%
<b>TOTAL<sup>(8)</sup></b>		385,000	52.38%	63,071,684	72.91%

Notes:

- (1) On a non-diluted basis.
- (2) The Resulting Issuer Shares held by these securityholders are subject to the CPC Escrow Agreement. Does not reflect the initial release of 25% of the escrowed shares on the date the Final Exchange Bulletin is issued.
- (3) The Resulting Issuer Shares held by these securityholders are subject to the Surplus Security Escrow Agreement. Does not reflect the initial release of 25% of the escrowed shares on the date the Final Exchange Bulletin is issued.
- (4) An aggregate of 2,197,206 Resulting Issuer Warrants (held as to 1,098,603 Resulting Issuer Warrants by each of Brian Butlin and Terry Stephenson), and the aggregate of 2,197,206 Resulting Issuer Shares issued upon exercise of such Resulting Issuer Warrants, will be subject to the Surplus Security Escrow Agreement.

- (5) 15,296,342 of the Resulting Issuer Shares held by this securityholder are subject to the Surplus Security Escrow Agreement and the remaining 250,363 of the Resulting Issuer Shares held by this securityholder are subject to the Kinetichem Escrow Agreement.
- (6) The Resulting Issuer Shares held by these securityholders are subject to the Barlon Escrow Agreement.
- (7) The Resulting Issuer Shares held by these securityholders are subject to the Kinetichem Escrow Agreement. Does not include the 250,363 Resulting Issuer Shares held by Clemett Capital Corp. that are subject to the Kinetichem Escrow Agreement.
- (8) Percentage columns may not add due to rounding.

The Resulting Issuer is expected to meet the Exchange's Tier 1 initial listing requirements upon Completion of the Qualifying Transaction. As a result, in accordance with the terms of the CPC Escrow Agreement, 25% of the escrowed shares under the CPC Escrow Agreement will be released from escrow on the issuance of the Final Exchange Bulletin and an additional 25% which will be released on the dates that are 6 months, 12 months and 18 months following the initial release of 25%. In accordance with the terms of the Surplus Security Escrow Agreement, 10% of the escrowed shares under the Surplus Security Escrow Agreement will be released from escrow on the issuance of the Final Exchange Bulletin, an additional 20% will be released on the date that is 6 months following the initial release of 10%, 30% will be released on the date that is 12 months following the initial release and 40% will be released on the date that is 18 months following the initial release. The automatic release mechanics under the Surplus Security Escrow Agreement will terminate if the asset, business or property for which Vertex Common Shares were issued as consideration is lost or abandoned, or the operations or development on the asset, business or property are discontinued.

The Resulting Issuer Shares issued to the shareholders party to the Vertex Escrow Agreements will continue to be held in escrow in accordance with such agreements following Completion of the Qualifying Transaction. The escrowed shares subject to the Barlon Escrow Agreement shall be released 50% on May 31, 2019 and 50% on May 31, 2020. The escrowed shares subject to the Kinetichem Escrow Agreement shall be released: (i) as to a portion in each of 2018, 2019 and 2020 if Vertex achieves specified adjusted EBITDA targets in each of the years ended December 31, 2017, 2018 and 2019 or a cumulative adjusted EBITDA target for the three years ended December 31, 2019; (ii) as to any balance still held in escrow in 2020 if Vertex achieves a specified cumulative adjusted EBITDA target for the three years ended December 31, 2017, 2018 and 2019; and (iii) any balance still held in escrow on January 31, 2020 shall be returned to Vertex for cancellation.

#### **Auditors, Transfer Agent and Registrar**

##### ***Auditor***

Deloitte LLP of 2000 Manulife Place, 10180 – 101<sup>st</sup> Street NW, Edmonton, Alberta, T5J 4E4, Vertex's current auditors, will replace MNP LLP, Vier's current auditors, as auditors of the Resulting Issuer after completion of the Transaction.

##### ***Transfer Agent and Registrar***

The registrar and transfer agent for Resulting Issuer Shares subsequent to the Completion of the Qualifying Transaction will be TSX Trust Company at its principal offices in Calgary, Alberta.

## **PART V - GENERAL MATTERS**

### **Sponsorship and Agent Relationship**

No Sponsor has been retained in connection with the Qualifying Transaction of Vier as the Exchange has granted a waiver of the sponsorship requirements of Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

### **Experts**

#### ***Opinions***

The following professional persons have prepared reports or have provided opinions that are either included or referenced within this Filing Statement:

- (a) MNP LLP has provided auditor's reports on the audited financial statements of Vier included in this Filing Statement; and
- (b) Deloitte LLP has provided auditor's reports on the audited financial statements of Vertex included in this Filing Statement.

#### ***Interests of Experts***

MNP LLP is the external auditor of Vier and is independent of Vier within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

Deloitte LLP is the external auditor of Vertex and is independent of Vier within the meaning of the Code of Professional Conduct of the Institute of Chartered Professional Accountants of Alberta.

### **Conditional Approval for the Qualifying Transaction**

On October 4, 2017, the Exchange granted its conditional approval for the Qualifying Transaction, subject to certain conditions. As approved by the Exchange, Resulting Issuer Shares will trade under the trading symbol, "VTX".

### **Other Material Facts**

There are no other material facts about Vier, Vertex, the Resulting Issuer, or the Transaction that are not disclosed within this Filing Statement and which are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to Vier, Vertex and the Resulting Issuer, assuming Completion of the Qualifying Transaction.

### **Board Approval**

The contents and the filing of this Filing Statement have been approved by the board of directors of each of Vier and Vertex. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than Vier or Vertex, as applicable, Vier or Vertex, as applicable, has relied upon information furnished by such person.

### **Full, True and Plain Disclosure**

The foregoing contains full, true and plain disclosure related to Vier, Vertex and the Resulting Issuer. Vier has been solely responsible for providing such disclosure as it pertains to the statements made about Vier in this Filing Statement. Vertex has been solely responsible for providing such disclosure as it pertains to the statements made about Vertex in this Filing Statement. Vertex has been solely responsible for providing such disclosure as it pertains to the statements made about the Resulting Issuer in this Filing Statement, except to the extent that such disclosure relies on information provided to Vertex from Vier.

## **PART VI - RISK FACTORS**

The current business of Vertex will be the business of the Resulting Issuer following Completion of the Qualifying Transaction. Accordingly, risk factors relating to Vertex's current business will be risk factors relating to the Resulting Issuer's business and references to Vertex in these risk factors should, where the context requires, be read to include the risks of the Resulting Issuer.

Due to the nature of Vertex's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, Vertex is subject to significant risks. Vertex's future development and actual operating results may be very different from those expected as at the date of this Filing Statement. The following describes the risks that are most material to Vertex, which readers should consider carefully. However, this is not a complete list of potential risks Vertex faces. There may be other risks that Vertex and Vier are not aware of, or risks that are not material today but could become material in the future.

The following is a summary of certain risk factors relating to the Transaction and to the business of Vertex and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement.

### **Risks Relating to the Transaction**

#### ***The Transaction may not be completed***

The Transaction is subject to final acceptance of the Exchange and the conditions in the Pre-Acquisition Agreement, certain of which are outside the control of Vertex and Vier. There can be no assurance that all of the necessary regulatory approvals, including the issuance of the Final Exchange Bulletin by the Exchange, will be obtained or that the Transaction, either on the terms of the Pre-Acquisition Agreement or as may be amended, will be completed. If the Transaction contemplated by the Pre-Acquisition Agreement is not completed for any reason, Vier will have incurred significant costs associated with the failed implementation of the Transaction. Furthermore, Vier only has limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that Vier will be able to identify a suitable Qualifying Transaction in the future. Even if a proposed Qualifying Transaction is identified in the future, there can be no assurance that Vier will be able to successfully complete such transaction and the completion of such other Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non-Arm's Length Qualifying Transaction, approval of the majority of the minority shareholders.

#### ***The Pre-Acquisition Agreement may be terminated.***

The Pre-Acquisition Agreement specifies that the parties' obligation to effect the Qualifying Transaction are conditional upon the satisfaction of a number of conditions. If any of the conditions are not satisfied or waived, the Qualifying Transaction may not be completed. Each of Vier and Vertex has the right, in certain circumstances, to terminate the Pre-Acquisition Agreement. Accordingly, there can be no certainty that the Pre-Acquisition Agreement will not be terminated by either party prior to the Completion of the Qualifying Transaction.

#### ***Completion of the Transaction is dependent on the current management of Vier and management conflicts of interest may arise prior to or after completion of the Transaction***

The ability of Vier to successfully complete a Qualifying Transaction is dependent on the performance of its current directors and officers, who only devote a portion of their time to the business and affairs of Vier and are, or will be, engaged in other projects or businesses. The current directors, officers or promoters of Vier also serve as directors and/or officers of other companies which may compete with Vier in its search for the businesses or assets targeted in order to complete a Qualifying Transaction. The anticipated directors and officers of the Resulting Issuer also serve as directors and/or officers of other companies which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer. Accordingly, situations may arise where the directors, officers and promoters of Vier, prior to completion of the Qualifying Transaction, and the Resulting Issuer, following completion of the Qualifying Transaction, are in a position of conflict with Vier or the Resulting Issuer, as the case may be.

## **Risks Related to Vertex and the Resulting Issuer**

***Vertex's commercial and financial success depends on market acceptance, and if not achieved will result in Vertex not being able to generate revenue to support its operations.***

The commercial success of Vertex depends, among other things, on market acceptance. The success of Vertex's products and any new services that it may launch is dependent upon its ability to attract and retain a critical mass of merchants in potentially diverse geographic locations. The sales cycle for a new merchant can be lengthy. Competitive pricing and market acceptance also depends on the future pricing and availability of competing products and the perceived comparative efficacy of Vertex. If Vertex cannot reach this market, or cannot offer competitive pricing packages, its operating results and revenues will be adversely affected.

***Volatility of the oil and natural gas industry may adversely affect Vertex's business.***

Vertex's business is directly affected by fluctuations in the levels of exploration, oil and natural gas development and production activity carried on by its customers, which in turn is dictated by numerous factors, including world energy prices and government policies. The demand, pricing and terms for services provided by Vertex depend in part upon the level of industry activity for Canadian and U.S. oil and natural gas exploration and development. Industry conditions are influenced by numerous factors over which Vertex has no control, including: the level of oil and gas prices; expectations about future oil and natural gas prices; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The oil and natural gas and environmental service industry is highly reliant on the levels of capital expenditures made by oil and natural gas producers and explorers. Exploration and production companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, production levels and access to capital. In recent years, commodity prices, and therefore, the level of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for some of Vertex's services. A significant, prolonged decline in commodity prices could have a material adverse effect on Vertex's results of operations and financial condition. The price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and international, national and regional economic conditions are factors over which Vertex has no control. A prolonged decline in commodity prices and field activity or significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, could reduce profitability.

***Vertex's business operations depend on customer contracts.***

The business operations of Vertex depend, in part, on certain agreements with its customer base that may be cancelled at any time by either Vertex or its customers. The key factors which will determine whether a client continues to use Vertex are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that Vertex's relationships with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Vertex's business, financial condition, results of operations and cash flows.

***Vertex is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.***

In general, the level of activity in the North American oilfield service industry and the environmental services industry are, to an extent, influenced by seasonal weather patterns. Wet weather or the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments may enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain. Consequently, Vertex's ability to generate revenue and net income in these segments of its business may be limited during certain periods of the year. In addition, seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the services of Vertex.

Materials necessary to manufacture Vertex products may not be available on commercially reasonable terms, or at all, which may delay development, manufacturing and commercialization of Vertex products.

Vertex relies on its suppliers to provide materials, components and services necessary to produce current products. Suppliers may be unable or unwilling to deliver these materials and services on a timely basis as needed or on commercially reasonable terms. Should this occur, Vertex would seek to qualify alternative suppliers, but may be unable to do so. Even where Vertex could qualify alternative suppliers the substitution of suppliers may be at a higher cost and may cause time delays that impede the commercial production of Vertex products, reduce gross profit margins and impact Vertex's ability to deliver its products on a sufficiently timely basis required to meet demand.

***Vertex may require additional capital to support its operations or the growth of its business, and it cannot be certain that this capital will be available on reasonable terms when required, or at all.***

From time to time, Vertex may need additional financing to operate or grow its business. The ability to continue as a going concern may be dependent upon raising additional capital from time-to-time to fund operations. Vertex's ability to obtain additional financing, if and when required, will depend on investor and lender willingness, its operating performance, the condition of the capital markets and other facts, and Vertex cannot assure anyone that additional financing will be available to it on favorable terms when required, or at all. If Vertex raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of its current stock, and its existing shareholders may experience dilution. If Vertex is unable to obtain adequate financing or financing on terms satisfactory to it when it requires it, its ability to continue to support the operation or growth of its business could be significantly impaired and its operating results may be harmed.

***Vertex's growth strategy may not achieve the anticipated results.***

Vertex's future success will depend on its ability to grow its business. Growth and innovation strategies require significant commitments of management resources and capital investments and Vertex may not grow its revenues at the rate it expects or at all. As a result, Vertex may not be able to recover the costs incurred in developing new projects and initiatives or to realize their intended or projected benefits, which could materially adversely affect its business, financial condition or results of operations.

Vertex depends on highly skilled personnel to grow and operate its business. If Vertex is not able to hire, retain, and motivate its key personnel, its business may be adversely affected.

Vertex's success depends in part upon a number of key employees, including members of senior management who have extensive experience in the industry. Competition for talented senior management is intense and Vertex's ability to successfully develop and maintain a competitive market position will depend in part on its ability to attract and retain highly qualified and experienced management. The loss of the services of key personnel could have a material adverse effect on Vertex's business, operating results and financial condition.

***Potential claims may expose Vertex to liability.***

Vertex may be exposed to possible claims resulting from negligence or fault in the provision of its products or services. Although Vertex's master services agreements with its customers generally contain terms designed to limit its liability, and although Vertex maintains, in its opinion, adequate insurance coverage, there can be no assurance that such insurance coverage will cover all claims or will provide sufficient protection against possible claims. Any liability claim not covered by adequate insurance may have a material adverse effect on Vertex's business, operating results and financial condition.

***The market for Vertex's products and services is subject to extensive government and regulatory approvals.***

Vertex's product, service activities and manufacturing processes are subject to extensive regulation by numerous government agencies. To varying degrees, these agencies monitor and enforce Vertex's compliance with laws and regulations. Vertex also has ongoing responsibilities under local and international regulations. Any adverse regulatory action, depending on its magnitude, may restrict Vertex from effectively manufacturing, marketing and selling its products or services. In addition, negative publicity and product liability claims resulting from any adverse regulatory action could have a material adverse effect on Vertex's business, operating results and financial condition.

***Vertex is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.***

Vertex is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of workers and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. Vertex incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to Vertex's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on Vertex's business, financial condition, results of operations and cash flows.

Vertex uses and generates hazardous substances and wastes in its operations. Because Vertex provides services to companies producing oil and natural gas and involved in mining activities, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, Vertex could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require Vertex to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

***Vertex may fail to realize anticipated benefits of future acquisitions.***

Vertex may in the future complete acquisitions to strengthen its position in the industries it competes in and to create the opportunity to realize certain benefits including, among other things, potential cost savings. Achieving the benefits of any future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Vertex's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with its own. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may have a material adverse effect on Vertex's ability to achieve the anticipated benefits of these and future acquisitions.

***The industries in which Vertex operates are intensely competitive.***

The environmental and industrial service industries are highly competitive and rapidly changing. Vertex may be significantly affected by new product introductions and geographic expansion by existing competition. Barriers to entry into this market may be relatively low, and Vertex expects that competition will intensify in the future. Specific factors upon which the Corporation competes include, but are not limited to, functionality of its products, ease of use, timing for implementation, quality of support and services and price. Vertex's potential competitors include other companies providing environmental and land consulting services, fluid hauling and management services, industrial insulation services, industrial cleaning services and equipment rentals. Many of these potential competitors have significantly greater financial, technical, marketing and other resources than Vertex has. Many of them also have longer operating histories, greater name recognition and stronger relationships with merchants and consumers. Vertex may not be able to compete successfully with these competitors.

***Currency exchange rates fluctuations could adversely affect Vertex's operating results.***

Vertex is exposed to the effects of fluctuations in currency exchange rates. Since Vertex conducts some of its business in currencies other than Canadian dollars but reports its operating results in Canadian dollars, it faces exposure to fluctuations in currency exchange rates. Consequently, exchange rate fluctuations between the Canadian dollar and other currencies could have a material impact on Vertex's operating results.

***Downturns in general economic and market conditions may reduce demand for Vertex products and services and could negatively affect Vertex's revenue, operating results and cash flow.***

Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to Vertex or to Vertex's industry could have a material adverse effect on Vertex over the course of time. Volatility in the market could hurt Vertex's ability to raise capital. Potential price inflation caused by an excess of liquidity in countries where Vertex conducts business may increase the costs incurred to manufacture and sell Vertex's products or provide Vertex's services, and may reduce Vertex's profit margins. As a result of downturns in general economic and market conditions, potential customers may not be interested in purchasing Vertex products or suppliers with which Vertex has relationships may increase the prices at which they supply component parts. Any of these events, or other events caused by turmoil in world financial markets may have a material adverse effect on Vertex's business, operating results and financial conditions.

***Vertex's operations are subject to operational hazards and unforeseen interruptions for which Vertex may not be adequately insured.***

Vertex's operations are exposed to potential natural disasters, including blizzards, tornadoes, storms, floods, other adverse weather conditions, fires and earthquakes. If any of these events were to occur, Vertex could incur substantial losses because of personal injury or loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage resulting in curtailment or suspension of Vertex's operations.

Vertex is not fully insured against all risks incident to its business, including the risk of Vertex's business operations being interrupted due to severe weather and natural disasters. Furthermore, Vertex may be unable to maintain or obtain insurance of the type and amount Vertex desires at reasonable rates. As a result of market conditions, premiums and deductibles for certain of Vertex's insurance policies could increase in the future. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. If Vertex were to incur a significant liability for which Vertex is not fully insured, it could have a material adverse effect on Vertex's business, results of operations and financial condition.

***Adverse litigation judgments or settlements resulting from legal proceedings in the normal course of business could reduce Vertex's profits or limit its ability to operate.***

Vertex may be subject to allegations, claims and legal actions arising in the ordinary course of its business, which may include claims by third parties, including employees or regulators. The outcome of many of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to Vertex, a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against Vertex, its business, financial condition and results of operations could be materially adversely affected.

***Changes resulting from the 2016 U.S. presidential election may result in legislative and regulatory changes that could have an adverse effect on Vertex.***

As a result of the 2016 U.S. presidential election and the related change in political agenda, coupled with the transition of administration, there is uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such U.S. support for existing treaty and trade relationships with other countries, including Canada, and in particular the outcome of the renegotiation of the North American Free Trade Agreement. Increased protectionism in the U.S. could have a significant impact on Canadian companies that do business in the U.S. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on Vertex, decrease U.S. demand for Vertex's services or otherwise negatively impact Vertex, which may have a material adverse effect on Vertex's business, financial condition and operations.

***The requirements of being a public company may strain the Resulting Issuer's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members.***

As a reporting issuer, the Resulting Issuer will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the TSXV and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Resulting

Issuer's legal and financial costs, make some activities more difficult, time consuming or costly and increase demand on its systems and resources.

***Vertex's indebtedness, including any accelerated repayment of such indebtedness, could adversely affect its financial flexibility and its competitive position.***

The degree to which Vertex is leveraged could have important consequences on its business including: (i) Vertex's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of Vertex 's cash flow from operations may be dedicated to the payment of the principal of and interest on Vertex 's indebtedness, thereby reducing funds available for future operations or for dividends to shareholders; (iii) Vertex 's borrowings are at variable rates of interest, which exposes Vertex to the risk of increased interest rates; (iv) Vertex may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures; (v) Vertex's flexibility in planning for, or reacting to, changes in its business and the industries in which it operates may be limited; and (vi) Vertex may be placed at a disadvantage compared to its competitors that have less debt. These factors could have a material adverse effect on Vertex's business, financial condition, results of operations and cash flows.

The terms and conditions of Vertex's borrowing arrangements permit the lenders to require accelerated or immediate repayment of some or all of the indebtedness in certain circumstances, which may or may not be within Vertex's control. If Vertex is required to make accelerated payments for any reason, Vertex may not have sufficient funds available and may not be able to raise sufficient funds to make such accelerated payments, which could have a material adverse effect on Vertex's business, financial condition and ability to operate as a going concern.

***Restrictive covenants in Vertex's borrowing arrangements may limit Vertex's ability to capitalize on potential acquisitions and other business opportunities.***

The operating and financial restrictions in Vertex's current borrowing arrangements and any future financing agreements could restrict Vertex's ability to finance future operations or capital needs or to expand or pursue its business activities. For example, Vertex could face restrictions with respect to its ability to: (i) grant liens; (ii) incur additional indebtedness; (iii) engage in a merger, consolidation or dissolution; (iv) enter into transactions with affiliates; (v) sell or otherwise dispose of assets, business and operations; (vi) materially alter the character of Vertex's business; or (vii) make acquisitions, investments and capital expenditures.

Furthermore, Vertex's current borrowing arrangements contain, and any future financing arrangements may contain, certain operating and financial covenants. Vertex's ability to comply with such covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, Vertex's ability to comply with these covenants may be impaired. Further, if Vertex violates any of the restrictions, covenants, ratios or tests in its borrowing arrangements, a significant portion of its indebtedness may become immediately due and payable, and any lenders' commitment to make further loans to Vertex may terminate. Vertex might not have, or be able to obtain, sufficient funds to make these accelerated payments. Any subsequent replacement of Vertex's borrowing arrangements or any new indebtedness could have similar or greater restrictions.

***Positive covenants in Vertex's material contracts could limit its ability to operate and failure to perform such positive covenants could adversely affect Vertex.***

Vertex is a party to a number of material contracts that impose affirmative duties on Vertex. The requirement of Vertex to comply with such affirmative duties could have an adverse effect on Vertex's operations from time to time, as these requirements may divert labour and capital from other profit generating initiatives. Complying with affirmative covenants could also hinder Vertex's ability to sell or transfer certain property or undertake certain capital expenditures that would otherwise be deemed to be in the best interest of Vertex. Furthermore, if Vertex was unable to meet the requirements of such affirmative duties it could lead to adverse consequences, including, but not limited to, Vertex being noted in default under a material contract. If Vertex were to be noted in default under a material contract and Vertex was unable to remedy such default in a given time the material contract could be terminated. Therefore, there can be no assurance that the material contracts to which Vertex is a party will not be terminated.

***Vertex is exposed to third party credit risk.***

Credit risk is the risk of financial loss to the Resulting Issuer if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Vertex is exposed to credit risk from customers. This risk is elevated in the current year similar to the prior year due to the impact of the current economy on its customers. Vertex's maximum exposure is the value of its accounts receivable. However, to mitigate this risk Vertex regularly reviews customer credit limits. Vertex has accounts receivable from customers in the oil and gas industry, as well as the utilities and infrastructure industries and government agencies. Credit risk is mitigated due to significant customers being large industry leaders, following a program of credit evaluation and limiting the amount of customer credit where deemed necessary. Vertex monitors accounts receivable as is necessary to identify any amounts which are past due and considers if they are impaired. This assessment is done on an invoice by invoice basis.

***Vertex may become involved in disputes regarding intellectual property.***

Vertex may become subject to lawsuits in which it is alleged that Vertex has infringed the intellectual property rights of others or commence lawsuits against others whom Vertex believes are infringing upon Vertex's rights. Involvement in such intellectual property litigation could result in significant expense, adversely affecting the development of sales of the challenged process or intellectual property and diverting the efforts of management personnel, whether or not such litigation is resolved in Vertex's favour. In the event of an adverse outcome as a defendant in any such litigation, Vertex may, among other things, be required to: (i) pay substantial damages; cease the development, use, sale or importation of processes that infringe upon other patented intellectual property; (ii) expend significant resources to develop or acquire non-infringing intellectual property; (iii) discontinue processes incorporating infringing technology; or (iv) obtain licences to the infringing intellectual property. Vertex may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on Vertex's business and financial results.

Vertex also seeks to protect its proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by the use of confidentiality agreements and, if it deems applicable, inventors' rights agreements with strategic partners, employees and contractors. No assurance can be provided that these agreements, to the extent that they exist, will not be breached, that Vertex will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

***A terrorist attack or armed conflict could harm Vertex's business.***

Terrorist activities (including environmental terrorism), anti-terrorist efforts and other armed conflicts involving Canada or other countries may adversely affect the Canadian and global economies and could prevent Vertex from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil, natural gas and other resources potentially putting downward pressure on demand for Vertex's services and causing a reduction in Vertex's revenues. Facilities of Vertex's customers could be direct targets of terrorist attacks, and Vertex's operations could be adversely impacted if infrastructure integral to Vertex's clients' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

***Loss of Vertex's information and computer systems or cyber-attacks could adversely affect Vertex's business.***

Vertex is dependent on its information systems and computer based programs, including its well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in Vertex's hardware or software network infrastructure, possible consequences include a loss of communication links and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on Vertex's business. Vertex is exposed to the risk of cyber-attacks or similar incidents in the normal course of business. Cyber-attacks or similar incidents may result in the theft or dissemination of intellectual property or other sensitive information in a manner adverse to Vertex. Vertex's information technology systems may be vulnerable to interruption due to a variety of events beyond Vertex's control, including, but not limited to, natural

disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Technology security initiatives and disaster recovery plans that are put in place to mitigate Vertex's risk to these vulnerabilities may not be sufficient to ensure that Vertex's operations are not disrupted. Potential consequences of a material cyber-attack or similar incident include damage to Vertex's reputation, disruption of operations, diminished value of intellectual property, litigation and increased cyber security protection and remediation costs.

***Some of Vertex's directors and officers have conflicts of interest as a result of their involvement with other companies in Vertex's industries.***

Certain of Vertex's directors and officers are also directors and officers of other companies in industries in which Vertex operates, and conflicts of interest may arise between their duties as officers and directors of Vertex and as officers and directors of such other companies. To the extent that such other companies may participate in ventures in which Vertex may participate, or in ventures which Vertex may seek to participate, Vertex's directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where Vertex's directors and officers have an interest in other companies, such other companies may also compete with Vertex in order to provide services to clients. Such conflicts of Vertex's directors and officers may result in a material and adverse effect on Vertex's profitability, results of operation and financial condition. As a result of these conflicts of interest, Vertex may miss the opportunity to participate in certain transactions, which may have a material adverse effect on Vertex's financial position.

***A successful reassessment by tax authorities of Vertex's income (loss) calculations could have a material adverse effect on Vertex's financial condition and cash flows. Changes to tax laws, or the interpretation thereof, may have a detrimental effect on Vertex.***

Vertex files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over Vertex may disagree with how Vertex calculates its income (loss) for tax purposes or could change administrative practices to Vertex's detriment. A successful reassessment of Vertex's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on Vertex's financial condition and cash flows.

Income tax laws, including income tax laws applicable to the industries in which Vertex operates and the taxation of dividends, and government incentive programs relating to the industries in which Vertex operates may in the future be changed or interpreted in a manner that adversely affects Vertex. Furthermore, tax authorities having jurisdiction over Vertex may disagree with how Vertex calculates its income for tax purposes or could change administrative practices to Vertex's detriment.

***Increased wage costs could impact Vertex's financial results.***

A material component of Vertex's overall expenses is salary, wages, benefits and payments to employees and contractors. Any significant increase in these expenses could affect the financial results of Vertex in the short term.

***Increased fuel costs could impact Vertex's financial results.***

A material component of Vertex's operating expenses is fuel and as such higher fuel prices could materially affect Vertex's financial results. Vertex expects to adjust its rates as required to correspond with decreases or increases in the cost of fuel.

### **Risks Related to the Resulting Issuer Shares**

***There has been no prior public market for the Resulting Issuer Shares, and an active trading market may not develop.***

Prior to the Qualifying Transaction, there has been no active public market for the Resulting Issuer's shares. An active trading market may not develop following Completion of the Qualifying Transaction or, if developed, may not be sustained. The lack of an active market may impair an investor's ability to sell its shares at the time he or she wishes to sell them or at a price that he or she considers reasonable. The lack of an active market may also reduce

the fair market value of the Resulting Issuer's Shares. An inactive market may also impair an investor's ability to raise capital by selling its Resulting Issuer Shares and may impair the Resulting Issuer's ability to acquire other companies by using its Resulting Issuer Shares as consideration.

***The value assigned to Vertex may be incorrect.***

The valuation placed on Vertex for the purposes of the Qualifying Transaction has been determined by negotiation between Vertex and Vier. Among the factors included in determining valuation were the prospects for Vertex's business, the industry in which it competes and the prospects of developing earnings in the future. There can be no assurance that the number of Resulting Issuer Shares to be issued to the Vertex Shareholders will not, in the fullness of time, prove to be excessive. If the market determines that the number of such shares is excessive, the market price of the Resulting Issuer Shares will be adversely affected.

***The price of the Resulting Issuer Shares could be volatile.***

Factors such as announcements of quarterly variations in operating results, or new initiatives, innovations or contracts by competitors or clients of Vertex, changes in financial estimates by securities analyst, market conditions in general as well as other events or factors, many of which will be beyond Vertex's control, may have a significant impact on the market price of Resulting Issuer Shares. The stock market and the commodities market have from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. In addition, there can be no assurance that an active public market will develop or be sustained for the Resulting Issuer Shares.

**APPENDIX "A" - PRE-ACQUISITION AGREEMENT**

**PRE-ACQUISITION AGREEMENT**

**BETWEEN**

**VIER CAPITAL CORP.**

**AND**

**VERTEX RESOURCE GROUP LTD.**

**Dated September 8, 2017**

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## PRE-ACQUISITION AGREEMENT

**THIS AGREEMENT** is made as of the 8<sup>th</sup> day of September, 2017,

**BETWEEN:**

**VIER CAPITAL CORP.**, a corporation governed by the laws of the Province of Alberta (hereinafter referred to as the “**Offeror**”)

- and -

**VERTEX RESOURCE GROUP LTD.**, a corporation governed by the laws of the Province of Alberta (hereafter referred to as “**Vertex**”)

### **Background:**

- (a) the Offeror has advised the Vertex Board that it is prepared to make an Offer for all of the issued and outstanding Common Shares and the Vertex Board wishes to encourage the Offeror to make such Offer on the terms and subject to the conditions set forth in this Agreement;
- (b) the Parties intend for the acquisition of the Common Shares by the Offeror to constitute an exempt take-over bid pursuant to Section 4.3 of National Instrument 62-104 - *Take-Over Bids and Issuer Bids* by virtue of the fact that, as of the date hereof:
  - (i) Vertex is not a reporting issuer;
  - (ii) there is no published market for the Common Shares; and
  - (iii) the number of holders of Common Shares is not more than fifty (50), exclusive of holders who are, or were formerly, in the employment of Vertex or an affiliate of Vertex;
- (c) the Parties intend for the acquisition of the Common Shares by the Offeror to constitute the Qualifying Transaction of the Offeror;
- (d) the Vertex Board has unanimously determined that the Offer is in the best interest of Vertex and its shareholders and to cooperate with the Offeror with respect to the Offer, subject to the terms and conditions as set forth herein; and
- (e) the Offeror is willing to make the Offer, on the terms and subject to the conditions set forth in this Agreement;

**NOW THEREFORE IN CONSIDERATION OF** the mutual covenants hereinafter contained and other good and valuable consideration (the receipt and adequacy whereof are hereby acknowledged), the Parties agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms will have the indicated meanings and grammatical variations of such words and terms will have corresponding meanings:

“**ABCA**” means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

“**affiliate**” has the meaning ascribed thereto in the Securities Act, except as otherwise provided herein;

“**Agent Options**” means the outstanding options of PI Financial Corp., the agent in connection with the Offeror’s initial public offering, to purchase Offeror Shares, as described in Section 3.5;

“**Agreement**”, “**this Agreement**”, “**herein**”, “**hereto**”, and “**hereof**” and similar expressions refer to this Agreement, as the same may be amended or supplemented from time to time and, where applicable, to the appropriate Schedules hereto;

“**applicable laws**” means Securities Laws, rules of applicable stock exchanges and Corporate Laws, all applicable competition and regulatory laws, including any statute, regulation, by-law, treaty, guideline, directive, rule, standard, requirement, policy, order, judgment, decision, injunction, award, decree or resolution of any Governmental Authority, whether or not having the force of law;

“**associate**” has the meaning ascribed thereto in the Securities Act, except as otherwise provided herein;

“**Business Day**” means any day, excepting Saturdays, Sundays or statutory holidays observed in Calgary, Alberta;

“**Common Shares**” means the class A common shares in the capital of Vertex;

“**Consolidation**” means the consolidation of the Offeror Shares on a 10:1 basis to be effected prior to the Effective Time;

“**Corporate Laws**” means all applicable corporate laws, including those set forth in the ABCA;

“**CPC Policy**” means TSXV Policy 2.4 – *Capital Pool Companies*;

“**CRA**” means Canada Revenue Agency;

“**Effective Time**” means the time that the Offeror shall have taken-up and paid for at least the Minimum Required Shares pursuant to the Offer;

“**Encumbrance**” includes, without limitation, any mortgage, pledge, assignment, charge, lien, security interest, claim, trust, royalty or carried, participation, net profits or other third party interests in any agreement, option, right of first refusal, right of privilege (whether by law, contract or otherwise), capable of becoming any of the foregoing;

“**Environmental Law**” means any federal, provincial, state or local statute, regulation or rule, any judicial or administrative order or judgment or written administrative request of any Governmental Authority having jurisdiction, and any provision or condition of any permit, license or other

Governmental Authority, applicable to Vertex or the Offeror, as the case may be, and relating to protection of the environment, persons or the public welfare from actual or potential exposure (or the effects of exposure) to any actual or potential release, discharge, spill or emission (whether past or present) of, or regarding the manufacture, processing, production, gathering, transportation, use, treatment, storage or disposal of, any chemical, raw material, pollutant, contaminant or toxic, corrosive or hazardous substance or waste;

“**Expiry Time**” means the Initial Expiry Time, unless the Offer is extended in which case it means the expiry time of the Offer as extended from time to time;

“**Filing Statement**” means the final filing statement of the Offeror prepared and filed in accordance with the CPC Policy;

“**Governmental Authority**” includes any federal, provincial, state, municipal or other political subdivision, government department or agency, commission, court, tribunal, ward, bureau, regulatory body or agency or instrumentality, domestic or foreign;

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards and implemented in Canada through the Accounting Recommendations in the Chartered Professional Accountants of Canada Handbook;

“**Initial Expiry Time**” means 5:00 p.m. (Toronto time) on October 6, 2017;

“**Locked-up Securityholders**” has the meaning ascribed thereto in Section 2.2(b);

“**Lock-up Agreements**” means agreements between certain director and officers of Vertex and Vertex Securityholders and the Offeror pursuant to which such holders agree to tender their Common Shares under the Offer as contemplated under Section 2.2(b);

“**Material Adverse Change**” means, in respect of either Vertex or the Offeror, as the case may be, any change (or any condition, event or development involving a prospective change) in the financial condition, operations, prospects, assets, liabilities, capitalization, licenses, permits, concessions, rights or privileges or business whether contractual or otherwise, of such Party or any subsidiary, that is, or could reasonably be expected to have, a Material Adverse Effect;

“**Material Adverse Effect**” in relation to any event or change in respect of Vertex or the Offeror, as the case may be, means an effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, prospects, assets, liabilities, capitalization, licenses, permits, concessions, rights or privileges or business, whether contractual or otherwise, of Vertex or the Offeror, taken as a whole, provided that a Material Adverse Effect shall not include an adverse effect in the financial condition, operations, prospects, assets, liabilities, capitalization, licenses, permits, concessions, rights or privileges or business, whether contractual or otherwise, of Vertex or the Offeror, as applicable, that arises or results from or is in any way connected with, either directly or indirectly: (i) a matter that has prior to the date hereof or concurrently with the announcement of this Agreement been publicly disclosed or otherwise disclosed in writing to the other Party; (ii) conditions affecting the industries in which Vertex or the Offeror operates as a whole; (iii) general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere; (iv) relating to any change in the trading price of the Offeror Shares or value of the Common Shares, respectively, that arises from the announcement of execution of this Agreement; or (v) that is consented to by the other Party or results from any matter consented to by the other Party;

“**material change**” has the meaning ascribed thereto under applicable Securities Laws;

“**material fact**” has the meaning ascribed thereto under applicable Securities Laws;

“**Minimum Condition**” means the condition set forth in paragraph (a) of Schedule 2.1(c);

“**Minimum Required Shares**” means at least that number of the outstanding Common Shares required to be tendered to the Offer to satisfy the Minimum Condition, unless the Offeror waives the Minimum Condition (to the extent permitted herein), in which case “**Minimum Required Shares**” means that number of the outstanding Common Shares that the Offeror takes-up on the Take-up Date;

“**misrepresentation**” has the meaning ascribed thereto under applicable Securities Laws;

“**New Board**” means the persons that will be appointed as the new directors of the Offeror on the Take-up Date, such persons being: Terry Stephenson, Brian Bultin, Terry Freeman, Trent Baker and Stuart O’Connor, provided that in the event that any proposed member of the New Board does not agree to become a director of the Offeror on the Take-up Date, Vertex may propose a substitute nominee;

“**New Officers**” means the persons that will be appointed as the new officers of the Offeror on the Take-up Date, such persons and their respective titles in the Offeror immediately following the Take-up Date being: Terry Stephenson – President and Chief Executive Officer, Michael Zvonkovic – Chief Financial Officer, Jason Clemett – Executive Vice President, Paul Blenkhorn – Vice President, Consulting Services, Deon Walsh – Vice President, Oilfield Services, Sherry Bielopotocky – Vice President, Corporate Services and Howard Start – Vice President, Finance, provided that in the event that any proposed member of the New Officers does not agree to become an officer of the Offeror on the Take-up Date, Vertex may propose a substitute nominee;

“**non-diluted basis**” means, with respect to the number of outstanding Common Shares, at any time, such number of outstanding Common Shares calculated assuming that none of the outstanding Vertex Warrants or other rights to purchase Common Shares have been exercised, converted or extinguished, as applicable;

“**Offer**” has the meaning ascribed thereto in Section 2.1(a);

“**Offer Documents**” has the meaning ascribed thereto in Section 2.3(a);

“**Offer Price**” has the meaning ascribed thereto in Section 2.1(a);

“**Offeror Financial Statements**” means, collectively, the unaudited condensed interim financial statements of the Offeror as at and for the three and six months ended June 30, 2017 and the audited financial statements of the Offeror as at and for the years ended December 31, 2016 and 2015;

“**Offeror Governing Documents**” means the Certificate and Articles of Incorporation and By-laws of the Offeror;

“**Offeror Officer Obligations**” means any obligations of the Offeror to its officers, directors, employees and consultants for retention, severance or termination payments in connection with a termination of employment or change of control of the Offeror or bonuses, in each case pursuant to applicable law or any written or oral agreements or resolution of the board of directors of the Offeror, pension plans or other plans or otherwise of the Offeror or to which the Offeror is a party and obligations in respect of salary, or directors’ fees in the ordinary course in amounts consistent with past practice;

“**Offeror Options**” means the outstanding options of the Offeror to purchase Offeror Shares, as described in Section 3.5;

“**Offeror Public Documents**” has the meaning ascribed thereto in Section 3.19;

“**Offeror Shareholders**” means the holders of Offeror Shares;

“**Offeror Shares**” means common shares in the capital of the Offeror;

“**Old Board**” means the board of directors of the Offeror as of the date hereof, being Jason Krueger, David McGoey, Randy Ollenberger, Lonny Thiessen and Paul Crilly;

“**Old Officers**” means the current officers of the Offeror as of the date hereof, being Jason Krueger, President and Chief Executive Officer, and David McGoey, Chief Financial Officer;

“**Parties**” means the parties to this Agreement and their respective successors and permitted assigns and “**Party**” means any one of them;

“**person**” means an individual, a sole proprietorship, a firm, an entity, a partnership, a corporation or other body corporate, a trust, an unincorporated organization, a union, a government or any department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual;

“**Qualifying Transaction**” means the qualifying transaction (as such term is defined in the CPC Policy) of the Offeror;

“**Representatives**” means the officers, directors, employees, financial advisors, representatives and agents of Vertex or the Offeror, as the context requires;

“**Returns**” includes all returns, reports, declarations, designations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed in accordance with applicable laws in respect of Taxes;

“**Securities Act**” means the *Securities Act* (Alberta), as amended, and the rules, regulations and policies promulgated thereunder;

“**Securities Laws**” has the meaning ascribed thereto in Section 2.3(a);

“**subsidiary**” has the meaning ascribed thereto in the ABCA;

“**Superior Proposal**” means, in respect of Vertex or the Offeror, as the case may be, a *bona fide* unsolicited Take-over Proposal that if consummated in accordance with its terms would result in a transaction that is financially more favourable to the Vertex Shareholders or the Offeror Shareholders, as applicable, than the Offer, such proposal could be carried out in a reasonable time frame and the necessary funds or other consideration is available or is reasonably likely to be obtained (all as determined in good faith by the Vertex Board or the board of directors of the Offeror, as applicable, after receiving the advice of its financial advisors);

“**Tag Group**” has the meaning ascribed thereto in the Unanimous Shareholder Agreement;

“**Take-over Proposal**” means: (i) in respect of Vertex, a proposal or offer (verbal, written or by public announcement) by a third person (i.e. other than by the Offeror or an affiliate of the Offeror), whether or not subject to a due diligence condition, to acquire in any manner, directly or indirectly, beneficial ownership of 20% or more of the fair market value of the assets of Vertex or to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding Common Shares, whether by an arrangement, amalgamation, merger, consolidation or other

business combination, by means of a sale of shares, sale of assets, take-over bid, tender offer or exchange offer or similar transaction involving Vertex, including any single or multi-step transaction or series of related transactions that is structured to permit such third party to acquire beneficial ownership of all or a material portion of the assets of Vertex or to acquire in any manner, directly or indirectly, more than 20% of the outstanding Common Shares (in all cases other than the transactions contemplated by this Agreement); and (ii) in respect of the Offeror, a proposal or offer (verbal, written or by public announcement) by a third person (i.e. other than by Vertex or an affiliate of Vertex), whether or not subject to a due diligence condition, to complete in any manner, directly or indirectly, a transaction that would constitute the Offeror's Qualifying Transaction, whether by an arrangement, amalgamation, merger, consolidation or other business combination, by means of a sale of shares, sale of assets, take-over bid, tender offer or exchange offer or similar transaction involving the Offeror, including any single or multi-step transaction or series of related transactions that is structured to permit the Offeror to complete its Qualifying Transaction;

**"Take-up Date"** means the date that the Offeror first takes-up and acquires Common Shares pursuant to the Offer, which date shall be not later than October 16, 2017 or such other later date as the Parties may agree in writing;

**"Tax Act"** means the *Income Tax Act* (Canada), as amended, together with any and all regulations promulgated thereunder;

**"Taxes"** shall mean, with respect to any person, all taxes, imposts, rates, levies, assessments and government fees and all other charges, however denominated, including any interest, penalties or other additions thereto currently or at the time of determination payable in respect thereof, levied, assessed or imposed by any Governmental Authority, which shall include all income or profits taxes (including federal income taxes and provincial income taxes), capital, payroll and employee withholding taxes, labour taxes, employment insurance, employment insurance premiums, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, ad valorem taxes, value added taxes, goods and services tax, excise taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other obligations of the same or of a similar nature to any of the foregoing;

**"TSXV"** means the TSX Venture Exchange;

**"Unanimous Shareholder Agreement"** means the unanimous shareholder agreement dated October 28, 2016 among the Vertex Shareholders and Vertex;

**"United States"** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

**"Vertex Board"** means the board of directors of Vertex;

**"Vertex Financial Statements"** means, collectively, the unaudited interim consolidated financial statements of Vertex as at and for the three months ended June 30, 2017 and the audited consolidated financial statements of Vertex as at and for the years ended December 31, 2016 and 2015;

**"Vertex Governing Documents"** means the Certificate and Articles of Amalgamation and By-laws of Vertex;

**"Vertex Securityholders"** means, collectively, the Vertex Shareholders and the Vertex Warrantholders;

**"Vertex Shareholders"** means the holders of Common Shares;

“**Vertex Warrantholders**” means the holders of Vertex Warrants; and

“**Vertex Warrants**” means the outstanding warrants of Vertex to purchase Common Shares, as described in the Vertex Financial Statements; and

“**Warrant Exchange Agreements**” means agreements to be entered into between the Offeror, Vertex and the Vertex Warrantholders pursuant to which such holders will agree to tender their Vertex Warrants for warrants to acquire Offeror Shares as contemplated under Section 2.1(b);

## **1.2 Singular, Plural, etc.**

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neutral genders.

## **1.3 Deemed Currency**

In the absence of a specific designation of any currency, any dollar amount referenced herein shall be deemed to refer to lawful currency of Canada.

## **1.4 Headings, etc.**

The division of this Agreement into Articles, Sections and Schedules and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules to Articles, Sections and Schedules refer to Articles, Sections and Schedules of and to this Agreement or of the Schedules in which such reference is made.

## **1.5 Date for any Action**

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

## **1.6 Governing Law**

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

## **1.7 Attornment**

Each of the Parties hereby irrevocably and unconditionally consents to and submits to the jurisdiction of the courts of the Province of Alberta in respect of all actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts) and further agrees that service of any process, summons, notice or document by single registered mail to the addresses of the Parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against any Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Alberta and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

## **1.8 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made shall be made in a manner consistent with IFRS.

## **1.9 Inclusive Terminology**

Whenever used in this Agreement, the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.

## **1.10 Knowledge**

In this Agreement, whenever a representation or warranty is made on the basis of the knowledge or awareness of Vertex or the Offeror, such knowledge or awareness consists only of the actual knowledge or awareness, after reasonable inquiry, as of the date of this Agreement, of the officers of Vertex or the Offeror, as applicable, but does not include the knowledge or awareness of any other individual.

## **1.11 Incorporation of Schedules**

The Schedules attached hereto and described below shall for all purposes hereof, form an integral part of this Agreement.

Schedule 2.1(c)	-	Conditions to the Offer
Schedule 2.2(b)	-	Form of Lock-up Agreement
Schedule 4.2	-	Corporate Structure Chart

## **ARTICLE 2 THE OFFER**

### **2.1 The Offer**

- (a) On the terms and subject to the conditions set out in this Agreement, the Offeror shall mail, or cause to be mailed, to registered Vertex Shareholders as soon as practicable but in any event not later than 5:00 p.m. (Toronto time) on October 6, 2017, an offer to purchase all of the outstanding Common Shares and any Common Shares that are issued after the date of the Offer on the exercise of Vertex Warrants, on the basis of the Offer Price for each Common Share (the “Offer”, which term shall include any amendments to, or extensions of, such Offer, including any increase in the consideration offered for the Common Shares, the removal or waiver of any condition or extension of the date by which Common Shares may be tendered under the Offer by the holder thereof).

The Offer shall be made in accordance with this Agreement, Corporate Laws and Securities Laws and be subject only to the conditions set forth in Schedule 2.1(c) hereto. The Offeror and Vertex shall cooperate in making on a timely basis any filings with respect to the Offer, including amendments thereafter on a timely basis as required by Securities Laws, Corporate Laws or the TSXV. The Offeror shall provide Vertex with a draft copy of the Offer Documents prior to their finalization and mailing for Vertex’s

review and comment. The Offeror shall use all reasonable efforts to complete the Offer, subject to the terms hereof and thereof and to obtain all regulatory waivers, approvals and consents.

The offer price per Common Share (the “**Offer Price**”) shall be 3.80 Offeror Shares (on a post-Consolidation basis). No fractional Offeror Shares will be issued pursuant to the Offer. If any depositing Vertex Shareholder would be entitled to receive a fractional Offeror Share, the number of Offeror Shares issuable to such Vertex Shareholder will be rounded to the next greater whole number of Offeror Shares. If a Vertex Shareholder (registered or beneficial) deposits more than one certificate for Common Shares which are taken-up under the Offer, the number of Offeror Shares to be issued to such Vertex Shareholder will be computed on the basis of the aggregate number of Common Shares deposited by such Vertex Shareholder.

- (b) Unless exercised prior the Expiry Time, the Vertex Warrants shall, concurrent with the take-up by the Offeror of the Common Shares on the Take-up Date, be exchanged for warrants to acquire 3.8 Offeror Shares for each Vertex Share the Vertex Warrantholder would have been entitled to receive upon exercise of his Vertex Warrants pursuant to the terms of the Warrant Exchange Agreements.
- (c) The Offer shall expire at the Initial Expiry Time, except that the Offer may be extended, one or more times, subject to Section 2.1(e), at the sole discretion of the Offeror, if the conditions thereto set forth in Schedule 2.1(c) are not satisfied at the date and time at which the Offer would otherwise expire in accordance with its terms; or if such conditions are satisfied or waived at or prior to the time set for the expiry of the Offer and the Offeror has concurrently with or before such extension taken-up and paid for all Common Shares then validly tendered (and not properly withdrawn) pursuant to the Offer. In the event that any appropriate regulatory approval is not obtained prior to the time the Offer is scheduled to terminate, unless such approval has been denied, the Offeror will extend the Offer for not less than two additional successive 10 day periods, if upon expiry of any extension the appropriate regulatory approval has not been obtained.
- (d) Subject to the satisfaction or waiver of the conditions set forth in Schedule 2.1(c), the Offeror shall as soon as practicable, and in any event within three Business Days following the Expiry Time, take-up and pay for all Common Shares validly tendered (and not properly withdrawn) pursuant to the Offer.
- (e) The Offeror agrees that it shall not amend any term or condition of the Offer (which for greater certainty, does not include waiving, in whole or part, a condition of the Offer) in a manner that is, in the opinion of Vertex, acting reasonably, adverse to the Vertex Shareholders, without the prior written consent of Vertex which may be withheld, other than: (i) to extend the Offer; or (ii) to comply with the legal obligations of the Offeror with respect to any amendment, modification or change of the Offer. The Offeror shall provide a draft of any proposed amendment, modification or change to the Offer to Vertex for its review and comment.
- (f) The Offeror will instruct the depository under the Offer to advise Vertex from time to time as Vertex may reasonably request and in such manner as Vertex may reasonably request, as to the number of Common Shares that have been tendered (and not withdrawn) under the Offer.

- (g) Vertex confirms that by executing the Lock-up Agreements, the Locked-up Securityholders constitute a Tag Group that has exercised its drag-along rights pursuant to Section 8.5 of the Unanimous Shareholder Agreement. The Offeror hereby agrees to adhere to Section 8.5 of the Unanimous Shareholder Agreement and to include in the Offer such information as is required for the Offer to serve as the Drag-along Notice (as such term is defined in the Unanimous Shareholder Agreement) required to be delivered by the Tag Group pursuant to Section 8.5 of the Unanimous Shareholder Agreement. The parties agree that they shall use commercially reasonable efforts to utilize the drag-along rights pursuant to Section 8.5 of the Unanimous Shareholder Agreement to allow the Offeror to take-up and pay for 100% of the Vertex Shares on the Take-up Date.
- (h) The Offeror's obligation to make the Offer is conditional upon:
- (i) no event having occurred or circumstance existing which would make it impossible or impracticable to satisfy one or more of the conditions of the Offer described in Schedule 2.1(c);
  - (ii) the Vertex Board shall have unanimously recommended (and not modified or changed such recommendation) that the Vertex Shareholders accept the Offer;
  - (iii) each of the representations and warranties of Vertex provided herein shall be true and correct at the date the Offer is made and Vertex shall have complied with each of its covenants and obligations set out herein except for any breaches of representations and warranties or non-compliance with, covenants or obligations which, would not individually or in the aggregate cause or be reasonably expected to cause a Material Adverse Change in respect of Vertex or materially impede the ability of the Offeror to consummate the transactions contemplated hereby;
  - (iv) the Offeror shall be satisfied, acting reasonably, that a Material Adverse Change in respect of Vertex shall not have occurred;
  - (v) no act, action, suit, proceeding, objection or opposition shall have been taken against or affecting Vertex before or by any Governmental Authority or by any elected or appointed public official or private person, whether or not having the force of law and no law, regulation, policy, judgement, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgement of the Offeror, acting reasonably, in either case has had or, if the Offer was consummated, would result in a Material Adverse Change in respect of either Vertex or the Offeror or would materially impede the ability of the Parties to complete the Offer;
  - (vi) no person shall have commenced a bona fide action for injunctive relief against the performance of this Agreement or the completion of the Offer; and
  - (vii) no person shall have made a Take-over Proposal which provides (or if successful would provide) to Vertex Shareholders consideration that has greater value per Common Share than the Offer Price (as determined by the Offeror, acting reasonably).

The foregoing conditions are for the sole benefit of the Offeror and may be waived by the Offeror at any time in whole or in part, in its sole discretion, at any time and from time to time, without prejudice to any other rights it may have.

## 2.2 Vertex Directors' Approval

- (a) Vertex hereby consents to the Offer as set forth in Section 2.1 and confirms that the Vertex Board has unanimously approved the Offer and this Agreement and, subject to the provisions of Section 5.3, has unanimously determined that the Offer is in the best interests of Vertex and the Vertex Shareholders and has unanimously resolved to recommend acceptance of the Offer by the Vertex Shareholders.
- (b) Vertex hereby confirms that it has delivered (concurrently with the execution of this Agreement) Lock-up Agreements (in the form or substantially in the form of the agreement attached hereto as Schedule 2.2(b)) duly executed by all directors and officers of Vertex and certain Vertex Shareholders (collectively, the "**Locked-up Securityholders**") holding, in the aggregate, approximately 94% of the issued and outstanding Common Shares, on a non-diluted basis and constituting a Tag Group.

## 2.3 Offer Documents

- (a) Within the time periods required pursuant to this Agreement, the Offeror shall mail or deliver to Vertex Shareholders an offer to purchase and the related letter of transmittal pursuant to which the Offer will be made (collectively, the "**Offer Documents**"). The Offer Documents, when mailed to Vertex Shareholders shall contain (or shall be amended in a timely manner to contain) all information that is required to be included therein in accordance with the ABCA and any applicable Canadian provincial securities laws and any other applicable securities laws (collectively, the "**Securities Laws**") and all Corporate Laws, subject to any applicable exemptions from such laws granted by a Governmental Authority.
- (b) Vertex agrees to provide such assistance to the Offeror and its representatives as the Offeror may reasonably request in connection with the mailing or other delivery of the Offer Documents (and any amendments and supplements thereto) to the registered Vertex Shareholders and to such other persons as are entitled to receive the Offer under Securities Laws, including by providing lists and updated or supplemental lists of the registered Vertex Shareholders and mailing labels with respect to all such Vertex Shareholders as soon as practicable after the date of this Agreement but in any event no later than 5:00 p.m. (Toronto time) on October 6, 2017, and updates or supplements thereto from time to time as may be requested by the Offeror, acting reasonably. Vertex shall make such of its executive officers available for meetings with the Vertex Shareholders and others as the Offeror may reasonably request.
- (c) The Offeror agrees to provide such assistance to Vertex and its representatives as Vertex may reasonably request in connection with communicating the Offer (and any amendments or supplements thereto) to the Vertex Shareholders and to such other persons as are entitled to receive the Offer under Securities Laws.

## 2.4 Certificates

- (a) Upon the request of the Offeror, Vertex shall provide a certificate of the President of Vertex (or such other officer as is acceptable to the Offeror, acting reasonably), effective

immediately prior to the time the Offeror intends to take-up Common Shares pursuant to the Offer, certifying on behalf of Vertex and not in their personal capacity and without personal liability that:

- (i) except as contemplated by this Agreement, the representations and warranties made by Vertex in this Agreement are true and correct in all material respects as at the Take-up Date as if made on and as of such date;
  - (ii) Vertex has complied in all material respects with its covenants contained in this Agreement;
  - (iii) there are not more than 22,571,956 Common Shares outstanding (assuming none of the Vertex Warrants have been exercised); and
  - (iv) there has not occurred any Material Adverse Change in respect of Vertex.
- (b) Upon the request of Vertex, the Offeror shall provide a certificate of the President and Chief Executive Officer of the Offeror (or such other officer as is acceptable to Vertex, acting reasonably), effective immediately prior to the time the Offeror intends to take-up Common Shares pursuant to the Offer, certifying on behalf of the Offeror and not in their personal capacity and without personal liability that:
- (i) except as contemplated by this Agreement, the representations and warranties made by the Offeror in this Agreement are true and correct in all material respects as at the Take-up Date as if made on and as of such date;
  - (ii) the Offeror has complied in all material respects with its covenants contained in this Agreement; and
  - (iii) there has not occurred any Material Adverse Change in respect of the Offeror.

## **2.5 Escrow**

Offeror Shares received in exchange for Common Shares deposited under the Offer, may be subject to restriction on the resale thereof pursuant to escrow required by the TSXV and/or Securities Laws.

## **2.6 U.S. Securities Law Matters**

The Offeror Shares issuable in connection with the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and will be issued to United States residents and to persons located in the United States only in transactions exempt from such registration requirements in accordance with Section 4(a)(2) of the U.S. Securities Act. Such Offeror Shares will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act and may be transferred only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act or applicable state securities laws. Prior to issuing Offeror Shares to a U.S. resident or person in the United States, the Offeror may require the delivery of an opinion of counsel or other evidence reasonably satisfactory to the Offeror, to the effect that such issuance is not required to be registered under the U.S. Securities Act or applicable state securities laws.

## **2.7 Withholding Tax**

The Offeror shall be entitled to deduct and withhold from any consideration receivable by any Vertex Shareholder under this Agreement such amounts as the Offeror may be required to deduct and withhold therefrom from under any provision of any applicable law in respect of taxes. To the extent that such amounts are so deducted, withheld and remitted to the relevant government entity, such amounts shall be treated as having been paid to the Vertex Shareholder.

## **2.8 Tax Election**

A Vertex Shareholder shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) (in the case of a Vertex Shareholder that is a partnership) of the Tax Act, as applicable (and the analogous provisions of provincial or territorial income tax law) by providing a self-addressed envelope and two signed copies of the necessary election forms to the Offeror within 150 days following the date upon which the Offeror acquires such Common Shares, duly completed with the details of the number of Common Shares transferred to the Offeror and the applicable agreed amount or amounts for the purposes of such election. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial or territorial income tax law), the forms will be signed by the Offeror and returned to such Vertex Shareholder within 30 days after the receipt thereof by the Offeror for filing with the CRA (or the applicable provincial or territorial taxing authority) by the Vertex Shareholder. The Offeror will not be responsible for the proper completion of any election form and, except for the obligation of the Offeror to so sign and return duly completed election forms which are received by the Offeror within 150 days from the date upon which the Offeror acquires such Common Shares, the Offeror will not be responsible for any taxes, interest or penalties resulting from the failure by a Vertex Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, the Offeror may choose to sign and return an election form received by it more than 150 days following the date upon which the Offeror acquires Common Shares, but the Offeror will have no obligation to do so.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE OFFEROR**

The Offeror hereby represents and warrants (and, as applicable, covenants) to Vertex as follows and acknowledges that Vertex is relying upon these representations and warranties (and as applicable, covenants) in connection with the execution and delivery of this Agreement.

### **3.1 Organization and Qualification**

The Offeror is a corporation duly incorporated and organized and validly existing under the laws of Alberta and the Offeror has the requisite corporate power and capacity to conduct its business as it is now being conducted. The Offeror is duly registered to do business and is in good standing in each jurisdiction in which the character of its assets, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on the Offeror.

### **3.2 Subsidiaries**

The Offeror does not have any direct or indirect subsidiaries or investments in any person and, other than pursuant to the Offer, the Offeror does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of, or other equity or proprietary interest in, any person.

### **3.3 Authority Relative to this Agreement**

The Offeror has the requisite corporate power and capacity to enter into this Agreement and all agreements contemplated hereunder and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and all agreements contemplated hereunder and the consummation by the Offeror of the transactions contemplated hereby (including, without limitation, the Offer, the Consolidation and the change of the Offeror's name) and thereby have been duly authorized by the board of directors of the Offeror and, if applicable the Offeror Shareholders, and no other corporate proceedings on its part are or will be necessary to authorize this Agreement or any agreements contemplated hereunder and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by the Offeror and all agreements contemplated hereunder have been or will be on or before the date of the Offer duly executed and delivered by the Offeror, as applicable, and this Agreement constitutes, and all agreements contemplated hereunder constitute, or will by the date of the Offer constitute, the legal, valid and binding obligation of the Offeror enforceable against it in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to the general principles of equity.

### **3.4 No Violations**

- (a) Neither the execution and delivery of this Agreement or any other agreements contemplated hereunder by the Offeror, the consummation of the transactions contemplated hereby and thereby nor compliance by the Offeror with any of the provisions hereof or thereof will: (i) violate, conflict with, result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of an Encumbrance upon any of the properties or assets of the Offeror under, any of the terms, conditions or provisions of (A) the Offeror Governing Documents or (B) any note, bond, mortgage, indenture, loan agreement, deed of the Offeror, agreement, lien, contract or other material instrument or obligation to which the Offeror is a party or to it, or any of its properties or assets, may be subject or by which the Offeror is bound; (ii) violate any judgement, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to the Offeror (except, in the case of each of clauses (i) and (ii) above, for such violations, conflicts, breaches, defaults or terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on the Offeror or materially impede the ability of the Offeror to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on the Offeror or materially impede the ability of the Offeror to consummate the transactions contemplated hereby.
  
- (b) (i) there is no legal impediment to the Offeror's consummation of the transactions contemplated by this Agreement or any agreements contemplated hereunder, and (ii) no filing or registration with, or authorization, consent or approval of, any Governmental Authority is necessary by the Offeror in connection with the making of this Agreement or the consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not materially impede the ability of the Offeror to consummate the transactions contemplated hereby.

### **3.5 Capitalization of the Offeror**

As of the date hereof, the authorized share capital of the Offeror consists of an unlimited number of Offeror Shares and an unlimited number of preferred shares, of which only 7,350,000 Offeror Shares (on a pre-Consolidation basis) are issued and outstanding. As of the date hereof, Offeror Options to purchase 735,000 Offeror Shares at an exercise price of \$0.10 per Offeror Share (on a pre-Consolidation basis) and Agent Options to purchase 350,000 Offeror Shares at an exercise price of \$0.10 per Offeror Share (on a pre-Consolidation basis) have been granted and are outstanding. Except as set forth in this Section 3.5, there are no securities of the Offeror outstanding and no options, warrants or other rights, agreements or commitments of any character whatsoever (other than the Offer) requiring the issuance, sale or transfer by the Offeror of any shares of the Offeror (including the Offeror Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of the Offeror (including the Offeror Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or any other attribute of the Offeror. All outstanding Offeror Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Offeror Shares issuable upon exercise or conversion, as applicable, of outstanding Offeror Options and Agent Options will be, when issued, duly authorized and validly issued as fully-paid and non-assessable shares.

### **3.6 Litigation, Etc.**

As at the date hereof there are no actions, suits or proceedings pending or, to the knowledge of the Offeror, threatened against the Offeror before or by any Governmental Authority, which action, suit or proceeding involves the possibility of any judgment against or liability of the Offeror or any other person which, if successful, would have a Material Adverse Effect on the Offeror or materially impede the ability of the Offeror to consummate the transactions contemplated by this Agreement.

### **3.7 No Material Adverse Change**

Except as disclosed in the Offeror Public Documents, there has not been any material change in the assets, liabilities or obligations (absolute, contingent or otherwise) of the Offeror from the position set forth in the Offeror Financial Statements and there has not been any Material Adverse Change in respect of the Offeror since December 31, 2016; and since that date there have been no material facts, transactions, events or occurrences which could reasonably be expected to have a Material Adverse Effect on the Offeror which have not been disclosed in the Offeror Public Documents and that could materially impede Offeror's ability to consummate the transactions contemplated by this Agreement.

### **3.8 Offeror Financial Statements**

The Offeror Financial Statements were prepared in accordance with IFRS consistently applied and fairly present the financial position, results of operations and cash flows of the Offeror as of the dates thereof and for the periods indicated therein and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of the Offeror. There has been no change in the Offeror's accounting policies, except as described in the notes to the Offeror Financial Statements, since December 31, 2016.

### **3.9 Minute Books**

The corporate records and minute books of the Offeror have been maintained in accordance with all Corporate Laws and are complete and accurate in all material respects and contain the Offeror Governing Documents and the minutes of the meetings and the resolutions of the directors (and committees of directors) and shareholders of the Offeror.

### **3.10 No Cease Trade Order**

No securities commission or similar Governmental Authority or stock exchange has issued any order currently preventing or suspending trading of any securities of the Offeror and the Offeror is not in default of any requirement of applicable Securities Laws that would have a Material Adverse Effect on the Offeror or materially impede the ability of the Offeror to consummate the transaction contemplated by this Agreement.

### **3.11 Compliance with Applicable Laws**

The Offeror has conducted and is conducting its business in compliance in all material respects with all applicable laws and corporate finance policies of the TSXV including, without limitation, the CPC Policy. Since inception, the Offeror has not engaged in any business other than identifying a business or asset(s) with a view to completing a Qualifying Transaction.

### **3.12 Related Party Transactions**

- (a) No officer, director, employee or consultant of the Offeror, any associate or affiliate of any such person or any party not at arm's length to the Offeror owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on any revenue or rights attributed to the assets of the Offeror.
- (b) Except as disclosed in this Agreement or the Offeror Public Documents, there are no contracts or arrangements to which the Offeror is a party with any present or former director, officer, employee or consultant of the Offeror or any other person not dealing at arm's length with the Offeror, or any associate or affiliate of any such director, officer, employee or consultant, nor is there any indebtedness owing by the Offeror to any such parties or by any such parties to the Offeror.

### **3.13 Tax Matters**

- (a) The Offeror has paid all Taxes which are due and payable within the time required by applicable laws, and has paid all assessments and reassessments it has received in respect of Taxes.
- (b) The Offeror has made full and adequate provision in the books and records and the Offeror Financial Statements for all Taxes which are not yet due and payable but which relate to periods ending on or before the date of this Agreement.
- (c) The Offeror has withheld and collected all amounts required by applicable laws to be withheld or collected by it on account of Taxes and has remitted all such amounts to the appropriate Governmental Authority within the time prescribed under any applicable laws.
- (d) The Offeror has filed or caused to be filed all Returns which are required to be filed by it. There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Return by, or any payment of Taxes by, the Offeror.
- (e) Vertex has been provided access to complete and accurate copies of each of (A) all audit reports, letter rulings, technical advice memoranda and similar documents issued by a

Governmental Authority relating to the Taxes due from or with respect to the Offeror, (B) all agreements entered into by the Offeror with any Governmental Authority existing on the date hereof and (C) copies of any correspondence to or from any Governmental Authority.

- (f) The Offeror is duly and properly registered in each and every country, province, territory, state or other jurisdiction where required under applicable tax law, and has timely and accurately complied in all material respects with the applicable tax law of such jurisdictions (including with respect to the payment of any Taxes required under such law). The Offeror has not received written notice of any claim made by any Governmental Authority that the Offeror is or may be subject to Taxes in any jurisdiction where Vertex does not file Returns.
- (g) There are no circumstances that could result in the application of any of sections 17, 69, 78, 80 to 80.04, 160 or 191.3 of the Tax Act or any equivalent provision under provincial law in relation to the Offeror.
- (h) The Offeror has not made or filed any elections or designations under the Tax Act, the *Excise Tax Act* (Canada) or any equivalent provincial or territorial tax laws other than as specifically provided for in Returns provided to Vertex.
- (i) Records or documents that meet the requirements of section 247 of the Tax Act (or any similar provision of foreign tax laws) have been made and obtained by the Offeror with respect to all material transactions between the Offeror and any non-resident person with whom the Offeror was not dealing at arm's length within the meaning of the Tax Act. The Offeror has complied in all material respects with applicable tax laws relating to transfer pricing. The Offeror has not requested, received or entered into any advance pricing agreements with any Governmental Authority.

### **3.14 No Undisclosed Material Liabilities**

Except: (a) as disclosed or reflected in the Offeror Financial Statements; and (b) for liabilities and obligations pursuant to the terms of this Agreement, the Offeror has not incurred any liabilities of any nature, whether accrued, contingent or otherwise (or which would be required by IFRS to be reflected on the statement of financial position of the Offeror) that have constituted or would be reasonably likely to constitute a Material Adverse Change.

### **3.15 Material Contracts**

Except as disclosed in the Offeror Public Documents, there are no material contracts or agreements which have or which might have or create any material obligation to the Offeror or from which it derives or could derive any material benefit or which are required by the Offeror to carry on its business as now conducted by it or as is now proposed to be carried on by the Offeror.

### **3.16 No Guarantees or Indemnities**

The Offeror is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of the Offeror and indemnity agreements between the Offeror and the Offeror's officers and directors and applicable laws and other than standard indemnities in favour of the Offeror's registrar and transfer agent and financial advisors), or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.

### **3.17 Reporting Issuer**

The Offeror is a reporting issuer or equivalent in the provinces of British Columbia, Alberta and Saskatchewan.

### **3.18 Offeror Shares**

The issued and outstanding Offeror Shares are listed and posted for trading on the TSXV and the Offeror is in material compliance with the corporate finance policies of the TSXV. Subject to the satisfaction of the terms and conditions to the Offer and restricted resale pursuant to escrow under policies of the TSXV and/or applicable Securities Laws, the Offeror Shares to be issued in connection with the Offer will be freely tradable, fully-paid and non-assessable shares in the capital of the Offeror, free of all liens, claims, security interests and encumbrances.

### **3.19 Public Record**

The information and statements set forth in the information filed by or on behalf of the Offeror, with any securities commission or similar Governmental Authority or stock exchange in compliance, or intended compliance, with applicable Securities Laws (the “**Offeror Public Documents**”) as at the date hereof, as relates to the Offeror are true, correct and complete and did not contain any material misrepresentation, as of the respective dates of such information or statements, and no material change has occurred in relation to the Offeror which is not disclosed in the Offeror Public Documents, and the Offeror has not filed any confidential material change reports which continue to be confidential.

### **3.20 No Material Transactions**

Except as disclosed in the Offeror Public Documents, since June 30, 2017, the Offeror has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction, which is or may be material to the Offeror, which is not in the ordinary course of business.

### **3.21 Restrictions on Business**

The Offeror is not a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a Material Adverse Effect on the Offeror.

### **3.22 Employees**

There are no Offeror Officer Obligations that will be triggered by the completion of, or payable in connection with, the Offer and the transactions contemplated by this Agreement, and the Offeror will not have any obligations to any Person in respect of termination, change of control or bonus payments as a result of the Offer, other than pursuant to the Offeror Options which may be exercised in accordance with their terms on or prior to the date that is 12 months after the Offeror completes its Qualifying Transaction.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF VERTEX**

Vertex hereby represents and warrants (and, as applicable, covenants) to the Offeror as follows and acknowledges that the Offeror is relying upon such representations and warranties (and as applicable, covenants) in connection with the execution and delivery of this Agreement and the making of the Offer, as applicable.

#### **4.1 Organization and Qualification**

Vertex is a corporation duly incorporated and organized and validly existing under the laws of Alberta and has the requisite corporate power and capacity to conduct its business as it is now being conducted. Vertex and each of its subsidiaries is duly registered to do business and is in good standing in each jurisdiction in which the character of its assets, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Vertex.

#### **4.2 Subsidiary**

- (a) Vertex does not have any direct or indirect subsidiaries or investments in the capital of any person other than: (a) as set forth in Schedule 4.2; and (b) certain direct and indirect subsidiaries which do not individually or in the aggregate constitute more than 10 percent of the consolidated revenue or assets of Vertex.
- (b) Vertex does not have any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any person and Vertex does not have any agreements to acquire any other business operations.

#### **4.3 Authority Relative to this Agreement**

Vertex has the requisite corporate power and capacity to enter into this Agreement and all agreements contemplated hereunder to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and all agreements contemplated hereunder and the performance by Vertex of its obligations hereunder and thereunder have been duly authorized by the Vertex Board, and no other corporate proceedings on the part of Vertex are necessary to authorize this Agreement or the agreements contemplated hereunder or the performance by Vertex of its obligations hereunder or thereunder. This Agreement has been, and all agreements contemplated hereunder have been or will be on or before the date of the Offer, duly executed and delivered by Vertex and constitute, or will by the date of the Offer constitute, legal, valid and binding obligation of Vertex enforceable against Vertex in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to the general principles of equity.

#### **4.4 No Violations**

- (a) Other than the consents of Vertex's lenders, which consents have already been obtained, neither the execution and delivery of this Agreement by Vertex, the consummation by Vertex of the transactions contemplated hereby nor compliance by Vertex with any of the provisions hereof will: (i) violate, conflict with, result in the breach of any provision of, require any consent, approval or notice under, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any Encumbrance upon any of the properties or assets of Vertex under any of the terms, conditions or provisions of (A) the Vertex Governing Documents; or (B) any material note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Vertex is a party or to which any of the properties or assets of Vertex may be subject, or by which any of them is bound; (ii) subject to compliance with applicable laws, violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Vertex (except, in the case of each of clauses (i) and (ii) directly above, for such violations, conflicts, breaches, defaults,

terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect or materially impede the ability of Vertex to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Vertex or materially impede the ability of Vertex to consummate the transactions contemplated hereby

- (b) (i) there is no legal impediment to the consummation by Vertex of the transactions contemplated by this Agreement and (ii) no filing or registration with, or authorization, consent or approval of, any Governmental Authority is necessary by Vertex in connection with the consummation of the Offer, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals, which, if not received, would materially impede the ability of Vertex to consummate the transactions contemplated hereby.

#### **4.5 Capitalization of Vertex**

As of the date hereof, the authorized share capital of Vertex consists of an unlimited number of class A common shares issuable in Series 1A-50A, of which only 22,571,956 Common Shares are issued and outstanding, an unlimited number of class B common shares issuable in Series 1B-50B, of which nil are issued and outstanding, an unlimited number of class C preferred shares issuable in series, of which nil are issued and outstanding, and an unlimited number of class D preferred shares, of which nil are issued and outstanding. As of the date hereof and prior to execution and consummation of the Warrant Exchange Agreements, Vertex Warrants to purchase 578,212 Common Shares at an exercise price of \$4.55 per Common Share have been granted and are outstanding. In addition, Vertex has entered into agreements, copies of which have been provided to the Offeror, dated May 31, 2017 between Vertex and the holders of certain promissory notes dated June 25, 2015, pursuant to which it has agreed to issue on January 10, 2018 an aggregate of 506,400 Common Shares at a price of \$3.50 per Common Share in full and final payment of such promissory notes. Except as set forth in this Section 4.5, there are no securities of Vertex outstanding and no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Vertex of any shares of Vertex (including Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Vertex (including the Common Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Vertex. All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Common Shares issuable upon exercise or conversion, as applicable, of outstanding Vertex Warrants will be, when issued, duly authorized and validly issued as fully paid and non-assessable shares.

#### **4.6 Litigation, Etc.**

As at the date hereof there are no actions, suits or proceedings pending or, to the knowledge of Vertex, threatened against Vertex or any of its subsidiaries before or by any Governmental Authority (or similar body), which action, suit or proceeding involves the possibility of any judgment against or liability of Vertex, any of its subsidiaries or any other person which, if successful, would have a Material Adverse Effect on Vertex or materially impede the ability of Vertex to consummate the transactions contemplated by this Agreement.

#### **4.7 No Material Adverse Change**

There has not been any material change in the assets, liabilities or obligations (absolute, contingent or otherwise) of Vertex from the position set forth in the Vertex Financial Statements and there has not been any Material Adverse Change in respect of Vertex since December 31, 2016; and since that date there have been no material facts, transactions, events or occurrences which could reasonably be expected to have a Material Adverse Effect on Vertex which have not been disclosed in writing to the Offeror and that could materially impede Vertex's ability to consummate the transactions contemplated by this Agreement.

#### **4.8 Vertex Financial Statements**

The Vertex Financial Statements were prepared in accordance with IFRS consistently applied and fairly present the financial position, results of operations and cash flows of Vertex as of the dates thereof and for the periods indicated therein and reflect appropriate and adequate reserves in respect of contingent liabilities, if any, of Vertex on a consolidated basis. There has been no change in Vertex's accounting policies, except as described in the notes to the Vertex Financial Statements, since December 31, 2016.

#### **4.9 Minute Books**

The corporate records and minute books of Vertex and each of its subsidiaries have been maintained in accordance with all Corporate Laws and are complete and accurate in all material respects and contain the minutes of the meetings and the resolutions of the directors (and committees of directors) and respective shareholder(s) and also, in the case of Vertex, the Vertex Governing Documents.

#### **4.10 Compliance with Applicable Laws**

Each of Vertex and its subsidiaries is conducting its business in compliance in all material respects with all applicable laws, including all applicable licensing and environmental legislation, regulations and by-laws or other lawful requirements of any Governmental Authority applicable to it in each jurisdiction in which it carries on business and holds all licenses, registrations and qualifications material to the business and assets of Vertex and its subsidiaries, taken as a whole, in all jurisdictions in which Vertex carries on business and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect on Vertex and which are necessary or desirable to carry on its business, as now conducted, and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has, or would reasonably be expected to have, any Material Adverse Effect on Vertex.

#### **4.11 Related Party Transactions**

- (a) No officer, director, employee or consultant of Vertex, any associate or affiliate of any such person or any party not at arm's length to Vertex owns, has or is entitled to any royalty, net profits interest, carried interest or other Encumbrances of any nature whatsoever which are based on any revenue or rights attributed to the assets of Vertex or any of its subsidiaries.
- (b) Except as disclosed in this Agreement and the Vertex Financial Statements, there are no contracts or arrangements (other than obligations to employees that arise by operation of law, and warrant agreements, consulting agreements and indemnity agreements, the details of which have been previously disclosed to the Offeror) to which Vertex is a party with any present or former director, officer, employee or consultant of Vertex or any other person not dealing at arm's length with Vertex, or any associate or affiliate of any

such director, officer, employee or consultant, nor is there any indebtedness owing by Vertex or any of its subsidiaries to any such parties or by any such parties to Vertex.

#### 4.12 Tax Matters

- (a) Vertex and each of its subsidiaries have paid all Taxes which are due and payable within the time required by applicable laws, and have paid all assessments and reassessments they have received in respect of Taxes.
- (b) Vertex and each of its subsidiaries have made full an adequate provision in their books and records and financial statements, including the Vertex Financial Statements, for all Taxes which are not yet due and payable but which relate to periods ending on or before the date hereof.
- (c) Vertex and each of its subsidiaries have withheld and collected all amounts required by applicable laws to be withheld or collected by them on account of Taxes and have remitted all such amounts to the appropriate Governmental Authority within the time prescribed under any applicable laws.
- (d) Vertex and each of its subsidiaries have filed or caused to be filed all Returns which are required to be filed by them. There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Return by, or any payment of Taxes by, Vertex or any of its subsidiaries.
- (e) Offeror has been provided access to complete and accurate copies of each of (A) all audit reports, letter rulings, technical advice memoranda and similar documents issued by a Governmental Authority relating to the Taxes due from or with respect to Vertex or any of its subsidiaries, (B) all agreements entered into by Vertex or any of its subsidiaries with any Governmental Authority existing on the date hereof and (C) copies of any correspondence to or from any Governmental Authority.
- (f) Vertex and each of its subsidiaries are duly and properly registered in each and every country, province, territory, state or other jurisdiction where required under applicable tax law, and have timely and accurately complied in all material respects with the applicable tax law of such jurisdictions (including with respect to the payment of any Taxes required under such law). Neither Vertex nor any of its subsidiaries have received written notice of any claim made by any Governmental Authority that it is or may be subject to Taxes in any jurisdiction where it does not file Returns.
- (g) There are no circumstances that could result in the application of any of sections 17, 69, 78, 80 to 80.04, 160 or 191.3 of the Tax Act or any equivalent provision under provincial law in relation to Vertex or any of its subsidiaries.
- (h) Neither Vertex nor any of its subsidiaries have made or filed any elections or designations under the Tax Act, the *Excise Tax Act* (Canada) or any equivalent provincial or territorial tax laws other than as specifically provided for in Returns provided to Offeror.
- (i) Records or documents that meet the requirements of section 247 of the Tax Act (or any similar provision of foreign tax laws) have been made and obtained by Vertex and each of its subsidiaries with respect to all material transactions between them and any non-

resident person with whom they were not dealing at arm's length within the meaning of the Tax Act. Vertex and each of its subsidiaries have complied in all material respects with applicable tax laws relating to transfer pricing. Neither Vertex nor any of its subsidiaries have requested, received or entered into any advance pricing agreements with any Governmental Authority.

- (j) Vertex and each of its subsidiaries are registrants for the purposes of the *Excise Tax Act* (Canada). All input tax credits claimed by Vertex and each of its subsidiaries pursuant to the *Excise Tax Act* (Canada) have been proper, correctly calculated and documented. Vertex and each of its subsidiaries have collected, paid and remitted when due all sales taxes, including GST, HST and provincial sales taxes collectible, payable or remittable prior to the date hereof.
- (k) The Common Shares do not constitute taxable Canadian property (as defined in the Tax Act). At no time in the past 60-months has more than 50% of the fair market value of the Common Shares been derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource property", "timber resource property", or any option in respect of, or interest in, such properties, whether or not the property or properties exist (all as defined in the Tax Act).

#### **4.13 Environmental Matters**

Except to the extent that any violation or other matter referred to in this Section 4.12(a) does not have a Material Adverse Effect on Vertex:

- (a) Vertex and each of its subsidiaries has not received notice of any violation of any applicable Environmental Law;
- (b) Vertex (including each of its subsidiaries) has operated its business at all times and, to the best of Vertex's knowledge, has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
- (c) Vertex is not aware of any spills, releases, deposits or discharges of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Vertex or any of its subsidiaries that have not been remedied;
- (d) Vertex has not and none of Vertex's subsidiaries have received notice of any orders, directions or notices being issued and remaining outstanding pursuant to any Environmental Laws relating to the business or assets (whether directly or indirectly owned) of Vertex;
- (e) Vertex has not and none of Vertex's subsidiaries have failed to report to the proper Governmental Authority the occurrence of any event of which it is aware which is required to be so reported by any Environmental Law; and
- (f) Vertex and each of its subsidiaries holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and except for notifications and conditions of general application to assets of the type owned by Vertex, Vertex has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are

required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated, or received any demand or notice issued with respect to the breach of any Environmental Law applicable to its assets, which demand or notice remains outstanding on the date hereof.

#### **4.14 No Default Under Lending Agreements**

Except as set forth in the Vertex Financial Statements, no event of default or material breach of any covenant has occurred under any of Vertex's existing banking and lending agreements which has not been cured.

#### **4.15 No Undisclosed Material Liabilities**

Except: (a) as disclosed or reflected in the Vertex Financial Statements; and (b) for liabilities and obligations: (i) incurred in the ordinary course of business; (ii) agreements pertaining to office, equipment and other leases; or (iii) pursuant to the terms of this Agreement, Vertex has not incurred any liabilities of any nature, whether accrued, contingent or otherwise (or which would be required by IFRS to be reflected on the statement of financial position of Vertex) that have constituted or would be reasonably likely to constitute a Material Adverse Change.

#### **4.16 Material Contracts**

Except as have been disclosed to the Offeror, there are no material contracts or agreements which have or which might have or create any material obligation to Vertex or its subsidiaries from which they derive or could derive any material benefit or which are required by Vertex to carry on the business as now conducted by Vertex or as is now proposed to be carried on by Vertex.

#### **4.17 Financial Advisor**

Vertex has not retained nor will it retain any financial advisor, broker, agent or finder or paid, or agreed to pay, any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated. Vertex has not incurred any obligation or liability, contingent or otherwise, for brokerage fees, finder's fees, agents' commission or other forms of compensation with respect to the transactions contemplated by this Agreement. No financial advisor, broker, agent or finder is entitled to receive any compensation or other payment from Vertex in connection with the transactions contemplated by this Agreement.

#### **4.18 No Guarantees or Indemnities**

Vertex is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Vertex and indemnity agreements between Vertex and Vertex's officers and directors and applicable laws and other than standard indemnities in favour of purchasers of assets in purchase and sale agreements, financial advisors, indemnities and guarantees in favour of Vertex's bankers and indemnities to support Vertex's obligations pursuant to agreements entered into in the ordinary course of business), or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.

#### **4.19 Reporting Issuer**

Vertex is not a reporting issuer or equivalent under applicable Securities Laws and the issued and outstanding Common Shares are not listed and posted for trading on a stock exchange.

#### **4.20 No Material Transactions**

Except as has been disclosed to the Offeror, since June 30, 2017 Vertex has not incurred, assumed or suffered any liability (absolute, accrued, contingent or otherwise) or entered into any transaction, which is or may be material to Vertex, which is not in the ordinary course of business.

#### **4.21 Unanimous Shareholder Agreement**

Other than the Unanimous Shareholders Agreement, to its knowledge, neither Vertex nor any of its shareholders is a party to any unanimous shareholders agreement, pooling agreement, voting trust or other similar type of arrangements in respect of outstanding securities of Vertex.

#### **4.22 No Shareholders' Rights Protection Plan**

Vertex is not a party to, and prior to the Expiry Time, Vertex will not implement, a shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Common Shares or other securities of Vertex or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or the making or consummation of the Offer.

#### **4.23 Restrictions on Business**

None of Vertex and its subsidiaries are a party to or bound or affected by any commitment, agreement or document containing any covenant expressly limiting its freedom to compete in any line of business, compete in any geographic region, transfer or move any of its assets or operations, where such covenant would have a Material Adverse Effect on Vertex.

#### **4.24 Outstanding Acquisitions or Dispositions**

Except as has been disclosed to the Offeror or as contemplated by or consistent with Vertex's approved capital expenditure budget for 2017 (a copy of which has been provided to the Offeror), Vertex does not have any rights to purchase any assets, properties or undertakings of third parties nor does it have any obligation to sell assets, properties or undertakings with a value in excess of \$200,000 in the aggregate, under any agreements to purchase or sell that have not closed.

#### **4.25 Condition of Assets**

The assets of Vertex which are material to the business of Vertex are in operable working condition and have been maintained in accordance with industry standards (normal wear and tear excepted) except where the failure to do so would not have a Material Adverse Effect on Vertex. To the knowledge of Vertex, no buildings, plants, structures, fixtures, equipment or other property owned or leased by Vertex in relation to the business of Vertex are in need of material repairs except for ordinary routine maintenance and repairs consistent with past practice and that are not material in nature or cost.

#### **4.26 Number of Vertex Shareholders**

The number of Vertex Shareholders is not more than fifty (50), exclusive of Vertex Shareholders who are, or were, in the employment of Vertex.

#### **4.27 Conduct of Operations**

To the best of Vertex's knowledge, any and all operations by third parties, on or in respect of the assets and properties of Vertex, have been conducted in compliance in all material respects with all applicable laws, rules and regulations.

#### **4.28 Employees**

- (a) Vertex is in compliance with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages in respect of all of its employees and all withholding taxes and other statutory withholdings have been withheld and remitted to the applicable Governmental Authority in accordance with applicable laws.
- (b) Vertex will not have any obligations to any Person in respect of termination, change of control, bonus payments or payments pursuant to Vertex's compensation policy as a result of the Offer.

#### **4.29 No Cease Trade Orders**

No securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Vertex and Vertex is not in default of any requirement of applicable Securities Laws that would have a Material Adverse Effect on the transactions contemplated by this Agreement.

#### **4.30 Title to Personal and Other Property**

Other than certain real property leased by Vertex as disclosed in the Vertex Financial Statements, the property and assets of Vertex are owned legally and beneficially by Vertex or its subsidiaries with good and marketable title thereto, free and clear of all Encumbrances. Vertex does not hold legal title to, or hold as custodian, any assets, shares or other securities for the benefit of a third party.

#### **4.31 Equipment**

The assets of Vertex (directly and indirectly owned by Vertex) are in operable working condition and have been maintained in accordance with industry standards (normal wear and tear excepted). No equipment or other property owned or leased by Vertex or any of its subsidiaries are in need of material repairs, except for ordinary routine maintenance and repairs consistent with past practice and that would not have a Material Adverse Effect on Vertex's business.

#### **4.32 Leased Real Property**

Vertex and each of its subsidiaries does not own or lease and has not agreed to acquire or lease any real property or interest in real property other than the real property as disclosed in the Vertex Financial Statements, which Vertex intends to continue to lease pursuant to the terms of the respective current leases.

#### **4.33 Customers and Suppliers**

Vertex (including each of its subsidiaries) has not received notice of, and there is not, to the knowledge of Vertex, any intention on the part of any such customer to cease doing business with Vertex (or any subsidiary thereof) or to modify or change in any material manner any existing arrangement with Vertex for the purchase or supply of any products or services. The relationships of Vertex (and its subsidiaries) with its principal suppliers and customers are satisfactory, and there are no unresolved disputes with any such supplier or customer. No contract with any supplier or customer contains terms under which the execution or performance of this Agreement would give the supplier or customer the right to terminate or adversely change the terms of that contract. There has been no termination or cancellation of, and no modification or change in, the business relationship of Vertex (or any subsidiary thereof) with any major customer or group of major customers. Vertex has no reason to believe that the

benefits of any relationship with any of the major customers or suppliers of Vertex (including those of its subsidiaries) will not continue after the consummation of the transactions hereunder in substantially the same manner as prior to the date of this Agreement.

#### **4.34 Insurance**

Vertex and each of its subsidiaries has in force as of the date hereof policies of insurance naming Vertex (and subsidiaries as applicable) as an insured as are appropriate to the operations, property and assets (directly and indirectly owned) of Vertex, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement or by the Offer. All such policies shall not be increased or amended or cancelled without the prior written consent of the Offeror.

#### **4.35 United States Securityholders**

- (a) The Common Shares that are subject to the Offer are not registered pursuant to Section 12 of the United States Securities Exchange Act of 1934, as amended.
- (b) Vertex is not registered, or required to be registered, as an investment company under the United States Investment Company Act of 1940.

### **ARTICLE 5 COVENANTS**

#### **5.1 Access to Information**

From and after the date hereof, subject to Section 5.6, the Offeror shall provide Vertex and its Representatives access at times as Vertex may reasonably request, to its books, contracts, records, computer systems, properties, officers, directors and other personnel and shall furnish promptly to Vertex, all information concerning its business, properties and personnel as Vertex may reasonably request, in order to permit the New Officers to assume control of the Offeror in an efficient and informed manner upon the Take-up Date. The Offeror agrees to keep Vertex fully apprised in a reasonably timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that would be material to a prudent operator of the business and operations of the Offeror.

#### **5.2 Notice of Material Change**

From the date hereof until the earlier of: (i) the Effective Time; or (ii) that date that this Agreement is terminated, each of the Offeror and Vertex, as the case may be, shall promptly notify the other Party in writing of:

- (a) any material change (actual, anticipated, contemplated or, to the knowledge of such Party, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Offeror or Vertex, as applicable;
- (b) any change in the factual basis for any representation or warranty set forth in Article 3 or Article 4, as applicable, where such a change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or
- (c) any material fact in respect of the Offeror or Vertex, as applicable, which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.

Each of the Offeror and Vertex shall, in good faith, discuss with the other Party any change in circumstances (actual, anticipated, contemplated or, to the knowledge of the Offeror or Vertex, as applicable, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice needs to be given to the other Party pursuant to this Section 5.2.

### **5.3 Vertex Non-Solicitation**

- (a) Vertex shall immediately upon execution of this Agreement cease and cause to be terminated any existing solicitations, initiations, encouragement, activity, discussions or negotiations with any parties (other than the Offeror or its affiliates) conducted heretofore by Vertex or any of its Representatives with respect to all Take-over Proposals. Vertex shall not release any third party from any confidentiality or standstill agreement to which Vertex and such third party is a party or amend any of the foregoing and shall exercise all rights to require the destruction or return of information regarding Vertex to Vertex or its Representatives, as the case may be, in accordance with the terms of such agreements (provided that the failure by any third party to so destroy or return any such information following the exercise of such rights by Vertex shall not be deemed to be or otherwise constitute a breach by Vertex of this Section 5.3(a)).
- (b) From and after the date hereof, Vertex will not, and will not authorize or permit any of its Representatives to, directly or indirectly, solicit, initiate or encourage (including by way of furnishing information) or participate in or take any action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to a Take-over Proposal from any person, or engage in any discussion, negotiations or inquiries relating thereto or accept any Take-over Proposal; provided, however, that Vertex may:
  - (i) engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by Vertex or its Representatives after the date hereof) seeks to initiate such discussions or negotiations and may furnish to such third party information concerning Vertex and its business, properties and assets that has previously been provided to the Offeror if, and only to the extent that: (A) the third party has first made a Superior Proposal and the Vertex Board has concluded in good faith, after considering applicable laws and receiving the advice of outside counsel that such action may reasonably be considered to be required by the Vertex Board to comply with fiduciary duties under applicable laws; (B) prior to furnishing such information to or entering into discussions or negotiations with such person, Vertex provides prompt notice (and in any event within 24 hours) orally and in writing to the Offeror specifying that it is furnishing information to or entering into discussions or negotiations with such person in respect of a Superior Proposal, receives from such person an executed confidentiality agreement having confidentiality terms substantially similar to those contained in the this Agreement, and immediately provides the Offeror with a copy of such Superior Proposal and any amendments thereto and confirming in writing the determination of the Vertex Board that the Take-over Proposal, if completed, would constitute a Superior Proposal; (C) Vertex provides immediate notice to the Offeror at such time as it or such person terminates any such discussions or negotiations; and (D) Vertex immediately provides or makes available to the Offeror any information provided to any such person whether or not previously made available to the Offeror;

- (ii) comply with applicable Securities Laws with regard to a tender or exchange offer, if applicable, and other rules relating to the provision of directors' circulars, and makes appropriate disclosure with respect thereto to Vertex's shareholders; and
  - (iii) accept, recommend, approve or implement a Superior Proposal from a third party, but only (in the case of this clause (iii)) if prior to such acceptance, recommendation, approval or implementation, the Vertex Board shall have concluded in good faith, after considering provisions of applicable law and after considering all proposals to adjust the terms and conditions of this Agreement and the Offer which may be offered by the Offeror during the seventy two (72) hour notice period set forth below and after receiving the advice of counsel, that such action may reasonably be considered to be required by the Vertex Board to comply with fiduciary duties under applicable laws.
- (c) Vertex shall give the Offeror orally and in writing at least seventy two (72) hours advance notice of any decision by the Vertex Board to accept, recommend, approve or implement a Superior Proposal which notice shall identify the party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. In addition, Vertex shall, and shall cause its respective financial and legal advisors to negotiate in good faith with the Offeror to make such adjustments in the terms and conditions of this Agreement and the Offer as would enable Vertex to proceed with the Offer as amended rather than the Superior Proposal. In the event that the Offeror proposes to and does amend this Agreement and the Offer to provide substantially equivalent or superior value to that provided under the Superior Proposal within the seventy two (72) hour notice period specified above, then Vertex shall not accept, recommend, approve or enter into any agreement regarding the Superior Proposal.

#### **5.4 Offeror Non-Solicitation**

- (a) The Offeror shall immediately upon execution of this Agreement cease and cause to be terminated any existing solicitations, initiations, encouragement, activity, discussions or negotiations with any parties (other than Vertex or its affiliates) conducted heretofore by the Offeror or any of its officers, directors, employees, financial advisors, representatives and agents with respect to all Take-over Proposals. The Offeror shall not release any third party from any confidentiality or standstill agreement to which the Offeror and such third party is a party or amend any of the foregoing and shall exercise all rights to require the destruction or return of information regarding the Offeror to the Offeror or its Representatives, as the case may be, in accordance with the terms of such agreements (provided that the failure by any third party to so destroy or return any such information following the exercise of such rights by the Offeror shall not be deemed to be or otherwise constitute a breach by the Offeror of this Section 5.4(a).
- (b) From and after the date hereof, the Offeror will not, and will not authorize or permit any of its Representatives to, directly or indirectly, solicit, initiate or encourage (including by way of furnishing information) or participate in or take any action to facilitate any inquiries or the making of any proposal that constitutes or may reasonably be expected to lead to a Take-over Proposal from any person, or engage in any discussion, negotiations or inquiries relating thereto or accept any Take-over Proposal; provided, however, that the Offeror may:

- (i) engage in discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, by the Offeror or its Representatives after the date hereof) seeks to initiate such discussions or negotiations and may furnish to such third party information concerning the Offeror and its business, properties and assets that has previously been provided to the Vertex if, and only to the extent that: (A) the third party has first made a Superior Proposal and the Offeror's board of directors has concluded in good faith, after considering applicable laws and receiving the advice of outside counsel that such action may reasonably be considered to be required by the Offeror's board of directors to comply with fiduciary duties under applicable laws; (B) prior to furnishing such information to or entering into discussions or negotiations with such person, the Offeror provides prompt notice (and in any event within 24 hours) orally and in writing to Vertex specifying that it is furnishing information to or entering into discussions or negotiations with such person in respect of a Superior Proposal, receives from such person an executed confidentiality agreement having confidentiality terms substantially similar to those contained in the this Agreement, and immediately provides Vertex with a copy of such Superior Proposal and any amendments thereto and confirming in writing the determination of the Offeror's board of directors that the Take-over Proposal, if completed, would constitute a Superior Proposal; (C) the Offeror provides immediate notice to Vertex at such time as it or such person terminates any such discussions or negotiations; and (D) the Offeror immediately provides or makes available to Vertex any information provided to any such person whether or not previously made available to Vertex;
  - (ii) comply with applicable Securities Laws with regard to a tender or exchange offer, if applicable, and other rules relating to the provision of directors' circulars, and makes appropriate disclosure with respect thereto to the Offeror's shareholders; and
  - (iii) accept, recommend, approve or implement a Superior Proposal from a third party, but only (in the case of this clause (iii)) if prior to such acceptance, recommendation, approval or implementation, the Offeror's board of directors shall have concluded in good faith, after considering provisions of applicable law and after considering all proposals to adjust the terms and conditions of this Agreement and the Offer which may be offered by Vertex during the seventy two (72) hour notice period set forth below and after receiving the advice of counsel, that such action may reasonably be considered to be required by the Offeror's board of directors to comply with fiduciary duties under applicable laws.
- (c) The Offeror shall give Vertex orally and in writing at least seventy two (72) hours advance notice of any decision by the Offeror's board of directors to accept, recommend, approve or implement a Superior Proposal which notice shall identify the party making the Superior Proposal and shall provide a true and complete copy thereof and any amendments thereto. In addition, the Offeror shall, and shall cause its respective financial and legal advisors to negotiate in good faith with Vertex to make such adjustments in the terms and conditions of this Agreement and the Offer as would enable the Offeror to proceed with the Offer as amended rather than the Superior Proposal. In the event that Vertex proposes to and does amend this Agreement and the Offer to provide substantially equivalent or superior value to that provided under the Superior Proposal within the seventy two (72) hour notice period specified above, then the Offeror

shall not accept, recommend, approve or enter into any agreement regarding the Superior Proposal.

## **5.5 Press Releases**

From the date hereof until the Take-up Date, neither the Offeror nor Vertex will issue any press release or make any other public announcement relating to the Offer and the transactions contemplated by this Agreement without the prior consent of the other Party, except that either Party may make any disclosure required to be made by it under applicable laws, the policies of the TSXV or other regulatory policies, if such Party determines in good faith that it is appropriate to do so, gives prior notice to the other Party and uses its commercially reasonable efforts to consult the other Party taking into account the time constraints to which it is subject as a result of such law or obligation.

## **5.6 Confidentiality**

The Parties agree that they will keep confidential (except for such disclosure to affiliated parties, their respective employees, officers, directors, advisors, consultants and bankers that may be appropriate in the furtherance of the Offer and the transactions contemplated by this Agreement and except for such disclosure as may be required by applicable securities or other applicable legislation or the policies of the TSXV or other regulatory authority and except such disclosure which is consented to by the other party) all information ("**Confidential Information**") of a confidential nature obtained by them in connection with the Offer and the transactions contemplated by this Agreement, including the existence of this Letter Agreement. In the event the Take-up Date does not occur, the Parties will return to one another or destroy at the instruction of the other Party all documents and other materials (and copies thereof) obtained from the other Party in connection therewith, and neither of the Parties will use any Confidential Information other than for the purpose of the evaluation of the Offer and the transactions contemplated by this Agreement.

## **5.7 Ordinary Course**

- (a) Vier covenants and agrees that, during the period from the date of this Agreement until the earlier of either: (i) the Effective Time; or (ii) the date this Agreement is terminated, Vier will carry on its business in the ordinary and normal course and in accordance with the requirements of the CPC Policy and the corporate finance policies of the TSXV; and
- (b) Vertex covenants and agrees that, during the period from the date of this Agreement until the earlier of either: (i) the Effective Time; or (ii) the date that this Agreement is terminated, unless the Offeror shall otherwise agree in writing, except as required by law, as directed by the Offeror, or as otherwise expressly permitted or specifically contemplated by this Agreement:
  - (i) the business of Vertex shall be conducted only in, and Vertex shall not take any action except in, the usual and ordinary course of business and consistent with past practice, and Vertex shall use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships;
  - (ii) the assets of Vertex shall continue to be maintained in good working condition in accordance with industry standards;
  - (iii) Vertex shall not directly or indirectly do or permit to occur any of the following:
    - (i) amend the Vertex Governing Documents; (ii) declare, set aside or pay any

dividend or other distribution or payment (whether in cash, shares or property) in respect of its outstanding shares; (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Vertex, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Vertex; (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities; (v) split, combine or reclassify any of its shares; (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Vertex; or (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;

- (iv) after the date of this Agreement, Vertex shall not, other than as contemplated by the provisions of this Agreement or as contemplated by or consistent with Vertex's approved capital expenditure budget for 2017, without prior consultation with and the consent of the Offeror (such consent not to be unreasonably withheld) directly or indirectly do any of the following: (i) sell, pledge, dispose of or encumber any assets having an individual value in excess of \$100,000 in the aggregate; (ii) expend or commit to expend more than \$100,000 individually with respect to any capital expenditures; (iii) other than costs incurred pursuant to the transactions contemplated herein, expend or commit to expend any amounts in excess of \$100,000 with respect to any operating expenses other than in the ordinary course of business; (iv) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities; contributions of capital or property transfer; (v) incur any indebtedness for borrowed money in excess of the maximum amounts available under its lending agreements, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or entity, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors in respect of the Offer; (vi) authorize, recommend or propose any release or relinquishment of any material contract right; or (vii) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (v) Vertex shall not grant any officer, director, employee or consultant an increase in compensation in any form or take any action with respect to the amendment or grant of any compensation or termination pay policies or arrangements for any directors, officers, employees or consultants, nor adopt or amend or make any contribution to any bonus, profit sharing, option, pension, retirement, deferred compensation, insurance, incentive compensation, other compensation or other similar plan from a trust fund or arrangement for the benefit of directors, officers, employees or consultants, except as is consistent with Vertex's normal course compensation practices or as is necessary to comply with the law or with respect to existing provisions or payment accruals of any such plans, programs, arrangements or agreements;
- (vi) unless done so at the request of the Offeror, in writing, Vertex shall not take any action that would render or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect; and

- (vii) Vertex will maintain in force its current policies of insurance until the Expiry Time and will pay all premiums in respect of such insurance policies that fall due between the date hereof and the Expiry Time.

## **5.8 Offeror's Consolidation**

Prior to the Effective Time, the Offeror shall effect the Consolidation of the Offeror Shares on a 10:1 basis such that there will be 735,000 Offeror Shares issued and outstanding immediately prior to the issuance of the Offeror Shares comprising the Offer Price (before accounting for any Offeror Shares that may be issued prior to the Consolidation upon the exercise of Offeror Options and/or Agent Options).

## **5.9 Offeror's Qualifying Transaction**

Each of the Offeror and Vertex shall make all commercially reasonable efforts to:

- (a) provide the information and financial statements regarding such Party for inclusion in the Filing Statement as required by the CPC Policy and ensure that the information included in the Filing Statement (other than information relating solely to and provided by the other Party for including in the Filing Statement) consists of full, true and plain disclosure of all material facts as at the respective dates thereof;
- (b) file a Filing Statement on SEDAR as soon as reasonably practicable and in any event no later than October 11, 2017 or such other later date as the Parties may agree in writing;
- (c) obtain a Final Exchange Bulletin (as such term is defined in the CPC Policy) in respect of the Qualifying Transaction as soon as reasonably practicable and in any event no later than October 20, 2017 or such other later date as the Parties may agree in writing.

## **5.10 Replacement of Directors and Officers**

- (a) Concurrent with the take-up by the Offeror of the Common Shares on the Take-up Date:
  - (i) the Old Board shall be reconstituted through the resignations of all members of the Old Board and the members of the New Board shall be appointed to fill the vacancies created by such resignations without the necessity of the holding of a meeting of the Offeror for this purpose; and
  - (ii) the Old Officers shall resign and the New Officers shall be appointed by the New Board as officers of the Offeror.
- (b) The Offeror and each Old Officer shall execute mutual resignations and releases, in a form acceptable to the Offeror, the applicable Old Officer and Vertex, acting reasonably, and the Offeror agrees to use reasonable commercial efforts to cause each member of the Old Board (who is not an Old Officer) to execute, together with the Offeror, mutual resignations and releases in a form acceptable to the Offeror, the Old Board member and Vertex, acting reasonably. The Offeror and Vertex each agree to take all commercially reasonable steps within their power to facilitate the resignation of the Old Board and Old Officers and the appointment of the New Board and New Officers, as applicable, on the Take-up Date.

### 5.11 Amalgamation

Each of the Offeror and Vertex shall make all commercially reasonable efforts to effect, as soon as practicable following the take-up by the Offeror of the Common Shares on the Take-up Date, a vertical short form amalgamation of the Offeror and Vertex.

### 5.12 Other Filings

The Offeror and Vertex shall, as promptly as practicable hereafter, prepare and file any documents required under any Securities Laws, Corporate Laws or any other applicable laws relating to the Offer and the transactions contemplated thereby.

### 5.13 Additional Agreements

Subject to the terms and conditions herein provided and to fiduciary obligations under applicable laws as advised by counsel in writing, each of the Parties agrees to use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts: (i) to obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts (including the agreement of any persons as may be required pursuant to any agreement, arrangement or understanding relating to Vertex's or the Offeror's operations); (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any applicable laws; (iii) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby; (iv) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the transactions contemplated hereby; (v) to effect all necessary registrations and other filings and submissions of information requested by any Governmental Authority; (vi) to enter into the Warrant Exchange Agreements; and (vii) to fulfill all conditions and satisfy all provisions of this Agreement and the Offer. For purposes of the foregoing provisions of this Section 5.13, the obligation to use "commercially reasonable efforts" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other parties

### 5.14 Compliance with Privacy Laws

For the purposes of this Section 5.14, the following definitions apply:

**"applicable law"** means, in relation to any person, transaction or event, all applicable provisions of laws, statutes, rules, regulations, official directives and orders of and the terms of all judgments, orders and decrees issued by any authorized authority by which such person is bound or having application to the transaction or any event in question, including applicable privacy laws;

**"applicable privacy laws"** means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Document Act* (Canada) and any comparable provincial law including the *Personal Information Protection Act* (Alberta);

**"authorized authority"** means, in relation to any person, transaction or event, any (A) federal, provincial, municipal or local governmental body (whether administrative,

legislative, executive or otherwise), both domestic and foreign, (B) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (C) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (D) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such person, transaction or event; and

“**Personal Information**” means information about an individual transferred by Vertex to the Offeror or by the Offeror to Vertex (or by representatives of any of the foregoing) in accordance with this Agreement or as a condition of the Offer.

- (a) Each of Vertex and the Offeror acknowledges that it is responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to it pursuant to or in connection with this Agreement (the “**Disclosed Personal Information**”).
- (b) None of Vertex or the Offeror shall use the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the transactions contemplated by this Agreement.
- (c) Each of Vertex and the Offeror acknowledges and confirms that the disclosure of Personal Information is necessary for the purposes of determining if the Parties will proceed with the Offer, and that the disclosure of Personal Information relates solely to the carrying on of the business and the completion of the transactions contemplated by this Agreement.
- (d) Each of Vertex and the Offeror acknowledges and confirms that it has and shall continue to employ appropriate technology and procedures in accordance with applicable law to prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
- (e) Each of Vertex and the Offeror shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties’ obligations hereunder. Each of Vertex and the Offeror shall ensure that access to the Disclosed Personal Information is restricted to its employees or advisors who have a bona fide need to access to such information in order to complete the completion of the transactions contemplated by this Agreement.
- (f) Each of Vertex and the Offeror shall promptly notify each other of all inquiries, complaints, requests for access, and claims of which it is made aware in connection with the Disclosed Personal Information. Vertex and the Offeror shall fully co-operate with one another, with the other persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, and claims.

- (g) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of the other Party, each Party shall forthwith cease all use of the Personal Information acquired by it in connection with this Agreement and shall return to the applicable other Party and cause its advisors to return to the applicable Party or, at the applicable Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies).

## **ARTICLE 6**

### **TERMINATION, AMENDMENT AND WAIVER**

#### **6.1 Termination**

Subject to Section 6.2, this Agreement may be terminated by written notice promptly given to the other Party or Parties hereto, at any time prior to the time that the Offeror first takes-up and pays for Common Shares:

- (a) by mutual written agreement of the Offeror and Vertex;
- (b) by the Offeror, if the Offeror has the right pursuant to Section 2.1(h) to refuse to make the Offer due to the failure to be satisfied of any of the conditions set forth therein prior to the time specified therein;
- (c) by either the Offeror or Vertex, if a court of competent jurisdiction or a Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting any of the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final;
- (d) by Vertex, if the Offeror has not mailed the Offer Documents to the Vertex Securityholders prior to 5:00 p.m. (Toronto time) on September 29, 2017;
- (e) by the Offeror, subject to Section 2.1(e), if the conditions to the Offer have not been satisfied or waived by the Offeror on or before the Expiry Time (provided that the Offeror may not terminate this Agreement under this Section 6.1(e) prior to the Expiry Time);
- (f) by Vertex, if the Offeror has not taken-up and paid for the Common Shares deposited under the Offer on or before October 20, 2017
- (g) by either the Offeror or Vertex, subject to Section 2.1(e), if the Offer terminates or expires at the Expiry Time without the Offeror taking-up and paying for any of the Common Shares as a result of the failure of any condition to the Offer to be satisfied or waived by the Offeror unless the failure of such condition shall be due to the failure of the Party seeking to terminate this Agreement to perform the obligations required to be performed by it under this Agreement;
- (h) by Vertex if it has complied with its obligations under Section 5.3 or by the Offeror if it has complied with its obligations under Section 5.4; or
- (i) by either the Offeror on the one hand, or Vertex, on the other hand, if any representation or warranty by the other Party contained in this Agreement shall have been determined by the Offeror or Vertex, in its sole judgment, acting reasonably, to be materially inaccurate,

unless such inaccuracy, when considered in aggregate with all other material inaccuracies in the representations and warranties of such Party, has not had or would not reasonably be expected to have a Material Adverse Effect on Vertex or a Material Adverse Effect on the Offeror (or, in the case of representations and warranties that are themselves qualified by materiality limitations, determined to be inaccurate) or if either the Offeror or Vertex determines the other Party has breached or failed to comply with, in any material respect, any of its covenants or obligations contained in this Agreement, provided that such other Party has been given notice of, and three (3) Business Days to cure any such breach or failure and has failed to cure such breach or failure.

## **6.2 Effect of Termination**

In the event of the termination of this Agreement as provided in Section 6.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of the Offeror or Vertex hereunder except those obligations that have accrued to such date (including the obligations set forth in Section 7.4). Nothing herein shall relieve any Party from liability for a breach of this Agreement.

## **6.3 Amendment**

This Agreement may be amended by mutual agreement between the Parties. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the Parties.

## **6.4 Waiver**

Either of the Offeror or Vertex may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive compliance with any of the other's agreements or the fulfillment of any conditions to its own obligations contained herein or (iii) waive inaccuracies in any of the other's representations or warranties contained herein or in any document delivered by the other Party hereto; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such extending or waiving Party.

# **ARTICLE 7 GENERAL PROVISIONS**

## **7.1 Notices**

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by facsimile or sent by prepaid courier to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

- (a) if to Vertex:

Vertex Resource Group Ltd.  
121, 2055 Premier Way  
Sherwood Park, Alberta, T8H 0G2

Attention: Terry Stephenson, President  
Facsimile No.: (780) 416-5986

(b) if to the Offeror:

Vier Capital Corp.  
1900, 520 – 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta T2P 0R3

Attention: Jason Krueger, President and Chief Executive Officer  
Facsimile No.: (403) 266-1395

## **7.2 Miscellaneous**

This Agreement: (i) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Parties, with respect to the subject matter hereof; and (ii) shall be binding upon and enure to the benefit of the Parties and their respective successors and assigns. The Parties shall be entitled to rely upon delivery of an executed facsimile or electronic PDF copy of this Agreement, and such facsimile or electronic PDF copy shall be legally effective to create a valid and binding agreement among the Parties hereto. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement is not performed in accordance with its specific terms or is otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

## **7.3 Assignment**

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the Parties without the prior written consent of the other Party.

## **7.4 Expenses**

Except as provided for herein, the Parties agree that all third party costs and expenses incurred by the Parties in connection with the Offer and the transactions contemplated by this Agreement, including without limitation, all legal, accounting, tax, and financial advisor fees, shall be borne by the Party that incurs the same. For the purposes of clarity, Vertex shall be responsible for paying the costs and fees payable to the TSXV regarding the Qualifying Transaction and its review of the Personal Information Forms to be submitted by the New Board and the New Officers and for any sponsorship fees and all fees incurred in connection with any business valuation or commercial valuation. Legal counsel to Vertex shall be responsible for drafting and submitting the Filing Statement and for making all submissions to the TSXV.

## **7.5 Severability**

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable laws. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**7.6 Counterpart Execution**

This Agreement may be executed and delivered (including delivery by facsimile or other electronic transmission) by the different Parties in separate counterparts, each of which will when executed be deemed an original and all of which taken together will constitute one and the same agreement. The exchange of copies of this agreement and of signature pages by facsimile or electronic transmission will constitute effective execution and delivery of this agreement as to the Parties and may be used in lieu of the original agreement for all purposes. Signatures of the authorized signatories of the Parties transmitted by facsimile or electronic transmission will be deemed to be their original signatures for all purposes.

**7.7 Time is of the Essence**

Time is of the essence for this Agreement.

**IN WITNESS WHEREOF**, the Offeror and Vertex have caused this Agreement to be executed as of the date first written above.

**VIER CAPITAL CORP.**

By: (signed) "Jason Krueger"  
Name: Jason Krueger  
Title: Chief Executive Officer and President

**VERTEX RESOURCE GROUP LTD.**

By: (signed) "Terry Stephenson"  
Name: Terry Stephenson  
Title: President

## SCHEDULE 2.1(c)

### CONDITIONS TO THE OFFER

The capitalized terms used in this Schedule 2.1(c) have the meanings set forth in the attached Pre-Acquisition Agreement dated September 8, 2017, (the “**Agreement**”) between the Offeror and Vertex to which this Schedule 2.1(c) is attached.

Notwithstanding any other provision of the Offer, but subject to the provisions of the Agreement, the Offeror reserves the right to withdraw or terminate the Offer and not take-up and pay for, or to extend the period of time during which the Offer is open and postpone taking-up and paying for any Common Shares deposited under the Offer unless all of the following conditions are satisfied or waived by the Offeror:

- (a) prior to the Expiry Time, and at the time the Offeror shall first take-up and pay for Common Shares under the Offer, there shall have been validly deposited under the Offer and not withdrawn not less than 90% of the then outstanding Common Shares (on a non-diluted basis);
- (b) the Offeror shall have determined, acting reasonably, that all third party, government or regulatory approvals, orders, rulings, exemptions and consents that the Offeror, acting reasonably, considers necessary or desirable to enable the Offeror to acquire Common Shares under the Offer, or the non-existence of which may be materially adverse to the business of Vertex or the value of the Common Shares to the Offeror or that would make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction, including, without limitation, the conditional listing approval of the TSXV for the Offeror Shares issuable pursuant to the Offer, shall have been obtained on terms satisfactory to the Offeror, acting in its sole judgment, and shall be in full force and effect and all applicable statutory or regulatory waiting or suspensory periods in connection therewith shall have expired or been terminated and no objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory waiting period;
- (c) the Offeror shall have determined, acting reasonably, that there does not exist or has not occurred (or, if there does exist or shall have previously occurred, there shall not have been publicly disclosed and the Offeror shall not have otherwise learned of) any change (or any condition, event, circumstance or development involving a prospective change) in the business, condition (financial or otherwise), operations, results of operations, performance, properties, assets, liabilities (contingent or otherwise), capitalization, value, prospects, licences, rights or privileges, whether contractual or otherwise, of Vertex and/or its subsidiaries taken as a whole which may be materially adverse to the business of Vertex or the value of the Common Shares to the Offeror or that would make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (d) the Offeror shall have determined, acting reasonably, that there shall not have occurred, developed or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law, regulation, action, enquiry or other occurrence of any nature whatsoever which may be materially adverse to the business of Vertex or the value of the Common Shares to the Offeror or

that would make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;

- (e) the Offeror shall have determined, acting reasonably, that: (A) no act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any domestic or foreign court, tribunal or governmental agency or other regulatory or administrative agency or commission or before or by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group, trust, trustee, personal representative or other entity) in Canada or elsewhere, whether or not having the force of law; and (B) no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated or applied, in the case of either (A) or (B):
  - (i) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by, or the sale to, the Offeror of Common Shares or the right of the Offeror to own or exercise full rights of ownership of the Common Shares; or
  - (ii) which may be materially adverse to the business of Vertex or the value of the Common Shares to the Offeror or that would make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (f) the Offeror shall have determined, acting reasonably, that no material property, asset, agreement, right or license of Vertex or any of its subsidiaries has been or would be impaired or adversely affected as a result of the making of the Offer, the taking-up and paying for Common Shares under the Offer, the completion of a compulsory acquisition and/or subsequent acquisition transaction or otherwise, which might make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction;
- (g) the Offeror shall have determined, acting reasonably, that there does not exist any covenant, term or condition in any of the instruments or agreements to which Vertex or any of its subsidiaries is a party or to which they or any of their material properties or material assets are subject that might make it inadvisable for the Offeror to proceed with the Offer, the taking-up and paying for Common Shares under the Offer and/or the completion of a compulsory acquisition or subsequent acquisition transaction (including but not limited to any covenant, term or condition that may be breached or cause a default or permit third parties to exercise rights against Vertex or any of its subsidiaries);
- (h) there shall not have occurred, developed or come into effect or existence any event, action, state, condition or occurrence of national or international consequence which, in the Offeror's sole judgment, acting reasonably, has materially adversely affected the financial markets in Canada or the United States;
- (i) the Offeror shall have determined, acting reasonably, that there shall not exist any prohibition at law against the Offeror making the Offer or taking-up and paying for Common Shares validly deposited and not withdrawn under the Offer, or completing a compulsory acquisition or subsequent acquisition transaction;

- (j) the Agreement shall not have been terminated or the Offeror shall have determined, acting reasonably, that such termination shall not affect the ability of the Offeror to consummate the Offer or that such termination was not related to any matter that is materially adverse to the business of Vertex or the value of the Common Shares to the Offeror;
- (k) the Lock-up Agreements with the directors and officers of Vertex and certain other Vertex Securityholders shall not have been terminated and shall have been complied with in all material respects or the Offeror shall have determined, acting reasonably, that such termination shall not affect the ability of the Offeror to consummate the Offer; and
- (l) the Warrant Exchange Agreements with the Vertex Warrantholders shall not have been terminated and shall have been complied with in all material respects or the Offeror shall have determined, acting reasonably, that such termination shall not affect the ability of the Offeror to consummate the Offer.

**SCHEDULE 2.2(b)**  
**FORM OF LOCK-UP AGREEMENT**

September 8, 2017

Dear Sir:

**Re: Offer by Vier Capital Corp. to Purchase all of the outstanding Common Shares of Vertex Resource Group Ltd.**

---

Reference is made to the Pre-Acquisition Agreement dated September 8, 2017 (the “**Pre-Acquisition Agreement**”) between Vier Capital Corp. (hereafter referred to as the “**Offeror**”) and Vertex Resource Group Ltd. (hereafter referred to as “**Vertex**”) pursuant to which the Offeror has agreed to make an offer to purchase all of the issued and outstanding class A common shares of Vertex (“**Common Shares**”). Unless otherwise defined herein, all capitalized terms referred to herein shall have the meanings attributed thereto in the Pre-Acquisition Agreement.

We understand that you (the “**Securityholder**”) or your affiliates beneficially own, directly or indirectly, or exercise control or direction over, the number of Common Shares set forth in your acceptance at the end of this letter agreement. Any references in this letter agreement to Common Shares owned or controlled by the Securityholder or the Securityholder’s affiliates shall mean such number of Common Shares.

This letter agreement sets out the terms and conditions upon which the Securityholder has agreed, among other things, to support the Offer and to deposit under the Offer, or cause to be deposited under the Offer, all of the Common Shares held by the Securityholder or the Securityholder’s affiliates that are, or will be, beneficially owned or controlled by the Securityholder or the Securityholder’s affiliates.

**1. Covenants of Securityholder**

By the acceptance of this letter agreement, the Securityholder hereby agrees, subject to the terms of Section 3 of this letter agreement, from the date hereof until the earlier of the termination of this letter agreement and the Expiry Time:

- (a) not to sell, assign, transfer, convey, encumber or otherwise dispose of any of the Common Shares owned by such Securityholder and not to permit any affiliate of such Securityholder to sell, assign, convey or otherwise dispose of any of the Common Shares owned by it, or enter into any agreement or undertaking relating to the foregoing;
- (b) unconditionally and irrevocably agrees to do all such things and take all such steps as may be reasonably required to be done by the Securityholder to facilitate completion of the Offer, including without limitation, to accept and to cause any affiliate of such Securityholder to unconditionally and irrevocably accept the Offer made by the Offeror by depositing or causing to be deposited the Common Shares presently owned or hereafter acquired by such Securityholder or affiliate prior to the Expiry Time and in accordance with the terms and conditions of the Offer, provided that if the Offeror increases the consideration to be paid for Common Shares under the Offer, the Common

Shares purchased from the Securityholder are purchased at such increased consideration per Common Share;

- (c) not to exercise any statutory or other rights of withdrawal with respect to any Common Shares owned by such Securityholder or any affiliate of such Securityholder once deposited pursuant to the Offer unless this letter agreement is terminated prior to the Offeror taking-up the Common Shares under the Offer;
- (d) not to exercise any shareholder rights or remedies available at common law or pursuant to the *Business Corporations Act* (Alberta) or applicable securities legislation to delay, hinder, upset or challenge the Offer;
- (e) subject to Section 3 hereof, not to directly or indirectly:
  - (i) continue in any discussions or negotiations, if any, in respect of an Take-over Proposal;
  - (ii) solicit, facilitate, initiate or encourage any Take-over Proposal;
  - (iii) enter into or participate in any negotiations or initiate discussions regarding any Take-over Proposal, or furnish to any other person any information with respect to the business of Vertex or its assets, operations, prospects or conditions (financial or otherwise) in connection with an Take-over Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other person to do or seek to do any of the foregoing; or
  - (iv) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any “standstill provisions” thereunder;
- (f) promptly notify the Offeror upon any of undersigned’s representations or warranties contained in this letter agreement becoming untrue or incorrect in any material respect prior to the earlier of the Take-up Date and the date this letter agreement is terminated, and for the purposes of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date hereof); and
- (g) that it, together with the other Locked-up Securityholders, is part of a Tag Group that is prepared to accept the Offer and that it is hereby exercising its drag-along rights pursuant to Section 8.5 of the Unanimous Shareholder Agreement and authorizes the Offeror to include in the Offer, for and on behalf of the Tag Group, the information required to be included in a drag-along notice (the “**Drag-along Notice**”) required to be delivered by the Tag Group pursuant to Section 8.5 of the Unanimous Shareholder Agreement.

## 2. Covenants of the Offeror

- (a) The Offeror shall make the Offer in accordance with the terms and conditions of the Pre-Acquisition Agreement and shall comply with the terms and conditions of Article 2 and Article 5 thereof in respect of the Offer.
- (b) The Offeror shall include in the Offer, for and on behalf of the Tag Group (including the Securityholder or the Securityholder’s affiliates) the information required to be included in the Drag-along Notice.

- (c) The Offeror shall, subject to the satisfaction or waiver of the conditions set forth in the Offer, take-up and pay for all Common Shares owned or controlled by the Securityholder or any affiliate of the Securityholder deposited pursuant to the Offer, all in accordance with the terms and conditions of the Offer and the provisions of the Pre-Acquisition Agreement.

### **3. Fiduciary Duties**

Nothing herein shall restrict or limit the actions of any director or officer required to be taken in the discharge of his fiduciary duties as a director or officer of Vertex.

### **4. Termination**

It is understood and agreed that the respective rights and obligations hereunder of the Offeror and the Securityholder shall cease and this letter agreement shall terminate in the following events:

- (a) if Vertex receives a Take-over Proposal which constitutes a Superior Proposal and the Offeror has not agreed to amend the consideration offered per Common Share pursuant to the Pre-Acquisition Agreement to be an amount equal or greater than the value per Common Share provided in the Superior Proposal, within seventy two (72) hours from the time that the Offeror is notified and receives a copy of the Superior Proposal;
- (b) by mutual agreement of the parties;
- (c) if the Offer has not been made by September 29, 2017;
- (d) if the Offeror has not taken-up and paid for the Common Shares deposited under the Offer on or before October 20, 2017;
- (e) if the Offeror decreases the consideration offered pursuant to the Offer or otherwise modifies or amends the Offer in a manner materially adverse to the Securityholder, provided that an extension of the Offer by the Offeror shall not constitute an adverse modification or amendment to the Offer;
- (f) if there has been any breach or non-performance by the Offeror of any material provision of this letter agreement; or
- (g) if the Pre-Acquisition Agreement is terminated.

The Securityholder acknowledges and agrees that the Pre-Acquisition Agreement may from time to time be amended and any such amendment shall not in any way affect the obligations of the Securityholder (provided that such amendment is not materially adverse to the Securityholder). In the event of termination of this letter agreement, the Securityholder shall have the right not to deposit any Common Shares under the Offer, and to withdraw all of the Common Shares deposited in accordance with the terms and conditions of the Offer, this letter agreement shall forthwith be of no further force and effect and there shall be no obligation or liability on the part of either the Securityholder or the Offeror, except as set forth in this Section 4 which provisions shall survive the termination of this letter agreement. Nothing herein shall relieve any party from liability for any breach of this letter agreement.

### **5. Representations and Warranties of Securityholder**

The Securityholder hereby represents and warrants to the Offeror that:

- (a) the Securityholder or the Securityholder's affiliates is the beneficial owner, directly or indirectly, or controls or exercises direction over, directly or indirectly, the Common Shares set forth below in the Securityholder's acceptance at the end of this letter agreement, and other than such Common Shares, the Securityholder or the Securityholder's affiliates holds no securities of Vertex and other than pursuant to the Unanimous Shareholder Agreement or, if applicable, Vertex Warrants, has no agreement, option or other right (whether by law, pre-emptive or contractual) capable of becoming an agreement, option, or other right to purchase or otherwise acquire any securities of Vertex;
- (b) the Common Shares owned by the Securityholder or the Securityholder's affiliates will be, at the time at which the Offeror takes-up and pays for the Common Shares deposited under the Offer, fully paid and non-assessable shares in the capital of Vertex and beneficially owned by the Securityholder or the Securityholder's affiliates with good and marketable title thereto, free and clear of any and all liens, charges, restrictions, security interests, adverse claims, pledges and encumbrances (except for the Securityholder's obligations under this letter agreement);
- (c) other than pursuant to the Unanimous Shareholder Agreement, no person, firm, corporation or other entity whatsoever has any agreement, option or other right (whether by law, pre-emptive or contractual) capable of becoming an agreement, option, or other right to purchase or otherwise acquire any Common Shares owned by the Securityholder or the Securityholder's affiliates or any interest therein or right thereto, except for the Offeror pursuant to this letter agreement; and
- (d) the Securityholder is duly authorized to execute and deliver this letter agreement and this letter agreement has been duly executed and delivered by the Securityholder and is a valid and binding agreement, enforceable against the Securityholder in accordance with its terms, and the consummation by the Securityholder of the transactions contemplated hereby will not constitute a violation or default under, or conflict with, (i) any contract, commitment, agreement, understanding, arrangement or restriction of any kind to which the Securityholder is a party or by which the Securityholder will be bound at the time of such consummation, or (ii) any judgement, decree, order or award of any court, governmental body or arbitrator applicable to the Securityholder.

## **6. Representations and Warranties of Offeror**

The Offeror hereby represents and warrants to the Securityholder that:

- (a) the Offeror is a corporation duly incorporated and organized and validly existing under the laws of Alberta and has the requisite corporate power and capacity to conduct its business as it is now being conducted; and
- (b) the Offeror has the requisite corporate power and capacity to enter into this letter agreement and to carry out its obligations hereunder. The execution and delivery of this letter agreement and the consummation by the Offeror of the transactions contemplated hereby have been duly authorized by the Offeror, and no other corporate proceedings on its part are or will be necessary to authorize this letter agreement and the transactions contemplated hereby. This letter agreement has been duly executed and delivered by the Offeror and constitutes a legal, valid and binding obligation of the Offeror enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to the general principles of equity.

## **7. Specific Performance**

The Securityholder recognizes and acknowledges that this agreement is an integral part of the Offeror making the Offer, and that the Offeror would not contemplate making the Offer unless this letter agreement was executed, and that a material breach by the Securityholder of any covenants or commitments contained in this letter agreement will cause the Offeror to sustain injury for which it would not have an adequate remedy at law for money damages. Therefore, the Securityholder agrees that, in the event of any such material breach, the Offeror shall be entitled to claim the remedy of specific performance of such covenants or commitments and preliminary and permanent injunctive and other equitable relief in addition to any other remedy to which it may be entitled, at law or in equity, and the Securityholder further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief.

## **8. Amendment**

Except as expressly set forth herein, this letter agreement constitutes the whole of the agreement between the parties and may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

## **9. Assignment**

Except as expressly set forth herein, no party to this letter agreement may assign any of its rights or obligations under this letter agreement without the prior written consent of the other party.

## **10. Disclosure**

Prior to first public disclosure of the existence and terms and conditions of this letter agreement, neither of the parties hereto shall disclose the existence of this letter agreement, or any details hereof, to any person other than Vertex, its directors and officers or other Vertex Shareholders executing substantially similar letter agreements, without the prior written consent of the other party hereto, except to the extent required by law or pursuant to requirements of a stock exchange. The existence and terms and conditions of this letter agreement may be disclosed by the Offeror and Vertex in the press release issued in connection with the execution of the Pre-Acquisition Agreement and the Offer Documents.

## **11. Fees and Expenses**

The parties hereto agree to pay their own respective expenses incurred in connection with this letter agreement. This section shall survive the termination of this letter agreement pursuant to Section 4.

## **12. Unenforceable Terms**

If any provision of this letter agreement or the application thereof to any party or circumstance shall be invalid or unenforceable to any extent the remainder of this letter agreement or application of such provision to a party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining provision of this letter agreement shall be valid and shall be enforceable to the fullest extent permitted by applicable law.

## **13. Further Assurances**

The Securityholder shall from time to time and at all times hereafter at the request of the Offeror but without further consideration, do and perform all such further acts, matters and things and execute and deliver all such further documents, deeds, assignments, agreements, notices and writings and give such further assurances as shall be reasonably required for the purpose of giving effect to this letter agreement.

**14. Time of Essence**

Time shall be of the essence of this letter agreement.

**15. Enurement**

This letter agreement will be binding upon and enure to the benefit of the Offeror, the Securityholder and their respective executors, administrators, successors and permitted assigns.

**16. Applicable Law**

This letter agreement shall be governed and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.

**17. Counterparts**

This letter agreement may be executed and delivered (including delivery by facsimile or other electronic transmission) by the different parties hereto in separate counterparts, each of which will when executed be deemed an original and all of which taken together will constitute one and the same agreement. The exchange of copies of this letter agreement and of signature pages by facsimile or electronic transmission will constitute effective execution and delivery of this letter agreement as to the parties and may be used in lieu of the original letter agreement for all purposes. Signatures of the authorized signatories of the parties transmitted by facsimile or electronic transmission will be deemed to be their original signatures for all purposes.

Yours truly,

**VIER CAPITAL CORP.**

By: \_\_\_\_\_  
Jason Krueger  
Chief Executive Officer and President

**[REMAINDER OF PAGE INTENTIONALLY BLANK]**

**ACCEPTANCE**

In consideration of the agreement of the Offeror to make the Offer in accordance with the terms of the Pre-Acquisition Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the foregoing is hereby accepted by the Securityholder as of and with effect from the date first above written and the undersigned Securityholder hereby confirms that:

1. the undersigned Securityholder or its affiliates of the undersigned Securityholder beneficially owns or controls \_\_\_\_\_ Common Shares; and
2. the affiliates of the Securityholder that hold Common Shares and the number of Common Shares held by such affiliates are as follows:

<u>Affiliate Name</u>	<u>Number of Common Shares</u>

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Securityholder or, if a corporation,  
authorized signing officer

\_\_\_\_\_  
Name of Witness (please print)

\_\_\_\_\_  
Name of Securityholder (please print)

\_\_\_\_\_  
Address

\_\_\_\_\_

## SCHEDULE 4.2

### CORPORATE STRUCTURE CHART

<b>Corporation</b>	<b>Jurisdiction</b>	<b>Ownership Percentage<sup>(1)</sup></b>
Vertex Professional Services Ltd.	Alberta	100
Vertex Oilfield Services Ltd.	Alberta	100
Vertex Resource Services Ltd.	Alberta	100
Vertex Resource Services Inc.	Nevada	100
Acden Vertex LP	Alberta	49
Dominion Leasing Inc.	Alberta	100

Note:

(1) Reflects the percentage of voting securities owned directly or indirectly by Vertex.

**APPENDIX "B" - FINANCIAL STATEMENTS OF VIER CAPITAL CORP.**

**VIER CAPITAL CORP.**

***Condensed Interim Financial Statements  
(Unaudited)***

**For the Period Ended June 30, 2017**

**VIER Capital Corp.**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited)**  
**(In Canadian \$)**

	Note	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
<b>ASSETS</b>			
<b>Current</b>			
Cash	4	\$ 247,308	\$ 293,224
Prepays		3,640	3,910
Total assets		<u>\$ 250,948</u>	<u>\$ 297,134</u>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals		<u>\$ 7,608</u>	<u>\$ 9,242</u>
<b>Shareholders' Equity</b>			
Share capital	5	399,403	399,403
Contributed Surplus	6	63,549	63,549
Deficit		<u>(219,612)</u>	<u>(175,060)</u>
Total shareholders' equity		<u>243,340</u>	<u>287,892</u>
Total liabilities and shareholders' equity		<u>\$ 250,948</u>	<u>\$ 297,134</u>
<b>Letter of intent</b>	<b>1</b>		

See accompanying notes to the condensed interim financial statements

Approved on behalf of the Board:

"Jason Krueger" Director  
 Jason Krueger

"David McGoey" Director  
 David McGoey

**VIER Capital Corp.****Condensed Interim Statements of Operations, Comprehensive Loss and Deficit  
(Unaudited)  
(In Canadian \$)**

	<b>Note</b>	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
<b>Expenses</b>					
Professional fees		\$ 11,620	\$ 2,991	\$ 29,983	\$ 84,802
Transfer agent and stock exchange		5,461	2,240	9,750	6,684
Insurance		1,500	1,500	3,000	3,000
Travel		-	585	970	971
Office		1,684	225	1,729	1,1302
Meals		32	109	32	562
Interest income		(455)	(332)	(912)	(797)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss and comprehensive loss		\$ 19,842	\$ 7,318	\$ 44,552	\$ 96,352
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Loss per share</b>					
Basic and diluted	<b>5</b>	(\$ 0.006)	(\$ 0.002)	(\$ 0.013)	(\$ 0.028)
		<hr/>	<hr/>	<hr/>	<hr/>
Weighted Average Number of Shares Outstanding		3,500,000	3,500,000	3,500,000	3,500,000
		<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to the condensed interim financial statements

**VIER Capital Corp.**  
**Condensed Interim Statements of Changes in Equity**  
**(Unaudited)**  
**(In Canadian \$)**

	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>(Deficit)</b>	<b>Total</b>
<b>Balance, December 31, 2015</b>	\$ 399,403	\$ 63,549	\$ (64,369)	\$ 398,583
Loss for the period	-	-	(96,352)	(96,352)
<b>Balance, June 30, 2016</b>	\$ 399,403	\$ 63,549	\$ (160,721)	\$ 302,231
<b>Balance, December 31, 2016</b>	\$ 399,403	\$ 63,549	\$ (175,060)	\$ 287,892
Loss for the period	-	-	(44,552)	(44,552)
<b>Balance, June 30, 2017</b>	\$ 399,403	\$ 63,549	\$ (219,612)	\$ 243,340

See accompanying notes to the condensed interim financial statements

**VIER Capital Corp.****Condensed Interim Statements of Cash Flows  
(Unaudited)  
(In Canadian \$)**

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2017</b>	<b>Six Months Ended June 30, 2016</b>
<b>Cash Provided By (Used For)</b>				
<b>Operating Activities</b>				
Loss for the period	\$ (19,842)	\$ (7,318)	\$ (44,552)	\$ (96,352)
Item not affecting cash				
Net change in prepaids	2,865	2,865	270	(640)
Net change in accounts payable	7,336	(68,430)	(1,634)	6,000
Cash flows used in operating activities	(9,642)	(72,883)	(45,916)	(102,992)
Cash, beginning of period	256,950	372,474	293,224	402,583
Cash, end of period	\$ 247,308	\$ 299,591	\$ 247,308	\$ 299,591
<b>Supplemental Cash Flow Information</b>				
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest income received	455	322	912	797
Interest expense paid	-	-	-	-

See accompanying notes to the condensed interim financial statements

## **VIER Capital Corp.**

### **Notes to the Condensed Interim Financial Statements**

*Period Ended June 30, 2017*

*(Unaudited)*

*(In Canadian \$)*

#### **1. Incorporation and Qualifying Transaction**

VIER Capital Corp. ("VIER" or the "Company") was incorporated under the laws of the Province of Alberta on September 23, 2014. The Company is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") and trades under the symbol VIE.P. The principal business of the Company will be to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules. The address of the registered office is 1900, 520 3<sup>rd</sup> Avenue SW Calgary, Alberta.

On June 15, 2017, the Company was granted conditional acceptance of an extension to January 31, 2018 in which to complete a Qualifying Transaction ("QT"). Should the Company not complete a QT or file the required documentation to transfer to the NEX prior to January 31, 2018, the shares of the Company will be delisted at that date.

At the Annual General Meeting on May 17, 2017 the Company considered, and if deemed advisable, approved:

1. an amendment to the articles of incorporation to consolidate the issued and outstanding Common Shares on the basis of one (1) post-consolidation Common Share for up to every ten (10) pre-consolidation Common Share.
2. the transfer to the NEX board of the TSX Venture Exchange.
3. to cancel an amount of Seed Shares (as defined in the TSXV policies) purchased by non-arm's length parties to the Company so that the average cost of the remaining Seed Shares is at least equal to the IPO (as defined in the TSXV Policies) price.

VIER has entered into a letter of intent dated as of July 17, 2017 (the "LOI") with Vertex Resources Group Ltd. ("Vertex"), a private company incorporated under the Business Corporations Act (Alberta), whereby the Company will acquire all of the issued and outstanding securities of Vertex (the "Vertex Securities") by way of an arrangement, share exchange or similar transaction (the "Transaction"), subject to the terms and conditions outlined below. VIER intends that the Transaction will constitute its Qualifying Transaction, as such term is defined in the policies of the Exchange.

Vertex is a leading North American provider of environmental and industrial services. Vertex services clients in the oil and gas, midstream, utilities, mining, forestry, agriculture, and the municipal real estate sector.

In connection with the Transaction, VIER anticipates that the 7,350,000 currently issued and outstanding shares will be consolidated (the "Consolidation") on a 10 for 1 basis.

#### **Summary of the Qualifying Transaction**

The LOI contemplates VIER and Vertex completing an arm's length business combination transaction, pursuant to which VIER will issue 85,773,433 post-Consolidation common shares at a price equal to \$1.00 in exchange for all the Vertex Securities (the "Share Exchange"). The Share Exchange will occur after the Consolidation is completed. As described below, on completion of the Transaction, the current shareholders of Vertex would own a majority of the issued and outstanding shares of the Resulting Issuer (as such term is defined in Exchange Policy 2.4) and Vertex will become a wholly-owned subsidiary of the Resulting Issuer. The common shares of the Resulting Issuer will be listed for trading on the Exchange.

## **VIER Capital Corp.**

### **Notes to the Condensed Interim Financial Statements**

*Period Ended June 30, 2017*

*(Unaudited)*

*(In Canadian \$)*

#### **1. Incorporation and Qualifying Transaction** *(continued from previous page)*

The parties to the Transaction are at arm's length and it is therefore anticipated that the approval of the shareholders of VIER will not be required.

Pursuant to the terms of the LOI, until the earliest of (i) the mutual agreement of VIER and Vertex not to pursue the executive of a definitive agreement in respect of the Transaction; or (ii) August 15, 2017, VIER has agreed not to solicit or negotiate with any entity, other than Vertex, regarding an offer for the sale or transfer of VIER shares or assets. Each of VIER and Vertex will bear their own costs in respect of the Transaction.

The completion of the Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) negotiating a definitive agreement in respect of the Transaction; (ii) receipt of all requisite regulatory, stock exchange, court or governmental approvals, authorizations and consents; (iii) the absence of any material change or a change in a material fact or a new material fact affecting VIER or Vertex; and (iv) if applicable, each company having received appropriate approvals from their shareholders. Upon completion of the Transaction, it is anticipated that the Resulting Issuer shall will be a Tier 1 Industrial Issuer. There can be no assurance that the Transaction will be completed on the terms proposed above or at all.

#### ***The Resulting Issuer***

Upon completion of the Transaction the Resulting Issuer is expected to change its name to Vertex Resource Group Ltd. or such other name as determined by Vertex.

It is estimated that there will be approximately 86.5 million common shares of the Resulting Issuer issued and outstanding immediately following closing of the Transaction, with former VIER shareholders holding approximately 0.85% of such common shares and former Vertex shareholders holding approximately 99.15% of such common shares.

Concurrent with the completion of the Transaction, it is expected that all directors and officers of VIER will resign and be replaced by the directors and officers of Vertex. Additional directors will be added to the board of directors of the Resulting Issuer in the normal course and once identified, information with respect to the proposed additional directors will be included in a subsequent news release.

#### **2. Basis of preparation**

##### ***Statement of compliance***

The condensed interim financial statements for the three and six months ended June 30, 2017 have been prepared in accordance with Internal Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim financial statements have been prepared under the historical cost convention in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34-Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the fiscal year ended December 31, 2016.

The policies applied in these condensed interim financial statements are based on IFRS issued and effective as of July 25, 2017, the date the Board of Directors approved these statements. The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the annual financial statements for the fiscal year ended December 31, 2016.

## VIER Capital Corp.

### Notes to the Condensed Interim Financial Statements

Period Ended June 30, 2017

(Unaudited)

(In Canadian \$)

#### 2. Basis of preparation (continued from previous page)

##### **Basis of measurement**

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention.

##### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

#### 3. Significant accounting policies

Unless otherwise noted, the revised standards and amendments as disclosed in Note 3 of the 2016 annual financial statements are effective for annual periods beginning January 1, 2017.

#### 4. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

#### 5. Share capital

##### Authorized

Unlimited number of voting Common Shares, without nominal or par value

Unlimited number of non-voting Preferred Shares, without nominal or par value

##### Issued Common Shares

	Number of Shares	\$
At incorporation	-	-
Issued for cash to directors and officers (i)	3,850,000	192,500
Issued on Initial Public Offering (ii)	3,500,000	350,000
Share Issue Costs (ii)	-	(143,097)
As at June 30, 2017 and December 31, 2016	7,350,000	399,403

## VIER Capital Corp.

### Notes to the Condensed Interim Financial Statements

Period Ended June 30, 2017

(Unaudited)

(In Canadian \$)

#### 5. Share capital (continued from previous page)

##### Escrow

The Company has 3,850,000 common shares subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval of the Company's qualifying transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a qualifying transaction. These 3,850,000, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation.

#### 6. Contributed Surplus

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

The Contributed Surplus balance is comprised of:

	Total
Officers & directors' options	\$ 46,827
Agents options	16,722
Balance, end of period	\$ 63,549

As at June 30, 2017 the remaining contractual life for option outstanding to directors and officers is 7.75 years. During the period ended June 30, 2017, 350,000 agent options expired.

Expiry Date	Exercise Price	Outstanding June 30, 2017	Exercisable	Remaining Contractual Years
April 2025	\$ 0.10	735,000	735,000	7.75

#### 7. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and adjusts it considering changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at year end.

## **VIER Capital Corp.**

### **Notes to the Condensed Interim Financial Statements**

*Period Ended June 30, 2017*

*(Unaudited)*

*(In Canadian \$)*

#### **8. Financial instruments**

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

##### **Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash and accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

##### **Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

##### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had a cash balance of \$247,308 to settle obligations of \$7,608. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

##### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### **i. Interest rate risk**

The Company has cash balances and no interest-bearing debt.

##### **ii. Foreign currency risk**

The Company does not have assets or liabilities in foreign currency.

**VIER CAPITAL CORP.**

***Audited Financial Statements***

**December 31, 2016 and 2015**

## Independent Auditor's Report

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To the Shareholders of VIER Capital Corp.

We have audited the accompanying financial statements of VIER Capital Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of VIER Capital Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calgary, Alberta  
February 3, 2017

*MNP* LLP  
Chartered Professional Accountants

**VIER Capital Corp.**  
**Statements of Financial Position**  
**(In Canadian \$)**

	Note	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash	4	\$ 293,224	\$ 402,583
Prepaid expense		3,910	3,000
<b>Total assets</b>		<b>\$ 297,134</b>	<b>\$ 405,583</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accruals		\$ 9,242	\$ 7,000
<b>Shareholders' Equity</b>			
Share capital	6	399,403	399,403
Contributed Surplus	7	63,549	63,549
Deficit		(175,060)	(64,369)
<b>Total shareholders' equity</b>		<b>287,892</b>	<b>398,583</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>\$ 297,134</b>	<b>\$ 405,583</b>

**Approved by the Board of Directors**

"Signed"  
Jason Krueger  
Director

"Signed"  
David M. McGoey  
Audit Committee Chairman and Director

**VIER Capital Corp.****Statements of Operations and Comprehensive Loss  
(In Canadian \$)**

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	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Expenses</b>		
Professional fees	\$ 92,471	8,332
Transfer agent	6,775	1,911
Insurance	6,000	3,000
Stock exchange	4,550	-
Office	1,157	653
Travel	971	4,900
Meals and entertainment	562	540
Stock based compensation (Note 7)	-	46,827
Interest income	(1,795)	(1,794)
Loss and comprehensive loss	\$ 110,691	64,369
<b>(Loss) per share</b>		
Basic and diluted	(\$0.03)	(\$0.03)
Weighted Average Number of Shares Outstanding (Note 6)	3,500,000	2,349,315

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*The accompanying notes are an integral part of these financial statements*

**VIER Capital Corp.****Statements of Changes in Shareholders' Equity  
(In Canadian \$)**

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	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>(Deficit)</b>	<b>Total</b>
<b>Balance, December 31, 2014</b>	\$ 192,500	\$ -	\$ -	\$ 192,500
Loss for the year	-	-	(64,369)	(64,369)
Issued share capital	350,000	-	-	350,000
Share based payment	-	63,549	-	63,549
Share issue costs	(143,097)	-	-	(143,097)
<b>Balance, December 31, 2015</b>	\$ 399,403	\$ 63,549	\$ (64,369)	\$ 398,583
Loss for the year	-	-	(110,691)	(110,691)
<b>Balance, December 31, 2016</b>	\$ 399,403	\$ 63,549	\$ (175,060)	\$ 287,892

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*The accompanying notes are an integral part of these financial statements*

**VIER Capital Corp.**  
**Statements of Cash Flows**  
**(In Canadian \$)**

	Year ended December 31, 2016	Year Ended December 31, 2015
<b>Cash Provided By (Used For)</b>		
<b>Operating Activities</b>		
Loss for the year	\$ (110,691)	\$ (64,369)
Item not affecting cash		
Share based compensation	-	46,827
Change in accounts payable and accruals	2,242	7,000
Change in prepaid expense	(910)	(3,000)
<b>Cash used in operating activities</b>	<b>(109,359)</b>	<b>(13,542)</b>
<b>Financing Activities</b>		
Issue of share capital	-	350,000
Share issue costs	-	(93,884)
<b>Cash provided by financing activities</b>	<b>-</b>	<b>256,116</b>
<b>Investing Activities</b>		
Payment of deferred financing costs	-	-
<b>Increase (Decrease) in Cash</b>	<b>(109,359)</b>	<b>245,574</b>
<b>Cash, beginning of year</b>	<b>402,583</b>	<b>160,009</b>
<b>Cash, end of year</b>	<b>\$ 293,224</b>	<b>\$ 402,583</b>
<b>Supplemental Cash Flow Information</b>		
Income taxes paid	\$ -	\$ -
Interest income received	1,795	1,794
Interest expense paid	-	-

*The accompanying notes are an integral part of these financial statements*

# **VIER Capital Corp.**

## **Notes to Financial Statements**

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

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### **1. Incorporation and operations**

VIER Capital Corp. (the "Company") was incorporated under the laws of the Province of Alberta on September 23, 2014. The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") and trades until the symbol "VIE". The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction ("QT") under the Exchange rules. The address of the registered office is 1900, 520 3<sup>rd</sup> Avenue SW Calgary, Alberta.

The financial statements of the Company for the year ended December 31, 2016 were authorized for issuance in accordance with a resolution of the directors on February 3, 2017.

The Company's continuing operations as intended are dependent upon its ability to raise, identify, evaluate, and negotiate the acquisition of an interest in properties, assets or businesses which qualifies as a Qualifying Transaction. Such an acquisition will be subject to regulatory approval and maybe subject to shareholder approval. Should the Company be unable to complete such a transaction, its ability to raise sufficient financing to maintain its operations may be impaired and accordingly, the Company may be unable to realize on the carrying value of its net assets.

### **2. Basis of preparation**

#### ***Statement of compliance***

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2016.

#### ***Basis of measurement***

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention except for the share based payments.

#### ***Use of estimates and judgements***

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are as follows:

#### ***Fair value of financial instruments***

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

#### ***Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on qualitative assessment and relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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## **VIER Capital Corp.**

### **Notes to Financial Statements**

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

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#### **2. Basis of preparation (continued)**

##### *Share-based payments*

The amounts disclosed relating to fair values of stock options issued are based on management's estimate of expected stock price volatility, expected lives of options, risk-free interest rates and other assumptions. By their nature, these estimates are subject to uncertainty and the effect from changes in such estimates in future years could be material.

#### **3. Significant accounting policies**

##### **Cash**

Cash includes cash and short-term cash equivalents with a maturity of less than three months when purchased.

##### **Share-based payments**

The Company applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to Contributed Surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

##### **Taxes**

Tax expense comprises current and deferred tax. Tax is recognized in the statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

##### **Current tax**

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate based on amounts expected to be paid to the tax authorities.

##### **Deferred tax**

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

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## **VIER Capital Corp.**

### **Notes to Financial Statements**

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

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#### **3. Significant accounting policies (continued)**

##### ***Non-derivative financial instruments***

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

##### ***Financial assets at fair value through profit or loss***

An instrument is classified as fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

##### ***Other financial liabilities***

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include accounts payable and accruals.

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### ***Impairment of financial assets***

Financial assets are assessed at each reporting date to determine whether objective evidence exists that the assets are impaired because of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

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## VIER Capital Corp.

### Notes to Financial Statements

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

#### 3. Significant accounting policies (continued)

##### Recent accounting pronouncements

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). Based on current operations there are no impending changes that will affect the financial statements of the Company.

Subsequent to the completion of its QT (Note 1), the Company could be subject to these changes depending on the nature and terms of the QT.

#### 4. Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions may apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

#### 5. Income Tax

The provision for income tax reflects an effective rate which differs from the expected statutory rate:

	December 31, 2016	December 31, 2015
Loss before income tax	\$ 110,691	\$ 64,369
Tax rate	27.00%	25.50%
Expected tax recovery	29,887	16,400
Decrease resulting from		
Non-deductible items	(76)	(12,000)
Deferred tax benefit not recognized	(29,811)	(4,600)
Provision for tax	\$ -	\$ -

At December 31, 2016, no deferred asset was recognized for either the \$178,000 (2015 - \$43,000) of tax losses that will expire starting in 2035 or the \$76,000 (2015 - \$101,000) of financing cost deductions available to the Company

#### 6. Share capital

##### Authorized

Unlimited number of voting Common Shares, without nominal or par value

Unlimited number of non-voting Preferred Shares, without nominal or par value

##### Issued Common Shares

	Number of Shares	\$
At incorporation	-	-
Issued for cash to directors and officers(i)	3,850,000	192,500
As at December 31, 2014	3,850,000	192,500
Issued on Initial Public Offering (ii)	3,500,000	350,000
Share Issue Costs (ii)	-	(143,097)
As at December 31, 2016 and 2015	7,350,000	399,403

## VIER Capital Corp.

### Notes to Financial Statements

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

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#### 6. Share capital (continued)

- i) On September 23, 2014, the Company issued 3,850,000 common shares to directors of the Company at a price of \$0.05 per share. All 3,850,000 common shares are subject to an escrow agreement.
- ii) On April 30, 2015, the Company successfully completed its initial public offering raising gross proceeds of \$350,000 on the issuance of 3,500,000 common shares. The agent received a cash commission of 10% of the gross proceeds of the offering, an agent's fee of \$10,000 and an option to purchase 350,000 shares at a price of \$0.10 for a period of 24 months from the date of the listing valued at \$16,722 using the Black-Scholes pricing model (Note 8). The Company incurred total share issue costs of \$143,097, which have been applied against share capital.

#### Escrow

The Company has 3,850,000 common shares subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval of the Company's qualifying transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a qualifying transaction. These 3,850,000 shares, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for purposes of the loss per share calculation.

#### 7. Stock options

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, if the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

As part of the close of the initial public offering (IPO), the Company granted 735,000 options at \$0.10 per share to the directors and officers of the Company exercisable for a period of ten years. All options vested at the time of the grant. The fair value is recognized as stock-based compensation expense at the time of vesting. The estimated fair value of these options as calculated using the Black-Scholes pricing model is \$46,827 and was charged to operations for the year ended December 31, 2015.

The Contributed Surplus balance is comprised of:

	Total
Officers & directors' options	\$ 46,827
Agents options	16,722
Balance, end of period	\$ 63,549

The assumptions for the Black-Scholes Pricing Model for all the stock options:

	Directors & Officers	Agent
Stock price	\$0.10	\$0.10
Exercise price	\$0.10	\$0.10
Risk free interest rate	0.810%	0.590%
Expected life (years)	4	2
Expected annual volatility	90%	90%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

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## VIER Capital Corp.

### Notes to Financial Statements

For the years ended December 31, 2016 and 2015  
(In Canadian \$)

#### 7. Stock options (continued)

The following table reflects the continuity of options granted under the Plan:

	Number of Options	Fair Value Recorded
Balance, beginning of period	-	-
Issued to directors & officers	735,000	\$ 46,827
Issued to agent	350,000	16,722
Balance, December 31, 2016 and 2015	1,085,000	\$ 63,549

As at December 31, 2016, the remaining contractual life for options outstanding to directors and officers is 8.25 years and agent options is 0.25 years.

Expiry Date	Exercise Price	Outstanding December 31, 2016	Exercisable	Remaining Contractual Years
April 2025	\$ 0.10	735,000	735,000	8.25
April 2017	0.10	350,000	350,000	0.25

#### 8. Capital disclosures

The Company's capital consists of share capital. The Company's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Company sets the amount of capital in relation to risk and manages the capital structure and adjusts it considering changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
  - ii. to maintain investor, creditor and market confidence to sustain the future development of the business.
- The Company is not subject to any externally or internally imposed capital requirements at year end.

#### 9. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

##### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments per the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash and accounts payable and accruals approximates their fair value due to the short-term maturities of these items.

## **VIER Capital Corp.**

### **Notes to Financial Statements**

*For the years ended December 31, 2016 and 2015  
(In Canadian \$)*

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#### **9. Financial instruments (continued)**

##### **Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

##### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash balance of \$293,224 (2015-\$402,583) to settle obligations of \$9,242 (2015-\$7,000). All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

##### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

The Company has cash balances and no interest-bearing debt

ii. Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

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**APPENDIX "C" - MANAGEMENT DISCUSSION AND ANALYSIS OF VIER CAPITAL CORP.**

**VIER Capital Corp**  
**Management's Discussion and Analysis**  
**For The Years Ended December 31, 2016 and 2015**

**VIER CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the years ended December 31, 2016 and 2015**

*Management's Discussion and Analysis ("MD&A") is dated February 3, 2017 and should be read in conjunction with the audited financial statements for the years ended December 31, 2016 and 2015 for a full understanding of the financial position and results of operations of VIER Capital Corp. ("VIER" or the "Corporation" or the "Company").*

*Certain statements included in this MD&A may constitute forward-looking statements involving known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe" and "plan". These statements reflect management's current expectations regarding future events and operating performance and are valid only as of the date hereof. These forward-looking statements involve many risks and uncertainties, including the impact of general economic conditions, industry conditions, and changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates and stock market volatility. The Company does not reconcile past forward-looking information but presents its most current view based on the known facts on hand at the time of dissemination. Specifically, the outlook section may contain forward-looking information which will be identified as such.*

*This MD&A and Financial Statements and comparative information for the years ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which are also the generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada.*

**Description of the Business**

VIER Capital Corp. (the "Company") was incorporated under the laws of the Province of Alberta on September 23, 2014. The Company is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company will be to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. The address of the registered office is 1900, 520 3rd Avenue SW Calgary, Alberta.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

The Corporation does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

**Initial Public Offering**

On April 30, 2015, the Company successfully completed its initial public offering raising gross proceeds of \$350,000 on the issuance of 3,500,000 common shares, the agent received a cash commission of 10% of the gross proceeds of the offering, an agent's fee of \$10,000 and an option to purchase 350,000 options at a price of \$0.10 for a period of 24 months from the date of the listing valued at \$16,722 using the Black Scholes pricing model. The Company incurred \$143,097 of share issue costs which have been charged against share capital.

**Selected Financial Information****Selected Statement of Financial Position Data**

	As at December 31, 2016	As at December 31, 2015
Net working capital	\$ 287,892	\$ 398,583
Total current assets	293,224	405,583
Total current liabilities	9,242	7,000
Total shareholders' equity	287,892	398,583

**Selected Statement of Operations Data**

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue	\$ -	\$ -
Expenses	112,486	66,163
Net loss for the period	110,691	64,369
Net loss per share (basic & diluted)	(0.03163)	(0.02739)

**Year Ended December 31, 2016**

Expenses include \$92,500 for professional fees, \$6,800 of transfer agent costs, \$6,000 for directors and officer's insurance, \$4,600 of stock exchange fees, \$1,600 of other costs, \$1,000 for travel offset by \$1,800 of interest income.

**Year Ended December 31, 2015**

Expenses include approximately \$46,800 for stock based compensation, \$8,300 for professional fees, \$3,000 for directors and officers' insurance, \$4,900 for travel, \$1,960 of transfer agent fees and \$1,000 of administrative costs offset by \$1,100 of interest income.

**Three Months Ended December 31, 2016**

Expenses include \$7,700 for professional fees, \$1,500 for directors and officers' insurance and \$1,400 each for transfer agent fees and stock exchange fees offset by \$500 of interest income.

**Three Months Ended December 31, 2015**

Expenses include \$6,000 for professional fees, \$1,500 for directors and officers' insurance, \$800 for travel, \$600 for transfer agent fees and \$100 of other costs offset by \$600 of interest income.

**Summary of Quarterly Financial Information**

Financial Information (000s except share information)	2016			
	Q4	Q3	Q2	Q1
Working Capital	\$ 288	\$ 299	\$ 302	\$ 310
Total Assets	297	300	303	379
Total Liabilities	9	1	1	69
Total Equity	288	299	302	310
Loss	12	3	7	89
Loss per share - basic (\$)	(0.0016)	(0.0004)	(0.001)	(0.0121)
Weighted average number of shares outstanding	7,350,000	7,350,000	7,350,000	7,350,000

  

Financial Information (000s except share information)	2015			
	Q4	Q3	Q2	Q1
Working Capital	\$ 399	\$ 407	\$ 409	\$ 45
Total Assets	406	409	411	128
Total Liabilities	7	2	21	83
Total Equity	399	407	409	192
Loss	8	2	53	1
Loss per share - basic (\$)	0.001	0.0003	0.007	0.0004
Weighted average number of shares outstanding	6,199,000	5,290,000	4,595,000	3,850,000

**Liquidity and Capital Resources**

As at December 31, 2016, the Corporation had working capital of \$287,892 (2015-\$398,583), including sufficient cash to meet its ongoing obligations at this time to complete its Qualifying Transaction.

**Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements as at December 31, 2016 and 2015.

**Critical Accounting Estimates**

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Accordingly, the impact of these estimates, assumptions, and judgments on the consolidated financial statements in future periods could be material. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

**Future Changes in Accounting Policies**

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"). Based on current operations there are no impending changes that will affect the financial statements of the Company. After the completion of its QT (Note 1), the Company could be subject to these changes depending on the nature and terms of the QT.

**Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash and accounts payable and accruals. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

**Disclosure of Outstanding Share Data**

Authorized Share Capital

Unlimited number of voting Common Shares, without nominal or par value

Unlimited number of non-voting Preferred Shares, without nominal or par value

ISSUED	Number Of Shares	\$
Issued to officers and directors	3, 850,000	192,500
Balance as at January 1, 2015	3,850,000	192,500
Initial public offering	3,500,000	350,000
Share issue costs	-	(143,097)
Balance as at December 31, 2016 and 2015	<u>7,350,000</u>	<u>399,403</u>

On September 23, 2014, the Company issued 3,850,000 common shares to directors of the Company at a price of \$0.05 per share. All 3,850,000 common shares are subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval of the Company's qualifying transaction. An additional 15% of the escrowed common shares will be released on each six-month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common shares issued upon the exercise of the Agent's options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Company completing a qualifying transaction.

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, if the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

As part of the close of the Initial Public Offering (IPO), the Company granted 735,000 options at \$0.10 per share to the directors and officers of the Company exercisable for a period of 10 years that all vested at the time of the grant. The fair value is recognized as stock based compensation expense at the time of vesting. The estimated fair value of these options as calculated using the black Scholes pricing model is \$46,827 and was charged to operations in Q2 2015.

The Contributed Surplus balance is comprised of:

	Total
Officers & directors' options	\$ 46,827
Agents options	16,722
Balance, end of period	<u>\$ 63,549</u>

The assumptions for the Black-Scholes Pricing Model for all the stock options:

	Directors & Officers	Agent
Stock price	\$0.10	\$0.10
Exercise price	\$0.10	\$0.10
Risk free interest rate	0.810%	0.590%

Expected life (years)	4	2
Expected annual volatility	90%	90%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The following table reflects the continuity of options granted under the Plan:

	December 31, 2016 and 2015	
	Number of Options	Fair Value Recorded
Balance, beginning of period	-	
Issued to directors & officers	735,000	\$ 46,827
Issued to agent	350,000	16,722
Balance, end of period	1,085,000	\$ 63,549

As at December 31, 2016 the remaining contractual life for option outstanding to directors and officers is 8.25 years and agent options 0.25 years

Expiry Date	Exercise Price	Outstanding December 30, 2016	Exercisable	Remaining Contractual Years
April 2025	\$ 0.10	735,000	735,000	8.25
April 2017	\$ 0.10	350,000	350,000	0.25

### **Risks and Uncertainties**

The Corporation has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There can be no assurance that the Corporation will be able to obtain adequate financing to continue. The securities of the Corporation should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Corporation's securities:

- a) until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Corporation has had no business activity and has not acquired any material assets since its incorporation other than cash;
- c) the Corporation does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- e) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation;
- g) there can be no assurance that an active and liquid market for the common shares will develop and an investor may find it difficult to resell its common shares;
- h) if the Corporation fails to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange could suspend or delist the common shares of the Corporation and an interim cease trade order may be issued against the Corporation's securities by an applicable securities

commission if its common shares are suspended from trading on or delisted from the TSX Venture Exchange or otherwise; and

- i) the Corporation competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Corporation.

### **Related Party Transactions**

There were no related party transactions during the period other than those disclosed elsewhere in the report.

### **Other Information**

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. The Directors of the Corporation handle corporate communications and investor inquiries. Additional information about the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Share Information**

	2016			
	Q4	Q3	Q2	Q1
High (\$)	0.15	0.10	0.10	0.10
Low (\$)	0.075	0.085	0.10	0.05
Close (\$)	0.075	0.085	0.10	0.10
Weighted average trading price (\$)	0.094	0.089	0.10	0.08
Value traded (\$)	7,325	2,325	2,000	1,750
Volume Traded (000s)	78.2	26	2	22
	2015			
	Q4	Q3	Q2	Q1
High (\$)	0.050	0.10	0.10	-
Low (\$)	0.050	0.05	0.10	-
Close (\$)	0.050	0.050	0.10	-
Weighted average trading price (\$)	0.050	0.0575	0.10	-
Value traded (\$)	1,350	2,300	2,150	-
Volume Traded (000s)	27	40	21.5	-

**APPENDIX “D” - FINANCIAL STATEMENTS OF VERTEX RESOURCE GROUP LTD.**

Condensed Consolidated Interim Financial Statements of

**Vertex Resource Group Ltd.**

For the three and six month periods ended June 30, 2017  
(Unaudited)

# Vertex Resource Group Ltd.

June 30, 2017

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# Vertex Resource Group Ltd.

## Condensed consolidated interim statement of financial position

(in thousands of Canadian dollars)

(unaudited)

As at	Notes	June 30, 2017	December 31, 2016
<b>Assets</b>			
Current assets			
Cash and cash equivalents		2,292	44
Accounts receivable		24,070	21,442
Unbilled revenue		3,682	3,073
Inventories		2,855	2,168
Prepaid expenses and deposits		1,502	1,151
Deferred income taxes		3,182	2,589
		<b>37,583</b>	30,467
Property and equipment	4	58,187	59,541
Intangible assets		2,086	1,083
Goodwill	5	33,990	27,598
		<b>131,846</b>	118,689
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		11,260	8,272
Deferred revenue		48	247
Income taxes payable		164	247
Current portion of loans and borrowings	6	3,510	54,865
Current portion of provisions	7	2,803	5,727
		<b>17,785</b>	69,358
Loans and borrowings	6	51,552	2,811
Provisions	7	946	4,896
Deferred income taxes		1,834	790
		<b>72,117</b>	77,855
<b>Equity</b>			
Common shares	8	77,854	57,912
Deficit		(19,012)	(17,965)
Contributed surplus		887	887
		<b>59,729</b>	40,834
		<b>131,846</b>	118,689

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

# Vertex Resource Group Ltd.

## Condensed consolidated interim statement of loss and comprehensive loss

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

(unaudited)

	Notes	Three months ended		Six months ended	
		June 30, 2017	2016	June 30, 2017	2016
<b>Revenue</b>		<b>26,020</b>	17,785	<b>47,658</b>	40,623
Cost of goods sold		<b>18,871</b>	13,596	<b>33,293</b>	28,852
<b>Gross profit</b>		<b>7,149</b>	4,189	<b>14,365</b>	11,771
General and administrative expenses		<b>4,063</b>	3,251	<b>7,931</b>	6,524
Other expenses (income)	10	<b>(699)</b>	(336)	<b>(753)</b>	491
<b>Income before taxes, finance, amortization</b>		<b>3,785</b>	1,274	<b>7,187</b>	4,756
Amortization	4	<b>3,415</b>	3,061	<b>6,750</b>	6,248
Finance costs	10	<b>945</b>	950	<b>1,918</b>	1,826
<b>Loss before income taxes</b>		<b>(575)</b>	(2,737)	<b>(1,481)</b>	(3,318)
Income tax (recovery) expense		<b>(208)</b>	(962)	<b>(434)</b>	(1,131)
<b>Net loss and comprehensive loss for the period</b>		<b>(367)</b>	(1,775)	<b>(1,047)</b>	(2,187)
<b>Net loss and comprehensive loss for the period per share</b>	11				
Basic		<b>(0.02)</b>	(0.14)	<b>(0.06)</b>	(0.17)
Diluted		<b>(0.02)</b>	(0.14)	<b>(0.06)</b>	(0.17)
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>	12				
Basic		<b>18,697,651</b>	12,630,260	<b>18,155,108</b>	12,636,070
Diluted		<b>18,697,651</b>	12,630,260	<b>18,155,108</b>	12,636,070

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

# Vertex Resource Group Ltd.

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

(in thousands of Canadian dollars)

(unaudited)

<b>For six month period ended</b>	<b>Notes</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Share capital</b>	8		
Balance, beginning of the period		<b>57,912</b>	45,667
Share issued in business acquisitions	3	<b>11,064</b>	-
Share issued in settlement of acquisition obligation	7a	<b>6,727</b>	-
Shares issued in settlement of advances from shareholders	6e	<b>2,151</b>	-
Share redemption		-	(52)
Balance, end of the period		<b>77,854</b>	45,615
<b>Contributed Surplus</b>			
Balance, beginning of the period		<b>887</b>	887
Balance, end of the period		<b>887</b>	887
<b>Deficit</b>			
Balance, beginning of the period		<b>(17,965)</b>	(9,798)
Net loss and comprehensive loss for the period		<b>(1,047)</b>	(2,187)
Share redemption		-	(585)
Balance, end of the period		<b>(19,012)</b>	(12,570)
<b>Total equity</b>		<b>59,729</b>	33,932

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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

(unaudited)

For the six month period ended	Notes	June 30, 2017	June 30, 2016
<b>Operating activities</b>			
Net loss		(1,047)	(2,187)
Items not affecting cash			
Amortization		6,750	6,248
Interest on other liabilities		579	415
Gain on disposal of property and equipment		(117)	(588)
Gain on acquisition		(636)	-
Deferred income taxes		(435)	(1,164)
Gain on settlement of contingent consideration		-	(1,000)
		<b>5,094</b>	1,724
Change in non-cash operating working capital items	13	<b>(3,183)</b>	6,046
		<b>1,911</b>	7,770
<b>Investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		2,072	-
Purchase of property and equipment		(1,833)	(3,537)
Proceeds from disposal of property and equipment		1,052	6,115
		<b>1,291</b>	2,578
<b>Financing activities</b>			
Proceeds from operating loan		(1,266)	302
Proceeds from senior debt	6	40,000	-
Financing charges - deferred	6	(2,569)	-
Repayment of long-term debt	6	(36,913)	(8,274)
Repayment of obligation under capital lease		(206)	(143)
Repayment of advances from shareholders	12	-	(626)
Redemption of common shares		-	(52)
		<b>(954)</b>	(8,793)
Increase in cash and cash equivalents		2,248	1,555
Cash and cash equivalents (bank indebtedness), beginning of period		44	(1,149)
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>		<b>2,292</b>	406
<b>Comprised of:</b>			
Cash and cash equivalents		2,292	532
Cheques issued in excess of cash on deposit		-	(126)
		<b>2,292</b>	406

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

(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 private company incorporated under the Alberta Business Corporation Act and provides services to a diverse clientele across Western Canada. The Company performs environmental and industrial services.

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

#### *a) Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as issued by the International Standards Board.

These condensed consolidated interim financial statements were approved by the Board of Directors (the "Directors") on September 12, 2017. These condensed consolidated interim financial statements have been prepared using the same accounting policies as the Company's 2016 annual audited consolidated financial statements. They do not include all of the information required for a complete set of IFRS financial statements and as such should be read in conjunction with the Company's 2016 annual audited consolidated financial statements. However, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last financial statements.

#### *b) Basis of measurement*

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

#### *c) Functional and presentation currency*

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except where otherwise stated.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

(in thousands of Canadian dollars, except per share amounts)  
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### d) Principles of Consolidation

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

The Company's principal subsidiaries at June 30 2017 are Vertex Resource Services Ltd., Vertex Professional Services Ltd. and Vertex Oilfield Services Ltd. For the six month period ended June 30, 2017, the scope of consolidation for these condensed consolidated interim financial statements encompassed 19 wholly owned entities, of which four were first-time consolidation. The first-time consolidations were the result of the acquisitions of Hurricane Industries Corporation, The Barlon Engineering Group Ltd., Excel Engineering Services Ltd. and Kinetichem Corp. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the subsidiaries are all consistent with the Company.

### e) Use of estimates and judgments

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016

## 3. Business acquisitions

During the six month period ended June 30, 2017, the Company completed four acquisition compared to one acquisition in the period ended December 31, 2016. Details of the preliminary purchase price and allocation to the assets and liabilities acquired are as follows:

	Hurricane (a)	Barlon (b)	Excel (c)	Kinetichem (d)	2017 Total
Cash and cash equivalents	3	605	489	975	<b>2,072</b>
Other current assets	547	2,628	433	386	<b>3,994</b>
Property and equipment	2,620	37	821	-	<b>3,478</b>
Deferred tax asset	159	-	3	-	<b>162</b>
Intangibles	-	1,000	950	-	<b>1,950</b>
Goodwill	-	1,999	1,011	3,382	<b>6,392</b>
	<b>3,329</b>	<b>6,269</b>	<b>3,707</b>	<b>4,743</b>	<b>18,048</b>
Current liabilities	(797)	(3,299)	(834)	(183)	<b>(5,113)</b>
Obligation under capital leases	(190)	-	-	-	<b>(190)</b>
Deferred tax liability	(302)	(270)	(473)	-	<b>(1,045)</b>
Net assets	<b>2,040</b>	<b>2,700</b>	<b>2,400</b>	<b>4,560</b>	<b>11,700</b>

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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

(unaudited)

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a) *Hurricane Industries Corporation.*

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Hurricane Industries Corporation ("Hurricane"), an environmental service company specializing in vacuum, pressure and stable foam operations based in Lloydminster, Alberta, for \$1.4 million. For the total consideration of \$1.4 million, the Company issued 401,115 Class A Common shares. Based on the initial allocation of fair values the company identified a gain on acquisition of \$0.6 million. This gain on acquisition was the result of Hurricane's shareholders desiring access to a broader market and the benefits of increased equipment utilization that the Company could provide.

b) *The Barlon Engineering Group Ltd.*

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of The Barlon Engineering Group Ltd. ("Barlon"), an abandonment, completion and drilling engineering company based in Calgary, Alberta, for \$2.7 million. For the total consideration of \$2.7 million, the Company issued 771,429 Class A Common shares. Goodwill on acquisition was attributable primarily to the skills and competence of the acquire workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.

c) *Excel Engineering Services Ltd.*

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Excel Engineering Services Ltd. ("Excel"), an estimating and project management company based in Sherwood Park, Alberta, for \$2.4 million. For the total consideration of \$2.4 million, the Company issued 631,580 Class A Common shares. Goodwill on acquisition was attributable primarily to the skills and competence of the acquired workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.

d) *Kinetichem Corp.*

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Kinetichem Corp. ("Kinetichem"), engineered chemical solutions provider based in Calgary, Alberta for \$4.6 million. For the total consideration of \$4.6 million, the Company issued 1,200,000 Class A Common shares. Goodwill on acquisition was attributable primarily to growth opportunity of the combined operations. Goodwill is not deductible for tax purposes. Of the \$4.6 million consideration, \$3.1 million is contingent on Kinetichem's cumulative EBITDA over the next three years exceeding \$4.2 million. Accordingly, 805,263 of the share issued for the acquisition were issued in escrow for the next 3 years based on EBITDA targets and a fixed number of shares to be issued.

Revenue and net income from the date of acquisitions of Hurricane, Barlon, Excel and Kinetichem to June 30, 2017 were \$1.3 million and \$0.3, respectively. The Company estimates it would have reported consolidated revenue of approximately \$60.3 million and a net loss of approximately \$0.4 million for the six month period ended June 30, 2017 if the acquisitions had been completed on January 1, 2017.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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

(unaudited)

### 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, 2015	1,436	14,314	65,223	7,054	31,343	119,370
Additions	-	211	1,382	138	3,047	4,778
Additions from business acquisition	-	6	5,805	169	1,269	7,250
Disposals	(1,116)	(6,250)	(13,447)	(1,424)	(7,838)	(30,074)
<b>As at December 31, 2016</b>	<b>320</b>	<b>8,282</b>	<b>58,964</b>	<b>5,937</b>	<b>27,821</b>	<b>101,323</b>
Additions	-	2	1,693	76	134	1,905
Additions from business acquisition (Note 3)	-	6	328	937	2,207	3,478
Disposals	-	-	(241)	-	(1,616)	(1,857)
<b>As at June 30, 2017</b>	<b>320</b>	<b>8,290</b>	<b>60,744</b>	<b>6,950</b>	<b>28,546</b>	<b>104,849</b>
<b>Accumulated amortization</b>						
As at December 31, 2015	-	7,069	32,048	3,875	8,140	51,131
Amortization	-	1,732	4,939	1,102	4,878	12,651
Disposals	-	(3,547)	(12,096)	(1,562)	(4,795)	(22,000)
<b>As at December 31, 2016</b>	<b>-</b>	<b>5,253</b>	<b>24,891</b>	<b>3,415</b>	<b>8,223</b>	<b>41,782</b>
Amortization	-	704	2,631	429	2,039	5,803
Disposals	-	-	(121)	-	(802)	(923)
<b>As at June 30, 2017</b>	<b>-</b>	<b>5,957</b>	<b>27,401</b>	<b>3,844</b>	<b>9,460</b>	<b>46,662</b>
<b>Carrying value</b>						
As at December 31, 2016	320	3,028	34,072	2,522	19,598	59,541
<b>As at June 30, 2017</b>	<b>320</b>	<b>2,332</b>	<b>33,342</b>	<b>3,106</b>	<b>19,086</b>	<b>58,187</b>
<b>Carrying value of assets under finance lease</b>						
As at December 31, 2016	-	-	-	-	1,231	1,231
<b>As at June 30, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,764</b>	<b>1,764</b>

Rolling stock acquired under capital leases during the six month period ended June 30, 2017 totaled \$0.1 million (six month period ended June 30, 2016 - \$0.3 million) and have been treated as non-cash transactions for purposes of the consolidated statement of cash flows.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

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### 5. Goodwill

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

	Consulting	Fluid Management	Rentals	Total
<b>Cost</b>				
As at December 31, 2015	17,750	3,893	-	21,643
Additions - Red Giant acquisition	-	-	5,955	5,955
As at December 31, 2016	17,750	3,893	5,955	27,598
Additions - Barlon acquisition	1,999	-	-	1,999
Additions - Excel acquisition	1,011	-	-	1,011
Additions - Kineticchem acquisition	-	3,382	-	3,382
<b>As at June 30, 2017</b>	<b>20,760</b>	<b>7,275</b>	<b>5,955</b>	<b>33,990</b>
<b>Carrying value</b>				
As at December 31, 2016	17,750	3,893	5,955	27,598
<b>As at June 30, 2017</b>	<b>20,760</b>	<b>7,275</b>	<b>5,955</b>	<b>33,990</b>

### 6. Loans and borrowings

	June 30, 2017			December 31, 2016		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>						
Operating loan (a)	-	10,709	10,709	11,975	-	11,975
Bank loans (b)	93	15	108	37,022	-	37,022
Senior debt (c)	3,000	34,431	37,431	-	-	-
Subordinated debt (d)	-	5,500	5,500	5,500	-	5,500
Lease liabilities	417	897	1,314	368	660	1,028
<b>Total Secured borrowings</b>	<b>3,510</b>	<b>51,552</b>	<b>55,062</b>	<b>54,865</b>	<b>660</b>	<b>55,525</b>
<b>Unsecured</b>						
Advance from shareholders (e)	-	-	-	-	2,151	2,151
<b>Total borrowings</b>	<b>3,510</b>	<b>51,552</b>	<b>55,062</b>	<b>54,865</b>	<b>2,811</b>	<b>57,676</b>

#### a) Operating loan

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

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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### b) Bank loans

	Nominal interest rate	Maturity date	June 30, 2017	December 31, 2016
Bankers acceptance +				
Extendable revolving loan	3.00%	May 31, 2019	-	32,500
Demand non-revolving loan	Prime +1.0%	November 14, 2016	-	1,557
Demand non-revolving loan	Prime +1.0%	January 27, 2020	-	1,519
Demand non-revolving loan	Prime +1.0%	July 30, 2019	-	1,292
Term loan	7.25%	July 17, 2018	<b>108</b>	154
<b>Total bank loans</b>			<b>108</b>	37,022

On June 23, 2017, the Company refinanced their extendable revolving loan and demand non-revolving loans. The extendable revolving loan and the three demand non-revolving loans were repaid from the proceeds of new senior debt facility of \$40.0 million.

### c) Senior debt

On June 23, 2017, the Company obtained a new senior debt facility of \$40 million and incurred \$2.6 million of transaction costs which were capitalized.

	June 30, 2017	December 31, 2016
Senior debt - face value	40,000	-
Transaction costs	2,569	-
<b>Carrying amount</b>	<b>37,431</b>	-

The new senior debt facility bears interest at the greater of 1.0% or the 30 day Banker's Acceptance rate quoted from the Bank of Canada plus 8.0%. The senior debt credit facility is repayable in 3 quarterly principal payments of \$1,000, followed by 4 quarterly principal payments of \$1,500, followed by 12 quarterly principal payments of \$1,750 with a final payment of \$10,000 due on loan maturity of June 22, 2022. Interest is payable quarterly. In addition to the scheduled principal payments the senior debt includes an additional principal payment based on an annual excess cash flow calculation starting December 31, 2017.

### d) Subordinated debt

On June 23, 2017 when the Company refinanced their senior debt the maturity date of the subordinated debt was extended to June 30, 2022. This bears interest at 14.0% and the Company makes monthly interest payments. There is no principal repayment schedule other than payment in full at maturity.

### e) Advances from shareholders

On January 5, 2017, the advance from shareholders, from a director of the Company, was settled in exchange for 746,938 Class A common shares of the Company and has been treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

### f) Borrowing covenants

The Company is in compliance with all loan covenants at June 30, 2017.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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(unaudited)

### 7. Provisions

	Onerous lease	Acquisition obligation (a)	Total
As at December 31, 2015	-	11,716	11,716
Additions	3,323	-	3,323
Interest accretion during the period	115	717	832
Gain on revaluation of contingent consideration	-	(1,000)	(1,000)
Payments	(748)	(3,500)	(4,248)
As at December 31, 2016	2,690	7,933	10,623
Interest accretion during the period	74	505	579
Settlement in exchange for class A common shares	-	(6,727)	(6,727)
Payments	(726)	-	(726)
<b>As at June 30, 2017</b>	<b>2,038</b>	<b>1,711</b>	<b>3,749</b>

Provisions are presented on the consolidated balance sheet as follows:

	June 30, 2017	December 31, 2016
Current portion of provisions	2,803	5,727
Non-current portion of provisions	946	4,896
	<b>3,749</b>	10,623

#### a) Acquisition obligation

On May 31, 2017, \$6.3 million of the acquisition obligation with an aggregate face value of \$6.7 million was settled in exchange for 1,922,070 Class A common shares of the Company and has been treated as a non-cash transaction for the purposes of the consolidated statement of cash flows. The remaining acquisition obligation of \$1.6 million with an aggregate face value of \$1.7 million will be settled for 506,400 Class A common shares of the Company on January 10, 2018.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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### 8. Share capital

Common shares

*Authorized*, unlimited number

Class A common voting shares

Class B common non-voting shares

	Notes	Class A	Amount
As at December 31, 2015		12,641,816	45,667
Shares issued in business combination		3,993,056	11,500
Shares issued in settlement of advances from shareholders		276,952	797
Share redemption		(13,000)	(52)
As at December 31, 2016		16,898,824	57,912
Shares issued in business combinations	3(a), (b), (c), (d)	3,004,124	11,064
Shares issued in settlement of advances from shareholders	6(e)	746,938	2,151
Shares issued in settlement of acquisition obligation	7(a)	1,922,070	6,727
<b>As at June 30, 2017</b>		<b>22,571,956</b>	<b>77,854</b>

### 9. Stock-based compensation

On August 31, 2015, the grant date, the Company issued 578,212 warrants (the "Warrant Awards") to two directors of the Company. The Warrant Awards vested immediately on the date of grant. Each warrant entitles the holder to purchase a Class A common share at an exercise price of \$4.55 per Class A common share. The exercise price of each warrant of \$4.55 was equal to the fair value of a Class A common share on August 31, 2015. The Warrant Awards expire in five years, or August 31, 2020.

The following warrants were issued and outstanding:

Date issued	Number issued	Expire date	Exercise price (per warrant)	Fair value at grant date (per warrant)	Number outstanding as at June 30, 2017	Number outstanding as at December 31, 2016
August 31, 2015	578,212	August 31, 2020	\$ 4.55	\$ 1.24	578,212	578,212

The weighted average exercise price of the warrants outstanding as at June 30, 2017 was \$4.55 (December 31, 2016 - \$4.55).

Total compensation cost recognized for stock-based compensation awards for the six month period ended June 30, 2017, is \$nil (June 2016 - \$nil) and is credited to the share based payment reserve on the consolidated statements of financial position. There were no forfeitures incurred during the year.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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### 10. Other expenses (income) and finance costs

	June 30, 2017 (3 months)	June 30, 2016 (3 months)	June 30, 2017 (6 months)	June 30, 2016 (6 months)
<b>Other expenses (income):</b>				
Severance costs on restructuring	-	779	-	1,568
Lease termination settlements	-	301	-	331
Onerous lease provision	-	180	-	180
Gain on disposal of property and equipment	(63)	(596)	(117)	(588)
Gain on acquisition	(636)	-	(636)	-
Gain on settlement of contingent consideration	-	(1,000)	-	(1,000)
	<b>(699)</b>	<b>(336)</b>	<b>(753)</b>	<b>491</b>
<b>Finance costs:</b>				
Interest on long-term debt	517	724	1,298	1,380
Interest on acquisition obligation	367	210	505	415
Interest on finance leases	15	16	30	31
Interest on onerous lease	35	-	74	-
Bank charges	11	-	11	-
	<b>945</b>	<b>950</b>	<b>1,918</b>	<b>1,826</b>

### 11. Earnings per share

	June 30, 2017 (3 months)	June 30, 2016 (3 months)	June 30, 2017 (6 months)	June 30, 2016 (6 months)
<b>Numerator</b>				
Net loss and comprehensive loss for the period	(367)	(1,775)	(1,047)	(2,187)
<b>Denominator</b>				
Weighted average shares outstanding - basic	18,697,651	12,630,260	18,155,108	12,636,070
Dilutive effect of warrants	-	-	-	-
Weighted average shares outstanding - diluted	18,697,651	12,630,260	18,155,108	12,636,070
<b>Loss per share</b>				
Basic	(0.02)	(0.14)	(0.06)	(0.17)
Diluted	(0.02)	(0.14)	(0.06)	(0.17)

In calculating the loss per share for the three and six month periods ended June 30, 2017, the Company excluded 578,212 warrants (three and six month ended June 30, 2016 – 578,212), as their impact was anti-dilutive.

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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(unaudited)

### 12. 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.

	Nature of relationship	June 30, 2017 (6 months)	June 30, 2016 (6 months)
Transactions:			
General and administrative expenses - rent	(i)	450	210
Repayments of advances from shareholders	(i)	-	626
Property and equipment additions	(i)	489	-
Proceeds from sale of property and equipment	(i)	75	-

(i) Related by common director

### 13. Supplemental cash flow information

	June 30, 2017 (6 months)	June 30, 2016 (6 months)
<i>Changes in non-cash working capital:</i>		
Trade and other receivables	822	6,873
Corporate income taxes recoverable	-	231
Unbilled revenue	(609)	2,504
Inventories	(182)	134
Prepaid expenses and deposits	(309)	7
Accounts payable and accrued liabilities	(2,534)	(3,539)
Deferred revenue	(199)	(164)
Income taxes payable	(172)	-
	<b>(3,183)</b>	6,046
<i>Net cash paid (received) during the period for:</i>		
Interest	1,328	1,411
Income taxes	85	(198)

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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(unaudited)

### 14. 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 June 30, 2017							
	Environmental		Industrial		Corporate services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	<b>17,574</b>	9,512	<b>8,425</b>	8,237	<b>21</b>	36	<b>26,020</b>	17,785
Net Income (loss) before tax	<b>953</b>	(2,567)	<b>376</b>	(80)	<b>(1,904)</b>	(90)	<b>(575)</b>	(2,737)
Amortization	<b>2,823</b>	2,258	<b>592</b>	803	-	-	<b>3,415</b>	3,061
Capital expenditures	<b>1,219</b>	1,451	<b>28</b>	115	-	-	<b>1,247</b>	1,566

	For the six month period ended June 30, 2017							
	Environmental		Industrial		Corporate services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	<b>33,064</b>	22,517	<b>14,553</b>	18,027	<b>41</b>	79	<b>47,658</b>	40,623
Net Income (loss) before tax	<b>1,932</b>	(3,616)	<b>283</b>	1,176	<b>(3,696)</b>	(878)	<b>(1,481)</b>	(3,318)
Amortization	<b>5,552</b>	4,609	<b>1,198</b>	1,639	-	-	<b>6,750</b>	6,248
Capital expenditures	<b>1,853</b>	3,601	<b>52</b>	232	-	-	<b>1,905</b>	3,833
Total asset	<b>108,782</b>	77,983	<b>22,736</b>	27,535	<b>328</b>	2,865	<b>131,846</b>	108,383
Goodwill and Intangible assets	<b>36,076</b>	21,643	-	-	-	-	<b>36,076</b>	21,643
Total liabilities	<b>20,128</b>	20,905	<b>5,538</b>	8,355	<b>46,451</b>	44,605	<b>72,117</b>	73,865

# Vertex Resource Group Ltd.

## Notes to the condensed consolidated interim financial statements

June 30, 2017

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

(unaudited)

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### 15. Subsequent events

#### a) Qualifying transaction

The Company has entered into a letter of intent as of July 17, 2017 (the "LOI") with VIER Capital Corp. ("VIER"), a Capital Pool Corporation as defined in Policy 2.4 on the TSX Venture Exchange (the "Exchange") and trades under the symbol VIE.P. Whereby VIER will acquire all of the issued and outstanding securities of the Company by way of an arrangement, share exchange or similar transaction (the "Transaction"), subject to the terms and conditions outlined below. Vertex intends that the Transaction will constitute a Qualifying Transaction, as such term is defined in the policies of the Exchange.

In connection with the Transaction, the Company anticipates that the 7,350,000 currently issued and outstanding shares of VIER will be consolidated (the "Consolidation") on a 10 to 1 basis.

The LOI contemplates VIER and Vertex completing an arm's length business combination transaction, pursuant to which VIER will issue 85,773,433 post-Consolidation common shares at a price equal to \$1.00 in exchange for all of the Vertex Securities (the "Share Exchange"). The Share Exchange will occur after the Consolidation is completed. On completion of the Transaction, the current shareholders of Vertex would own a majority of the issued outstanding shares of the resulting issuer (as such terms is defined in Exchange Policy 2.4) and Vertex will become a wholly-owned subsidiary of the resulting issuer. The common shares of the resulting issuer will be listed for trading on the Exchange.

The Transaction is subject to regulatory approval and there is no assurance that the Transaction will close or close as described.

Consolidated financial statements of

**Vertex Resource Group Ltd.**

December 31, 2016

# Vertex Resource Group Ltd.

December 31, 2016

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## Independent Auditor's Report

To the Shareholders of  
Vertex Resource Group Ltd.

We have audited the accompanying consolidated financial statements of Vertex Resource Group Ltd., which comprise the consolidated statements of financial position as at December 31, 2016, December 31, 2015 and November 1, 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year ended December 31, 2016 and fourteen month period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vertex Resource Group Ltd. as at December 31, 2016, December 31, 2015 and November 1, 2014 and its financial performance and its cash flows for the year ended December 31, 2016 and fourteen month period ended December 31, 2015 in accordance with International Financial Reporting Standards.

*(Signed) "Deloitte LLP"*

Chartered Professional Accountants  
September 12, 2017

# Vertex Resource Group Ltd.

## Consolidated statement of financial position

(in thousands of Canadian dollars)

As at	Notes	December 31, 2016	December 31, 2015	November 1, 2014
<b>Assets</b>				
Current assets				
Cash and cash equivalents		44	-	-
Accounts receivable	7	21,442	22,214	32,675
Income taxes receivable	16	-	256	-
Unbilled revenue	8	3,073	8,218	10,709
Inventories	9	2,168	2,158	2,308
Prepaid expenses and deposits		1,151	857	591
Deferred income taxes	16	2,589	819	1,458
		<b>30,467</b>	34,522	47,741
Property and equipment	10	59,541	68,239	68,210
Intangible assets	11	1,083	-	-
Goodwill	12	27,598	21,643	17,750
		<b>118,689</b>	124,404	133,701
<b>Liabilities</b>				
Current liabilities				
Bank indebtedness		-	1,150	738
Accounts payable and accrued liabilities	13	8,272	8,528	13,990
Deferred revenue	8	247	1,034	479
Income taxes payable	16	247	-	2,244
Current portion of loans and borrowings	14	54,865	26,422	24,836
Current portion of provisions	15	5,727	4,013	4,838
		<b>69,358</b>	41,147	47,125
Loans and borrowings	14	2,811	37,966	61,184
Provisions	15	4,896	7,703	9,877
Deferred income taxes	16	790	832	4,213
		<b>77,855</b>	87,648	122,399
Commitments	19			
<b>Equity</b>				
Common shares	17	57,912	45,667	8,800
Deficit		(17,965)	(9,798)	2,502
Contributed surplus		887	887	-
		<b>40,834</b>	36,756	11,302
		<b>118,689</b>	124,404	133,701

Approved by the Board

(Signed) "Terry Stephenson" Director

(Signed) "Brian F. Butlin" Director

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

# Vertex Resource Group Ltd.

## Consolidated statement of loss and comprehensive loss

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

For the period ended December 31,	Notes	2016 (12 months)	2015 (14 months)
<b>Revenue</b>	20	<b>86,153</b>	124,217
Cost of goods sold	21	<b>61,869</b>	87,480
<b>Gross profit</b>		<b>24,284</b>	36,737
General and administrative expenses	21	<b>14,678</b>	18,572
Other expenses (income)	18, 21, 22	<b>4,027</b>	(131)
<b>Income before taxes, finance, amortization and impairment</b>		<b>5,579</b>	18,296
Amortization	10, 11	<b>13,215</b>	13,075
Finance costs	22	<b>3,992</b>	7,496
Impairment of property and equipment	10	-	5,337
Impairment of intangible assets	11	-	7,581
<b>Loss before income taxes</b>		<b>(11,628)</b>	(15,193)
Income tax (recovery) expense	16	<b>(3,461)</b>	(3,478)
<b>Net loss and comprehensive loss for the period</b>		<b>(8,167)</b>	(11,715)
<b>Net loss and comprehensive loss for the period per share</b>	23		
Basic		<b>(0.60)</b>	(1.74)
Diluted		<b>(0.60)</b>	(1.74)
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>	23		
Basic		<b>13,708,689</b>	6,750,281
Diluted		<b>13,708,689</b>	6,750,281

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

# Vertex Resource Group Ltd.

## Consolidated statement of changes in shareholders' equity

(in thousands of Canadian dollars)

For the period ended December 31,	Notes	2016 (12 months)	2015 (14 months)
<b>Common Shares</b>			
	17		
Balance, beginning of the period		45,667	8,800
Share issuance		-	9,008
Share issued in business combination		11,500	21,258
Share issued in settlement of acquisition obligation		-	500
Shares issued in settlement of advances from shareholders		797	6,774
Share redemption		(52)	(673)
Balance, end of the period		57,912	45,667
<b>Contributed Surplus</b>			
Balance, beginning of the period		887	-
Discount on share redemption	17	-	172
Stock based compensation	18	-	715
Balance, end of the period		887	887
<b>(Deficit) Retained Earnings</b>			
Balance, beginning of the period		(9,798)	2,502
Net loss and comprehensive loss for the period		(8,167)	(11,715)
Share redemption	17	-	(585)
Balance, end of the period		(17,965)	(9,798)
<b>Total equity</b>		<b>40,834</b>	<b>36,756</b>

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

# Vertex Resource Group Ltd.

## Consolidated statement of cash flows

(in thousands of Canadian dollars)

For the period ended December 31,	Notes	2016 (12 months)	2015 (14 months)
<b>Operating activities</b>			
Net loss		(8,167)	(11,715)
Items not affecting cash			
Amortization		13,215	13,075
Impairment of property and equipment		-	5,337
Impairment of intangible assets		-	7,581
Interest on other liabilities		834	2,000
Loss on disposal of property and equipment		(521)	1,571
Restructuring costs		3,323	-
Deferred income taxes		(3,512)	(3,519)
Gain on settlement of contingent consideration		(1,000)	(1,000)
Bonus interest recovery		-	(2,300)
Stock-based compensation		-	715
		4,172	11,745
Change in non-cash operating working capital items	25	3,335	3,332
		7,507	15,077
<b>Investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		83	1,848
Purchase of property and equipment		(4,358)	(1,951)
Proceeds from disposal of property and equipment		8,597	4,799
		4,322	4,696
<b>Financing activities</b>			
Repayment of operating loan		(1,246)	(5,173)
Repayment of obligations under capital leases		(310)	(7,632)
Increase in advances from shareholders		-	1,166
Repayment of advances from shareholders		(706)	(499)
Repayment of long-term debt		(4,072)	(453)
Repayment of subordinated debt		-	(12,600)
Repayment of other liabilities		(4,248)	(3,500)
Issuance of common shares		-	9,008
Redemption of common shares		(53)	(501)
		(10,635)	(20,184)
Increase (decrease) in cash and cash equivalents		1,194	(411)
Bank indebtedness, beginning of period		(1,150)	(739)
<b>Cash and cash equivalents (bank indebtedness), end of period</b>		<b>44</b>	<b>(1,150)</b>
<b>Comprised of:</b>			
Cash and cash equivalents		542	429
Bank indebtedness		(498)	(1,579)
		44	(1,150)

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

(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 private company incorporated under the Alberta Business Corporation Act and provides services to a diverse clientele across Western Canada and maintains its registered office in Edmonton, Alberta, Canada. The Company performs environmental and industrial services.

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

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

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

#### a) *Statement of compliance*

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

These consolidated financial statements were approved by the Board of Directors (the "Directors") on September 12, 2017.

#### b) *Adoption of International Financial Reporting Standards*

These consolidated financial statements represent the Company's initial presentation of its results of operations and financial position under IFRS. They were prepared in accordance with IFRS 1, *First-time Adoption of IFRS* ("IFRS 1"), and those IFRS standards and IFRIC interpretations issued and effective as at the time of preparing these consolidated financial statements.

The Company's annual consolidated financial statements previously were prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"), which differs from IFRS in some areas.

The Company's date of adoption was November 1, 2014 (the "Adoption Date").

#### c) *Impact of applying IFRS 1 – First time adoption of IFRS*

As stated previously, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. IFRS 1 sets out procedures that the Company must follow when it adopts IFRS for the first time as the basis of preparing its consolidated financial statements. Under IFRS 1, the standards

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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are applied retrospectively at November 1, 2014 and the Company has prepared its IFRS opening consolidated statement of financial position at that date. In accordance with IFRS 1, the Company has:

- Applied the same accounting policies throughout all the periods presented;
- Applied the policies on a retrospective basis, subject to any mandatory exceptions or any optional exemptions elected which require or allow a different basis of application; and
- Selected and applied accounting policies based on the IFRS effective date as at the end of the first IFRS annual reporting period, which is December 31, 2016, for the Company and its subsidiaries.

IFRS includes a number of elective exemptions and mandatory exceptions that allow or require a first-time adopter to implement a certain standard in a manner other than full retrospective application. Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from ASPE to IFRS.

- Estimates: An entity's estimates in accordance with IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with ASPE (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.
- Business combinations: IFRS 1 provides an option to apply IFRS 3, *Business Combinations*, on a full retrospective basis or prospectively from the Adoption Date onwards. The Company has applied the business combinations exemption and has not restated business combinations that took place prior to the transition date.
- Cumulative Translation Differences: IFRS allows cumulative translation differences for all foreign subsidiaries and foreign equity method investments to be deemed zero at the date of adoption. The Company has applied the cumulative translation election, resulting in gains and losses on translation only to be recognized after the date of adoption.
- Leases: This exemption applies to first-time adopters who have made a determination of whether an arrangement contained a lease in accordance with ASPE. If the determination made under ASPE would have given the same outcome as that resulting from applying (IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*), then the Company need not reassess that determination when adopting IFRS. The Company has elected to apply this exemption, and as a result has not reassessed its arrangements.

The remaining IFRS 1 mandatory exceptions and optional exemptions were not applicable or material to the preparation of the Company's consolidated statements of financial position at the Adoption Date.

IFRS 1 requires that equity, total comprehensive income and cash flows be reconciled for the comparative years presented. The reconciliation resulting in the adoption has been disclosed in Note 30.

*d) Basis of measurement*

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

*e) Functional and presentation currency*

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

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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

### *f) Principles of Consolidation*

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

The Company's principal subsidiaries at December 31, 2016 are Vertex Resource Services Ltd., Vertex Professional Services Ltd. and Vertex Oilfield Services Ltd. For the year ended December 31, 2016, the scope of consolidation for these consolidated financial statements encompassed 15 wholly owned entities, of which one was a first-time consolidation. The first-time consolidation was the result of the acquisitions of Red Giant Energy Services Ltd. The Company has applied uniform accounting policies throughout all consolidated entities and reporting dates of the subsidiaries are all consistent with the Company.

### *g) Use of estimates and judgments*

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

### *h) Comparative figures*

During the year-ended December 31, 2015, the financial year end of the Company was changed from October 31, 2015 to December 31, 2015 so as align the Company's subsidiaries year-end. Accordingly, the comparative period of the current financial statements are prepared for 14 months from November 1, 2014 to December 31, 2015 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not entirely comparable.

## **3. Significant accounting policies**

### *a) Cash and cash equivalents*

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

### *b) Business combinations*

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

### *c) Inventories*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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d) *Property and equipment*

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

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

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

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

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

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

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

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

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

e) *Intangible assets*

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

Brand name	5 years
Customer relationships	5 years
Non-compete agreements	3-5 years

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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f) *Goodwill*

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

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

g) *Impairment of non-financial assets*

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

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

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

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

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

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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### *h) Revenue recognition*

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

- i. Sales of goods: Revenue from the sales of goods is mainly comprise of manufactured products and is recognized when the significant risks and rewards of ownership transfer to the customer (products shipped), the Company does not have any continuing managerial involvement, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred in respect of the transaction can be measured reliably and the amount of the revenue can be measured reliably.
- ii. Rendering of services: The Company's services revenue includes equipment rentals, fluid hauling and consulting services. The Company recognizes revenue when services are performed and approved by the customer. Revenue is recognized when there is persuasive evidence that an arrangement exists, the service has been provided and the costs can be measured reliably, the rate is fixed and determinable and revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company. The Company considers persuasive evidence to exist when a formal contract is signed or customer acceptance is obtained.
- iii. Industrial contracting: Industrial contracting revenue includes revenue from contracts entered into to provide maintenance and construction services to various industries, including energy, mining, agriculture, forestry and petrochemical. Revenue from such contracts is recorded either using (i) the percentage of completion method or (ii) as services are performed and related costs and hours are incurred.

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

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

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

### *i) Income taxes*

#### Current tax

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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

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### Deferred tax

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

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

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

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

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

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

#### *j) Share-based payment arrangements*

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

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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

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### k) *Financial instruments*

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

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

- i. Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value, with changes in fair value recognized in the consolidated statement of comprehensive income. The Company does not have any financial assets or liabilities that are classified at fair value through profit and loss.
- ii. Held-to-maturity investments: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment. The Company does not have any financial assets that are classified as held-to-maturity.
- iii. Available-for-sale financial assets: Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income. The Company does not have any financial assets that are classified as available-for-sale.
- iv. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The effective interest method amortization is included in the finance cost in the consolidated statement of comprehensive income. Any impairment losses are recognized in the profit and loss. The Company's loans and receivables are comprised of cash and cash equivalent and trade and other receivables and are presented as current assets or non-current assets depending on their maturity.
- v. Other financial liabilities: Other financial liabilities are initially recognized at the fair value of the consideration received less attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in net profit or loss when the financial liabilities are derecognized or remeasured through the amortization process. The Company's other financial liabilities are comprised of trade payables and accrued liabilities, loans and borrowing, onerous lease obligation and acquisition obligation and are presented as current liabilities or non-current liabilities depending on their maturity.

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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

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*l) Financial asset impairment*

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

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

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

*m) Share Capital*

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

*n) Fair Value Measurement*

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

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

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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*o) Leases*

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

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

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

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

*p) Segment reporting*

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

*q) Earnings per share*

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

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

*r) Provisions*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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#### 4. Future accounting standard pronouncements

The following new standards have been issued, but are not effective for the year ended December 31, 2016:

a) *IFRS 9 – Financial Instruments*

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

b) *IFRS 15 - Revenue from Contracts with Customers*

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

- i. *Identify the contract with a customer;*
- ii. *Identify the performance obligation in the contract;*
- iii. *Determine the transaction price;*
- iv. *Allocate the transaction price to the performance obligations in the contract;*
- v. *Recognize revenue when (or as) the entity satisfies a performance obligation.*

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

c) *IFRS 16 – Leases*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 5. Critical accounting judgments and key sources of estimation uncertainty

#### Critical judgments in applying the Company's accounting policies

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

#### a) *Percentage completion*

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

#### b) *Property and equipment*

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

#### c) *Cash-generating unit*

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

#### Key Sources of Estimation Uncertainty

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

#### a) *Impairment of non-financial assets*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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b) *Goodwill Impairment*

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

c) *Inventory valuation*

Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value, management considers evidence, such as aging of the inventory, current sales prices, vendor price lists, available at the time in determining the net realizable values of the inventories.

d) *Business combinations*

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

e) *Deferred tax assets*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 6. Business acquisitions

During the year ended December 31, 2016, the Company completed one acquisition compared to one acquisition in the period ended December 31, 2015. Details of the purchase price and allocation to the assets and liabilities acquired, net of debt financing, are as follows:

	2016	2015
	Red Giant Energy Services Ltd. <sup>(a)</sup>	Ignite Energy Services Ltd. <sup>(b)</sup>
Cash and cash equivalents	83	1,848
Other current assets	1,662	6,162
Property and equipment	7,250	21,912
Deferred tax asset	-	652
Intangibles	1,647	8,226
Goodwill	5,955	3,893
	16,597	42,693
Current liabilities	(3,397)	(11,548)
Long-term debt	-	(6,547)
Obligation under capital leases	-	(1,983)
Deferred tax liability	(1,700)	(1,357)
Net assets	11,500	21,258

#### a) *Red Giant Energy Services Ltd.*

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

Revenue and net income from the date of acquisition to December 31, 2016 were \$0.6 million and \$0.3 million, respectively. The Company estimates it would have reported consolidated revenue of approximately \$89.3 million and a net loss of approximately \$6.4 million for the year ended December 31, 2016 if the acquisition had been completed on January 1, 2016. The directors consider these "pro-forma" number to represent an approximate measure of the performance of the combined Company on an annualise basis and to provide a reference point for comparison in the future.

#### b) *Ignite Energy Services Ltd.*

On August 31, 2015, the Company reached an agreement to purchase 100% of the outstanding shares of Ignite Energy Services Ltd. ("Ignite"), a fluid management and logistic company based in Calgary, for \$30.0 million. For the total consideration of \$30.0 million, the Company assumed \$8.7 million of the Ignite debt and issued 4,672,088 Class A Common shares with a value of \$21.3 million. Goodwill on acquisition was attributable primarily to the skills and competence of the acquire workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.

Revenue and net losses from the date of acquisition to December 31, 2015 were \$9.7 million and \$2.0 million, respectively. The Company estimates it would have reported consolidated revenue of approximately \$144.3 million and a net loss of approximately \$14.0 million for the year ended December 31, 2015 if the acquisition had been completed on January 1, 2015. The directors consider these "pro-forma" number to represent an approximate measure of the performance of the combined Company on an annualise basis and to provide a reference point for comparison in the future.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 7. Accounts receivables

	December 31, 2016	December 31, 2015	November 1, 2014
Trade accounts receivable	21,028	22,084	31,613
Other receivables	612	344	1,205
Less: allowance of doubtful accounts	(198)	(214)	(143)
	<b>21,442</b>	<b>22,214</b>	<b>32,675</b>

### 8. Unbilled revenue and deferred revenue

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

	December 31, 2016	December 31, 2015	November 1, 2014
Contract cost incurred plus recognized profit less recognized losses to date	12,158	28,490	46,795
Less: progress billings	9,332	21,306	36,565
<b>Total net contract position</b>	<b>2,826</b>	<b>7,184</b>	<b>10,230</b>
Unbilled revenue	3,073	8,218	10,709
Deferred revenue	(247)	(1,034)	(479)
	<b>2,826</b>	<b>7,184</b>	<b>10,230</b>

### 9. Inventories

	December 31, 2016	December 31, 2015	November 1, 2014
Insulation inventory - raw materials	1,180	1,752	1,884
Safety - raw materials	651	406	424
Chemical - raw materials	337	-	-
	<b>2,168</b>	<b>2,158</b>	<b>2,308</b>

During the year ended December 31, 2016, the Company recognized \$12.6 million (fourteen-month period ended December 31, 2015 - \$16.8 million) of inventories in direct costs as an expense.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 10. Property and equipment

	Land	Buildings and improvements	Machinery and equipment	Office and furniture and equipment	Rolling stock	Total
<b>Cost</b>						
As at November 1, 2014	2,604	15,651	66,268	6,863	22,278	113,664
Additions	10	80	128	356	1,800	2,374
Additions from business acquisition (Note 6)	-	195	5,731	68	15,918	21,912
Disposals	(848)	(1,492)	(2,018)	(232)	(8,654)	(13,244)
Impairment loss	(330)	(120)	(4,887)	-	-	(5,337)
<b>As at December 31, 2015</b>	<b>1,436</b>	<b>14,314</b>	<b>65,223</b>	<b>7,054</b>	<b>31,343</b>	<b>119,370</b>
Additions	-	211	1,382	138	3,047	4,778
Additions from business acquisition (Note 6)	-	6	5,805	169	1,269	7,250
Disposals	(1,116)	(6,250)	(13,447)	(1,424)	(7,838)	(30,074)
<b>As at December 31, 2016</b>	<b>320</b>	<b>8,282</b>	<b>58,964</b>	<b>5,937</b>	<b>27,821</b>	<b>101,323</b>
<b>Accumulated amortization</b>						
As at November 1, 2014	-	5,958	27,834	2,690	8,971	45,454
Amortization	-	1,770	5,549	1,498	3,614	12,430
Disposals	-	(659)	(1,335)	(313)	(4,446)	(6,754)
<b>As at December 31, 2015</b>	<b>-</b>	<b>7,069</b>	<b>32,048</b>	<b>3,875</b>	<b>8,140</b>	<b>51,131</b>
Amortization	-	1,732	4,939	1,102	4,878	12,651
Disposals	-	(3,547)	(12,096)	(1,562)	(4,795)	(22,000)
<b>As at December 31, 2016</b>	<b>-</b>	<b>5,253</b>	<b>24,891</b>	<b>3,415</b>	<b>8,223</b>	<b>41,782</b>
<b>Carrying value</b>						
As at November 1, 2014	2,604	9,692	38,434	4,172	13,307	68,210
As at December 31, 2015	1,436	7,245	33,175	3,179	23,203	68,239
<b>As at December 31, 2016</b>	<b>320</b>	<b>3,028</b>	<b>34,072</b>	<b>2,522</b>	<b>19,598</b>	<b>59,541</b>
<b>Carrying value of assets under finance lease</b>						
As at November 1, 2014	-	-	5,217	-	5,601	10,818
As at December 31, 2015	-	-	-	-	977	977
<b>As at December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,231</b>	<b>1,231</b>

Rolling stock acquired under capital leases during the year ended December 31, 2016 totaled \$0.4 million (fourteen-month period ended December 31, 2015 - \$0.2 million) and have been treated as non-cash transactions for purposes of the consolidated statement of cash flows.

On conversion to IFRS an impairment loss of \$5.3 million was recorded for the fourteen-month period ended December 31, 2015 (note 30). Due to the continued downturn in the oil and gas industry and its negative impact on revenue and net loss, specific rental equipment within the rentals CGU with a carrying value of \$4.9 million and specific land and building within the industrial services CGU with a carrying value of \$0.4 million were identified for which the value was determined to no longer be recoverable through future operations.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 11. Intangible assets

	Brand names	Customer relationships	Non-compete agreements	Total
Cost				
As at November 1, 2014	-	-	-	-
Additions	70	7,771	385	8,226
As at December 31, 2015	70	7,771	385	8,226
Additions	-	1,647	-	1,647
<b>As at December 31, 2016</b>	<b>70</b>	<b>9,418</b>	<b>385</b>	<b>9,873</b>
Accumulated amortization				
As at November 1, 2014	-	-	-	-
Amortization	7	571	67	645
Impairment loss	63	7,200	318	7,581
As at December 31, 2015	70	7,771	385	8,226
Amortization	-	564	-	564
<b>As at December 31, 2016</b>	<b>70</b>	<b>8,335</b>	<b>385</b>	<b>8,790</b>
Carrying value				
As at November 1, 2014	-	-	-	-
As at December 31, 2015	-	-	-	-
<b>As at December 31, 2016</b>	<b>-</b>	<b>1,083</b>	<b>-</b>	<b>1,083</b>

The intangible assets were acquired as part of a business combination (see note 6). They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives. During the year ended December 31, 2016 the Company had \$nil internally generated intangible assets. (fourteen-month period ended December 31, 2015 - \$nil)

On conversion to IFRS an impairment loss of \$7.6 million was recorded for the fourteen-month period ended December 31, 2015 (note 30). Due to the continued downturn in the oil and gas industry and its negative impact on revenue and net loss, intangible assets related to brand name, customer relations and non-compete agreements within the fluid management CGU with a carrying value of \$7.6 million were identified for which the value was determined to no longer be recoverable through future operations.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

### 12. Goodwill

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

	Consulting	Fluid Management	Rentals	Total
<b>Cost</b>				
As at November 1, 2014	17,750	-	-	17,750
Additions - Ignite acquisition	-	3,893	-	3,893
As at December 31, 2015	17,750	3,893	-	21,643
Additions - Red Giant acquisition	-	-	5,955	5,955
<b>As at December 31, 2016</b>	<b>17,750</b>	<b>3,893</b>	<b>5,955</b>	<b>27,598</b>
<b>Accumulated impairment losses</b>				
As at November 1, 2014	-	-	-	-
Impairment loss	-	-	-	-
As at December 31, 2015	-	-	-	-
Impairment loss	-	-	-	-
<b>As at December 31, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying value</b>				
As at November 1, 2014	17,750	-	-	17,750
As at December 31, 2015	17,750	3,893	-	21,643
<b>As at December 31, 2016</b>	<b>17,750</b>	<b>3,893</b>	<b>5,955</b>	<b>27,598</b>

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

<i>In percent</i>	December 31, 2016	December 31, 2015	November 1, 2014
Discount rate	16.0	16.0	16.0
Terminal value growth rate	1.0	1.0	1.0
Budgeted EBITDA growth rate (average of next five years)			
Consulting CGU	15.9	6.6	12.6
Fluid management CGU	14.5	4.3	N/A
Rentals CGU	8.4	5.2	3.1

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

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

### 13. Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015	November 1, 2014
Trade accounts payable	3,610	4,639	7,585
Employee related accounts payable	1,240	1,153	2,426
Accrued liabilities	3,422	2,736	3,979
	<b>8,272</b>	<b>8,528</b>	<b>13,990</b>

At December 31, 2016, accounts payable and accrued liabilities included government remittances payable of \$0.8 million (December 31, 2015 - \$0.8 million, November 1, 2014 - \$1.0 million).

### 14. Loans and borrowings

	December 31, 2016			December 31, 2015		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Operating loan (a)	11,975	-	11,975	13,221	-	13,221
Bank loans (b)	37,022	-	37,022	12,954	28,139	41,093
Subordinated debt (c)	5,500	-	5,500	-	5,500	5,500
Lease liabilities (d)	368	660	1,028	247	672	919
Total Secured borrowings	54,865	660	55,525	26,422	34,311	60,733
Unsecured						
Advance from shareholders (e)	-	2,151	2,151	-	3,655	3,655
<b>Total borrowings</b>	<b>54,865</b>	<b>2,811</b>	<b>57,676</b>	<b>26,422</b>	<b>37,966</b>	<b>64,388</b>

	November 1, 2014		
	Current	Non-current	Total
Secured			
Operating loan (a)	15,107	-	15,107
Bank loans (b)	7,000	28,000	35,000
Subordinated debt (c)	-	20,400	20,400
Lease liabilities (d)	2,729	3,606	6,335
Total Secured borrowings	24,836	52,006	76,842
Unsecured			
Advance from shareholders (e)	-	9,178	9,178
<b>Total borrowings</b>	<b>24,836</b>	<b>61,184</b>	<b>86,020</b>

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

### a) Operating loan

At December 31, 2016, the Company has access to an operating loan facility authorized to a maximum of \$20.0 million (2015 - \$20.0 million; 2014 - \$ 20.0 million). The operating facility can be drawn by any mix of account overdraft with interest at prime plus 3.00%, Bankers' Acceptance rate plus stamping fees of 4.00%, letters of credit, or U.S. dollar advances. At December 31, 2016, \$nil (2015 - \$13.2 million; 2014 - \$15.1 million) was drawn using the account overdraft option. The effective interest rate on the operating loan at December 31, 2016 was 3.56%% (2015 - 3.50%). The operating loan is secured by a General Security Agreement over all assets of the Company. The Company also pays a standby fee of 0.80% on any unutilized portion of the operating facility, payable on the last day of each month.

### b) Bank loans

	Nominal interest rate	Maturity date	December 31, 2016	December 31, 2015	November 1, 2014
	Bankers acceptance +				
Extendable revolving loan	3.00%	May 31, 2019	<b>32,500</b>	35,000	35,000
Demand non-revolving loan	Prime +1.0%	November 14, 2016	<b>1,557</b>	2,055	-
Demand non-revolving loan	Prime +1.0%	January 27, 2020	<b>1,519</b>	2,006	-
Demand non-revolving loan	Prime +1.0%	July 30, 2019	<b>1,292</b>	1,792	-
Term loan	7.25%	July 17, 2018	<b>154</b>	240	-
<b>Total bank loans</b>			<b>37,022</b>	41,093	35,000

The rate structure for the revolving loan, non-revolving loans and term loan are on a sliding scale based on one of the financial covenants in the credit facility agreement. As such, the prime plus rate, the Bankers' Acceptance rate and the standby fee rate are subject to fluctuation during the year as the financial covenant will fluctuate monthly. The rates and fees presented in the financial statements reflect the rates in the rate table based on the covenant calculated at December 31, 2016.

The terms of the revolving and non-revolving loans require the Company to maintain certain minimum financials ratios. At December 31, 2016, the Company was in breach of its funded debt to EBITDA covenant (see note 27). Accordingly, the revolving loan and non-revolving loans were classified as current (see note 27).

On June 23, 2017, the Company entered into a new three year committed operating loan facility. The operating loan has new terms and conditions and matures June 22, 2020. In addition, the Company entered into a new Term Credit Facility and used the proceeds to pay out the extendable revolving loan and the three demand non-revolving loans. The Term Credit Facility matures June 22, 2022.

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

	<b>Total</b>
2017	1,721
2018	5,061
2019	6,500
2020	7,000
2021	7,000
Thereafter	9,740
	<b>37,022</b>

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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

### c) Subordinated debt

On July 30, 2013, the Company entered into a financing agreement with BDC Capital Inc. ("BDCC") for proceeds of \$15.0 million. This financing agreement is subordinate to the operating loan, extendable revolving loan and demand non-revolving loan facilities and was considered equity for the purpose of calculating the financial covenants. The agreement bore interest at a fixed rate of 10.75% per annum, payable monthly and would mature on July 30, 2020. The debt was secured by a General Security Agreement over all assets of the Company.

In addition to the principal and interest payments, the Company agreed to pay BDCC an additional compensation premium in the form of a bonus interest payment based on the enterprise value of the Company. The payment is due at the time of a bonus interest payment event, which management expected to be at the scheduled maturity of the financing agreement.

At October 31, 2014, the Company recognized the estimated fair value of the bonus interest payment of \$5.4 million, which was included in subordinated debt on the consolidated balance sheets at November 1, 2014.

During the fourteen-month period ended December 31, 2015, the Company renegotiated the terms of the loan with BDCC, such that the principal of the loan would be capped at \$18.1 million of which \$15.0 million represented the original principal and \$3.1 million represented the bonus interest payment and prepayment interest penalties calculated under the terms of the agreement. In addition, the interest rate was adjusted to a fixed rate of 14%, there is no repayment schedule, and the loan is repayable in full on July 30, 2020, the maturity date. The Company has the option to make two voluntary principal repayments per year with a minimum of \$0.3 million per payment and no maximum payment. There are no prepayment penalties applicable if the Company elects to make these voluntary repayments.

During the fourteen-month period ended December 31, 2015, the Company recognized the recovery in the estimated intrinsic value of the bonus interest payment of \$2.3 million. During the fourteen-month period ended December 31, 2015, the Company re-paid \$12.6 million, of which \$9.5 million was applied against principal and \$3.1 million was applied to pay the bonus interest payment and prepayment interest penalties in full. The subordinated debt with BDCC is subject to certain financial covenants. As at December 31, 2016, the Company is in compliance with all such covenants (Note 27).

At December 31, 2016, the Company was not in compliance with certain financial covenants for its revolving and non-revolving loans, due to cross default clauses, the subordinated debt was classified as current (Note 27).

### d) Finance lease liabilities

	December 31, 2016	December 31, 2015	November 1, 2014
Not later than one year	423	299	2,986
Later than one year and not later than five years	696	732	3,660
Later than five years	-	-	-
Total minimum lease payments	1,119	1,031	6,646
Less: amounts representing interest at rates ranging from 5.2% to 11.7%	91	112	311
Present value of minimum lease payments	1,028	919	6,335
Less: current portion	368	247	2,729
	660	672	3,606

Finance lease obligations are secured by equipment and automobiles with a net book value of \$1.2 million (December 31, 2015 - \$1.0 million; November 1, 2014 - \$10.8 million) (Note 10).

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## Notes to the consolidated financial statements

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On March 15, 2015, the Company settled all of the finance leases that were outstanding at November 1, 2014, for \$6.3 million. The interest prepayment expense of \$0.1 million was included in interest on finance leases (Note 22).

On September 15, 2015, the Company settled two finance lease that were acquired in the Ignite transaction (Note 6 (b)) for \$0.8 million. The interest prepayment expense of \$0.1 million was included in interest on finance leases (Note 22).

### e) *Advances from shareholders*

The amounts advanced from the shareholders are non-interest bearing, unsecured and have no specified terms of repayment. The shareholders have waived their right to demand repayment of a portion of the advances for one year plus a day, accordingly, that portion has been classified as a non-current liability. At December 31, 2016, included in advances from shareholders is \$2.1 million (December 31, 2015 - \$1.1 million; November 1, 2014 - \$0.6 million) from one private company owned by a shareholder and director of the Company (December 31, 2015 and November 1, 2014 - two private companies each owned by a shareholder and director of the Company).

During the year ended December 31, 2016, advances from shareholders totaling \$0.58 million (fourteen-month period ended December 31, 2015 - \$6.8 million) were settled in exchange for 276,952 (fourteen-month period ended December 31, 2015 - 1,488,857) Class A common shares of the Company. These were non-cash transactions, and accordingly, have been excluded from the consolidated statements of cash flows. During the year ended December 31, 2015, there was an increase in advance from shareholders as a result of redemption of preferred shares (Note 17).

## 15. Provisions

	Onerous lease (a)	Acquisition obligation (b)	Total
As at November 1, 2014	-	14,715	14,715
Interest accretion during the period	-	2,001	2,001
Settlement in exchange for class A common shares	-	(500)	(500)
Gain on revaluation of contingent consideration	-	(1,000)	(1,000)
Payments	-	(3,500)	(3,500)
As at December 31, 2015	-	11,716	11,716
Additions	3,323	-	3,323
Interest accretion during the period	115	717	832
Gain on revaluation of contingent consideration	-	(1,000)	(1,000)
Payments	(748)	(3,500)	(4,248)
<b>As at December 31, 2016</b>	<b>2,690</b>	<b>7,933</b>	<b>10,623</b>

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

	<b>December 31, 2016</b>	December 31, 2015	November 1, 2014
Current portion of provisions	<b>5,727</b>	4,013	4,838
Non-current portion of provisions	<b>4,896</b>	7,703	9,877
	<b>10,623</b>	11,716	14,715

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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

### a) Onerous lease

During the year ended December 31, 2016, the Company restructured its operations and in the course of restructuring ceased to operate at two geographic locations. The Company negotiated to terminate the operating leases but was unable to come to an agreement. Given the leases have no future benefit to the Company, management estimated the present value of the remaining lease and operating costs payments and recorded a restructuring cost expense of \$3.3 million (Note 22). The contractual cash payments over the next four years as at December 31, 2016, totaling \$2.9 million, are as follows:

	<b>Total</b>
2017	1,190
2018	1,194
2019	484
2020	40
	<b>2,908</b>

### b) Navus Environmental Inc.

On July 31, 2014, the Company reached an agreement with the shareholders of Navus Environmental Inc. ("Navus") to purchase 100% of their shares and shareholder loans for \$24.5 million. Cash consideration of \$6.5 million was paid on July 31, 2014, and an acquisition obligation was established for \$18.0 million, to be paid over the next three years. The acquisition obligation is non-interest bearing and unsecured. Payment terms of the acquisition obligation were \$6.5 million on July 31, 2015, \$6.5 million on July 31, 2016, and \$5.0 million on July 31, 2017. In order to determine the fair value of the consideration, the acquisition obligation of \$18.0 million, being financed over a three-year period, was fair valued as a result of the non-market rate of interest of nil. The Company measured the fair value of the acquisition obligation as the present value of all future cash outflows discounted using an estimated market rate of 10.75%. A rate of 10.75% was selected, as the debt was unsecured. The Company determined the fair value of the acquisition obligation as at July 31, 2014 to be \$14.7 million. Subsequent to initial recognition, the acquisition obligation is accounted for using amortized cost using the effective interest method.

The purchase agreement included a price adjustment clause that would apply if certain minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") performance were not met. The purchase price is reduced by no more than \$1.0 million at July 31, 2015 and July 31, 2016, respectively, if minimum 12 month EBITDA targets are not met. The maximum reduction to the purchase price is \$2.0 million. At July 31, 2014, the Company expected that the EBITDA targets would be achieved, and as such, recognized the acquisition date fair value of the contingent consideration as part of the consideration transferred and the obligation to pay the contingent consideration was recorded as part of the acquisition obligation on the consolidated balance sheet.

Effective May 1, 2015, the Company and the former shareholders of Navus amended the July 31, 2014 purchase agreement with respect to the acquisition obligation payment schedule. Payment terms of the acquisition obligation were revised to \$4.5 million on July 31, 2015, \$4.5 million on July 31, 2016, \$5.0 million on July 31, 2017, and \$4.0 million on July 31, 2018. In addition, a former shareholder of Navus settled \$0.5 million of the acquisition obligation, due July 31, 2018, for 109,890 Class A common shares of the Company, reducing the July 31, 2018 acquisition obligation to \$3.5 million.

As the difference between the amortized cost of the debt instrument on May 1, 2015 and the present value of the new debt instrument discounted by the original effective interest rate is less than 10%, the modification is not considered an extinguishment of the original debt. As such, the change in fair value of the debt instrument is recognized in earnings in future periods through a revised effective interest rate, which has changed from 10.75% to 7.03%. The amortized cost of the acquisition obligation at December 31, 2016, is \$7.9 million (December 31, 2015 - \$11.7 million; November 1, 2014 - \$14.7 million), of which \$4.7 million (December 31, 2015 - \$4.0 million; November 1, 2014 - \$4.8 million) is classified as current. Interest expense for the year ended December 31, 2016, was \$0.7 million (fourteen-month period ended December 31, 2015 - \$2.0 million), and is included in interest expense (Note 22) in the consolidated statement of loss and comprehensive loss.

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## Notes to the consolidated financial statements

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The contingent consideration performance targets for the 12 months ended July 31, 2016 and July 31, 2015, were not achieved, and as a result, the purchase price was reduced by \$2.0 million. This recovery is presented as a finance cost of \$1.0 million (fourteen-month period ended December 31, 2015 - \$1.0 million) in the consolidated statement of loss and comprehensive loss.

### 16. Income taxes

The statutory tax rates applied by the Company as of the year ended December 31, 2016 was 27.0% (December 31, 2015 - 26.0%). The rate changed during the year due to changes in provincial statutory rate. A reconciliation of the statutory tax rates and income taxes payable at these rates to the effective income tax rates and provision for income taxes is as follows:

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)
Loss before income taxes	<b>(11,628)</b>	(15,193)
Combined federal and provincial income taxes statutory rate	<b>27.0%</b>	26.0%
Expected income tax expense	<b>(3,140)</b>	(3,950)
Effect on income taxes of:		
Non-deductible items	<b>(188)</b>	(11,441)
Apprenticeship credits	<b>(47)</b>	(1,064)
Non-taxable capital gain	<b>(58)</b>	-
Change in statutory tax rate	-	2,279
Change in valuation allowance in respect of future tax assets	<b>35</b>	7,141
Prior year adjustments	<b>(63)</b>	3,557
	<b>(321)</b>	472
Income tax expense	<b>(3,461)</b>	(3,478)

Income taxes where comprise of the following:

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)
Current income tax	<b>51</b>	(31)
Deferred income tax	<b>(3,512)</b>	(3,447)
Income tax expense	<b>(3,461)</b>	(3,478)

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

	December 31, 2015	Acquired in business combination	Recognized in profit or loss	December 31, 2016
<b>Deferred tax liabilities (assets) in relation to:</b>				
Property, plant and equipment	6,562	1,255	(734)	<b>7,083</b>
Intangibles assets	-	445	(153)	<b>292</b>
Cumulative eligible capital	(289)	-	13	<b>(276)</b>
Losses carryforward	(6,090)	-	(2,511)	<b>(8,601)</b>
Provisions	-	-	-	-
Investments	(50)	-	-	<b>(50)</b>
Investment tax credits	(120)	-	(127)	<b>(247)</b>
	13	1,700	(3,512)	<b>(1,799)</b>

	November 1, 2014	Acquired in business combination	Recognized in profit or loss	December 31, 2015
<b>Deferred tax liabilities (assets) in relation to:</b>				
Property, plant and equipment	6,463	1,654	(1,555)	6,562
Intangibles assets	-	1,820	(1,820)	-
Cumulative eligible capital	(291)	-	2	(289)
Losses carryforward	(3,034)	(1,465)	(1,591)	(6,090)
Investments	(358)	-	308	(50)
Investment tax credits	(25)	-	(95)	(120)
	2,755	2,009	(4,751)	13

Deferred income tax balances are classified

	December 31, 2016	December 31, 2015	November 1, 2014
Deferred tax assets	<b>2,589</b>	819	1,458
Deferred tax liabilities	<b>(790)</b>	(832)	(4,213)
	<b>1,799</b>	(13)	(2,755)

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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### 17. Share capital

#### Common shares

Authorized, unlimited number

Class A common voting shares

Class B common non-voting shares

	Class A	Class B	Total A & B	Amount
	#	#	#	\$000
As at November 1, 2014	3,550,636	958,068	4,508,704	8,800
Shares issued	1,979,670	-	1,979,670	9,008
Shares issued in business combination (note 6(b))	4,672,088	-	4,672,088	21,258
Shares issued in settlement of acquisition obligation (note 15(b))	109,890	-	109,890	500
Shares issued in settlement of advances from shareholders (note 14(e))	1,488,857	-	1,488,857	6,774
Shares exchanged	855,425	(855,425)	-	-
Share redemption	(14,750)	(102,643)	(117,393)	(673)
As at December 31, 2015	12,641,816	-	12,641,816	45,667
Shares issued in business combination (note 6(a))	3,993,056	-	3,993,056	11,500
Shares issued in settlement of advances from shareholders (note 14(e))	276,952	-	276,952	797
Share redemption	(13,000)	-	(13,000)	(52)
<b>As at December 31, 2016</b>	<b>16,898,824</b>	<b>-</b>	<b>16,898,824</b>	<b>57,912</b>

#### a) Common shares

During the year ended December 31, 2016, the Company redeemed common shares for \$0.05 million (fourteen-month period ended December 31, 2015 - \$0.7 million) resulting in a premium on redemption of common shares which has been charged directly to retained earnings (fourteen-month period ended December 31, 2015 - discount on redemption of common shares of \$0.2 million which has been credited to retained earnings).

On August 28, 2015, the Board of Directors approved the exchange of all Class B common shares for the same number of Class A common shares.

#### b) Preferred shares

During the fourteen-month period ended December 31, 2015, the Company redeemed the remaining 584.95 Class C shares with a carrying value of \$0.6 million for \$0.6 million.

The redemption consideration was settled through an increase to advances from shareholders. This was a non-cash transaction, and accordingly, was excluded from the consolidated statements of cash flows.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 18. Stock-based compensation

On August 31, 2015, the grant date, the Company issued 578,212 warrants (the "Warrant Awards") to two directors of the Company. The Warrant Awards vested immediately on the date of grant. Each warrant entitles the holder to purchase a Class A common share at an exercise price of \$4.55 per Class A common share. The exercise price of each warrant of \$4.55 was equal to the fair value of a Class A common share on August 31, 2015. The Warrant Awards expire in five years, or August 31, 2020.

The following warrants were issued and outstanding:

Date issued	Number issued	Expiry date	Exercise price (per warrant)	Fair value at grant date (per warrant)	Number outstanding as at December 31, 2016	Number outstanding as at December 31, 2015	Number outstanding as at November 1, 2014
			\$	\$			
August 31, 2015	578,212	August 31, 2020	4.55	1.24	578,212	578,212	-

The weighted average exercise price of the warrants outstanding as at December 31, 2016 was \$4.55 (December 31, 2015 - \$4.55).

Total compensation cost recognized for stock-based compensation awards for the year ended December 31, 2016, is \$nil (fourteen-month period ended December 31, 2015 - \$0.7 million) and is credited to the share based payment reserve on the consolidated statements of financial position. There were no forfeitures incurred during the year.

### 19. Commitments

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

2017	3,029
2018	2,431
2019	1,477
2020	1,076
2021	936
Thereafter	3,891
	<b>12,840</b>

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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### 20. Revenue

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

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)
Sales of goods	11,416	16,308
Rendering of services	49,114	57,919
Industrial contracting	25,623	49,990
	<b>86,153</b>	<b>124,217</b>

### 21. Expenses by nature

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)
Personnel	39,035	61,494
Subcontractors	10,406	9,295
Materials	13,580	22,372
Equipment costs	6,489	3,162
Property and maintenance	4,571	5,101
Other general and administrative expenses	2,466	4,628
Other expenses	4,027	(131)
Amortization	13,215	13,075
Total expenses	<b>93,789</b>	<b>118,996</b>

<b>Reported as:</b>	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)
Cost of goods sold	61,869	87,480
General and administrative expenses	14,678	18,572
Other expenses	4,027	(131)
Amortization	13,215	13,075
Total expenses	<b>93,789</b>	<b>118,996</b>

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 22. Other expenses (income) and finance costs

	December 31, 2016 (12 months)	December 31, 2015 (14 months)
<b>Other expenses (income):</b>		
Onerous lease provision	3,323	-
Severance costs on restructuring	1,806	-
Lease termination settlements	419	-
Loss (gain) on disposal of property and equipment	(521)	1,500
Gain on settlement of contingent consideration	(1,000)	(1,000)
Bonuses	-	954
Stock-based compensation	-	715
Bonus interest recovery	-	(2,300)
	<b>4,027</b>	<b>(131)</b>
<b>Finance costs:</b>		
Interest on long-term debt	2,864	4,234
Interest on acquisition obligation	717	2,002
Interest on onerous lease	115	-
Interest on finance leases	65	591
Bank charges	231	669
	<b>3,992</b>	<b>7,496</b>

### 23. Earnings per share

	December 31, 2016 (12 months)	December 31, 2015 (14 months)
Numerator		
Net loss and comprehensive loss for the year	(8,167)	(11,715)
Denominator		
Weighted average shares outstanding - basic	13,708,689	6,750,281
Dilutive effect of warrants	-	-
Weighted average shares outstanding - diluted	13,708,689	6,750,281
Loss per share		
Basic	(0.60)	(1.74)
Diluted	(0.60)	(1.74)

In calculating the loss per share for the year ended December 31, 2016, the Company excluded 578,212 warrants (fourteen-month period ended December 31, 2015 – 578,212), as their impact was anti-dilutive.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 24. Related party transactions

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

	Nature of relationship	December 31, 2016 (12 months)	December 31, 2015 (14 months)
Expenses			
General and administrative expenses	(i)	700	490
Increases in advances from shareholders	(i)	-	1,166
Repayments of advances from shareholders	(i)	(706)	(499)

(i) Related by common director

Land and building and improvements disposed of during the year (Note 10) were purchased by related party. This related party transaction was not in the normal course of operations; however, it resulted in a substantive change in ownership and the exchange amount was supported by an independent valuation, as such, the transaction was recorded at the exchange amount, which approximates fair value. Immediately following the sale, the Company entered into a ten-year lease with the related party, which has been accounted for as a sales leaseback transaction (Note 22). Rent expensed during the year related to the new operating lease is included in general and administrative expenses, as disclosed above.

- b) The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2016 (12 months)	December 31, 2015 (14 months)
Salary and short-term benefits	903	1,551
Share-based payments	-	715
	903	2,266

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### 25. Supplemental cash flow information

	December 31, 2016 (12 months)	December 31, 2015 (14 months)
<i>Changes in non-cash working capital:</i>		
Trade and other receivables	2,142	15,676
Corporate income taxes recoverable	256	238
Unbilled revenue	5,144	2,492
Inventories	(10)	209
Prepaid expenses and deposits	(3)	128
Accounts payable and accrued liabilities	(3,401)	(13,723)
Deferred revenue	(787)	556
Income taxes payable	(6)	(2,244)
	<b>3,335</b>	<b>3,332</b>
<i>Net cash paid (received) during the period for:</i>		
Interest	2,929	4,825
Income taxes	(452)	2,470

### 26. Financial assets and liabilities

#### Fair value of financial instruments

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

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

The fair value of the Company's long-term debt is a level 2 measurement and does not differ significantly from its carrying value. The carrying value of the Company's provisions have been discounted to reduce the provision to fair value.

#### Financial risk management

The significant financial risks to which the Company is exposed are credit risk, interest rate risk, currency risk and liquidity risk. Management reviews these risk on an ongoing basis to ensure that the risks are appropriately managed. The Company had no derivatives outstanding at December 31, 2016, December 31, 2015 and November 1, 2014.

#### a) *Credit risk*

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

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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The Company's revenues are from a diverse customer base that includes the energy, real estate, utility and mining industries in Western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivables outside of the normal risk associated with contract audits and normal trade terms common in the industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2016 the company had one customer that accounted for 11.7% of the consolidated sales (fourteen-month period ended December 31, 2015 – one customer for 10.3%). The Aging analysis of accounts receivables is as follows:

	December 31, 2016	December 31, 2015	November 1, 2014
0 to 30 days	10,036	9,819	20,883
31 to 60 days	5,724	6,735	6,188
61 to 90 days	3,559	3,629	2,295
Over 90 days	1,497	1,519	1,618
Holdbacks	212	382	629
Trade accounts receivable	21,028	22,084	31,613
Allowance for doubtful accounts	(198)	(214)	(143)
Trade receivables, net of allowance	20,830	21,870	31,470
Other receivables	612	344	1,205
	21,442	22,214	32,675

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

	December 31, 2016 (12 months)	December 31, 2015 (14 months)
Balance, beginning of the period	214	143
Receivables written of during the year	(159)	-
Recovery of previously written of balances	-	(119)
Additional allowance for doubtful accounts	143	190
Balance, end of the period	198	214

### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank demand operating loan, the extendable revolving loan and the demand non-revolving loans (Note 14) bear interest at variable rates based on the bank's prime lending rate and/or the Bankers' Acceptance rate plus 1.00 to 3.00%. Changes in the bank's prime lending rate and/or the Bankers' Acceptance rate can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to alter the effects of this risk. The subordinated debt (Note 14) bears interest at a fixed rate of 14.00%. As at December 31, 2016, with other variables unchanged, an increase or decrease of 1% in interest rates would impact loss before income taxes by approximately \$0.6 million (December 31, 2015 - \$0.7 million)

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### c) Currency risk

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

### d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk arising primarily from the bank demand operating loan and the demand non-revolving loans (Note 14). The Company's ability to meet obligations depends on the receipt of funds from its operating subsidiaries and other related sources, whether in the form of revenue or advances. At December 31, 2016, significant liabilities of the Company include the operating loan, trade accounts payable and accrued liabilities, other liabilities (excluding the deferred gain, which has no future cash payment obligations), long-term debt, and obligations under capital leases, subordinated debt and advances from shareholders. Contractual maturities for financial liabilities as at December 31, 2016 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	8,272	-	-	<b>8,272</b>
Operating loan (iii)	-	11,975	-	<b>11,975</b>
Bank loans (iii)	1,721	35,301	-	<b>37,022</b>
Subordinated debt	-	5,500	-	<b>5,500</b>
Lease liabilities	368	660	-	<b>1,028</b>
Advance from shareholders (i)	-	2,151	-	<b>2,151</b>
Onerous leases	1,057	1,633	-	<b>2,690</b>
Acquisition obligation (ii)	4,670	3,263	-	<b>7,933</b>
Long-term financial liabilities	7,816	60,483	-	<b>68,299</b>

- i. Subsequent to year-end, on January 5, 2017, the advance from shareholders, from a director of the Company, were settled in exchange for 746,938 Class A common shares of the Company.
- ii. Subsequent to year-end, the Company entered in an agreement to settle the acquisition obligation in exchanged for Class A common shares. On May 31, 2017, \$6.3 million of the acquisition obligation with an aggregate face value of \$6.7 million was settled in exchange for 1,922,070 Class A common share of the Company. The remaining acquisition obligation of \$1.6 million with an aggregate face value of \$1.7 million will be settled for 506,400 Class A common shares of the Company on January 10, 2018.
- iii. Subsequent to year-end, the Company entered into new credit agreements with two senior lenders which has new terms and conditions and matures June 22, 2020 (Note 29 (b)).

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### 27. Capital management

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

The capital structure of the Company consists of cash, operating loans, interest bearing debt and equity, comprised of share capital, contributed surplus and retained earnings.

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

The Company typically monitors its capital using measures that are consistent with the main covenant under its revolving loan, non-revolving, term loan and subordinated debt. These agreements require the Company to maintain a working capital ratio, a funded debt to EBITDA ratio and a fixed charge coverage ratio set out as follows:

	Target	December 31, 2016	December 31, 2015	November 1, 2014
<i>Revolving &amp; non-revolving loans</i>				
Working capital ratio	> 1.25 : 1	<b>3.34</b>	1.43	1.46
Funded debt to EBITDA	< 3.50 : 1	<b>4.10</b>	3.45	2.98
Fixed charge coverage ratio	> 1.25 : 1	<b>1.44</b>	1.44	1.43
<i>Subordinated debt</i>				
Working capital as a percentage of sales	> 30%	<b>34.3%</b>	36.1%	38.7%
Term debt to tangible net worth				
December 31, 2016	< 0.90 : 1	<b>0.78</b>		
December 31, 2015	< 1.15 : 1		0.76	
November 1, 2014	< 1.15 : 1			1.01

Although the Company did make all required principal repayments on its finance lease and loan obligations, it was unable to adhere to the funded debt to EBITDA covenant terms of the revolving and non-revolving loans. As a result of cross default clauses, the subordinate debt also became in breach of its terms.

On June 23, 2017, the Company entered into new credit agreements with two senior lenders. The first agreement changed the terms and conditions of its operating loan and revised the covenants to match the agreement of the new senior lender. The Company used the proceeds from the new term lender to pay out the extendable revolving loan and demand non-revolving loans. The funded debt to EBITDA covenant and the fixed charge coverage ratio is the same under both new agreements. The operating loan also has a working capital ratio covenant. The new agreements revised the funded debt to EBITDA covenant to a maximum of 4.5 for the second quarterly period of 2017 and a maximum of 4.25 for the third and fourth quarterly periods of 2017. The new agreements revised the fixed charge coverage ratio covenant to a maximum of 1.20 for each of the quarterly periods of 2017 subsequent to the agreement date. As a result of the new credit facilities the Company is no longer in breach of its covenant at June 23, 2017.

# Vertex Resource Group Ltd.

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### 28. Segmented information

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

- a) Environmental – The Company provides a variety of services related to assisting their clients meet internal environmental standards, regulatory environmental standards and related environmental compliance needs. These services span multiple industries including infrastructure, mining, oil and gas, telecommunications and utility.
- 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 twelve month period ended December 31, 2016			
	Environmental	Industrial	Corporate	Total
Revenue	46,173	39,704	276	86,153
Net Income (loss) before tax	(5,354)	1,813	(8,087)	(11,628)
Amortization	10,485	2,730	-	13,215
Capital expenditures	4,398	380	-	4,778
Total asset	90,707	25,540	2,442	118,689
Goodwill and Intangible assets	28,681	-	-	28,681
Total liabilities	5,311	7,076	65,468	77,855

	For the fourteen month period ended December 31, 2015			
	Environmental	Industrial	Corporate	Total
Revenue	53,080	70,624	513	124,217
Net Income (loss) before tax	(13,008)	5,087	(7,272)	(15,193)
Amortization	9,645	3,430	-	13,075
Impairment losses	12,468	450	-	12,918
Capital expenditures	1,905	279	-	2,184
Total asset	88,653	35,723	28	124,404
Goodwill and Intangible assets	21,643	-	-	21,643
Total liabilities	25,062	15,752	46,834	87,648

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### 29. Subsequent events

#### a) Business combinations

Subsequent to year-end the Company completed four separate acquisition. The preliminary purchase price allocations are as follow:

	Hurricane (i)	Barlon (ii)	Excel (iii)	Kinetichem (iv)	Total
Cash and cash equivalents	3	604	489	975	<b>2,071</b>
Other current assets	547	2,629	433	386	<b>3,995</b>
Property and equipment	2,620	37	821	-	<b>3,478</b>
Deferred tax asset	159	-	3	-	<b>162</b>
Intangibles	-	1,000	950	-	<b>1,950</b>
Goodwill	-	1,999	1,011	3,382	<b>6,392</b>
	<b>3,329</b>	<b>6,269</b>	<b>3,707</b>	<b>4,743</b>	<b>18,048</b>
Current liabilities	(797)	(3,299)	(834)	(183)	<b>(5,113)</b>
Obligation under capital leases	(190)	-	-	-	<b>(190)</b>
Deferred tax liability	(302)	(270)	(473)	-	<b>(1,045)</b>
Net assets	<b>2,040</b>	<b>2,700</b>	<b>2,400</b>	<b>4,560</b>	<b>11,700</b>

- i. On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Hurricane Industries Corporation ("Hurricane"), an environmental service company specializing in vacuum, pressure and stable foam operations based in Lloydminster, Alberta, for \$1.4 million. For the total consideration of \$1.4 million, the Company issued 401,115 Class A Common shares. Based on the initial allocation of fair values the company identified a gain on acquisition of \$0.6 million.
- ii. On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of The Barlon Engineering Group Ltd. ("Barlon"), an abandonment, completion and drilling engineering company based in Calgary, Alberta, for \$2.7 million. For the total consideration of \$2.7 million, the Company issued 771,429 Class A Common shares. Goodwill on acquisition was attributable primarily to the skills and competence of the acquire workforce and growth opportunity of the combined operations. Goodwill is not deductible for tax purposes.
- iii. On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Excel Engineering Services Ltd. ("Excel"), an estimating and project management company based in Sherwood Park, Alberta, for \$2.4 million. For the total consideration of \$2.4 million, the Company issued 631,580 Class A Common shares.
- iv. On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Kinetichem Corp. ("Kinetichem"), engineered chemical solutions provider based in Calgary, Alberta, for \$4.6 million. For the total consideration of \$4.6 million, the Company issued 1,200,000 Class A Common shares. Goodwill on acquisition was attributable primarily growth opportunity of the combined operations. Goodwill is not deductible for tax purposes. Of the \$4.6 million consideration, \$3.1 million is contingent on Kinetichem's cumulative EBITDA over the next three years exceeding \$4.2 million. Accordingly, 805,263 of the share issued for the acquisition were issued in escrow for the next 3 years.

# Vertex Resource Group Ltd.

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### b) Refinancing

On June 23, 2017, the Company refinanced their operating loan, extendable revolving loan and demand non-revolving loans.

The operating loan remains with HSBC and the authorized maximum of \$20.0 million remains unchanged. The new facility is a three year committed loan maturing June 22, 2020. The operating loan can be drawn by a mix of account overdraft with interest at rates ranging from HSBC's prime rate plus 1.25%-2.75%, Bankers' Acceptance rate plus stamping fees of 2.25%-3.75%, letter of credit at rates of 2.25%-3.75%. The company pays a standby fee on any unutilized portion of the operating loan facility on the last day of each fiscal quarter at rates ranging from 0.45%-0.75%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

The extendable revolving loan and the three demand non-revolving loans were repaid from the proceeds of new term credit facility of \$40.0 million. The new term credit facility bears interest at the greater of 1.0% or the 30 day Banker's Acceptance rate quoted from the Bank of Canada plus 8.0%. The new term credit facility is repayable in 3 quarterly principal payments of \$1,000, followed by 4 quarterly principal payments of \$1,500, followed by 12 quarterly principal payments of \$1,750 with a final payment of \$10,000 due on loan maturity of June 22, 2022. Interest is payable quarterly. In addition to the scheduled principal payments the loan includes an additional principal payment based on an annual excess cash flow calculation starting December 31, 2017.

### c) Reverse Takeover

The Company has entered into a letter of intent as of July 17, 2017 (the "LOI") with VIER Capital Corp. ("VIER"), a Capital Pool Corporation as defined in Policy 2.4 on the TSX Venture Exchange (the "Exchange") and trades under the symbol VIE.P. Whereby VIER will acquire all of the issued and outstanding securities of the Company by way of an arrangement, share exchange or similar transaction (the "Transaction"), subject to the terms and conditions outlined below. Vertex intends that the Transaction will constitute a Qualifying Transaction, as such term is defined in the policies of the Exchange.

In connection with the Transaction, the Company anticipates that the 7,350,000 currently issued and outstanding shares of VIER will be consolidated (the "Consolidation") on a 10 to 1 basis.

The LOI contemplates VIER and Vertex completing an arm's length business combination transaction, pursuant to which VIER will issue 85,773,433 post-Consolidation common shares at a price equal to \$1.00 in exchange for all of the Vertex Securities (the "Share Exchange"). The Share Exchange will occur after the Consolidation is completed. On completion of the Transaction, the current shareholders of Vertex would own a majority of the issued outstanding shares of the resulting issuer (as such terms is defined in Exchange Policy 2.4) and Vertex will become a wholly-owned subsidiary of the resulting issuer. The common shares of the resulting issuer will be listed for trading on the Exchange.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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### 30. Reconciliation from previous GAAP to IFRS

	November 1, 2014 as stated under ASPE	Adjustments	Notes	November 1, 2014 as restated under IFRS
<b>Assets</b>				
Current assets				
Cash and cash equivalents	-	-		-
Accounts receivable	32,675	-		32,675
Income taxes receivable	-	-		-
Unbilled revenue	10,709	-		10,709
Inventories	2,308	-		2,308
Prepaid expenses and deposits	591	-		591
Future income taxes	1,458	-		1,458
	47,741	-		47,741
Property and equipment	68,210	-		68,210
Intangible assets	-	-		-
Goodwill	17,750	-		17,750
	133,701	-		133,701
<b>Liabilities</b>				
Current liabilities				
Bank indebtedness	738	-		738
Accounts payable and accrued liabilities	13,990	-		13,990
Deferred revenue	479	-		479
Income taxes payable	2,244	-		2,244
Current portion of loans and borrowings	24,836	-		24,836
Current portion of provisions	4,838	-		4,838
	47,125	-		47,125
Loans and borrowings	61,184	-		61,184
Provisions	9,877	-		9,877
Future income taxes	4,213	-		4,213
	122,399	-		122,399
<b>Equity</b>				
Common shares	8,800	-		8,800
Deficit	2,502	-		2,502
Contributed surplus	-	-		-
	11,302	-		11,302
	133,701	-		133,701

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	December 31, 2015 as stated under ASPE	Adjustments	Notes	December 31, 2015 as restated under IFRS
<b>Assets</b>				
Current assets				
Cash and cash equivalents	-	-		-
Accounts receivable	22,214	-		22,214
Income taxes receivable	256	-		256
Unbilled revenue	8,218	-		8,218
Inventories	2,158	-		2,158
Prepaid expenses and deposits	857	-		857
Future income taxes	819	-		819
	34,522	-		34,522
Property and equipment	73,576	(5,337)	(a)	68,239
Intangible assets	7,581	(7,581)	(a)	-
Goodwill	21,643	-		21,643
	137,322	(12,918)		124,404
<b>Liabilities</b>				
Current liabilities				
Bank indebtedness	1,150	-		1,150
Accounts payable and accrued liabilities	8,528	-		8,528
Deferred revenue	1,034	-		1,034
Income taxes payable	-	-		-
Current portion of loans and borrowings	26,422	-		26,422
Current portion of provisions	4,013	-		4,013
	41,147	-		41,147
Loans and borrowings	37,966	-		37,966
Provisions	7,703	-		7,703
Future income taxes	4,320	(3,488)	(a)	832
	91,136	(3,488)		87,648
<b>Equity</b>				
Common shares	45,667	-		45,667
Deficit	(368)	(9,430)		(9,798)
Contributed surplus	887	-		887
	46,186	(9,430)		36,756
	137,322	(12,918)		124,404

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December 31, 2016

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	December 31, 2016 as stated under ASPE	Adjustments	Notes	December 31, 2016 as restated under IFRS
<b>Assets</b>				
Current assets				
Cash and cash equivalents	44	-		44
Accounts receivable	21,442	-		21,442
Income taxes receivable	-	-		-
Unbilled revenue	3,073	-		3,073
Inventories	2,168	-		2,168
Prepaid expenses and deposits	1,151	-		1,151
Future income taxes	2,589	-		2,589
	30,467	-		30,467
Property and equipment	61,058	(1,517)	(a)	59,541
Intangible assets	1,182	(99)	(a)	1,083
Goodwill	27,598	-		27,598
	120,305	(1,616)		118,689
<b>Liabilities</b>				
Current liabilities				
Bank indebtedness	-	-		-
Accounts payable and accrued liabilities	8,272	-		8,272
Deferred revenue	247	-		247
Income taxes payable	247	-		247
Current portion of loans and borrowings	2,089	52,776	(c)	54,865
Current portion of provisions	5,843	(116)	(b)	5,727
	16,698	52,660		69,358
Loans and borrowings	55,587	(52,776)	(c)	2,811
Provisions	5,867	(971)	(b)	4,896
Future income taxes	925	(135)	(a), (b)	790
	79,077	(1,222)		77,855
<b>Equity</b>				
Common shares	57,912	-		57,912
Deficit	(17,571)	(394)		(17,965)
Contributed surplus	887	-		887
	41,228	(394)		40,834
	120,305	(1,616)		118,689

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

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	<b>Fourteen month period ended December 31, 2015, as stated under ASPE</b>	<b>Adjustments</b>	<b>Notes</b>	<b>Fourteen month period ended December 31, 2015 restated under IFRS</b>
<b>Revenue</b>	124,217	-		124,217
Cost of goods sold	87,480	-		87,480
<b>Gross profit</b>	36,737	-		36,737
General and administrative expenses	18,572	-		18,572
Other expenses (income)	(131)	-		(131)
<b>Income before taxes, finance, amortization and impairment</b>	18,296	-		18,296
Amortization	13,075	-		13,075
Finance costs	7,496	-		7,496
Impairment of property plant and equipment	-	5,337	(a)	5,337
Impairment of intangible assets	-	7,581	(a)	7,581
<b>Loss before income taxes</b>	(2,275)	(12,918)		(15,193)
Income tax (recovery) expense	10	(3,488)	(a)	(3,478)
<b>Net loss and comprehensive loss for the year</b>	(2,285)	(9,430)		(11,715)

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

	Twelve month period ended December 31, 2016, as stated under ASPE	Adjustments	Notes	Twelve month period ended December 31, 2016 restated under IFRS
<b>Revenue</b>	86,153	-		86,153
Cost of goods sold	61,869	-		61,869
<b>Gross profit</b>	24,284	-		24,284
General and administrative expenses	14,611	67 (b)		14,678
Other expenses (income)	8,304	(4,277) (a), (b)		4,027
<b>Income before taxes, finance, amortization and impairment</b>	1,369	4,210		5,579
Amortization	15,568	(2,353) (a)		13,215
Finance costs	3,992	-		3,992
Impairment of intangible assets	5,825	(5,825) (a)		-
<b>Loss before income taxes</b>	(24,016)	12,388		(11,628)
Income tax (recovery) expense	(6,813)	3,352 (a), (b)		(3,461)
<b>Net loss and comprehensive loss for the year</b>	(17,203)	9,036		(8,167)

### Note to reconciliations

#### a) Impairment of long live assets

Under IFRS the assessment of impairment for long live assets and intangible assets with definite live is required at each reporting date whether there is any indication of impairment. The assessment of impairment under IFRS is determined at the individual assets level where the carrying value of the assets is compared to the recoverable amount of the asset. Assets with a carrying value in excess of the recoverable amount is then written-down to the recoverable amount.

When applying the IFRS describe methodology, the Company recorded an impairment loss of \$5.3 million on property and equipment assets and an impairment loss of \$7.5 million on intangible assets in the December 31, 2015 period. These impairment losses decrease the future tax liabilities at December 31, 2015 by \$3.5 million.

At December 31, 2016, \$1.5 million of property and equipment and \$0.1 million of intangible assets related to the above noted impairment losses were required to be removed using IFRS methodology. The future tax liabilities decrease related to these assets was \$0.4 million at December 31, 2016.

The impairment losses recognized in fourteen-month period ended December 31, 2015, reduced other expenses (income) for the loss on disposal of assets, previously reflected in the twelve-month period ended December 31, 2016, by \$3.1 million.

The impairment losses recognized in fourteen-month period ended December 31, 2015, reduced the amortization expenses, previously reflected in the twelve-month period ended December 31, 2016, by \$2.4 million.

The impairment losses recognized in fourteen-month period ended December 31, 2015, reduced the impairment loss on intangible assets, previously reflected in the twelve-month period ended December 31, 2016, by \$5.8 million.

# Vertex Resource Group Ltd.

## Notes to the consolidated financial statements

December 31, 2016

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

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The statement of cash flow for both periods was adjusted to reflect the non-cash change in impairment loss, future tax liabilities and amortization expense.

b) Gain on sale and leaseback transaction

Under IFRS, if the sale and leaseback transaction results in an operating lease then any profit or loss is to be recognized in current period statement of income or loss. Accordingly, upon transition, the Company recognized a gain of \$1.1 million in the income statement of the twelve-month period ended December 31, 2016 and derecognized the provision and interest accretion on the statement of financial position. The recognition of the gain on sale and leaseback transaction increase the future tax liabilities at December 31, 2016 by \$0.3 million.

The statement of cash flow for the twelve-month period ended December 31, 2016 was adjusted to reflect the non-cash impact of the recognition of the gain on sale and leaseback transaction.

c) Reclassification of the current portion of loans and borrowings

Under IFRS, only conditions that exist at the year-end date are considered when classifying loans and borrowing with covenant violations. As such, the Company reclassified the operating loan, extendable revolving loan, the demand non-revolving loans, term loan and subordinated debt as current liabilities.

**APPENDIX “E” - MANAGEMENT DISCUSSION AND ANALYSIS OF VERTEX RESOURCE  
GROUP LTD.**

**Vertex Resource Group Ltd.**  
**Management's Discussion and Analysis**

*The following Management's Discussion and Analysis ("MD&A") is dated September 12, 2017 and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three and six months ended June 30, 2017 and 2016 and should be read together with Vertex's unaudited condensed consolidated interim financial statements and accompanying notes for the same periods and the audited consolidated financial statements for the years ended December 31, 2016 and 2015. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.*

*This MD&A and the unaudited condensed consolidated interim financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the interim financial statements, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward-looking information and reference should be made to Section 8 – Forward-Looking Information.*

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## **1.0 Executive Overview**

Vertex is a private company incorporated under the *Business Corporations Act* (Alberta), which provides environmental and industrial services to a diverse clientele across western Canada and certain regions in the United States. Vertex helps its clients achieve their developmental and operational goals through a versatile suite of services. From initial site selection, consultation and regulatory approval, through the construction, operation and maintenance phases, to conclusion and environmental cleanup, Vertex offers services throughout the life cycle of its clients' projects. The Company services a wide array of high quality customers in many different industries.

The Company provides services in western Canada where the level of operating activity is influenced by seasonal weather patterns. Certain project sites are located in areas that are inaccessible other than during the winter months because the ground surrounding the project sites in these areas is swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the demand for the services of the Company. Wet weather and the spring thaw can make the ground unstable. Consequently, municipalities and provincial transportation authorities enforce road bans that restrict movement of transportation and other heavy equipment, thereby reducing activity levels. This results in April and May typically being the slowest months of the year for Vertex.

As at June 30, 2017, the Company operated two operating segments: environmental services ("Environmental Services") and industrial services ("Industrial Services").

### **Environmental Services**

Through Vertex's Environmental Services segment, the Company provides a variety of services related to assisting its clients meet internal environmental standards, regulatory environmental standards and related environmental compliance needs. These services span multiple industries, including: oil and gas, midstream, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include environmental planning and regulatory approvals, reclamation, remediation, groundwater monitoring; abandonment, drilling and completion engineering; emergency spill response; vacuum, hydro-vac, pressure testing, industrial chemical cleaning and high pressure water blasting; fluid management solutions; waste management bins and disposals; and engineered chemistry products and solutions.

## Industrial Services

Through Vertex's Industrial Services segment, the Company offers services related to infrastructure and facility construction, as well as the maintenance of those assets. These services span a range of industries, including: agriculture, forestry, government, midstream, public infrastructure, oil and gas production, mining and utilities. These services include industrial insulation, glycol tracing and utilidor products; manufacturing and installing custom insulation blankets; provision of self-frame metal buildings; safety and rescue services, breathing air services and safety and industrial consumables.

## 2.0 Financial Highlights

### 2.1 Selected Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Revenue</b>	<b>26,020</b>	17,785	<b>47,658</b>	40,623
Cost of goods sold	<b>18,871</b>	13,596	<b>33,293</b>	28,852
<b>Gross profit</b>	<b>7,149</b>	4,189	<b>14,365</b>	11,771
General and administrative expenses	<b>4,063</b>	3,251	<b>7,931</b>	6,524
Other expenses (income)	<b>(699)</b>	(336)	<b>(753)</b>	491
<b>Income before taxes, finance, amortization</b>	<b>3,785</b>	1,274	<b>7,187</b>	4,756
Amortization	<b>3,415</b>	3,061	<b>6,750</b>	6,248
Finance costs	<b>945</b>	950	<b>1,918</b>	1,826
<b>Loss before income taxes</b>	<b>(575)</b>	(2,737)	<b>(1,481)</b>	(3,318)
Income tax recovery	<b>(208)</b>	(962)	<b>(434)</b>	(1,131)
<b>Net loss and comprehensive loss for the period</b>	<b>(367)</b>	(1,775)	<b>(1,047)</b>	(2,187)
<b>Net loss and comprehensive loss for the period per share</b>				
Basic	<b>(0.02)</b>	(0.14)	<b>(0.06)</b>	(0.17)
Diluted	<b>(0.02)</b>	(0.14)	<b>(0.06)</b>	(0.17)
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>				
Basic	<b>18,697,651</b>	12,630,260	<b>18,155,108</b>	12,636,070
Diluted	<b>18,697,651</b>	12,630,260	<b>18,155,108</b>	12,636,070

	June 30, 2017	December 31, 2016
Total assets	<b>131,846</b>	118,689
Total loans and borrowings	<b>55,062</b>	57,676

## 2.2 ADJUSTED EBITDA

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<b>Net loss and comprehensive loss for the period</b>	<b>(367)</b>	<b>(1,775)</b>	<b>(1,047)</b>	<b>(2,187)</b>
<b>Add:</b>				
Income tax recovery	(208)	(962)	(434)	(1,131)
Finance costs	945	950	1,918	1,826
Amortization	3,415	3,061	6,750	6,248
Other expenses (income)	(699)	(336)	(753)	491
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>3,086</b>	<b>938</b>	<b>6,434</b>	<b>5,247</b>
Environmental Services	3,515	746	7,384	2,616
Industrial Services	947	905	1,437	3,255
Corporate Services	(1,376)	(713)	(2,387)	(624)
	<b>3,086</b>	<b>938</b>	<b>6,434</b>	<b>5,247</b>

(1) Adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-IFRS measure, calculated by adding back to net income (loss) the sum of income taxes, finance costs, amortization of property and equipment and intangible assets, impairment of property and equipment, impairment of intangible assets and other expenses (income). The Company uses adjusted EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts as one of several important analytical tools. This measure is also considered important by lenders to the Company. Adjusted EBITDA should not be considered in isolation or used as an alternative to net income (loss) or any of the other measures of performance prepared in accordance with IFRS.

## 2.3 ADJUSTED NET LOSS

	Three months ended		Six months ended	
	2017		2016	
	2017	2016	2017	2016
<b>Net loss and comprehensive loss for the period</b>	<b>(367)</b>	<b>(1,775)</b>	<b>(1,047)</b>	<b>(2,187)</b>
<b>Add:</b>				
Interest on acquisition obligations	367	210	505	415
Interest on onerous leases	35	-	74	-
Gain on acquisition	(636)	-	(636)	-
Onerous lease provision, net tax	-	132	-	132
Severance costs on restructuring, net tax	-	568	-	1,144
Lease termination settlements, net tax	-	220	-	242
Gain on settlement of contingent consideration	-	(1,000)	-	(1,000)
<b>Adjusted net loss <sup>(1)</sup></b>	<b>(601)</b>	<b>(1,645)</b>	<b>(1,104)</b>	<b>(1,254)</b>

(1) Adjusted net loss is a measure of profitability. Adjusted net loss provides an indication of the results generated by the principal business activities prior to recognition of certain charges that are considered by management to be outside of the Company's comparable operations. Management believes that these specific items are not reflective of the Company's underlying operations and calculates these adjustments consistently from period to period to enhance comparability of the periods presented in the MD&A. Adjusted net loss does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. The table outlines these adjusted items, which have been tax effected where applicable and reconciles the Company's net loss to Adjusted net loss.

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## 3.0 Business Developments

### 3.1 Operational Highlights

The second quarter of 2017 was very active for Vertex as the Company completed four complimentary and synergistic acquisitions, two of which were effective May 31<sup>st</sup> and two of which were effective June 30<sup>th</sup>. In addition, Vertex restructured its credit facilities in June to provide greater financial flexibility as Vertex continues to be active on both acquisitions and organic growth opportunities.

Midway through 2017, Vertex is cautiously optimistic for the remainder of the year. Commodity pricing has improved from a year ago, and so far this year, Vertex has seen customer spending rebound from 2016, not necessarily to historical levels, but to a level where the Company has seen a modest rebound in operating results. Vertex's improved cost structure should continue to benefit the Company as it moves to execute scheduled work in the third and fourth quarters.

Vertex is confident that the efforts to reduce the costs of the business and to diversify the service and product offerings will continue to improve performance and position the Company for growth. Through this economic and commodity trough, Vertex has been able invest in the Company, diversify the business, generate positive operating cash flow and reduce debt and other liabilities.

Revenue for the three and six months ended June 30, 2017 has increased 46% and 17.3%, respectively, over the comparable periods in 2016. This is attributable to increased utilization of equipment and people in 2017 to date. In addition, the industrial chemical cleaning portion of Vertex's business and revenue from the business of Red Giant Energy Services Ltd. ("Red Giant"), which Vertex acquired in September 2016, did not exist in the first half of 2016. The Fort McMurray fire also caused project cancelations in the second quarter of 2016. These increases in revenue are due to the growth in market share with none of the increase being attributable to pricing increases.

The success of Vertex's cost cutting measures and diversification of services and industries served is illustrated in its gross margin. Vertex's gross margin for the quarter is 27.5% vs 23.6% in the comparable 2016 quarter and the YTD gross margin of 30.1% vs 29.0% in the first six months of 2016.

Adjusted EBITDA (see "Non-IFRS Measure" definition Section 2.2) for the quarter is \$3.1 million, up 229.0% or \$2.1M from the comparative quarter in 2016. The first six months of 2017 saw EBITDA grow 22.6% over the first six months of 2016. Vertex had a strong first quarter of 2016 as it finished some larger projects in the industrial services division.

### 3.2 Acquisitions

#### ***Hurricane Industries Corporation***

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Hurricane Industries Corporation ("Hurricane"), an environmental services company specializing in vacuum, pressure and stable foam operations based in Lloydminster, Alberta. Vertex paid total consideration of \$1.4 million for Hurricane, in the form of 401,115 class A common shares in the capital of the Company ("Class A Shares").

Hurricane's vacuum, pressure and foam operations added complimentary services to Vertex's chemical cleaning services. Hurricane is an asset-intensive business and the acquisition resulted in growth of Vertex's fleets without capital expenditures. Finally, Vertex believes that Hurricane's assets were being underutilized and that the acquisition will allow Vertex to improve utilization, realize operating cost savings and broaden the Company's service offering.

#### ***The Barlon Engineering Group Ltd.***

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of The Barlon Engineering Group Ltd. ("Barlon"), an abandonment, completion and drilling engineering company based in Calgary, Alberta. Vertex paid total consideration of \$2.7 million for Barlon, in the form of 771,429 Class A Shares.

Barlon complimented Vertex's remediation and abandonment environmental service offerings by bringing high-end engineering services to Vertex. The Company believes that this acquisition will bring additional cross-selling opportunities as Barlon's operations are integrated into Vertex.

**Excel Engineering Services Ltd.**

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Excel Engineering Services Ltd. ("Excel"), an estimating and project management company based in Sherwood Park, Alberta. Vertex paid total consideration of \$2.4 million for Excel, in the form of 631,580 Class A Shares.

The acquisition of Excel was completed in order to enhance Vertex's senior estimating team. The Company anticipates that the acquisition of Excel will help Vertex improve project management processes, from the bid and estimate phases through to project completion.

**Kinetichem Corp.**

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Kinetichem Corp. ("Kinetichem"), an engineered chemical solutions provider based in Calgary, Alberta. Vertex paid total consideration of \$4.6 million for Kinetichem, in the form of 1,200,000 Class A Shares.

Of the \$4.6 million consideration paid to acquire Kinetichem, \$3.1 million is contingent on Kinetichem's cumulative EBITDA over the next three years exceeding \$4.2 million. Accordingly, 805,263 of the Class A Shares issued for the acquisition will be held in escrow for three years.

Kinetichem brought a new solution to Vertex that was immediately marketable to Vertex's current customer base. Kinetichem's business has low operating costs and Vertex feels its business development team, current customer base and the broad geographic locations in which the Company operates will accelerate Kinetichem's market share growth.

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**4.0 Results from Operations**

**4.1 Revenue**

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Environmental Services	17,574	15,490	9,512	33,064	22,517
Industrial Services	8,425	6,128	8,237	14,553	18,027
Corporate Services	21	20	36	41	79
Consolidated revenue	26,020	21,638	17,785	47,658	40,623

**Second Quarter 2017 versus First Quarter 2017**

Consolidated revenue increase of 20.3% or \$4.4 million, from \$21.6 million during the first quarter of 2017 to \$26.0 million during the second quarter of 2017, was due to increased revenues of \$2.1 million in the Environmental Services segment and an increase of \$2.3 million in the Industrial Services segment.

Revenue increase of 13.5% or \$2.1 million in the Environmental Services segment, from \$15.5 million in the first quarter of 2017 to \$17.6 million in the second quarter of 2017, was due to increased comfort with market conditions and more consistent customer spending. The year began with tentative spending and, as companies have rationalized current market factors, normal planning and spending patterns have resumed.

Revenue increase of 37.5% or \$2.3 million in the Industrial Services segment, from \$6.1 million in the first quarter of 2017 to \$8.4 million in the second quarter of 2017, was due to a large insulation project that began in April 2017 and is schedule to be completed in November 2017.

## Second Quarter 2017 versus Second Quarter 2016

Consolidated revenue increase of 46.3% or \$8.2 million, from \$17.8 million during the second quarter of 2016 to \$26.0 million during the second quarter of 2017, was due to an increase of \$8.1 million in the Environmental Services segment and an increase of \$0.2 million in the Industrial Services segment.

Revenue increase of 84.8% or \$8.1 million in the Environmental Services segment, from \$9.5 million in the second quarter of 2016 to \$17.6 million in the second quarter of 2017, was due to a resumption of customer spending in many of the service lines. Revenue in the second quarter of 2016 was unusually low due to poor economic conditions combined with the Fort McMurray fire in Alberta.

Revenue increase of 2.3% or \$0.2 million in the Industrial Services segment, from \$8.2 million in the second quarter of 2016 to \$8.4 million in the second quarter of 2017, was due to the number of ongoing projects and the timing of the execution of those projects.

## Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016

Consolidated revenue increase of 17.3% or \$7.0 million, from \$40.6 million for the six month period ended June 30, 2016 to \$47.7 million for the six month period ended June 30, 2017, was due to an increase of \$10.5 million in the Environmental Services segment, partially offset by a decrease of \$3.5 million in the Industrial Services segment.

Revenue increase of 46.8% or \$10.5 million in the Environmental Services segment, from \$22.5 million in the six month period ended June 30, 2016 to \$33.1 million in the six month period ended June 30, 2017, was due to new customers and project awards. In select service lines, Vertex has been able to work with its customers to increase billing rates reflective of ongoing market conditions. In the six month period ended June 30, 2016, customers had frozen spending and in the six month period ended June 30, 2017, Vertex has seen a resumption of operating programs more reflective of normal spending patterns in the industries Vertex services.

Revenue decrease of 19.3% or \$3.4 million in the Industrial Services segment, from \$18.0 million in the six month period ended June 30, 2016 to \$14.5 million in the six month period ended June 30, 2017, was due to a lower level of secured work at the beginning of the 2017 fiscal year. Vertex had more secured work at the beginning of the 2016 calendar year than at the beginning of the 2017 calendar year.

## 4.2 Adjusted EBITDA

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Environmental services	3,515	3,869	746	7,384	2,616
Industrial services	947	490	905	1,437	3,255
Corporate Services	(1,377)	(1,010)	(713)	(2,387)	(624)
Adjusted EBITDA <sup>(1)</sup>	3,085	3,349	938	6,434	5,247
Adjusted EBITDA as a % of revenue	11.9%	15.5%	5.3%	13.5%	12.9%

(1) See Non-IFRS measure definition Section 2.2.

## Second Quarter 2017 versus First Quarter 2017

Overall adjusted EBITDA decrease of 7.9% or \$0.3 million, from \$3.3 million during the first quarter of 2017 to \$3.1 million during the second quarter of 2017, was due to a decrease of \$0.4 million in the Environmental Services segment and a decrease of \$0.4 million in the Corporate Services segment partially offset by an increase of \$0.5 million in the Industrial Services segment.

Adjusted EBITDA decrease of 9.1% or \$0.4 million in the Environmental Services segment, from \$3.9 million in the first quarter of 2017 to \$3.5 million in the second quarter of 2017, was due to the negative impact of spring

break up on Vertex's operations. Road bans in effect in the second quarter of 2017 negatively impacted the Company's ability to operate and move heavy equipment.

Adjusted EBITDA increase of 93.3% or \$0.5 million in the Industrial services segment, from \$0.5 million in the first quarter of 2017 to \$0.9 million in the second quarter of 2017, was due to a large insulation project that began in April 2017.

Adjusted EBITDA decrease of 36.3% or \$0.4 million in the Corporate Services segment, from a loss of \$1.0 million in the first quarter of 2017 to a loss of \$1.4 million in the second quarter of 2017, was due to increased advertising and marketing expenditures as activity increased in the industries Vertex services.

### ***Second Quarter 2017 versus Second Quarter 2016***

Overall adjusted EBITDA increase of 228.9% or \$2.1 million, from \$0.9 million during the second quarter of 2016 to \$3.1 million during the second quarter of 2017, was due to an increase of \$2.8 million in the Environmental Services segment and an increase of \$0.05 million in the Industrial Services segment, which was partially offset by a decrease of \$0.7 million in the Corporate Services segment.

Adjusted EBITDA increase of 371.2% or \$2.8 million in the Environmental Services segment, from \$0.7 million in the second quarter of 2016 to \$3.5 million in the second quarter of 2017, was due to reduced earnings in the second quarter ended June 30, 2016, as customers stopped spending on external services, the Company realized that poor economic conditions were going to last for an extended period of time and reduced employee headcount accordingly.

Adjusted EBITDA increase of 4.6% or \$0.04 million in the Industrial Services segment, from \$0.9 million in the second quarter of 2016 to \$0.94 million in the second quarter of 2017, was due to the mix of projects in progress at June 30, 2017 relative to those at June 30, 2016. Results in this segment tend to fluctuate based on project sizes as well as start and end dates.

Adjusted EBITDA decrease of 93.1% or \$0.7 million in the Corporate Services segment, from a loss of \$0.7 million in the second quarter of 2016 to a loss of \$1.4 million in the second quarter of 2017, was due to additional G&A related to an acquisition in the fourth quarter of 2016 as well as increased discretionary spending in areas like advertising and marketing.

### ***Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016***

Overall adjusted EBITDA increased by 22.6% or \$1.2 million, from \$5.2 million for the six month period ended June 30, 2016 to \$6.4 million for the six month period ended June 30, 2017, was due to an increase of \$4.8 million in the Environmental Services segment, partially offset by a decrease of \$1.8 million in the Industrial Services segment and a decrease of \$1.8 million in the Corporate Services segment.

Adjusted EBITDA increase of 182.3% or \$4.8 million in the Environmental Services segment, from \$2.6 million in the six month period ended June 30, 2016 to \$7.4 million in the six month period ended June 30, 2017, was due to decreased earnings in the six months ended June 30, 2016. Decreased earnings resulted in part from Vertex's customers reducing spending programs or cancelling projects. Additionally, those customers that had ongoing work were applying significant pricing pressure to all of the Company's service lines.

Adjusted EBITDA decrease of 55.9% or \$1.8 million in the Industrial Services segment, from \$3.3 million in the six month period ended June 30, 2016 to \$1.4 million in the six month period ended June 30, 2017, was due to the amount of secured work at the beginning of 2016 being much higher than at the beginning of 2017. Multi-year projects were completed in 2016 and the Company's insulation services are one of the final services to be performed.

Adjusted EBITDA decrease of 282.5% or \$1.8 million in the Corporate Services segment, from a loss of \$0.6 million in the six month period ended June 30, 2016 to a loss of \$2.4 million in the six month period ended June 30, 2017, was due to costs related to a fourth quarter 2016 acquisition, increased advertising and marketing expenditures plus an investment in shared resources to support top-line revenue growth.

#### 4.3 General and Administrative Expenses (“G&A”)

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
G&A	4,063	3,868	3,251	7,931	6,524
G&A as a % of revenue	15.6%	17.9%	18.3%	16.6%	16.1%

#### Second Quarter 2017 versus First Quarter 2017

Consolidated G&A increase of 5.1% or \$0.2 million, from \$3.9 million during the first quarter of 2017 to \$4.1 million during the second quarter of 2017, was due to the timing of planned expenditures and costs quarter over quarter.

#### Second Quarter 2017 versus Second Quarter 2016

Consolidated G&A increase of 25.0% or \$0.8 million, from \$3.3 million during the second quarter of 2016 to \$4.1 million during the second quarter of 2017, was due to additional G&A related to the acquisition of Red Giant. As Red Giant was acquired in the fourth quarter of 2016, there were no comparative costs related to that business in the second quarter ended June 30, 2016.

#### Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016

Consolidated G&A increase of 21.6% or \$1.4 million, from \$6.5 million for the six month period ended June 30, 2016 to \$7.9 million for the six month period ended June 30, 2017, was due to a combination of additional G&A related to Red Giant, as well as Vertex hiring additional personnel in 2017. In the six months ended June 30, 2016, Vertex had undergone downsizing and positions were left vacant and unfilled. Based on Vertex’s expectations for the 2017 fiscal year and the results of operations to June 30, 2017, Vertex has filled some of the positions that were vacant in 2016 in order to meet customer needs.

#### 4.4 Other Items

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Other expenses (income)	(699)	(54)	(336)	(753)	491
Amortization	3,415	3,335	3,061	6,750	6,248
Finance costs	945	973	950	1,918	1,826
Other items total	3,661	4,254	3,675	7,915	8,565

Consolidated amortization and finance costs remained consistent in the three month period ended June 30, 2017 compared to the three month period ended March 31, 2017.

Consolidated other expenses decrease of 253.4% or \$1.3 million, from \$0.5 million for the six month period ended June 30, 2016 to \$0.8 million for the six month period ended June 30, 2017, was due to \$2.1 million in restructuring costs, which were offset by a gain on the acquisition obligation of \$1.0 million in the six month period ended June 30, 2016. There were no comparable transactions in the six month period ended June 30, 2017. Other expenses in the six month period ended June 30, 2017 included a gain on acquisition of \$0.6 million from the Hurricane acquisition.

#### 4.5 Summary of Quarterly Results

(\$000 except per share amounts)	2017		2016				2015	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	<b>26,020</b>	21,638	25,011	20,519	17,785	22,838	27,482	26,715
Impairment charges	-	-	-	-	-	-	12,918	-
Net income (loss)	<b>(367)</b>	(680)	(2,440)	(3,541)	(1,775)	(412)	(13,355)	2,225
Basic loss per share	<b>(0.02)</b>	(0.05)	(0.18)	(0.28)	(0.14)	(0.03)	(1.08)	0.32
Diluted loss per share	<b>(0.02)</b>	(0.05)	(0.18)	(0.28)	(0.14)	(0.03)	(1.08)	0.32
Adjusted net income (loss) <sup>(1)</sup>	<b>(601)</b>	(503)	(1,133)	(1,898)	(1,644)	390	(3,720)	207
Diluted adjusted income (loss) per share	(0.03)	(0.04)	(0.08)	(0.15)	(0.13)	0.03	(0.30)	0.03
Adjusted EBITDA <sup>(2)</sup>	<b>3,086</b>	3,349	2,861	1,498	938	4,309	3,918	4,500

(1) See Non-IFRS measure definition Section 2.3.

(2) See Non-IFRS measure definition Section 2.2.

Over the past eight quarters, the Company has witnessed the western Canadian economy go into shock as the price of oil dropped to unprecedented lows. Beginning in the second quarter ended June 30, 2016 up to and including the first quarter ended March 31, 2017, Vertex experienced less volume as lower billing rates were negotiated by customers and projects were either cancelled or deferred due to economic uncertainty. The second quarter ended June 30, 2017 was a positive quarter for Vertex and the Company expects the third and fourth quarters of 2017 to continue to demonstrate confidence in market factors.

The impairment charges in the table above relate to amortizable intangibles and property and equipment that demonstrated impairment indicators during the fiscal period ended December 31, 2015. Management determined that certain amortizable intangible assets and certain property and equipment was being carried at net book value in excess of their recoverable amounts and as such, an impairment was recorded.

Net income (loss) was significantly impacted in the fourth quarter ended December 31, 2015 by impairment charges, which had an after-tax impact of \$9.4 million. The fourth quarter 2015 was the first full quarter of consolidated results following the August 2015 acquisition of Ignite Energy Services Ltd. ("Ignite"). Immediately following the acquisition, Ignite was less efficient than it is currently and had redundant costs that Vertex addressed throughout the 2016 calendar year. Through the 2016 calendar year, management incurred \$5.5 million of restructuring costs related to both the Ignite acquisition and general economic factors.

Adjusted EBITDA results have tracked the downturn in the oil and gas industry in a trend similar to that of revenue. The second quarter ended June 30, 2017 included nominal adjusted EBITDA from the acquisitions of Barlon and Hurricane, however, all four acquisitions completed in the second quarter of 2017 and discussed above are expected to contribute to adjusted EBITDA in the third and fourth quarters of 2017.

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## 5.0 Liquidity and Capital Management

The following table sets forth the Company's cash flow by activity for the following periods:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash generated from (used in) operating activities	829	(224)	1,911	7,770
Cash generated from investing activities	1,669	4,535	1,291	2,578
Cash (used in) financing activities	(415)	(4,596)	(954)	(8,793)
	<b>2,083</b>	<b>(285)</b>	<b>2,248</b>	<b>1,555</b>

The Company expects to generate sufficient cash flows and to have continued access to its credit facilities to meet contractual obligations and planned development and growth initiatives as and when they are required. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

### 5.1 Cash Generated from (Used in) Operating Activities

#### *Second Quarter 2017 versus Second Quarter 2016*

Cash provided by operating activities was \$0.8 million in the second quarter of 2017, a net increase of \$1.0 million from the \$0.2 million cash used in operating activities in the second quarter of 2016. The increase in cash provided by operating activities was due to increased revenue in the quarter ended March 31, 2017, compared to the quarter ended March 31, 2016. Soft operating results and lower margins in the first and second quarters of 2016 negatively impacted Vertex's ability to generate cash from operations.

#### *Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016*

Cash provided by operating activities was \$1.9 million during the six month period ended June 30, 2017, a net decrease of \$5.9 million from the \$7.8 million cash provided from operating activities in the six month period ended June 30, 2016. The decrease in cash provided by operating activities was due to a higher level of project activity to close the fiscal period ending December 31, 2015, which resulted in accounts receivable and unbilled revenues of \$30.4 million at December 31, 2015 compared to accounts receivable and unbilled revenues of \$21.1 million at June 30, 2016, for a variance of \$9.3 million. Cash from operating activities is the most pervasive working capital component and reflects decreased operations of the Company for the six month period ending June 30, 2016 compared to the 2015 fiscal year. Vertex generated less cash from operations in the six month period ended June 30, 2017 compared to the six months ended June 30, 2016 because the volume of work at the end of the 2016 fiscal year was lower than the volume of work at the end of the 2015 fiscal year.

## 5.2 Cash Generated from Investing Activities

### **Second Quarter 2017 versus Second Quarter 2016**

Cash provided by investing activities was \$1.7 million in the second quarter of 2017, a net decrease of \$2.8 million from the \$4.5 million cash provided by investing activities in the second quarter of 2016. In the three month quarter ended June 30, 2016, the Company sold land and a building for total consideration of \$5.0 million that, when combined with other investing activities, resulted in a net gain of \$4.5 million. In the quarter ended June 30, 2017, the Company completed four acquisitions for a net cash contribution of \$2.1 million. The acquisitions combined with net capital expenditures of \$0.5 million resulted in a net gain of \$1.7 million.

### **Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016**

Cash provided by investing activities was \$1.3 million during the six month period ended June 30, 2017, a net decrease of \$1.3 million from the \$2.6 million cash provided from investing activities in the six month period ended June 30, 2016. In the six month period ended June 30, 2017, Vertex had a net capital expenditure of \$0.8 million, more than offset by \$2.1 million cash from the second quarter acquisitions. In the six month period ended June 30, 2016, Vertex had net capital expenditures of \$2.4 million, normalized for the \$5.0 million disposition of property discussed above. The Company invested in chemical cleaning assets to satisfy certain business opportunities.

## 5.3 Cash Used in Financing Activities

### **Second Quarter 2017 versus Second Quarter 2016**

Cash used in financing activities was \$0.4 million in the second quarter of 2017, a net decrease of \$4.2 million from the cash used in financing activities of \$4.6 million in the second quarter of 2016. The decrease in cash used in financing activities resulted from the Company applying the \$5.0 million in proceeds from the land and building disposition against long-term debt in the second quarter ended June 30, 2016.

### **Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016**

Cash used by financing activities was \$1.0 million during the six month period ended June 30, 2017, a net decrease of \$7.8 million from the cash used by financing activities of \$8.8 million in the six month period ended June 30, 2016. The decrease in cash used by financing activities resulted from the \$5.0 million property disposition and \$0.6 million in repayments on advances to shareholders in the second quarter of 2016. The remaining variance is the net result of scheduled repayments on the Company's term debt, lease obligations and operating loan.

## 5.4 Working Capital

	<b>June 30, 2017</b>	December 31, 2016
Current assets	<b>37,583</b>	30,467
Current liabilities	<b>11,472</b>	8,766
Working Capital <sup>(1)</sup>	<b>26,111</b>	21,701

(1) Calculated as current assets less current liabilities excluding loans, borrowings and provisions

Working capital as at June 30, 2017 was \$26.1 million, an increase of \$4.4 million from \$21.7 million at December 31, 2016. The increase in working capital was due to increased operating activity in the quarter ended June 30, 2017 plus a net working capital increase of \$1.0 million from the balance sheets of the four acquisitions completed during the second quarter of 2017.

## 5.5 Credit Facilities

	June 30, 2017	December 31, 2016
Operating loans:		
Available operating facilities	20,000	20,000
Drawn on operating facilities	10,709	11,975
Available operating facilities <sup>(1)</sup>	9,291	8,025

(1) Calculated as available operating line less drawn credit facilities

On June 23, 2017, the Company refinanced its operating loan, extendable revolving loan and demand non-revolving loan.

The operating loan remains with HSBC Bank Canada ("HSBC") and the authorized maximum of \$20.0 million remains unchanged. The new facility is a three-year committed loan, maturing on June 22, 2020. The operating loan can be drawn by a mix of account overdraft with interest at rates ranging from HSBC's prime rate plus 1.25% to 2.75%, bankers' acceptance rate ("Bankers' Acceptance Rate") plus stamping fees of 2.25% to 3.75% and letters of credit at rates of 2.25% to 3.75%. The Company pays a standby fee for any unutilized portion of the operating loan facility on the last day of each fiscal quarter at rates ranging from 0.45% to 0.75%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

The new \$40.0 million senior debt facility entered into on June 23, 2017 bears interest at the greater of 1.0% or the 30 day Banker's Acceptance Rate quoted from the Bank of Canada plus 8.0%. The senior debt credit facility is repayable in three quarterly principal payments of \$1,000, followed by four quarterly principal payments of \$1,500, followed by 12 quarterly principal payments of \$1,750 with a final payment of \$10,000 due on the June 22, 2022 loan maturity date. Interest on the debt facility is payable quarterly. In addition to the scheduled principal payments, the senior debt includes an additional principal payment based on an annual excess cash flow calculation starting December 31, 2017.

The extendable revolving loan and the three demand non-revolving loans were repaid from the proceeds of the new senior debt facility on June 23, 2017.

### **Debt Covenants**

The Company has undertaken to maintain certain covenants in respect of the operating loan, the senior debt and the subordinated debt. Specifically, a working capital ratio of no less than 1.25, a funded debt to trailing twelve month EBITDA ratio of no greater than 4.5 for the second quarter of 2017 and no greater than 4.25 for the third and fourth quarters of 2017, a quarterly fixed charge coverage ratio covenant no less than 1.20, a working capital as a percentage of sale of no less than 30% and a term debt to tangible net worth ratio of no greater than 0.90.

The Company was in compliance with the required covenant as at June 30, 2017 and at September 12, 2017.

## 5.6 Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect of the Company's contractual obligations:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	11,260	-	-	<b>11,260</b>
Operating loan	-	10,709	-	<b>10,709</b>
Bank loans	93	15	-	<b>108</b>
Senior debt	3,000	34,431	-	<b>37,431</b>
Subordinated debt	-	5,500	-	<b>5,500</b>
Lease liabilities	417	897	-	<b>1,314</b>
Onerous leases	1,092	946	-	<b>2,038</b>
Acquisition obligation	1,711	-	-	<b>1,711</b>
Long-term financial liabilities	6,313	52,498	-	<b>58,811</b>

### ***Share Based Settlement of Obligations***

On January 5, 2017, the advance from shareholders was settled in exchange for 746,938 Class A Shares.

On May 31, 2017, \$6.3 million of the acquisition obligation, with an aggregate face value of \$6.7 million, was settled in exchange for 1,922,070 Class A Shares. The remaining acquisition obligation of \$1.6 million, with an aggregate face value of \$1.7 million, will be settled for 506,400 Class A Shares on January 10, 2018.

### ***Legal Claims***

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been made for potential claims in the Company's accounts. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

### ***Off-Balance Sheet Arrangements***

At June 30, 2017 and June 30, 2016 the Company did not have any off-balance sheet arrangements.

## 5.7 Credit Risk

The Company's revenues come from a diverse customer base, which includes the energy, real estate, utilities and mining industries in western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms common in the oil and gas industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The analysis of accounts receivable is as follows:

	<b>June 30, 2017</b>	December 31, 2016
0 to 30 days	<b>14,617</b>	10,036
31 to 60 days	<b>4,015</b>	5,724
61 to 90 days	<b>2,137</b>	3,559
Over 90 days	<b>2,921</b>	1,497
Holdbacks	<b>8</b>	212
Trade accounts receivable	<b>23,698</b>	21,028
Allowance for doubtful accounts	<b>(85)</b>	(198)
Trade receivables, net of allowance	<b>23,613</b>	20,830
Other receivables	<b>457</b>	612
	<b>24,070</b>	21,442

## 5.8 Outstanding Share Data

As at September 12, 2017, the Company had 22,571,956 Class A Shares outstanding. As at the same date, the Company had outstanding stock options and warrants to purchase up to 578,212 Class A Shares.

## 5.9 Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the six month period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## 5.10 Transactions with Related Parties

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

	Nature of relationship	<b>June 30, 2017 (6 months)</b>	June 30, 2016 (6 months)
Transactions:			
General and administrative expenses - rent	(i)	<b>450</b>	210
Repayments of advances from shareholders	(i)	<b>-</b>	626
Property and equipment additions	(i)	<b>489</b>	-
Proceeds from sale of property and equipment	(i)	<b>75</b>	-

(i) Related by common director

The share based settlement of advances to shareholders described in Section 5.6 was transacted with a company related by a common director.

## **5.11 Reverse Takeover**

The Company has entered into a pre-acquisition agreement exempt takeover bid as of September 8, 2017 with VIER Capital Corp. (“VIER”), a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) and trades under the symbol VIE.P, whereby VIER will acquire all of the issued and outstanding shares of the Company by way of an exempt takeover bid (the “Transaction”), subject to the terms and conditions outlined below. Vertex intends that the Transaction will constitute a Qualifying Transaction of Vier, as such term is defined in Policy 2.4 of the Exchange.

In connection with the Transaction, the Company anticipates that the 7,350,000 currently issued and outstanding shares of VIER will be consolidated (the “Consolidation”) on a 10 to 1 basis.

The pre-acquisition agreement states VIER and Vertex are completing an arm’s length business combination transaction, pursuant to which VIER will issue 85,773,433 post-Consolidation common shares at a price equal to \$1.00 in exchange for all of the shares of Vertex (the “Share Exchange”). The Share Exchange will occur after the Consolidation is completed. On completion of the Transaction, the current shareholders of Vertex would own a majority of the issued and outstanding shares of the resulting issuer (as such terms is defined in Exchange Policy 2.4) and Vertex will become a wholly-owned subsidiary of the resulting issuer. Upon closing, Vier and Vertex will be amalgamated and the successor company to the amalgamation will be Vertex Resource Group Ltd. The common shares of the successor company will be listed for trading on the Exchange.

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## **6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments**

### **6.1 Critical Judgments in Applying the Company’s Accounting Policies**

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

#### ***Percentage Completion***

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

#### ***Property and Equipment***

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

#### ***Cash-Generating Units (“CGUs”)***

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

## **6.2 Key Sources of Estimation Uncertainty**

Key assumptions concerning uncertainty surrounding the statement of financial position, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities, are as follows:

### ***Impairment of Non-Financial Assets***

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

### ***Inventory valuation***

Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value, management considers evidence, such as aging of the inventory, current sales prices, vendor price lists, available at the time in determining the net realizable values of the inventories.

### ***Business combinations***

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

### ***Deferred tax assets***

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

## **6.3 Future Accounting Standard Pronouncements**

The following new standards have been issued, but were not effective for the year ended December 31, 2016:

### ***IFRS 9 – Financial Instruments***

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

### ***IFRS 15 – Revenue from Contracts with Customers***

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

- (1) Identify the contract with a customer;
- (2) Identify the performance obligation in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

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

### ***IFRS 16 – Leases***

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

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## **7.0 Outlook**

Vertex has seen improved year over year results in 2017 compared to 2016, as upstream oil and gas activity has increased with the improvement in oil and natural gas commodity pricing. Vertex anticipates a year over year improvement in activity levels for the remainder of 2017, subject to any negative trends in oil and natural gas commodity pricing which may lower industry spending. With the current cost structure in place, any increase in revenue is expected to have a positive impact on operating margin and net income.

Vertex’s focus remains on increasing operating, maintenance and reclamation related services while also continuing to cultivate and pursue opportunities to provide the Company’s services to customers outside of the oil and gas industry. Based on anticipated activity levels, Vertex anticipates the pricing of its services to remain at or near current rates. Vertex will continue to focus on achieving efficiencies and cost reductions throughout its operations, including a focus on the integration of recent acquisitions.

Vertex will continue to focus on reducing debt, managing working capital and adhering to a modest capital spending plan. Accretive, complimentary acquisitions remain an essential component of Vertex’s long-term growth plans.

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## 8.0 Forward-Looking Information

Certain statements contained in this document constitute “forward-looking information”. When used in this document or by any of the Company’s management, the words “may”, “would”, “will”, “intend”, “plan”, “propose”, “anticipate” and “believe” are intended to identify forward-looking information. Such statements reflect the Company’s forecasts, estimates and expectations, as they relate to the Company’s current views based on its experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any expected future results, performance or achievement that may be expressed or implied by such forward-looking statements.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; and certain cost assumptions.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in the demand for or supply of the Company’s services; unanticipated operating results; changes in tax or environmental laws, or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; increased costs; the impact of competitors; reliance on industry partners; and attracting and retaining skilled personnel.

Vertex’s business is subject to a number of risks and uncertainties. Readers are encouraged to review and carefully consider the risk factors described in the filing statement regarding the Transaction to which this MD&A is attached, which risk factors are specifically incorporated by reference herein.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A. The Company does not intend and does not assume any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless required by law.

**Vertex Resource Group Ltd.**  
**Management's Discussion and Analysis**

*The following Management's Discussion and Analysis ("MD&A") is dated September 12, 2017 and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the years ended December 31, 2016 and 2015 and should be read together with Vertex's annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the same periods. All dollar amounts in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.*

*This MD&A and the Annual Financial Statements and 2015 comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 8 – Forward-Looking Information.*

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## **1.0 Executive Overview**

Vertex is a private company incorporated under the *Business Corporations Act* (Alberta), which provides environmental and industrial services to a diverse clientele across Western Canada and certain regions in the United States. Vertex helps its clients achieve their developmental and operational goals through a versatile suite of services. From initial site selection, consultation and regulatory approval, through the construction, operation and maintenance phases, to conclusion and environmental cleanup, Vertex offers services throughout the life cycle of its clients' projects. The Company services a wide array of high-quality customers in many different industries.

The Company provides services in western Canada where the level of operating activity is influenced by seasonal weather patterns. Certain project sites are located in areas that are inaccessible other than during the winter months because the ground surrounding the project sites in these areas is swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the demand for the services of the Company. Wet weather and the spring thaw can make the ground unstable. Consequently, municipalities and provincial transportation authorities enforce road bans that restrict movement of transportation and other heavy equipment, thereby reducing activity levels. This results in April and May typically being the slowest months of the year for Vertex.

As at December 31, 2016, the Company operated two operating segments: environmental services ("Environmental Services") and industrial services ("Industrial Services").

### ***Environmental Services***

Through Vertex's Environmental Services segment, the Company provides a variety of services related to assisting its clients meet internal environmental standards, regulatory environmental standards and related environmental compliance needs. These services span multiple industries, including: oil and gas, midstream, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include environmental planning and regulatory approvals, reclamation, remediation, groundwater monitoring; abandonment, drilling and completion engineering; emergency spill response; vacuum, hydro-vac, pressure testing, industrial chemical cleaning and high pressure water blasting; fluid management solutions; waste management bins and disposals; and engineered chemistry products and solutions.

### ***Industrial Services***

Through Vertex's Industrial Services segment, the Company offers services related to infrastructure and facility construction, as well as the maintenance of those assets. These services span a range of industries, including: agriculture, forestry, government, midstream, public infrastructure, oil and gas production, mining and utilities. These services include industrial insulation, glycol tracing and utilidor products; manufacturing and installing custom insulation blankets; provision of self-frame metal buildings; safety and rescue services, breathing air services and safety and industrial consumables.

## 2.0 Financial Highlights

### 2.1 Selected Financial Information

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)	October 31, 2014 (12 months)
			(1)
<b>Revenue</b>	<b>86,153</b>	124,217	116,465
Cost of goods sold	<b>61,869</b>	87,480	79,381
<b>Gross profit</b>	<b>24,284</b>	36,737	37,084
General and administrative expenses	<b>14,678</b>	18,572	15,622
Other expenses	<b>4,027</b>	(131)	2,363
<b>Income before taxes, finance, amortization and impairment</b>	<b>5,579</b>	18,296	19,099
Amortization	<b>13,215</b>	13,075	10,521
Finance costs	<b>3,992</b>	7,496	4,127
Impairment of property and equipment	-	5,337	-
Impairment of intangible assets	-	7,581	-
<b>Income (loss) before income taxes</b>	<b>(11,628)</b>	(15,193)	4,452
Income tax expense (recovery)	<b>(3,461)</b>	(3,478)	1,463
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(8,167)</b>	(11,715)	2,988
<b>Net income (loss) and comprehensive income (loss) for the period per share</b>			
Basic	<b>(0.60)</b>	(1.74)	0.67
Diluted	<b>(0.60)</b>	(1.74)	0.67
<b>Weighted average number of shares outstanding for the purpose of calculating earnings per share</b>			
Basic	<b>13,708,689</b>	6,750,281	4,428,794
Diluted	<b>13,708,689</b>	6,750,281	4,428,794

	<b>December 31, 2016</b>	December 31, 2015	October 31, 2014
Total assets	<b>118,689</b>	124,404	133,875
Total loans and borrowings	<b>57,676</b>	64,388	86,019

(1) 2014 figures presented are for a 12 month period ended October 31, 2014 and were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). The 2014 ASPE financial information is prepared under a different accounting standard and may not be comparable to the consolidated financial statements prepared under International Financial Reporting Standards ("IFRS").

## 2.2 ADJUSTED EBITDA

	<b>December 31, 2016 (12 months)</b>	December 31, 2015 (14 months)	October 31, 2014 (12 months)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(8,167)</b>	(11,715)	2,988
<b>Add:</b>			(2)
Income tax (recovery) expense	<b>(3,461)</b>	(3,478)	1,463
Finance costs	<b>3,992</b>	7,496	4,127
Amortization	<b>13,215</b>	13,075	10,521
Impairment of property and equipment	-	5,337	-
Impairment of intangible assets	-	7,581	-
Other expenses (income)	<b>4,027</b>	(131)	2,363
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>9,606</b>	18,165	21,462
Environmental Services	<b>9,942</b>	11,567	16,113
Industrial Services	<b>5,663</b>	9,497	8,418
Corporate Services	<b>(5,999)</b>	(2,899)	(3,069)
	<b>9,606</b>	18,165	21,462

(1) Adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") is a non-IFRS measure, calculated by adding back to net income (loss) the sum of income taxes, finance costs, amortization of property and equipment and intangible assets, impairment of property and equipment, impairment of intangible assets and other expenses (income). The Company uses adjusted EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts as one of several important analytical tools. This measure is also considered important by lenders to the Company. Adjusted EBITDA should not be considered in isolation or used as an alternative to net income (loss) or any of the other measures of performance prepared in accordance with IFRS.

(2) 2014 figures presented are for a 12 month period ended October 31, 2014 and were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). The 2014 ASPE financial information is prepared under a different accounting standard and may not be comparable to the consolidated financial statements prepared under International Financial Reporting Standards ("IFRS").

## 2.3 ADJUSTED NET INCOME (LOSS)

	2016 (12 months)	2015 (14 months)	2014 (12 months)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(8,167)</b>	<b>(11,715)</b>	<b>2,988</b>
<b>Add (deduct):</b>			(2)
Onerous lease provision, net tax	2,426	-	-
Severance costs on restructuring, net tax	1,318	-	-
Interest on acquisition obligations	717	2,002	-
Lease termination settlements, net tax	306	-	-
Interest on onerous leases	115	-	-
Gain on settlement of contingent consideration	(1,000)	(1,000)	-
Impairment of intangibles assets, net tax	-	5,534	-
Impairment of property and equipment, net tax	-	3,896	-
Bonus interest expense (recovery)	-	(2,300)	738
<b>Adjusted net income (loss)<sup>(1)</sup></b>	<b>(4,285)</b>	<b>(3,583)</b>	<b>3,726</b>

(1) Adjusted net loss is a measure of profitability. Adjusted net loss provides an indication of the results generated by the principal business activities prior to recognition of certain charges that are considered by management to be outside of the Company's comparable operations. Management believes that these specific items are not reflective of the Company's underlying operations and calculates these adjustments consistently from period to period to enhance comparability of the periods presented in the MD&A. Adjusted net loss does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. The table outlines these adjusted items, which have been tax effected where applicable and reconciles the Company's net loss to Adjusted net loss.

(2) 2014 figures presented are for a 12 month period ended October 31, 2014 and were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"). The 2014 ASPE financial information is prepared under a different accounting standard and may not be comparable to the consolidated financial statements prepared under International Financial Reporting Standards ("IFRS").

## 3.0 Business Developments

### 3.1 Annual Operational and Financial Highlights

The year ended December 31, 2016 was an extremely challenging year for the oil and gas industry. Vertex experienced significantly reduced demand for services across all of its operations, as customers cut costs by deferring maintenance programs and significantly reduced capital budgets in response to commodity pricing. Additionally, a large number of mergers and acquisitions across the industries Vertex services paused some of the reclamation and remediation plans of Vertex's customers. The devastating forest fires in and around Fort McMurray, Alberta caused some loss of revenue related to annual regulatory wildlife studies and delays or deferrals to 2017 of certain projects Vertex was working on.

While revenues have declined, the Company's focus during the last two years has been on lowering operating costs at both the direct cost and the general and administration cost ("G&A") levels. Vertex has lowered these costs with a focus on improving the Company's cost structure, allowing margin improvement as revenues increase from continued industry diversification and with Vertex's expanded service offerings and geographic areas of operation. As a result of these cost improvement initiatives, Vertex's gross margin has decreased by 1.4% from 2015 to 2016.

Vertex has demonstrated its ability to be resilient, versatile and adaptable by generating positive cash flows during the prolonged period of low commodity pricing in the industries Vertex services. In addition, Vertex has been able to grow and enhance its service offerings through certain strategic acquisitions and by starting its industrial chemical cleaning and high pressure water blasting service offerings in 2016.

Vertex has continued to focus on strengthening its balance sheet. Total loans, borrowings and provisions were reduced in 2016, with approximately \$10.6 million being repaid with funds from working capital, the sale of redundant or under-utilized assets, and the cost reductions discussed above.

## **3.2 Acquisitions**

### ***Red Giant Energy Services Ltd.***

On September 30, 2016, the Company reached an agreement to purchase 100% of the outstanding shares of Red Giant Energy Services Ltd. ("Red Giant"), a fluid storage, logistic and treatment company based in Calgary, Alberta. Vertex paid total consideration of \$11.5 million for Red Giant, in the form of 3,993,056 class A common shares in the capital of the Company ("Class A Shares").

Red Giant's equipment fleet for fluid storage and management is very complimentary to Vertex's fleet. Additionally, Vertex's other service offerings can be bundled as one offering to Red Giant's customers, creating greater efficiencies and cost savings for customers.

### ***Ignite Energy Services Ltd.***

On August 31, 2015, the Company reached an agreement to purchase 100% of the outstanding shares of Ignite Energy Services Ltd. ("Ignite"), a fluid management and logistic company based in Calgary, for \$30.0 million. For the total consideration of \$30.0 million, the Company assumed \$8.7 million of the Ignite debt and issued 4,672,088 Class A Common shares with a value of \$21.3 million.

Ignite's operations were complimentary to Vertex's environmental services offering and can be sold as a larger services offering to Vertex and Ignite customers leading to improved cost savings and efficiencies for customers.

**Subsequent to December 31, 2016 the Company completed a series of four acquisitions, as described below:**

### ***Hurricane Industries Corporation***

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Hurricane Industries Corporation ("Hurricane"), an environmental services company specializing in vacuum, pressure and stable foam operations based in Lloydminster, Alberta. Vertex paid total consideration of \$1.4 million for Hurricane, in the form of 401,115 Class A Shares.

Hurricane's vacuum, pressure and foam operations added complimentary services to Vertex's chemical cleaning services. Hurricane is an asset-intensive business and the acquisition resulted in growth of Vertex's fleets without capital expenditures. Finally, Vertex believes that Hurricane's assets were being underutilized and that the acquisition will allow Vertex to improve utilization, realize operating cost savings and broaden the Company's service offering.

### ***The Barlon Engineering Group Ltd.***

On May 31, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of The Barlon Engineering Group Ltd. ("Barlon"), an abandonment, completion and drilling engineering company based in Calgary, Alberta. Vertex paid total consideration of \$2.7 million for Barlon, in the form of 771,429 Class A Shares.

Barlon complimented Vertex's remediation and abandonment environmental service offerings by bringing high-end engineering services to Vertex. The Company believes that this acquisition will bring additional cross-selling opportunities as Barlon's operations are integrated into Vertex.

### ***Excel Engineering Services Ltd.***

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Excel Engineering Services Ltd. ("Excel"), an estimating and project management company based in Sherwood Park, Alberta. Vertex paid total consideration of \$2.4 million for Excel, in the form of 631,580 Class A Shares.

The acquisition of Excel was completed in order to enhance Vertex's senior estimating team. The Company anticipates that the acquisition of Excel will help Vertex improve project management processes, from the bid and estimate phases through to project completion.

### ***Kinetichem Corp.***

On June 30, 2017, the Company reached an agreement to purchase 100% of the outstanding shares of Kinetichem Corp. (“Kinetichem”), an engineered chemical solutions provider based in Calgary, Alberta. Vertex paid total consideration of \$4.6 million for Kinetichem, in the form of 1,200,000 Class A Shares.

Of the \$4.6 million consideration paid to acquire Kinetichem, \$3.1 million is contingent on Kinetichem’s cumulative EBITDA over the next three years exceeding \$4.2 million. Accordingly, 805,263 of the Class A Shares issued for the acquisition will be held in escrow for three years.

Kinetichem brought a new solution to Vertex that was immediately marketable to Vertex’s current customer base. Kinetichem’s business has low operating costs and Vertex feels its business development team, current customer base and the broad geographic locations in which the Company operates will accelerate Kinetichem’s market share growth.

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## **4.0 Results from Operations**

### **4.1 Revenue**

The following table sets forth revenue by reportable operating segment for the following periods:

	<b>2016</b>	2015	Change	
	<b>(12 months)</b>	(14 months)	\$	%
Environmental Services	<b>46,173</b>	53,080	(6,907)	-13.0%
Industrial Services	<b>39,704</b>	70,624	(30,920)	-43.8%
Corporate Services	<b>276</b>	513	(237)	-46.2%
Consolidated revenue	<b>86,153</b>	124,217	(38,064)	-30.6%

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Consolidated revenue decrease of 30.6% or \$38.1 million, from \$124.2 million during the fourteen month period ended December 31, 2015 to \$86.1 million during the twelve month period ended December 31, 2016, was due to a decrease in revenues of \$6.9 million in the Environmental Services segment and a decrease of \$30.9 million in the Industrial Services segment.

Revenue decrease of 13.0% or \$6.9 million in the Environmental Services segment, from \$53.1 million during the fourteen month period ended December 31, 2015 to \$46.2 million during the twelve month period ended December 31, 2016, was due to this segment being the most affected by pauses in spending related to client mergers and acquisition activity and by the Fort McMurray forest fires. Decreases in billing rates and utilization of personnel and equipment also caused a decrease in the Environmental Services segment’s revenues.

Revenue decrease of 43.8% or \$30.9 million in the Industrial Services segment, from \$70.6 million during the fourteen month period ended December 31, 2015 to \$39.7 million during the twelve month period ended December 31, 2016, was due to completion of a large insulation contract in 2015. In addition, this segment secured less large-scale development projects in the oilsands in 2016 compared to 2015. In 2015, Vertex supplied personnel and managed medical clinics for two proposed liquified natural gas facilities. Activity at both of these facilities was reduced significantly in 2016, which impacted Vertex’s revenue stream.

## 4.2 Adjusted EBITDA

	2016 (12 months)	2015 (14 months)	Change	
			\$	%
Environmental Services	9,942	11,567	(1,625)	-14.0%
Industrial Services	5,663	9,497	(3,834)	-40.4%
Corporate Services	(5,999)	(2,899)	(3,100)	106.9%
Adjusted EBITDA <sup>(1)</sup>	9,606	18,165	(8,559)	-47.1%
Adjusted EBITDA as a % of revenue	11.1%	14.6%		

(1) See Non-IFRS measure definition Section 2.2.

Adjusted EBITDA decrease of 47.1% or \$8.6 million, from \$18.2 million during the fourteen month period ended December 31, 2015 to \$9.6 million during the twelve month period ended December 31, 2016, was due to a decrease of \$1.6 million in the Environmental Services segment, a decrease of \$3.8 million in the Industrial Services segment, and a decrease of \$3.1 million in the Corporate Services segment.

Adjusted EBITDA decrease of 14.0% or \$1.6 million in the Environmental Services segment, from \$11.6 million during the fourteen month period ended December 31, 2015 to \$9.9 million during the twelve month period ended December 31, 2016, was due to decreased revenues and delays in ability to perform work in the field due to the mergers and acquisitions of clients and the Fort McMurray fires.

Adjusted EBITDA decrease of 40.4% or \$3.8 million in the Industrial Services segment, from \$9.5 million during the fourteen month period ended December 31, 2015 to \$5.7 million during the twelve month period ended December 31, 2016, was due to revenues being 43.8% less than in 2015. However, Adjusted EBITDA margin improved to 14.3% from a 2015 margin of 13.4% in the same timeframe. This improved margin was a result of Vertex concentrating on smaller, better-priced projects instead of larger projects that tend to have lower margins.

Corporate Services adjusted EBITDA decrease of 106.9% or \$3.1 million, from \$2.9 million during the fourteen month period ended December 31, 2015 to \$6.0 million during the twelve month period ended December 31, 2016, was due to additional G&A related to the acquisition of Ignite Energy Services Ltd. ("Ignite"), which closed on August 31, 2015. Immediately following the acquisition, Ignite was less efficient than it is currently and had redundant costs that Vertex addressed throughout the 2016 calendar year.

## 4.3 General and Administrative Expenses (G&A)

	2016 (12 months)	2015 (14 months)	Change	
			\$	%
G&A	14,678	18,572	(3,894)	-21.0%
G&A as a % of revenue	17.0%	15.0%		

Consolidated G&A decrease of 21.0% or \$3.9 million, from \$18.6 million during the fourteen month period ended December 31, 2015 to \$14.7 million during the twelve month period ended December 31, 2016. The Company has put great effort into cutting discretionary spending such as advertising and promotion costs and reducing fixed overhead costs related to facilities and personnel in order to better position itself to perform in an environment with lower pricing and activity.

#### 4.4 Other Items

	2016	2015	Change	
	(12 months)	(14 months)	\$	%
Other expenses (income)	4,027	(131)	4,158	-3174.0%
Amortization	13,215	13,075	140	1.1%
Finance costs	3,992	7,496	(3,504)	-46.7%
Impairment of property and equipment	-	5,337	(5,337)	-100.0%
Impairment of intangible assets	-	7,581	(7,581)	-100.0%
Consolidated other expenses	21,234	20,440	794	3.9%

In 2016, Vertex undertook to further reduce its direct costs and G&A. As a result, Vertex incurred several costs in 2016 that would allow the Company to permanently reduce direct costs and G&A, including severances (\$1.8 million), recognizing two facility leases as onerous leases (\$3.3 million) and incurring early termination costs for several other leases (\$0.4 million). The impairment charges in the table above related to amortizable intangibles and property and equipment that demonstrated impairment indicators during the fiscal period ended December 31, 2015. Management determined that certain amortizable intangible assets and certain property and equipment were being carried at net book value in excess of their recoverable amounts, and as such, an impairment was recorded.

Finance costs decreased by \$3.5 million from the fourteen month period ended December 31, 2015 to the twelve month period ended December 31, 2016 because the Company reduced the subordinated loan balance by \$9.5 million and the acquisition obligation by \$4.5 million and reduced the during the period ended December 31, 2015. See notes 14(c) and 15(b) in the annual audited financial statements for more information.

#### 4.5 Summary of Quarterly Results

(\$000 except per share amounts)	2016				2015 <sup>(1)</sup>			
	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenue	25,011	20,519	17,785	22,838	27,482	26,715	21,630	48,390
Impairment charges	-	-	-	-	12,918	-	-	-
Net income (loss)	(2,440)	(3,541)	(1,775)	(411)	(13,355)	2,225	(1,045)	460
Basic income (loss) per share	(0.18)	(0.28)	(0.14)	(0.03)	(1.08)	0.32	(0.23)	0.10
Diluted income (loss) per share	(0.18)	(0.28)	(0.14)	(0.03)	(1.08)	0.32	(0.23)	0.10
Adjusted net income (loss) <sup>(2)</sup>	(1,133)	(1,898)	(1,644)	390	(3,720)	207	(1,618)	1,548
Diluted adjusted income (loss) per share	(0.08)	(0.15)	(0.13)	0.03	(0.30)	0.03	(0.36)	0.34
Adjusted EBITDA <sup>(3)</sup>	2,861	1,498	938	4,309	3,918	4,500	2,750	6,997

(1) During the year-ended December 31, 2015, the financial year of the Company was changed from October 31, 2015 to December 31, 2015 as to align the Company's subsidiaries year-ends. Accordingly, the first quarter of the fourteen month period ended December 31, 2015 began on November 1, 2014 and ended on March 31, 2015. As a result, the comparative figures stated in the income statement, statement of changes in equity, statement of cash flows and the related notes for first quarter 2015 are not entirely comparable as the quarter is five months long.

(2) See Non-IFRS measure definition Section 2.3.

(3) See Non-IFRS measure definition Section 2.2.

Over the past eight quarters, the Company has witnessed the western Canadian economy go into shock as the price of oil dropped to unprecedented lows. Beginning in the second quarter ended June 30, 2015 up to and including the fourth ended December 31, 2016, Vertex experienced less volume as lower billing rates were negotiated by customers and projects were either cancelled or deferred due to economic uncertainty. Activity throughout all quarters in 2016 were less than the comparative quarters of 2015.

The impairment charges in the table above relate to amortizable intangibles and property and equipment that demonstrated impairment indicators during the fiscal period ended December 31, 2015. Management determined that the carrying costs of certain amortizable intangible assets and certain property and equipment were in excess of their recoverable amounts and as such, an impairment was recorded.

Net income (loss) was significantly impacted in the fourth quarter ended December 31, 2015 by impairment charges, which had an after-tax impact of \$9.4 million. The Ignite acquisition was completed on August 31, 2015, providing \$9.7 million of revenue, but also \$2.0 million of net losses to the fourth quarter ended December 31, 2015. Through the 2016 calendar year, management incurred \$5.5 million of restructuring costs related to both the Ignite acquisition and general economic factors.

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## 5.0 Liquidity and Capital Management

The following table sets forth the Company's cash flow by activity for the following periods:

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	<b>2016</b>	2015
	<b>(12 months)</b>	(14 months)
Cash generated from operating activities	<b>7,507</b>	15,077
Cash generated from investing activities	<b>4,322</b>	4,696
Cash (used in) financing activities	<b>(10,635)</b>	(20,184)
	<b>1,194</b>	(411)

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The Company expects to generate sufficient cash flows and to have continued access to its credit facilities to meet contractual obligations and planned development and growth initiatives as and when they are required. The Company expects that working capital investment will be required to support revenue growth consistent with historical working capital measures. The Company typically utilizes its available cash balances and its committed credit facilities to fund working capital requirements.

### 5.1 Cash Generated from Operating Activities

Cash provided by operating activities was \$7.5 million during the twelve month period ended December 31, 2016, a decrease of \$7.6 million from the cash generated in operating activities of \$15.1 million during the fourteen month period ended December 31, 2015. The decrease in cash provided by operating activities was due to lower revenue volumes.

### 5.2 Cash Generated from Investing Activities

Cash provided by investing activities was \$4.3 million during twelve month period ended December 31, 2016, a decrease of \$0.4 million from the cash generated in investing activities of \$4.7 million during the fourteen month period ended December 31, 2015 as acquisition of subsidiaries contributed \$1.8 million less cash in 2016 compared to 2015 and net proceeds from capital expenditures was \$1.4 million higher in 2016 than the Company realized in 2015.

### 5.3 Cash Used in Financing Activities

Cash used by financing activities was \$10.6 million during twelve month period ended December 31, 2016, a decrease of \$9.5 million from the cash used in financing activities of \$20.2 million during the fourteen month period ended December 31, 2015. Vertex continued to reduce its loans and borrowings in 2016.

### 5.4 Working Capital

	<b>December 31,</b>	December 31,
	<b>2016</b>	2015
Current assets	<b>30,467</b>	34,522
Current liabilities	<b>8,766</b>	10,712
Working Capital <sup>(1)</sup>	<b>21,701</b>	23,810

(1) Calculated as current assets less current liabilities excluding loans, borrowings and provisions.

Working capital as at December 31, 2016 was \$21.7 million, a decrease of \$2.1 million from \$23.8 million as at December 31, 2015. Working capital was generally consistent with prior years.

### 5.5 Credit Facilities

	<b>December 31,</b>	December 31,
	<b>2016</b>	2015
Operating loans:		
Available operating facilities	<b>20,000</b>	20,000
Drawn on operating facilities	<b>11,975</b>	13,221
Available operating facilities <sup>(1)</sup>	<b>8,025</b>	6,779

(1) Calculated as available operating line less drawn credit facilities

On June 23, 2017, the Company refinanced its operating loan, extendable revolving loan and demand non-revolving loan.

The operating loan remains with HSBC Bank Canada ("HSBC") and the authorized maximum of \$20.0 million remains unchanged. The new facility is a three-year committed loan, maturing on June 22, 2020. The operating loan can be drawn by a mix of account overdraft with interest at rates ranging from HSBC's prime rate plus 1.25% to 2.75%, bankers' acceptance rate ("Bankers' Acceptance Rate") plus stamping fees of 2.25% to 3.75% and letters of credit at rates of 2.25% to 3.75%. The Company pays a standby fee for any unutilized portion of the operating loan facility on the last day of each fiscal quarter at rates ranging from 0.45% to 0.75%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter.

The new \$40.0 million senior debt facility entered into on June 23, 2017 bears interest at the greater of 1.0% or the 30 day Banker's Acceptance Rate quoted from the Bank of Canada plus 8.0%. The senior debt credit facility is repayable in three quarterly principal payments of \$1,000, followed by four quarterly principal payments of \$1,500, followed by 12 quarterly principal payments of \$1,750 with a final payment of \$10,000 due on the June 22, 2022 loan maturity date. Interest on the debt facility is payable quarterly. In addition to the scheduled principal payments, the senior debt includes an additional principal payment based on an annual excess cash flow calculation starting December 31, 2017.

The extendable revolving loan and the three demand non-revolving loans were repaid from the proceeds of the new senior debt facility on June 23, 2017.

Debt as at December 31, 2016 consists of items noted in Section 5.6 Commitment and Contingencies.

## Debt Covenants

The Company has undertaken to maintain certain covenants in respect of the operating loan, the senior debt and the subordinated debt. The covenants are highlighted in the table below:

	Target	December 31, 2016	December 31, 2015	November 1, 2014
<i>Revolving &amp; non-revolving loans</i>				
Working capital ratio	> 1.25 : 1	<b>3.34</b>	1.43	1.46
Funded debt to EBITDA	< 3.50 : 1	<b>4.10</b>	3.45	2.98
Fixed charge coverage ratio	> 1.25 : 1	<b>1.44</b>	1.44	1.43
<i>Subordinated debt</i>				
Working capital as a percentage of sales	> 30%	<b>34.3%</b>	36.1%	38.7%
Term debt to tangible net worth				
December 31, 2016	< 0.90 : 1	<b>0.78</b>		
December 31, 2015	< 1.15 : 1		0.76	
November 1, 2014	< 1.15 : 1			1.01

Although the Company did make all required principal repayments on its finance lease and loan obligations, it was unable to adhere to the funded debt to EBITDA covenant terms of the revolving and non-revolving loans. As a result of cross default clauses, the subordinate debt also became in breach of its terms at December 31, 2016.

As noted above, on June 23, 2017, the Company entered into new credit agreements with two senior lenders. The first agreement changed the terms and conditions of its operating loan and revised the covenants to match the agreement of the new senior lender. The funded debt to EBITDA covenant and the fixed charge coverage ratio is the same under both new agreements. The operating loan also has a working capital ratio covenant. The new agreements revised the funded debt to EBITDA covenant to a maximum of 4.5 for the second quarterly period of 2017 and a maximum of 4.25 for the third and fourth quarterly periods of 2017. The new agreements revised the fixed charge coverage ratio covenant to a maximum of 1.20 for each of the quarterly period of 2017 subsequent to the agreement date. As a result of the new credit facilities the Company is in compliance with all required covenants at September 12, 2017.

## 5.6 Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect of the Company's contractual obligations:

	Due within one year	Due between one and five years	Due after five years	Total
Accounts payable and accrued liabilities	8,272	-	-	<b>8,272</b>
Operating loan	-	11,975	-	<b>11,975</b>
Bank loans	1,721	35,301	-	<b>37,022</b>
Subordinated debt	-	5,500	-	<b>5,500</b>
Lease liabilities	368	660	-	<b>1,028</b>
Advance from shareholders	-	2,151	-	<b>2,151</b>
Onerous leases	1,057	1,633	-	<b>2,690</b>
Acquisition obligation	4,670	3,263	-	<b>7,933</b>
Long-term financial liabilities	7,816	60,483	-	<b>68,299</b>

### ***Share Based Settlement of Obligations***

On January 5, 2017, the advance from shareholders, from a director of the Company, was settled in exchange for 746,938 Class A Shares.

On May 31, 2017, \$6.3 million of the acquisition obligation, with an aggregate face value of \$6.7 million, was settled in exchange for 1,922,070 Class A Shares. The remaining acquisition obligation of \$1.6 million, with an aggregate face value of \$1.7 million, will be settled for 506,400 Class A Shares on January 10, 2018.

### ***Legal Claims***

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been made for potential claims in the Company's accounts. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

### ***Off-Balance Sheet Arrangements***

At December 31, 2016 and December 31, 2015 the Company did not have any off-balance sheet arrangements.

## 5.7 Credit Risk

The Company's revenues come from a diverse customer base, which includes the energy, real estate, utilities and mining industries in western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms common in the oil and gas industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2016, the company had one customer that accounted for 11.7% of the consolidated sales (fourteen-month period ended December 31, 2015 – one customer for 10.3%). The Aging analysis of accounts receivable is as follows:

	<b>December 31,</b>	December 31,
	<b>2016</b>	2015
0 to 30 days	<b>10,036</b>	9,819
31 to 60 days	<b>5,724</b>	6,735
61 to 90 days	<b>3,559</b>	3,629
Over 90 days	<b>1,497</b>	1,519
Holdbacks	<b>212</b>	382
Trade accounts receivable	<b>21,028</b>	22,084
Allowance for doubtful accounts	<b>(198)</b>	(214)
Trade receivables, net of allowance	<b>20,830</b>	21,870
Other receivables	<b>612</b>	344
	<b>21,442</b>	22,214

## 5.8 Outstanding Share Data

As at September 12, 2017, the Company had 22,571,956 Class A Shares outstanding. As at the same date, the Company had outstanding stock options and warrants to purchase up to 578,212 Class A Shares.

## 5.9 Internal Control over Financial Reporting

Management, including the Chief Executive Officer and Vice President of Finance, does not expect that the Company's internal control over financial reporting ("ICFR") will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud, if any, within the Company have been detected.

There have been no changes in the Company's ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## 5.10 Transactions with Related Parties

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.

		<b>December 31,</b>	<b>December 31,</b>
	Nature of	<b>2016</b>	2015
	relationship	<b>(12 months)</b>	<b>(14 months)</b>
<b>Expenses</b>			
General and administrative expenses	(i)	<b>700</b>	490
Increases in advances from shareholders	(i)	-	1,166
Repayments of advances from shareholders	(i)	<b>(706)</b>	(499)

(i) Related by common director

Land and building and improvements disposed of during the year were purchased by related party. This related party transaction was not in the normal course of operations; however, it resulted in a substantive change in ownership and the exchange amount was supported by an independent valuation, as such, the transaction was recorded at the exchange amount, which approximates fair value. Immediately following the sale, the Company entered into a ten-year lease with the related party, which has been accounted for as a sales leaseback transaction. Rent expensed during the year related to the new operating lease is included in general and administrative expenses, as disclosed above.

See Section 5.6 for details of share transactions with related parties.

## Reverse Takeover

The Company has entered into a pre-acquisition agreement exempt takeover bid as of September 8, 2017 with VIER Capital Corp. ("VIER"), a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") and trades under the symbol VIE.P, whereby VIER will acquire all of the issued and outstanding shares of the Company by way of an exempt takeover bid (the "Transaction"), subject to the terms and conditions outlined below. Vertex intends that the Transaction will constitute a Qualifying Transaction of Vier, as such term is defined in Policy 2.4 of the Exchange.

In connection with the Transaction, the Company anticipates that the 7,350,000 currently issued and outstanding shares of VIER will be consolidated (the "Consolidation") on a 10 to 1 basis.

The pre-acquisition agreement states VIER and Vertex are completing an arm's length business combination transaction, pursuant to which VIER will issue 85,773,433 post-Consolidation common shares at a price equal to \$1.00 in exchange for all of the shares of Vertex (the "Share Exchange"). The Share Exchange will occur after the Consolidation is completed. On completion of the Transaction, the current shareholders of Vertex would own a majority of the issued and outstanding shares of the resulting issuer (as such terms is defined in Exchange Policy 2.4) and Vertex will become a wholly-owned subsidiary of the resulting issuer. Upon closing, Vier and Vertex will be amalgamated and the successor company to the amalgamation will be Vertex Resource Group Ltd. The common shares of the successor company will be listed for trading on the Exchange.

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## **6 Critical Accounting Judgments, Estimates and Accounting Policy Developments**

### **6.1 Critical Judgments in Applying the Company's Accounting Policies**

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

#### ***Percentage Completion***

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

#### ***Property and Equipment***

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

#### ***Cash-Generating Units ("CGUs")***

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

### **6.2 Key Sources of Estimation Uncertainty**

Key assumptions concerning uncertainty surrounding the statement of financial position, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities, are as follows:

#### ***Impairment of Non-Financial Assets***

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

### ***Goodwill Impairment***

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

### ***Inventory valuation***

Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value, management considers evidence, such as aging of the inventory, current sales prices, vendor price lists, available at the time in determining the net realizable values of the inventories.

### ***Business combinations***

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

### ***Deferred tax assets***

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

## **6.3 Future Accounting Standard Pronouncements**

The following new standards have been issued, but were not effective for the year ended December 31, 2016:

### ***IFRS 9 – Financial Instruments***

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

### ***IFRS 15 – Revenue from Contracts with Customers***

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

- (1) Identify the contract with a customer;
- (2) Identify the performance obligation in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

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

### ***IFRS 16 – Leases***

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

## **6.4 Financial Instruments**

The Company considers managing risk as being an integral part of its development and diversification strategies. The Company uses a proactive and rigorous approach for management of the financial risks to which it is exposed.

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The Company does not have any off-balance sheet arrangements.

The Company’s most significant financial risk exposure and its financial risk management policies are discussed in Notes 26 and 27 to the Annual Financial Statements.

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## **7 Forward-Looking Information**

Certain statements contained in this document constitute “forward-looking information”. When used in this document or by any of the Company’s management, the words “may”, “would”, “will”, “intend”, “plan”, “propose”, “anticipate” and “believe” are intended to identify forward-looking information. Such statements reflect the Company’s forecasts, estimates and expectations, as they relate to the Company’s current views based on its experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any expected future results, performance or achievement that may be expressed or implied by such forward-looking statements.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; and certain cost assumptions.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in the demand for or supply of the Company's services; unanticipated operating results; changes in tax or environmental laws, or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; increased costs; the impact of competitors; reliance on industry partners; and attracting and retaining skilled personnel.

Vertex's business is subject to a number of risks and uncertainties. Readers are encouraged to review and carefully consider the risk factors described in the filing statement regarding the Transaction to which this MD&A is attached, which risk factors are specifically incorporated by reference herein.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A. The Company does not intend and does not assume any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless required by law.

**APPENDIX "F" - PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

# **Vier Capital Corp.**

## **Unaudited Pro Forma Consolidated Financial Statements**

For the six month period ended June 30, 2017

(Expressed in Canadian dollars)

# Vier Capital Corp.

## Pro Forma Consolidated Statement of Financial Position

As at June 30, 2017

(Unaudited)

(Expressed in Canadian dollars)

	Vertex Resource Group Ltd.	Vier Capital Corp.	Note 3	Pro Forma Adjustments	Pro Forma Consolidated
	\$	\$		\$	\$
<b>Assets</b>					
<b>Current assets</b>					
Cash	2,292,153	247,308	(e)	(250,000)	2,289,461
Accounts Receivable	24,070,328	-		-	24,070,328
Unbilled Revenue	3,682,329	-		-	3,682,329
Inventories	2,855,479	-		-	2,855,479
Prepays	1,500,902	3,640		-	1,504,542
Future Income Taxes	3,182,233	-		-	3,182,233
<b>Total Current Assets</b>	<b>37,583,424</b>	<b>250,948</b>		<b>(250,000)</b>	<b>37,584,372</b>
Property & Equipment	58,187,389	-		-	58,187,389
Intangible Assets	2,085,696	-		-	2,085,696
Goodwill	33,990,224	-		-	33,990,224
<b>Total Assets</b>	<b>131,846,733</b>	<b>250,948</b>		<b>(250,000)</b>	<b>131,847,681</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts Payable	11,260,188	7,608		-	11,267,796
Deferred Revenue	48,505	-		-	48,505
Income Taxes Payable	164,011	-		-	164,011
Current portion of Loans	3,510,041	-		-	3,510,041
Current portion of Provisions	2,802,552	-		-	2,802,552
<b>Total Current Liabilities</b>	<b>17,785,297</b>	<b>7,608</b>		<b>-</b>	<b>17,792,905</b>
Loans & borrowings	51,551,645	-		-	51,551,645
Provisions	946,353	-		-	946,353
Future Income Taxes	1,833,798	-		-	1,833,798
<b>Total Liabilities</b>	<b>72,117,093</b>	<b>7,608</b>		<b>-</b>	<b>72,124,701</b>
<b>Shareholders' Equity</b>					
Common Shares	77,854,506	399,403	(a)	(399,403)	78,589,506
			(a)	735,000	
Contributed Surplus	886,964	63,549	(a)	(63,549)	886,964
Deficit	(19,011,830)	(219,612)	(a)	219,612	(19,503,490)
			(d)	(491,660)	
			(e)	(250,000)	(250,000)
<b>Total Equity</b>	<b>59,729,640</b>	<b>243,340</b>		<b>(250,000)</b>	<b>59,722,980</b>
<b>Total Liabilities &amp; Equity</b>	<b>131,846,733</b>	<b>250,948</b>		<b>(250,000)</b>	<b>131,847,681</b>

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

# Vier Capital Corp.

## Notes to Pro Forma Consolidated Financial Statements

June 30, 2017

(Unaudited)

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### 1. Basis of presentation

The unaudited pro forma consolidated financial statements (the “Pro Forma Financial Statements”) have been prepared by management for inclusion in VIER Capital Corp.’s (“Vier”) filing statement (the “Filing Statement”), in conjunction with Vier’s acquisition of 100% of the issued and outstanding share capital of Vertex Resource Group Ltd. (“Vertex”) (the “Transaction”). Vier entered into a letter of intent dated as of July 17, 2017 (the “LOI”) with Vertex and intends that this transaction will constitute its Qualifying Transaction, as such term is defined in the policies of the TSX Venture Exchange.

The Pro Forma Financial Statements have been prepared for illustrative purposes only and give effect to the proposed Transaction and pursuant to the assumptions and adjustments as further described in Note 3. The unaudited pro forma consolidated statement of financial position as at June 30, 2017 gives effect to the proposed Transaction as if it had occurred as at June 30, 2017.

The Pro Forma Financial Statements are not necessarily indicative of the financial position that would have been achieved if the proposed Transaction had been completed on the date presented, nor do they claim to project the financial position of the consolidated entities as of any future date. Any potential synergies that may be realized and integration costs that may be incurred upon completion of the proposed Transaction, if successful, have been excluded from the Pro Forma Financial Statements.

The Pro Forma Financial Statements has been prepared, in accordance with International Financial Reporting Standards (“IFRS”), from information derived from the unaudited financial statements of Vier and Vertex for the period ended June 30, 2017.

The Pro Forma Financial Statements should be read in conjunction with: (i) the description of the transaction in the Filing Statement, and (ii) the historical financial statements, together with the notes thereto, of Vier and Vertex referred to above which are included in the Filing Statement.

The substance of Vier’s common share issuance and the proposed reorganization is a transaction which results in Vertex becoming a listed public entity through Vertex’s acquisition of all of Vier’s net assets. While the Pro Forma Financial Statements and share capital are of Vier as a legal entity, the assets, liabilities and dollar amounts attributed to share capital are those of Vertex. Future Vier consolidated financial statements will present a continuation of Vertex’s business.

Management believes the Pro Forma Financial Statements include all material adjustments necessary for a fair presentation of the transactions as described below.

### 2. Significant accounting policies

The accounting policies used in preparing the Pro Forma Financial Statements are set out in Vertex’s unaudited financial statements for the period ended June 30, 2017. In preparing the Pro Forma Financial Statements, a review of publicly available information was undertaken to identify accounting policy differences between Vier and Vertex. While management believes that the significant accounting policies of Vier and Vertex are consistent in all material respects, accounting policy differences may be identified upon completion of the proposed Transaction.

# Vier Capital Corp.

## Notes to Pro Forma Consolidated Financial Statements

June 30, 2017

(Unaudited)

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### 3. Pro forma adjustments and assumptions

The Pro Forma Financial Statements include the following pro forma assumptions reflecting adjustments disclosed in the Filing Statement:

- a) Reverse takeover transaction  
Immediately prior to the transaction Vier performed a 10:1 stock consolidation that impacted their outstanding common shares and resulted in 735,000 common shares outstanding at June 30, 2017.
- b) It is assumed as a next step, Vier will issue 85,773,433 common shares from treasury to Vertex's shareholders in exchange for 100% of Vertex's outstanding shares based on an exchange ratio of 3.8 Vier shares for each outstanding share of Vertex (the "Exchange Ratio"). In addition, Vier will issue of 2,197,206 replacement warrants to all holders of Vertex warrants in accordance with the Exchange Ratio. Upon completion of the transaction, Vertex and Vier will complete an amalgamation and as a result of this transaction, Vertex's former shareholders will control Vier.
- c) For accounting purposes Vertex is the acquirer and the transaction will be accounted for as a reverse takeover. Considering that Vier does not meet the definition of a business combination under IFRS 3 *Business Combination*, the purchase of Vier net assets is considered an equity-settled share-based payment under IFRS 2 *Share-based Payment*. That is, the transaction is equivalent to the issuance of shares by Vertex for the net monetary assets of Vier.
- d) The fair value of the net assets acquired is summarized as follows:

	<u>Amount</u>
	<u>\$</u>
Assets acquired	
Cash	247,308
Prepays	3,640
Liabilities assumed	
Accounts Payable	<u>(7,608)</u>
Net assets acquired	243,340
Consideration paid:	
735,000 common shares issued and outstanding	<u>735,000</u>
Listing expense	<u>491,660</u>

The fair value of the 735,000 common shares was estimated at \$735,000 determined based on Vier's trading price prior to the 10:1 stock consolidation resulting in a value of \$1.00 per share. This approximates the notional number of common shares that Vertex would have had to issue to give Vier shareholders the same percentage ownership of the combined entity.

- e) Total transaction costs which are expected to be incurred in order to complete the Transaction are \$250,000 which include exchange fees and professional and consulting fees.

## Vier Capital Corp.

### Notes to Pro Forma Consolidated Financial Statements

June 30, 2017

(Unaudited)

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#### 4. Capital Stock

A continuity of issued common share and related recorded values after giving effect to the pro forma adjustments described in Note 3 is set out as follows:

	<u>Number of shares</u>	<u>Amount</u> \$
Vier shares issued and outstanding as at June 30, 2017	7,350,000	399,403
10:1 stock consolidation	(6,615,000)	-
Revised Vier share issued and outstanding as at June 30, 2017	735,000	399,403
Issuance of shares upon the reverse take over (Note 2a)	85,773,433	78,190,103
	<u>86,508,433</u>	<u>78,589,506</u>

#### 5. Warrants

A summary of outstanding warrants entitling their holders to subscribe for an equivalent number of common shares is as follows:

<u>Number of warrants</u>	<u>Exercise price</u> \$	<u>Expiry date</u>
2,197,206	1.20	August 30, 2020

#### 6. Stock Options

A summary of outstanding options entitling their holders to subscribe for an equivalent number of common shares is as follows:

	<u>Exercise Price</u> \$	<u>Outstanding</u>	<u>Exercisable</u>
Vier options outstanding as at June 30, 2017	0.10	735,000	735,000
10:1 stock consolidation	-	(661,500)	(661,500)
Revised Vier options outstanding as at June 30, 2017	1.00	73,500	73,500

All of the 73,500 options were granted to Vier's directors at the time of completion of its initial public offering. The holders of these options will tender their resignation as Director of Vier effective upon completion of the Transaction. Therefore, these options will expire twelve months after that date in accordance with Exchange requirements.

#### 7. Income Taxes

The pro forma effective tax rate applicable to the consolidated operations will be determined according to the results of each entity. The net income tax rate of Vier and Vertex is 27.0%.

**CERTIFICATE OF VIER CAPITAL CORP.**

Dated: October 4, 2017.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Vier Capital Corp. assuming Completion of the Qualifying Transaction.

(signed) "Jason Krueger"  
Jason Krueger  
President and Chief Executive Officer

(signed) "David McGoey"  
David McGoey  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) "Paul Crilly"  
Paul Crilly  
Director

(signed) "Randy Ollenberger"  
Randy Ollenberger  
Director

**CERTIFICATE OF VERTEX RESOURCE GROUP LTD.**

Dated: October 4, 2017.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Vertex Resource Group Ltd. assuming Completion of the Qualifying Transaction

*(signed) "Terry Stephenson"*

\_\_\_\_\_  
Terry Stephenson  
Chief Executive Officer

*(signed) "Howard Start"*

\_\_\_\_\_  
Howard Start  
Vice President, Finance

**ON BEHALF OF THE BOARD OF DIRECTORS**

*(signed) "Brian Butlin"*

\_\_\_\_\_  
Brian Butlin  
Director

*(signed) "Trent Baker"*

\_\_\_\_\_  
Trent Baker  
Director