

Condensed Consolidated Interim Financial Statements of

Vertex Resource Group Ltd.

For the three and nine month periods ended September 30, 2019
(Unaudited)

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

Vertex Resource Group Ltd.

September 30, 2019

Table of contents

Condensed consolidated interim statements of financial position	1
Condensed consolidated interim statements of net (loss) income and comprehensive (loss) income	2
Condensed consolidated interim statements of changes in shareholders' equity.....	3
Condensed consolidated interim statements of cash flows	4
Notes to the condensed consolidated interim financial statements	5-16

Vertex Resource Group Ltd.

Condensed consolidated interim statements of financial position

(in thousands of Canadian dollars)

(unaudited)

As at	Notes	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		1,380	2,347
Accounts receivable		32,276	40,303
Contract assets		5,376	2,325
Inventories		3,010	3,204
Prepaid expenses and deposits		3,561	2,906
		45,603	51,085
Property and equipment	4	75,448	91,591
Right of use assets	5	35,910	-
Intangible assets	6	1,561	1,854
Goodwill		34,081	34,081
Deferred income taxes		6,210	6,210
		198,813	184,821
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		17,520	17,188
Contract liabilities		142	1,135
Income taxes payable		138	44
Current portion of loans and borrowings	7	8,376	10,600
Current portion of provisions	8	2,846	3,058
Current portion of lease liabilities	5	7,636	-
		36,658	32,025
Loans and borrowings	7	64,644	77,005
Provisions	8	-	2,360
Lease liabilities	5	29,164	-
Deferred income taxes		6,685	7,736
		137,151	119,126
Shareholders' Equity			
Common shares		83,231	83,231
Deficit		(22,797)	(18,622)
Contributed surplus		1,228	1,086
		61,662	65,695
		198,813	184,821

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of net (loss) income and comprehensive (loss) income

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

		Three months ended		Nine months ended	
	Notes	September 30,		September 30,	
		2019	2018	2019	2018
Revenue		43,655	41,425	127,406	103,803
Direct costs		32,988	30,490	96,029	75,340
Gross profit		10,667	10,935	31,377	28,463
General and administrative expenses		3,386	4,859	11,536	13,792
Share-based compensation	9	32	49	142	140
Amortization		4,217	5,492	12,126	11,989
Amortization right of use assets	5	2,047	-	6,140	-
Finance costs	10	1,725	1,163	4,822	7,840
Bargain purchase gain		-	(6,760)	-	(6,825)
(Loss) income before income taxes		(740)	6,132	(3,389)	1,527
Income tax recovery		(187)	(374)	(902)	(334)
Net (loss) income and comprehensive (loss) income		(553)	6,506	(2,487)	1,861
Net (loss) income per share					
Basic and diluted	11	(0.01)	0.07	(0.03)	0.02

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of changes in shareholders' equity

(in thousands of Canadian dollars)

(unaudited)

		Nine months ended	
	Notes	September 30,	
		2019	2018
Common Shares			
Balance, beginning of the period		83,231	79,794
Shares issued in business acquisitions		-	1,664
Shares issued in settlement of seller's note		-	1,773
Balance, end of the period		83,231	83,231
Contributed Surplus			
Balance, beginning of the period		1,086	892
Share-based compensation		142	140
Balance, end of the period		1,228	1,032
Deficit			
Balance, beginning of the period		(18,622)	(20,913)
Adoption of IFRS 16 - Leases	15	(1,688)	-
Balance, beginning of the period as adjusted		(20,310)	(20,913)
Net (loss) income and comprehensive (loss) income		(2,487)	1,861
Balance, end of the period		(22,797)	(19,052)
Total shareholders' equity		61,662	65,211

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of cash flows

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

(unaudited)

	Notes	Nine months ended September 30,	
		2019	2018
Operating activities			
Net (loss) income		(2,487)	1,861
Items not affecting cash			
Amortization	4,5,6	18,266	11,989
Interest accretion	5,8	1,664	122
Share-based compensation		142	140
Deferred financing charges		96	2,376
Gain on disposal of property and equipment		(490)	(218)
Deferred income taxes		(1,051)	(334)
Gain on acquisitions		-	(6,825)
		16,140	9,111
Change in non-cash operating working capital items	13	3,948	(4,570)
Cash provided by operating activities		20,088	4,541
Investing activities			
Purchase of property and equipment		(4,532)	(4,717)
Additions to intangible assets		(506)	-
Proceeds from disposal of property and equipment		1,343	2,786
Acquisition of subsidiaries, net of cash acquired		-	(4,533)
Cash used in investing activities		(3,695)	(6,464)
Financing activities			
(Repayment of) proceeds from operating and revolving loans	7	(7,600)	9,008
Repayment of term loan	7	(4,648)	(1,563)
Repayment of equipment loans	7	(1,520)	(10,833)
Repayment of finance leases	5	-	(1,468)
Repayment of lease liabilities	5	(7,974)	-
Repayment of provisions	8	(2,182)	(1,593)
Proceeds from term loan	7	5,000	50,000
Financing charges - deferred		-	(386)
Proceeds from equipment loans	7	1,564	3,862
Repayment of senior debt and subordinated debt		-	(44,500)
Cash (used in) provided by financing activities		(17,360)	2,527
(Decrease) increase in cash and cash equivalents		(967)	604
Cash and cash equivalents, beginning of period		2,347	296
Cash and cash equivalents, end of period		1,380	900

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

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

1. Description of business

Vertex is a publicly listed company on the TSX Venture Exchange ("TSXV") trading under the symbol VTX. The Company provides environmental services to a diverse clientele across Western Canada and in select locations in the United States.

In Canada, the level of activity is influenced by seasonal weather patterns as well as trends in the industries in which its customers operate. The Company is typically the busiest during the third and fourth quarters with lower activity levels in the first and second quarters. In particular, during the second quarter, commonly referred to as the "spring break-up", the frost leaves the ground making certain roads incapable of supporting the weight of heavy equipment resulting in restrictions in the level of industrial and energy activity across Western Canada.

2. Basis of preparation

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

The condensed consolidated interim financial statements were approved by the Board of Directors (the "Directors") on November 7, 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual financial statements. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the most recent annual financial statement, except for those policies disclosed in Note 3. The effects of the adoption of new IFRS pronouncement is disclosed in Note 15.

3. Summary of significant accounting policies

The following significant accounting policies were amended during the period. All other significant accounting policies are consistent with those reported in the Company's 2018 annual consolidated financial statements.

a) Leases

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Note 15 outlines the effect of adopting IFRS 16 requirements on January 1, 2019.

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

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

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

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

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

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

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

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

b) Intangible Assets

(i) Internally Generated Intangible Assets

Research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved product and process. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

(ii) Amortization

Development expenditures are intangible assets with finite lives and are amortized on a straight-line basis over the period of their expected useful lives ranging from three to five years.

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

(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
Cost					
As at December 31, 2018	11,305	64,570	5,005	63,406	144,286
Reclass finance leases ⁽¹⁾	-	-	-	(10,096)	(10,096)
As at January 1, 2019	11,305	64,570	5,005	53,310	134,190
Additions	330	733	862	2,607	4,532
Transfer from Right of Use Assets (Note 5)	-	-	-	1,330	1,330
Disposals	-	(767)	(950)	(4,139)	(5,856)
As at September 30, 2019	11,635	64,536	4,917	53,108	134,196
Accumulated amortization					
As at December 31, 2018	5,969	33,240	2,632	10,854	52,695
Reclass finance leases ⁽¹⁾	-	-	-	(668)	(668)
As at January 1, 2019	5,969	33,240	2,632	10,186	52,027
Amortization	597	4,320	627	5,782	11,326
Transfer from Right of Use Assets (Note 5)	-	-	-	398	398
Disposals	-	(368)	(950)	(3,685)	(5,003)
As at September 30, 2019	6,566	37,192	2,309	12,681	58,748
Carrying value					
As at December 31, 2018	5,336	31,330	2,373	52,552	91,591
As at September 30, 2019	5,069	27,344	2,608	40,427	75,448

⁽¹⁾ With the adoption of IFRS 16 at January 1, 2019, the Company reclassified finance leases previously presented with Property and equipment to Right of use assets.

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

5. Right of Use Assets and Lease Liabilities

a) Right of Use Assets

The Company's significant lease arrangements include contracts for leasing office, shop and yard premises, and operating equipment. All leases involve right of use assets that are unsecured unless otherwise indicated.

	Real Property	Operating Equipment	Total
Cost			
IFRS 16 adoption entry (Note 15)	25,008	-	25,008
Reclass finance leases ⁽¹⁾	-	10,096	10,096
As at January 1, 2019	25,008	10,096	35,104
Additions	951	8,723	9,674
Transfer to property and equipment (Note 4)	-	(1,330)	(1,330)
Disposals	(688)	(1,475)	(2,163)
As at September 30, 2019	25,271	16,014	41,285
Accumulated amortization			
IFRS 16 adoption entry (Note 15)	-	-	-
Reclass finance leases ⁽¹⁾	-	668	668
As at January 1, 2019	-	668	668
Amortization	3,173	2,967	6,140
Transfer to property and equipment (Note 4)	-	(398)	(398)
Disposals	(657)	(378)	(1,035)
As at September 30, 2019	2,516	2,859	5,375
Carrying value			
As at September 30, 2019	22,755	13,155	35,910

⁽¹⁾ With the adoption of IFRS 16 at January 1, 2019, the Company reclassified finance leases previously presented with Property and equipment to Right of use assets.

ROU assets acquired during the nine month period ended September 30, 2019 totaled \$9.7 million and have been treated as non-cash transactions for purposes of the consolidated statement of cash flows.

Secured operating equipment are leases that include an option to purchase that the Company plans to exercise when the lease contract is negotiated. Once a contractual option to purchase has been exercised, the underlying asset ceases to be a right of use asset and becomes property and equipment of the Company. The net book value of assets that ownership transferred during the period ending September 30, 2019 was \$0.9 million (Note 4). The carrying value of secured operating equipment at September 30, 2019 was \$9.1 million.

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

b) Lease Liabilities Continuity

	Real Property	Operating Equipment	Total
IFRS 16 adoption entry (Note 15)	27,203	-	27,203
Reclass finance leases ⁽¹⁾	-	7,477	7,477
As at January 1, 2019	27,203	7,477	34,680
Additions	951	8,723	9,674
Interest accretion during the period	1,162	386	1,548
Payments	(4,392)	(3,582)	(7,974)
Disposals	-	(1,128)	(1,128)
As at September 30, 2019	24,924	11,876	36,800

⁽¹⁾ With the adoption of IFRS 16 at January 1, 2019, the Company reclassified finance leases previously presented with Loans and borrowings to Lease liabilities.

Lease liabilities related to secured operating equipment were \$7.9 million at September 30, 2019.

c) Lease Liabilities

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

	Total
Not later than one year	9,679
Later than one year and not later than five years	25,808
Later than five years	9,198
Total minimum lease payments	44,685
Less: amounts representing interest at rates ranging from 3.2% to 8.0%	7,885
Present value of minimum lease payments	36,800
Less: current portion	7,636
As at September 30, 2019	29,164

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

6. Intangible Assets

	Customer relationships	Intellectual Property	Non-compete agreements	Development Costs	Total
Cost					
As at December 31, 2018	11,178	800	1,220	-	13,198
Additions	-	-	-	506	506
As at September 30, 2019	11,178	800	1,220	506	13,704
Accumulated amortization					
As at December 31, 2018	10,232	400	712	-	11,344
Amortization	392	200	184	23	799
As at September 30, 2019	10,624	600	896	23	12,143
Carrying value					
As at December 31, 2018	946	400	508	-	1,854
As at September 30, 2019	554	200	324	483	1,561

7. Loans and borrowings

	September 30, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Revolving loan (a)	-	21,400	21,400	-	29,000	29,000
Term loan (b)	6,398	40,601	46,999	6,875	39,676	46,551
Equipment loans (d)	1,978	2,644	4,621	1,800	2,777	4,577
Finance leases ⁽¹⁾	-	-	-	1,925	5,552	7,477
Total borrowings	8,376	64,644	73,020	10,600	77,005	87,605

⁽¹⁾ With the adoption of IFRS 16 at January 1, 2019, the Company reclassified finance leases previously presented with Loans and borrowings to Lease liabilities.

On September 27, 2019, the Company amended its Credit Facility by adding \$5.0 million on its term loan and applied the proceeds as a payment against the revolving loan. The amortization schedule and the step down schedule of the ratio of consolidated senior indebtedness to trailing EBITDA was also revised and is described below.

a) *Revolving loan*

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

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

b) *Term loan*

The term loan, as amended, was \$48.8 million and can be a mix of account overdraft with interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75%-2.00%, CAD Bankers' Acceptance rate and USD LIBOR loans plus stamping fees of 1.75%-3.00%. The interest rate ranges are based on the funded debt to EBITDA ratio for the preceding quarter. The term loan is repayable in four quarterly principal payments of \$1,523, followed by three quarterly principal payments of \$1,828 with a final payment of \$37.2 million due on maturity of May 10, 2021. In addition to the scheduled principal payments, the term loan includes an additional principal payment based on an annual excess cash flow. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio at December 31, 2019 exceeds 2.75:1.00.

c) *Operating loan*

The syndicate facilities include a secured operating facility authorized to a maximum of \$5.0 million to be used for general corporate purposes. The operating loan may be borrowed, repaid and re-borrowed on a revolving basis from the Closing Date until the Maturity Date. To the extent funds are drawn on the operating facility they will bear interest at rates ranging from HSBC's CAD prime rate or USD base rate plus 0.75%-2.00%. There was no amount drawn on this facility at September 30, 2019.

d) *Equipment loans*

Equipment loans are secured by assets with a carrying value at September 30, 2019 of \$5.2 million (December 31, 2018 - \$6.9 million).

e) *Transaction costs*

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

	September 30, 2019	December 31, 2018
Term loan - face value	47,227	46,875
Transaction costs	(228)	(324)
Carrying amount	46,999	46,551

f) *Borrowing covenants – Senior Credit Facility*

All loans are being provided in Canadian dollars and are subject to the following financial covenants:

- The ratio of consolidated senior indebtedness to trailing EBITDA, calculated on a trailing twelve month basis, must not exceed:
 - 3.75 to 1.00 for all quarters ending in fiscal 2020;
 - 3.50 to 1.00 thereafter.
- The ratio of net cash flow to fixed charges, the Fixed Charge Coverage ratio, must be more than 1.20 to 1.00 calculated on a rolling four-quarter basis.

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

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

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

- EBITDA is defined as net income before interest, taxes, depreciation and amortization, gains and losses on disposal of assets, amortization of capitalized deferred financing costs, goodwill/intangible impairment, stock-based compensation, and other gains and losses not considered reflective of underlying operations. Trailing twelve month EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.
- Net cash flow is defined as EBITDA reduced by net capital expenditures and cash taxes.
- Fixed charges is calculated as interest expense plus scheduled principal payments of indebtedness during the twelve month trailing period.

At September 30, 2019 the Company was in compliance with the terms and covenants of its lending agreements which are as follows:

	Target	September 30, 2019	December 31, 2018
<i>Credit facilities</i>			
Funded debt to EBITDA	< 3.75 : 1	3.68	3.37
Fixed charge coverage ratio	> 1.20 : 1	1.24	1.98

8. Provisions

	Onerous lease	Contingent deferred payment	Sellers' notes	Total
As at December 31, 2018	506	1,175	3,737	5,418
Adoption of IFRS 16 (Note 15)	(506)	-	-	(506)
Interest accretion during the period	-	-	116	116
Payments	-	-	(2,182)	(2,182)
As at September 30, 2019	-	1,175	1,671	2,846

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

	September 30, 2019	December 31, 2018
Current portion of provisions	2,846	3,058
Non-current portion of provisions	-	2,360
	2,846	5,418

9. Share-based compensation

Stock Option Plan

The Company grants stock options to directors, officers, employees and consultants of the Company affiliates under its Stock Option Plan. Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of the Company for the five consecutive trading

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five years from the date of grant.

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

	September 30, 2019		December 31, 2018	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	4,875,000	1.00	4,428,155	1.00
Granted	-	1.00	750,000	1.00
Expired	-	-	(78,155)	1.00
Forfeited	(715,000)	1.00	(225,000)	1.00
Balance - end of period	4,160,000	1.00	4,875,000	1.00
Exercisable - end of period	1,161,666	1.00	1,375,000	1.00

10. Finance costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Interest on long-term debt	976	923	2,899	3,505
Interest accretion on unsecured lease liabilities and provisions	512	82	1,394	122
Interest accretion on secured lease liabilities	81	86	270	133
Financing and bank charges	156	72	259	4,080
	1,725	1,163	4,822	7,840

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

11. Net (loss) income per share

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Numerator:				
Net (loss) income and comprehensive (loss) income	(553)	6,506	(2,487)	1,861
Denominator:				
Weighted average shares outstanding - basic & diluted	91,253,115	90,942,245	91,253,115	89,361,104
(Loss) income per share				
Basic & diluted	(0.01)	0.07	(0.03)	0.02

In calculating the loss per share for the three and nine month periods ended September 30, 2019, the Company excluded 2,197,206 warrants, 4,160,000 options, and 2,160,009 contingent shares (three and nine months ended September 30, 2018 – 2,197,206 warrants, 4,203,155 options, and 2,160,009 contingent shares) as their impact was anti-dilutive.

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 or officer.

	Nature of relationship	Three months ended		Nine months ended	
		September 30,		September 30,	
		2019	2018	2019	2018
<i>Transactions:</i>					
Amortization of right of use assets	(i)	148	-	444	-
Interest accretion on unsecured lease liabilities	(i)	110	-	297	-
General and administrative expenses - rent	(i)	-	225	-	675
Property and equipment additions	(i)	-	-	-	856

(i) Related by common director, officer

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

13. Supplemental cash flow information

	Nine months ended	
	September 30,	
	2019	2018
<i>Changes in non-cash working capital:</i>		
Accounts receivable	8,027	(2,074)
Contract assets	(3,051)	(2,074)
Inventories	194	(653)
Prepaid expenses and deposits	(655)	(1,288)
Accounts payable and accrued liabilities	332	(8,668)
Contract liabilities	(993)	1,443
Income taxes payable	94	(66)
	3,948	(13,380)
<i>Net cash paid during the period for:</i>		
Interest	3,150	3,942
Income taxes	60	67

14. Segmented information

The accounting policies and practices for the Company's segments are the same as those described in Note 2. The Company has determined the composition of its reportable segments has changed. As a result of these changes, the Company's operations are viewed as a single operating segment by the Company's Executives for the purpose of resource allocation and assessing performance. As a result of the change in the composition of the Company's reportable segments, no segmented information has been presented in the current or comparative periods.

15. Adoption of IFRS 16 IFRS Pronouncement

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

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

- (i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term lease;
- (ii) Leases of low dollar value will continue to be expensed as incurred;
- (iii) Grandfathering IFRIC 4 assessment to conclude no leases are contained in service agreement;
- (iv) Apply a single discount rate to a portfolio of leases with similar characteristics;

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2019

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

(unaudited)

- (v) Use the Company's previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of January 1, 2019. The incremental borrowing rates applied to the lease liabilities on January 1, 2019 ranged from 6.0% to 7.4%, depending on the relevant facts and circumstances, geographical location, and lease term duration of the leased property.

Secured operating equipment, formerly finance leases, are leases that include an option to purchase that the Company plans to exercise at the inception of the lease. Until the Company exercises the purchase option, the asset remains secured property of the lessor.