Consolidated financial statements of

Vertex Resource Group Ltd.

December 31, 2019

Vertex Resource Group Ltd.

December 31, 2019

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Independent auditor's report

To the Shareholders of Vertex Resource Group Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vertex Resource Group Ltd. and its subsidiaries (together, the Company) as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of net (loss) income and comprehensive (loss) income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on March 22, 2019.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Anna Coghill.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Edmonton, Alberta
June 9, 2020

Vertex Resource Group Ltd.

Consolidated statements of financial position
Years ended December 31
(in thousands of Canadian dollars)

As at	Notes	**2019**	2018
Assets			
Current assets			
Cash and cash equivalents		**414**	2,347
Accounts receivable and accrued receivables	7	**32,819**	40,303
Contract assets	8	**1,910**	2,325
Inventories	9	**2,908**	3,204
Prepaid expenses and deposits		**2,315**	2,906
		40,366	51,085
Property and equipment	10	**73,658**	91,591
Right of use assets	11	**23,074**	-
Intangible assets	12	**1,569**	1,854
Goodwill	13	**28,126**	34,081
Deferred income taxes	17	**5,125**	6,210
		171,918	184,821
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	**15,927**	17,188
Contract liabilities	8	**75**	1,135
Income taxes payable		**185**	44
Current portion of loans and borrowings	15	**10,413**	10,600
Current portion of other liabilities	16	**1,955**	3,058
Current portion of lease liabilities	11	**5,187**	-
		33,742	32,025
Loans and borrowings	15	**60,603**	77,005
Other liabilities	16	**975**	2,360
Lease liabilities	11	**19,130**	-
Deferred income taxes	17	**3,915**	7,736
		118,365	119,126
Shareholders' Equity			
Common shares	18	**83,231**	83,231
Deficit		**(30,952)**	(18,622)
Contributed surplus		**1,274**	1,086
		53,553	65,695
		171,918	184,821

Subsequent events - Note 30

The accompanying notes are an integral part of these consolidated finanicial statements.

Approved by the Board

(Signed) "Terry Freeman" Director .... *(Signed) "Brian F. Butlin"* Director ....

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Vertex Resource Group Ltd.

Consolidated statements of net (loss) income and comprehensive (loss) income

Years ended December 31

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

	Notes	**2019**	2018
Revenue	20	**168,070**	150,385
Direct costs	21	**128,778**	109,892
Gross profit (1)		**39,292**	40,493
General and administrative expenses	21	**16,986**	19,884
Share-based compensation	19,21	**188**	194
Depreciation and amortization	10,12,21	**18,429**	17,882
Depreciation of right of use assets	11	**4,417**	-
Finance costs	22	**5,988**	9,181
Impairment	11,13	**6,749**	-
Gain on bargain purchase	6	**-**	(7,862)
(Loss) income before income taxes		**(13,465)**	1,214
Income tax recovery	17	**(2,151)**	(1,077)
Net (loss) income and comprehensive (loss) income for the year		**(11,314)**	2,291
Net (loss) income per share			
Basic and diluted	23	**(0.12)**	0.03

(1) Gross profit is comprised of gross profit before depreciation.

The accompanying notes are an integral part of these consolidated finanicial statements.

Vertex Resource Group Ltd.

Consolidated statements of changes in shareholders' equity
Years ended December 31
(in thousands of Canadian dollars)

	Notes	**2019**	2018
Common shares			
Balance, beginning of the year	18	**83,231**	79,794
Shares issued in business acquisitions	6	**-**	1,664
Shares issued in settlement of seller's note	16	**-**	1,773
Balance, end of the year		**83,231**	83,231
Contributed surplus			
Balance, beginning of the year		**1,086**	892
Share-based compensation	19	**188**	194
Balance, end of the year		**1,274**	1,086
Deficit			
Balance, beginning of the year		**(18,622)**	(20,913)
Adoption of IFRS 16 - Leases	29	**(1,016)**	-
Balance, beginning of the year as adjusted		**(19,638)**	(20,913)
Net (loss) income and comprehensive (loss) income		**(11,314)**	2,291
Balance, end of the year		**(30,952)**	(18,622)
Total shareholders' equity		**53,553**	65,695

The accompanying notes are an integral part of these consolidated finanicial statements.

Vertex Resource Group Ltd.

Consolidated statements of cash flows
Years ended December 31
(in thousands of Canadian dollars)

	Notes	2019	2018
Operating activities			
Net (loss) income		**(11,314)**	2,291
Items not affecting cash			
Depreciation and amortization	10,11,12	**22,846**	17,882
Impairment	11,13	**6,749**	-
Share-based compensation	19	**188**	194
Deferred financing charges	15	**129**	2,419
Gain on disposal of property and equipment		**(671)**	(788)
Deferred income taxes	17	**(2,365)**	(1,146)
Gain on bargain purchase	6	**-**	(7,862)
		15,562	12,990
Changes in non-cash working capital items	25	**6,612**	(3,736)
Cash provided by operating activities		**22,174**	9,254
Investing activities			
Purchase of property and equipment	10	**(7,645)**	(7,991)
Additions to intangible assets	12	**(801)**	-
Proceeds from disposal of property and equipment	10	**1,799**	3,997
Acquisition of subsidiaries, net of cash acquired	6	**-**	(4,533)
Cash used in investing activities		**(6,647)**	(8,527)
Financing activities			
Repayment of revolving loan	15	**(7,600)**	(1,000)
Repayment of term loan	15	**(6,172)**	(3,125)
Principal payments of other liabilities	16	**(2,582)**	(2,358)
Repayment of equipment loans	15	**(2,033)**	(11,257)
Principal payments of lease liabilities	11	**(6,237)**	-
Proceeds from term loan and revolving loan	15	**5,000**	80,000
Proceeds from equipment loans	15	**1,564**	4,230
Proceeds from other liabilities	16	**600**	-
Repayment of finance leases	15	**-**	(1,933)
Financing charges - deferred	15	**-**	(431)
Repayment of senior debt, subordinated debt and operating loar	15	**-**	(62,802)
Cash (used in) provided by financing activities		**(17,460)**	1,324
(Decrease) increase in cash and cash equivalents		**(1,933)**	2,051
Cash and cash equivalents, beginning of year		**2,347**	296
Cash and cash equivalents, end of year		**414**	2,347

The accompanying notes are an integral part of these consolidated finanicial statements.

1. Description of business

Vertex Resource Group Ltd. ("the Company") is a publicly listed company on the TSX Venture Exchange ("TSXV") trading under the symbol VTX. The Company provides environmental consulting and support 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 service activity across western Canada.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the accounting policies set out below have been applied consistently to all periods presented. These consolidated financial statements were approved by the Board of Directors (the "Directors") on June 9, 2020.

b) 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, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

c) 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 recognized 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.

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 recognized in other comprehensive income and accumulated in equity.

d) Principles of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries and its limited partnerships. Subsidiaries and limited partnerships 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 and limited partnerships 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 and limited partnerships at December 31, 2019 are Vertex Resource Services Ltd., Vertex Professional Services Ltd., Vertex Oilfield Services Ltd., Three Star Trucking Ltd., Acden Vertex LP, and Dominion Leasing Inc. 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*

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.

3. Significant accounting policies

a) *Changes in accounting policies*

IFRS 16, Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16. For comparative periods prior to 2019, the Company applied leases policies in accordance with IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Note 29 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. The Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 Company is reasonably certain to exercise an option to terminate.

The lease payments are discounted using the Company's incremental borrowing rate. The 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 12 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.

Prior to January 1, 2019, the Company's policy with respect to leases was as follows:

The Company leased certain property and equipment. Leases of property and equipment where the Company had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were 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 was allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, were incurred in loans and finance leases. The interest element of the finance cost was charged to the consolidated statements of net (loss) income and comprehensive (loss) 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 were received to enter into operating leases, such incentives were recognized as a liability. The aggregate benefit of incentives was recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Operating lease payments were recognized as an expense on a straight-line basis over the lease term, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

b) *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.

c) *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. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. A gain on bargain purchase arises when the sum of the fair value of identifiable net assets exceeds the fair value of consideration. Acquisition-related costs and gain on bargain purchase are recognized in profit or loss as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Changes in the fair value of liability classified contingent consideration are recognized in net loss.

d) *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.

e) *Property and equipment*

Property and equipment are recorded at cost, less accumulated amortization 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.

Amortization is provided on the straight-line method over the estimated useful lives 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 amortized 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 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.

Assets held under finance leases (year ended December 31, 2018) were amortized over their expected useful lives on the same basis as owned assets; however, when there was no reasonable certainty that ownership will be obtained by the end of the lease term, assets were depreciated over the shorter of the lease term and their useful lives.

f) 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.

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.

Amortization is recorded using the following estimated useful lives:

Customer relationships	3-5 years
Intellectual property	3-5 years
Non-compete agreements	3-5 years
Development costs	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.

g) 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.

Goodwill is not amortized but is reviewed for impairment at least annually. 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 ("CGU") 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 CGU 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.

h) 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 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 goodwill is monitored for internal reporting purposes.

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. 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.

i) Revenue recognition

Revenue is recognized when a customer obtains control over the goods or services at which point performance obligations are satisfied and when the collection is reasonable assured. For any change in transaction price as a result of a variation or claim, the Company will only recognize revenue to the extent that it is highly probable that revenue will not reverse in the future.

The Company's services are provided based on orders and contracts with customers that include fixed or determinable prices and are based on daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. The Company recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

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 intercompany sales.

a) Sales of goods: Revenue from the sales of goods is mainly comprised of manufactured products and is recognized when the customer retains control of the product transfers to the customer and the Company has fulfilled its performance obligations with respect to delivery of the product.

b) Rendering of services: The Company's services revenue includes equipment rentals, fluid hauling and consulting services. Revenue is recognized over time as the Company satisfies its performance obligations. These contracts are short-term with expected duration of less than one year. The Company has elected to use the practical expedient under IFRS 15, paragraph B16, as the Company invoices its customers on a per hour, per day, or per month basis, depending on the contract, that directly corresponds with the value received by the customer.

c) Contracting: 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 recognized using the over time method.

Under IFRS 15, the amount of anticipated revenue used when determining the amount of revenue to be recognized is based on contracts with legally enforceable rights and obligations. When the outcome of a construction contract can be measured 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 measured reliably and its receipt is considered highly 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 expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profit exceed progress billings, the surplus is shown as contract assets in the consolidated statements of financial position. For contracts where progress billings exceed contract costs incurred to date plus recognized profits, the surplus is shown as contract liabilities in the consolidated statements of financial position.

j) Income taxes

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of prior years.

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 arises 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 combinations.

k) 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.

l) Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction. Measurement in subsequent periods is dependent on whether the instrument is classified as “amortized cost”, “fair value through profit or loss” or “fair value through other comprehensive income”.

The Company derecognizes a financial asset when the contractual right to the cash flows from the asset expires, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following financial assets and liabilities recognized at amortized cost:

- Cash and cash equivalents are initially recognized at fair value and are subsequently measured at amortized cost with changes therein recognized in net (loss) income.

- The Company's accounts receivable and contract assets are classified under the amortized cost category and are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

- Accounts payables and accrued liabilities and contract liabilities, other current liabilities including promissory notes obtained through acquisition, are classified under the amortized cost category. Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred with respect to the loans and borrowing are deferred and amortized using the straight-line method over the term of the loan.

The Company has the following financial liabilities recognized at fair value through profit or loss:

- contingent share consideration on Sonic acquisition in 2017 is initially recognized at fair value and subsequently measured at fair value with changes recognized in profit or loss.

m) Financial asset impairment

Financial asset impairments are accounted for under the IFRS 9, Financial Instruments ("IFRS 9") expected credit loss model. Expected credit losses are the present value of all cash shortfalls over the expected life of the financial instrument.

The expected credit loss model generally requires entities to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Although IFRS 9 does not require the loss allowance to be recognized at initial recognition of the new financial asset but rather at the next reporting date, the effect is the same as to recognizing a day one loss. Impairment is measured as either: i) 12-month expected credit losses; or ii) lifetime expected credit losses.

The Company applies the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are in scope of IFRS 15 and that do not have a significant financing component.

n) 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.

o) 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 at 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 at 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.

p) Leases

Lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. ROU assets are initially measured at the amount of the lease liability, plus any lease payments made at or before the commencement date, any indirect costs, and estimated cost for dismantling or restoring the asset. Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company used a single discount rate for a portfolio of leases with reasonably similar characteristics. The Company determines its incremental borrowing rate using an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease term and security. Lease payments on short-term leases or leases on which the underlying asset is of low value are accounting for as expenses on a straight-line basis in the consolidated statements of net (loss) income and comprehensive (loss) income.

q) 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.

r) 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.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding. Contingently issuable shares are included in the computation of basic EPS from the date when all necessary conditions have been satisfied and, thus, although issuing the shares is still a future transaction, it is no longer contingent.

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.

s) *Provisions and contingencies*

Provisions and contingencies 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. Provisions and contingencies are measured 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.

t) *Finance costs*

Finance costs encompass interest expense on financial liabilities and accretion expense on debt and are recognized as an expense in the period in which they are incurred.

4. Future accounting standard pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the International Accounting Standards Board (IASB). There have been no new standards or interpretations issued during 2019 that are anticipated to have a significant impact on the Company's accounting policies or disclosures.

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) *Measure of progress*

The identification of performance obligations and the use of the appropriate revenue recognition method for each performance obligation are the main steps involved in the revenue recognition process, both of which require the exercise of judgment and the use of assumptions.

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) *Valuation of non-financial assets*

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 outcome of impairment testing.

d) *Provisions and contingencies*

The determination of provisions and contingencies is a complex process that involves judgment about the outcome of future events, estimates of timing and amount of future expenditures, and discount rates.

The amount recognized as a provision or contingency is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

e) *Lease – extension options*

Extension options are included in a number of real property leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise and extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the Company.

<u>Key sources of estimation uncertainty</u>

The key assumptions concerning the future and other key sources of estimating uncertainty at the consolidated statements 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 financial assets*

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments and include cash and accounts receivable. They are recognized initially at their face value, except when fair value is materially different, and are subsequently measured at amortized cost using the effective interest rate method, less a provision for impairment. A provision for impairment is established using a forward-looking expected credit loss model.

b) *Valuation of non-financial assets*

The Company tests property and equipment, ROU assets, intangible assets (if indicators are present) and goodwill annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the property and equipment, ROU assets, intangible assets and goodwill are 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 is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing non-financial assets for impairment. 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 13 to these consolidated financial statements.

c) *Business combinations*

The Company applies the acquisition method of accounting for 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.

d) *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.

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

e) *Leases*

In 2019, the Company estimates the incremental borrowing rate used to measure the lease liability for each lease contract. This includes estimation in determining the asset-specific security impact. In 2018, prior to the adoption of IFRS 16, estimation related to leases was not required.

6. Business acquisitions

During the year ended December 31, 2019, the Company did not complete any acquisitions compared to three acquisitions in the year ended December 31, 2018. Details of the purchase prices and allocation to the assets and liabilities acquired, net of debt financing, are as follows:

	2018 Total
Cash and cash equivalents	457
Other current assets	8,340
Intangibles	575
Property and equipment	40,166
	49,538
Current liabilities	(9,881)
Debt	(12,597)
Deferred tax liability	(4,165)
Net assets	22,895
Fair value of consideration:	
Cash	4,990
Sellers' notes	5,279
Shares	1,664
Capital lease	3,100
	15,033
Gain on bargain purchase	7,862

Environmental Services - 2018

On May 31, 2018, the Company reached an agreement to purchase 100% of the outstanding shares of an environmental services company providing vacuum, hydrovac, fluid hauling, hot oiler and pressure truck services for a purchase price of $3.3 million paid with an unsecured, non-interest bearing seller's note with a face value of $2.5 million (fair value of $2.4 million as noted below) and $0.8 million in cash. Based on the final allocation of fair values of the net assets, the Company identified a gain on bargain purchase of $0.2 million that was the result of net assets acquired exceeding consideration paid.

On June 27, 2018, the Company reached an agreement to purchase 100% of the operating assets of a private company providing hydrovac services to the Edmonton, Alberta region for $4.3 million. The total consideration of $4.3 million was paid with an unsecured, non-interest bearing seller's note with a face value of $1.2 million (fair value of $1.1 million as noted below) and cash derived from proceeds of a $3.1 million finance lease the Company entered into at the time this transaction closed.

On July 12, 2018, the Company reached an agreement to purchase 100% of the outstanding shares of an environmental services company providing fluid hauling, pressure truck, hot oiler and combo-vac services. For total consideration of $7.8 million, the Company paid cash of $4.2 million, agreed to an unsecured, non-interest bearing seller's note with a face value of $1.9 million (fair value of $1.8 million as noted below) and issued 2,600,000 Class A common shares at a fair value of $0.64 per share for $1.7 million, which has been recorded as an increase to share capital. The intangible assets acquired relate to non-compete agreements, backlog and customer relationships. Based on the final allocation of fair values of net assets, the Company identified a gain on bargain purchase of $7.6 million as net assets acquired exceeded consideration paid.

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

In order to determine the fair value of the consideration, the sellers' notes totaling $5.6 million for all three acquisitions, being financed over periods ranging from 12 to 25 months, were fair valued. The Company measured the fair value of the sellers' notes as the present value of future cash outflows discounted using an estimated market rate of interest of 5.7%. The Company has determined the fair value of the sellers' notes at the transactions dates to be $5.3 million. Subsequent to initial recognition, the sellers' notes are accounted for at amortized cost using the effective interest method.

Revenue and net income derived from the date of acquisitions to December 31, 2018 were $33.1 million and $0.9 million, respectively. The Company estimates it would have reported consolidated revenue of approximately $176.7 million and a net income of approximately $1.4 million for the year ended December 31, 2018 if the acquisitions had been completed on January 1, 2018.

7. Accounts receivable and accrued receivables

	2019	2018
Trade accounts receivable	**30,198**	40,199
Accrued receivables	**1,154**	-
Other receivables	**1,784**	358
Less: Allowance for expected credit losses	**(317)**	(254)
	32,819	40,303

8. Contract assets and contract liabilities

The net amount due from (to) customers for contract in progress at the consolidated statements of financial position date is as follows:

	2019	2018
Contract cost incurred plus recognized profit less recognized losses to date	**4,515**	5,674
Less: Progress billings	**(2,680)**	(4,484)
Total net contract position	**1,835**	1,190
Unbilled revenue	**1,910**	2,325
Deferred revenue	**(75)**	(1,135)
	1,835	1,190

The Company issues invoices in accordance with the billing schedule or contract terms as agreed. The invoices trigger recognition of an accounts receivable equal to the progress billings noted above.

9. Inventories

	2019	2018
Trucking inventory - raw materials	**1,072**	1,154
Safety - raw materials	**827**	977
Chemical - raw materials	**506**	592
Manufacturing inventory - raw materials	**503**	481
	2,908	3,204

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

During the year ended December 31, 2019, the Company recognized $8.7 million (2018 - $13.5 million) of inventories in direct costs as an expense.

10. Property and equipment

	Land, buildings and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
Cost					
As at December 31, 2017	8,642	60,753	6,566	32,778	108,739
Additions	505	3,919	693	6,732	11,849
Additions from business acquisitions (Note 6)	4,530	2,400	21	33,215	40,166
Disposals	(2,372)	(2,502)	(2,275)	(9,319)	(16,468)
As at December 31, 2018	11,305	64,570	5,005	63,406	144,286
Reclass finance leases (1)	-	-	-	(8,633)	(8,633)
As at January 1, 2019	11,305	64,570	5,005	54,773	135,653
Additions	1,163	1,330	1,047	4,105	7,645
Transfer from ROU assets (Note 11)	-	-	-	1,330	1,330
Disposals	-	(871)	(1,067)	(7,131)	(9,069)
As at December 31, 2019	**12,468**	**65,029**	**4,985**	**53,077**	**135,559**
Accumulated depreciation					
As at December 31, 2017	6,617	28,981	4,103	9,515	49,216
Depreciation	1,307	6,360	802	8,428	16,897
Disposals	(1,955)	(2,101)	(2,273)	(7,089)	(13,418)
As at December 31, 2018	5,969	33,240	2,632	10,854	52,695
Reclass finance leases (1)	-	-	-	(594)	(594)
As at January 1, 2019	5,969	33,240	2,632	10,260	52,101
Depreciation	740	5,702	822	10,079	17,343
Transfer from ROU assets (Note 11)	-	-	-	398	398
Disposals	-	(465)	(1,067)	(6,409)	(7,941)
As at December 31, 2019	**6,709**	**38,477**	**2,387**	**14,328**	**61,901**
Carrying value					
As at December 31, 2018	5,336	31,330	2,373	52,552	91,591
As at January 1, 2019	5,336	31,330	2,373	44,513	83,552
As at December 31, 2019	**5,759**	**26,552**	**2,598**	**38,749**	**73,658**

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

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

11. Right of Use

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	17,734	-	17,734
Reclass finance leases [(1)]	-	8,633	8,633
As at January 1, 2019 (Note 29)	17,734	8,633	26,367
Additions	1,080	2,999	4,079
Transfer to property and equipment (Note 10)	-	(1,330)	(1,330)
Disposals	(845)	-	(845)
As at December 31, 2019	**17,969**	**10,302**	**28,271**
Accumulated depreciation			
IFRS 16 adoption entry	-	-	-
Reclass finance leases [(1)]	-	594	594
As at January 1, 2019 (Note 29)	-	594	594
Depreciation	3,423	994	4,417
Impairment	784	-	784
Transfer to property and equipment (Note 10)	-	(398)	(398)
Disposals	(200)	-	(200)
As at December 31, 2019	**4,007**	**1,190**	**5,197**
Carrying value			
As at December 31, 2019	**13,962**	**9,112**	**23,074**

[(1)] With the adoption of IFRS 16 as at January 1, 2019, the Company reclassified finance leases previously presented with property and equipment to ROU assets.

ROU assets acquired during the year ended December 31, 2019 totaled $4.1 million and have been treated as non-cash transactions for purposes of the consolidated statements 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 year ending December 31, 2019 was $0.9 million (Note 10). The carrying value of secured operating equipment as at December 31, 2019 was $9.2 million.

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

b) Lease Liabilities Continuity

	Real property	Operating equipment	**Total**
IFRS 16 adoption entry	19,633	-	19,633
Reclass finance leases [1]	-	7,477	7,477
As at January 1, 2019 (Note 29)	19,633	7,477	27,110
Additions	1,080	2,999	4,079
Interest accretion during the year	1,115	351	1,466
Payments	(4,706)	(2,997)	(7,703)
Disposals	(635)	-	(635)
As at December 31, 2019	**16,487**	**7,830**	**24,317**
Presented as:			
Current portion of lease liabilities			**5,187**
Lease liabilities			**19,130**
			24,317

[1] With the adoption of IFRS 16 as 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 $8.0 million as at December 31, 2019.

The following table presents the maturity analysis of contractual undiscounted cash flows, excluding likely lease term renewals, related to the Company's lease liabilities as at December 31, 2019:

Year	**Total**
2020	6,606
2021	6,314
2022	5,834
2023	4,025
2024	2,458
2025 and thereafter	1,062
Total	**26,299**

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

12. Intangible assets

	Customer relationships	Intellectual property	Non-compete agreements	Development costs	Total
Cost					
As at December 31, 2017	10,863	800	960	-	12,623
Additions (Note 6)	315	-	260	-	575
As at December 31, 2018	11,178	800	1,220	-	13,198
Additions	-	-	-	801	801
Disposals	(9,488)	-	(385)	-	(9,873)
As at December 31, 2019	**1,690**	**800**	**835**	**801**	**4,126**
Accumulated amortization					
As at December 31, 2017	9,742	133	484	-	10,359
Amortization	490	267	228	-	985
As at December 31, 2018	10,232	400	712	-	11,344
Amortization	521	267	244	54	1,086
Disposals	(9,488)	-	(385)	-	(9,873)
As at December 31, 2019	**1,265**	**667**	**571**	**54**	**2,557**
Carrying value					
As at December 31, 2018	946	400	508	-	1,854
As at December 31, 2019	**425**	**133**	**264**	**747**	**1,569**

13. Goodwill

Goodwill is monitored by management at the level of the consulting, fluid management and rentals CGU's. A CGU level summary of the goodwill allocation is presented below:

	Consulting	Fluid management	Rentals	Total
Carrying value				
As at December 31, 2018	**20,760**	**7,366**	**5,955**	**34,081**
Impairment	-	-	5,955	5,955
As at December 31, 2019	**20,760**	**7,366**	**-**	**28,126**

Impairment test for goodwill

The recoverable amount of the consulting, fluid management and rentals CGUs was determined based on fair value less costs of disposal ("FVLCD") calculations using Level 3 inputs. These calculations use projections over a five-year period based on financial budgets approved by management. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The Company performs its annual impairment tests as at December 31 each year.

Management performed the annual impairment test as at December 31, 2019, for the above noted CGUs. The testing was based on results in the year that reflect the challenging results experienced in the current year in addition to uncertainties related to external market factors. Impairment of $6.0 million was recorded in the rentals CGU. (2018 - $nil). No class of assets other than goodwill was impaired. No impairment was recorded in the consulting or fluid management CGUs.

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

a) Key assumptions used for recoverable amount calculations:

In percent	**2019**	2018
Discount rate	**15.0**	15.0
Terminal value growth rate	**2.5**	2.0
Budgeted EBITDA growth rate (average of next five years)		
Consulting CGU	**11.3**	6.8
Fluid management CGU	**9.7**	15.3
Rentals CGU	**24.7**	9.9

Management determined forecasted gross margins based on past performance and its expectations for market trends. Growth rates applied to expenditures in the forecast were 2.0%. The discount rates used reflect specific risks related to the relevant CGU.

The recoverable amounts were based on FVLCD using discounted cash flows (DCF) methodology (2018 -- value in use methodology). The significant assumptions applied in the goodwill impairment test are described below:

- Cash flows: Estimated cash flows are based on budgeted EBITDA. The forecast is extended to a total of five years based on an analysis of the industry's expected growth rates, historical and forecast volume changes, growth rates and inflation rates.
- Discount rate: The weighted average cost of capital ("WACC") was estimated based on market capital structure of debt, risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded companies, an unsystematic risk premium, and after-tax cost of debt based on corporate bond yields.
- Terminal value growth rate: Five years of cash flows have been included in the DCF models. Maintainable debt-free net cash flows beyond the forecast period are estimated to approximate the 2024 cash flows increased by a terminal growth rate of 2.5% and is based on forecast inflation rates and management's experience.

Assumptions that are valid at the time of preparing cash flow projections may change significantly when new information becomes available. The Company performed a sensitivity analysis by increasing pre-tax discount rate by 1% and by lowering the terminal growth rate by 1% and noted no change to the results noted above.

Subsequent to the year-end, significant declines in the spot price for oil and gas and significant declines in the stock market have occurred for various reasons linked to the coronavirus pandemic and other conditions impacting worldwide oil prices (Note 30).

The Company's impairment tests are based on FVLCD. In accordance with IFRS, the Company has not reflected these subsequent conditions in the measurement of its assets as at December 31, 2019.

14. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable	**12,134**	11,896
Employee related accounts payable	**1,685**	1,293
Accrued liabilities	**2,108**	3,999
	15,927	17,188

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

15. Loans and borrowings

	December 31, 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)	**7,619**	**37,889**	**45,508**	6,875	39,676	46,551
Equipment loans (f)	**2,794**	**1,314**	**4,108**	1,800	2,777	4,577
Finance leases [1]	**-**	**-**	**-**	1,925	5,552	7,477
Total borrowings	**10,413**	**60,603**	**71,016**	10,600	77,005	87,605

[1] With the adoption of IFRS 16 as at January 1, 2019, the Company reclassified finance leases previously presented with loans and borrowings to lease liabilities.

Secured Credit Facilities

On May 11, 2018, the Company refinanced its demand operating loan, senior debt and subordinated debt with a secured credit facility involving a syndicate of financial institutions lead by HSBC Bank Canada ("HSBC"). On July 12, 2018, the Company amended its credit facility by adding $10.0 million to its term loan and $5.0 million to its revolving loan. The proceeds of the increase were used to retire assumed debt of the environmental services company acquired on July 12, 2018. The total secured credit facilities after the May 11, 2018 refinancing and the July 12, 2018 amendment were $85.0 million and were comprised of three committed facilities: a $30.0 million syndicated facility ("revolving loan"), a $50.0 million term loan facility ("term loan"), and a $5.0 million operating facility ("operating loan"). This agreement includes an additional $20.0 million Accordion Facility. The syndicate credit facilities are for a three-year committed term maturing May 10, 2021 and are secured by a General Security Agreement over all assets of the Company.

On September 27, 2019, the Company amended the above noted 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.

Access to the Company's borrowings are subject to a Borrowing Base calculation. The amounts outstanding under the operating and revolving facility must be below the Borrowing Base amount. As at December 31, 2019, the Company has access to $4.0 million of undrawn borrowing facilities.

a) *Revolving loan*

In 2018, the demand operating loan and a portion of the subordinated debt were replaced with a revolving loan authorized to a maximum of $30.0 million. The revolving loan 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. As at December 31, 2019, $20.0 million was drawn under CAD bankers' acceptances with a rate of 5.08% and $1.4 million was drawn under prime rate loans with a rate of 5.95%.

b) *Term loan*

In 2018, the senior debt, a portion of the subordinated debt and acquired debt (Note 6) were replaced with a term loan of $50.0 million. On September 27, 2019, the Company added $5.0 million to its term loan, which resulted in an amended balance of $48.8 million.

The interest rate on the term loan can be a mix of 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. As at January 1, 2019, the term loan was repayable in four quarterly principal payments of $1,563. On September 27, 2019, the loan amortization schedule was amended and based on the amended schedule, 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 calculation. The excess cash flow calculation is applicable if the funded debt to EBITDA ratio as at December 31, 2019 exceeds 2.75:1.00, and at year-end the excess cash flow calculation resulted in an additional payment on the term loan of $0.9 million, which has been included in the current portion of loans and borrowings on the consolidated statements of financial position. As at December 31, 2019, $45.6 million was drawn under CAD bankers' acceptances with a rate of 5.15% and $0.1 million was drawn under prime rate loans with a rate of 5.95%.

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

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 as at December 31, 2019 (2018 – $nil).

d) *Transaction costs*

In 2018, the Company incurred $0.4 million of transaction costs, which were capitalized and are being amortized on a straight-line basis over the three-year term of the credit facility. Transaction costs previously deferred and break fees related to the senior debt that was repaid on May 11, 2018 with the refinancing totaling $3.6 million ($2.4 million non-cash) have been included in financing costs during the year ended December 31, 2018.

	December 31, 2019	December 31, 2018
Term loan - face value	**45,703**	46,875
Transaction costs	**(195)**	(324)
Carrying amount	**45,508**	46,551

e) *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 12-month basis, must not exceed:
  - 3.75:1.00 for all quarters ending in fiscal 2019 and 2020, and
  - 3.50:1.00 thereafter; and
- the ratio of net cash flow to fixed charges, the fixed charge coverage ratio, must not be less than 1.20:1.00 calculated on a rolling four-quarter basis.

The relevant definitions of key ratio terms set forth in the 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.
- 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 12-month EBITDA attributable to businesses acquired in the period are permitted to be added to EBITDA.

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

- Net cash flow is defined as EBITDA reduced by net capital expenditures and cash taxes.
- Fixed charges are calculated as interest expense plus scheduled principal payments of indebtedness during the 12-month trailing period.

As at December 31, 2019, the Company was not in compliance with a requirement for pre-approval by its lenders of a component within the calculation of its financial covenants. Subsequent to the year-end, the required approval was provided retroactively, and the Company was deemed by the lenders to be in compliance with the terms and covenants of the lending agreement at December 31, 2019. Subsequent to year-end, the Company is in the process of amending its lending agreement (Note 30).

f) Equipment loans

The equipment loans are due on demand, bear interest at rates ranging from 3.6% to 6.8% and have maturity dates (assuming they are serviced until maturity) ranging from June 21, 2019 to December 25, 2023. Equipment loans are secured by rolling stock with a net book value of $6.4 million (2018 - $6.9 million) (Note 10).

The following table provides details of the movements in the Company's Loans and Borrowings during the year.

	Finance leases	Equipment loans	Revolving loan	Term loan	**Total**
As at December 31, 2017	1,609	61	18,302	42,188	62,160
Proceeds and additions	4,701	4,230	29,000	50,000	87,931
Business combination (Note 6)	3,100	11,543	-	-	14,643
Change in deferred financing fees	-	-	-	(324)	(324)
Repayment	(1,933)	(11,257)	(18,302)	(45,313)	(76,805)
As at December 31, 2018	7,477	4,577	29,000	46,551	87,605
Reclass finance leases (1)	(7,477)	-	-	-	(7,477)
As at January 1, 2019	-	4,577	29,000	46,551	80,128
Proceeds and additions	-	1,564	-	5,000	6,564
Change in deferred financing fees	-	-	-	129	129
Repayment	-	(2,033)	(7,600)	(6,172)	(15,805)
As at December 31, 2019	**-**	**4,108**	**21,400**	**45,508**	**71,016**

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

Principal payments for equipment loans (f) (assuming they continue until maturity), the revolving loan (a) and the term loan (b) within the next four years are as follows:

	Equipment loans	Revolving loan	Term loan	**Total**
2020	1,937	-	7,619	9,556
2021	1,131	21,400	37,889	60,420
2022	533	-	-	533
2023	507	-	-	507
	4,108	**21,400**	**45,508**	**71,016**

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

16. Other liabilities

	Onerous lease (a)	Contingent share consideration (b)	Sellers' notes (c)	Total
As at December 31, 2017	1,633	1,175	1,773	4,581
Settlement in exchange for Class A common shares	-	-	(1,773)	(1,773)
Additions	-	-	5,280	5,280
Interest accretion during the year	59	-	132	191
Settlement of onerous lease	(312)	-	-	(312)
Payments	(874)	-	(1,675)	(2,549)
As at December 31, 2018	506	1,175	3,737	5,418
Adoption of IFRS 16 (Note 29)	(506)	-	-	(506)
As as January 1, 2019	-	1,175	3,737	4,912
Contingent deferred payment conversion to seller's note	-	(1,175)	1,175	-
Additions	-	-	600	600
Interest accretion during the year	-	-	138	138
Payments	-	-	(2,720)	(2,720)
As at December 31, 2019	**-**	**-**	**2,930**	**2,930**

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

	2019	2018
Current portion of other liabilities	**1,955**	3,058
Non-current portion of other liabilities	**975**	2,360
	2,930	5,418

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 final contractual cash payment for a nominal amount is due January 1, 2020.

b) *Contingent share consideration*

In the year ended December 31, 2017, an arrangement to acquire an environmental services company contained a contingent deferred payment amount that could result in the issuance of additional shares if the trading price of the Company did not reach or exceed $1.00 per share prior to December 31, 2019. Of the $2.4 million share consideration, $1.2 million was recorded as an increase in share capital and $1.2 million was recorded as a liability to reflect the difference between the deemed price of $1.00 per share that was agreed on and an estimate of the fair value of the Company’s shares at December 31, 2018. The contingent share consideration was remeasured each period and will be adjusted through the consolidated statements of net (loss) income and comprehensive (loss) income.

On December 1, 2019, the vendor agreed to convert their contingent share consideration to a promissory note payable with a face value of $1.2 million. As a result, there is no impact on the consolidated statements of net (loss) income and comprehensive (loss) income. Details of the promissory note have been added to Note 16 (c) iv) – Sellers' notes.

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

c) *Sellers' notes*

On January 10, 2018, a seller's note with an aggregate face value of $1.8 million was settled for 1,924,320 Class A common shares of the Company and has been presented as a non-cash transaction for the purposes of the consolidated statements of cash flows.

In order to determine the fair value of the consideration paid in the acquisitions in Note 6a, the sellers' notes totaling $5.6 million for all acquisitions, being financed over periods ranging from 12 to 25 months, were fair valued. The Company measured the fair value of the sellers' notes as the present value of all future cash outflows discounted using an estimated market rate of interest of 5.7%.

i) The seller's note from the environmental services acquisition on May 31, 2018 with a fair value of $2.4 million (Note 6a) using a market rate of interest of 5.7%, is unsecured, and repayable in monthly instalments of $0.1 million for 25 months.

ii) The seller's note from the hydrovac services acquisition on June 27, 2018 of $1.1 million (Note 6a) using a market rate of interest of 5.7%, is unsecured, and repayable in monthly instalments of $0.1 million for 12 months.

iii) The seller's note from the environmental services acquisition on July 12, 2018 of $1.8 million (Note 6a) using a market rate of interest of 5.7%, is unsecured, and repayable in monthly instalments of $0.1 million for 24 months.

iv) The seller's note from the conversion of the contingent share consideration on December 1, 2019 (Note 16b) bears interest at 6.0%, is unsecured, and repayable in equal monthly instalments of principal plus interest for 23 months with a final payment on December 10, 2021.

17. Income taxes

On May 28, 2019, the Alberta government substantively enacted Bill 3 to reduce the Alberta corporate rate from 12% to 8% over the next four years. The Alberta corporate tax rate decreased from 12% to 11% effective July 1, 2019 and will further decrease to 10% on January 1, 2020, 9% on January 1, 2021 and 8% on January 1, 2022.

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:

	2019	2018
(Loss) income before income taxes	**(13,465)**	1,214
Combined federal and provincial income taxes statutory rate	**26.6%**	27.0%
Expected income tax (recovery) expense	**(3,582)**	328
Effect on income taxes of:		
Non-deductible and non-taxable items	**1,736**	(1,896)
Impact of changes in substantively enacted rates	**112**	-
Change in unrecognized deferred tax assets	**(191)**	429
Adjustments to prior year's deferred tax estimates	**(226)**	62
	1,431	(1,405)
Income tax recovery	**(2,151)**	(1,077)

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

Income taxes were comprised of the following:

	2019	2018
Current income tax	**214**	69
Deferred income tax	**(2,365)**	(1,146)
Income tax recovery	**(2,151)**	(1,077)

The movement in the components of deferred income taxes is as follows:

	2018	IFRS 16 adoption	Recognized in profit or loss	**2019**
Deferred tax assets (liabilities) in relation to:				
Losses carryforward	6,217	-	(1,217)	**5,000**
Deferred financing charges	422	-	(176)	**246**
Investment tax credits	148	-	(44)	**104**
Right of use assets and liabilities, net	-	201	37	**238**
Property and equipment	(7,809)	170	3,465	**(4,174)**
Intangible assets	(504)	-	300	**(204)**
	(1,526)	371	2,365	**1,210**

	2017	Acquired in business combination	Recognized in profit or loss	2018
Deferred tax assets (liabilities) in relation to:				
Losses carryforward	7,960	1,200	(2,943)	6,217
Deferred financing charges	-	-	422	422
Investment tax credits	181	-	(33)	148
Investments	43	-	(43)	-
Property and equipment	(6,080)	(5,210)	3,481	(7,809)
Intangible assets	(611)	(155)	262	(504)
	1,493	(4,165)	1,146	(1,526)

Accumulated loss carryforward balance is $23.5 million (2018 - $26.8 million). The balance expires in varying annual amounts from 2034 – 2039. The Company did not recognize $1.2 million of deferred tax assets in 2019 (2018 - $1.6 million). The recovery of these assets is dependent on future taxable earnings being in excess of those arising from the reversal of existing taxable temporary differences.

Deferred income tax balances are classified as follows:

	2019	2018
Deferred tax assets	**5,125**	6,210
Deferred tax liabilities	**(3,915)**	(7,736)
	1,210	(1,526)

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

18. Share capital

a) *Common shares*

Authorized, unlimited number

Class A common voting shares
Class B common non-voting shares

	Notes	Class A	Amount
		#	$
As at December 31, 2017		88,888,804	79,794
Shares issued in settlement of seller's note	16	1,924,320	1,773
Shares issued in business combinations	6	2,600,000	1,664
As at December 31, 2018 and 2019		**93,413,124**	**83,231**

There were no share transactions in the year ended December 31, 2019.

b) *Escrow shares*

As at December 31, 2019, the Company has 3,625,730 escrowed common shares (2018 – 27,865,791). Included in the escrowed share balances are 2,160,009 (2018 – 2,160,009) common shares related to the 2017 acquisition of a chemical service company, that were contingent on meeting annual and cumulative EBITDA targets. The chemical service company did not meet its EBITDA target for the years ended December 31, 2018 or 2019 and as a result escrowed common shares of 2,160,009 shares were cancelled on January 31, 2020 and recorded as an increase to contributed surplus in the amount of $2.2 million. The remaining shares held in escrow are due to be released on May 31, 2020 when the respective escrow agreement expire.

19. Share-based compensation

a) *Stock Option Plan*

The Company grants stock options to directors, officers, employees and consultants of the Company under its Stock Option Plan. Options under the Stock Option Plan are normally granted at the weighted average trading price of the common shares of the Company for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five years from the date of grant.

In estimating expected stock price volatility at the time of a particular stock option grant, the Company relies on observations of historical volatility trends. In determining the expected term of the option grants, the Company has observed the actual terms of prior grants with similar characteristics and the actual exercise schedule of the grant.

Other assumptions required for estimating fair value with the Black-Scholes option pricing model are the expected risk-free interest rate and expected dividend yield of the Company's common shares. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. The expected dividend yield of the Company's common shares over the expected term of the option was determined based on the Company's dividend policy on the date of grant. The expected forfeiture rate was determined based on the Company's prior historical forfeiture rates on the date of grant.

The total number of stock options available to be granted under the Stock Option Plan cannot exceed 10% of the outstanding shares. Each stock option will entitle the option-holder to acquire one common share of the Company. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board of Directors when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority and shall be an amount at least equal to the weighted average trading price of the common shares of the Company for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to three years and expire in five years.

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

	December 31, 2019		December 31, 2018	
	Outstanding options	**Weighted average exercise price ($)**	Outstanding options	Weighted average exercise price ($)
Balance, beginning of year	**4,875,000**	**1.00**	4,428,155	1.00
Granted	**-**	**-**	750,000	1.00
Expired	**-**	**-**	(78,155)	**-**
Forfeited	**(790,000)**	**1.00**	(225,000)	1.00
Balance, end of year	**4,085,000**	**1.00**	4,875,000	1.00
Exercisable, end of year	**2,498,330**	**1.00**	1,375,000	1.00

The following table summarizes information about share options outstanding as at December 31, 2019:

Options outstanding				**Options exercisable**	
Exercise price ($)	**Outstanding options**	**Weighted average exercise price ($)**	**Weighted average remaining term (years)**	**Outstanding options**	**Weighted average exercise price ($)**
1.00	3,410,000	1.00	2.75	2,273,333	1.00
1.00	675,000	1.00	3.75	224,997	1.00
	4,085,000	1.00	2.92	2,498,330	1.00

The fair value of options granted to employees and consultants was estimated at the date of grant using the Black-Scholes Option Pricing Model, using the following weighted average assumptions:

For the years ended	2018
Volatility factor of expected market price (%)	55.6
Weighted average risk-free interest rate (%)	2.0
Weighted average expected life in years	5.0
Weighted average expected annual dividends per share (%)	-
Weighted average fair value per option ($)	0.10
Weighted average forfeiture rate (%)	10.0

Total compensation cost recognized for share-based compensation awards for the year ended December 31, 2019, is $188 (2018 - $194) and is credited to contributed surplus on the consolidated statements of financial position.

b) Warrants

On August 31, 2015, the grant date, the Company issued 2,197,206 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 $1.20 per Class A common share. The exercise price of each warrant of $1.20 was equal to the fair value of a Class A common share on August 31, 2015. The Warrant Awards expire five years after their issuance on August 31, 2020.

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

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, 2019	Number outstanding as at December 31, 2018
			$	$		
August 31, 2015	2,197,206	August 31, 2020	1.20	0.33	2,197,206	2,197,206

The weighted average exercise price of the warrants outstanding as at December 31, 2019 was $1.20 (2018 -- $1.20).

20. Revenue

Major categories of revenue recognized during the year are as follows:

	2019	2018
Rendering of services	**159,916**	122,464
Sales of goods	**6,188**	8,519
Industrial contracting	**1,966**	19,402
	168,070	150,385

Revenue recognized in the current year related to past performance obligations is $nil (2018 – $nil).

21. Expenses by nature

	2019	2018
Personnel	**61,892**	59,701
Subcontractors	**47,913**	33,347
Materials	**17,157**	20,199
Equipment costs	**11,308**	6,541
Property and maintenance	**4,110**	7,045
Other general and administrative expenses	**3,384**	2,943
Total expenses	**145,764**	129,776

Reported as:	**2019**	2018
Direct costs	**128,778**	109,892
General and administrative expenses	**16,986**	19,884
Total expenses	**145,764**	129,776

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

22. Finance costs

	2019	2018
Interest on long-term debt	**4,073**	4,583
Interest accretion on lease and other liabilities	**1,604**	435
Financing and bank charges	**312**	4,163
	5,988	9,181

23. Net (loss) income per share

	2019	2018
Numerator:		
Net (loss) income and comprehensive (loss) income for the year	**(11,314)**	2,291
Denominator:		
Weighted average shares outstanding - basic & diluted	**91,253,115**	89,837,995
(Loss) income per share - basic and diluted	**(0.12)**	0.03

In calculating the loss per share for the year ended December 31, 2019, the Company excluded 2,197,206 warrants (2018 – 2,197,206), 4,085,000 options (2018 – 4,875,000), and 2,160,009 contingent shares (2018 – 2,160,009) as their impact was anti-dilutive.

24. Related party transactions

All related party transactions are in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and are recorded at the exchange amount. Related party transactions include transactions with other private companies that are controlled by a director or officer.

	Nature of relationship	**2019**	2018
Transactions:			
Principal payments of unsecured lease liabilities and associated interest accretion	(i)	**900**	-
General and administrative expenses - rent	(i)	**-**	900
Property and equipment additions	(i)	**-**	1,186

(i) Related by common director or officer

Lease liabilities includes $5.8 million of liabilities relating to the leases with the related party as noted above.

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and officers of the Company. For the year ended December 31, 2019, remuneration of $1,672 (2018 - $1,921) included $1,536 of salaries and short-term benefits and $136 of share-based compensation (2018 - $1,805 and $116, respectively) which were paid to key management. Directors and key management own 45.2% of the Company.

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

25. Supplemental cash flow information

Changes in non-cash working capital items comprise the following:

	2019	2018
Accounts receivable and accrued receivables	**7,484**	1,202
Contract assets	**415**	921
Inventories	**296**	12
Prepaid expenses and deposits	**591**	(1,048)
Accounts payable and accrued liabilities	**(1,255)**	(5,300)
Contract liabilities	**(1,060)**	499
Income taxes payable	**141**	(22)
	6,612	(3,736)
Net cash paid during the year for:		
Interest	**4,252**	5,709
Income taxes	**72**	91

Refer to notes 11 and 15 respectively, for disclosure of the reconciliation of movements related to the Company's lease liabilities, notes, and loans and borrowings as at December 31, 2019.

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 an 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, accounts payables and accrued liabilities, and sellers' notes approximate their estimated fair value due to their short terms to maturity.

The fair value of the Company's operating loan and senior debt bear interest at floating interest rates and carrying value approximates fair value. The carrying value of the Company's other liabilities has been discounted to reduce the provision to fair value.

Under IFRS 9, the Company is required to review impairment of its trade and other receivables at each reporting period and to review its loss allowance for expected future credit losses. The Company records an allowance for doubtful accounts if an account is determined to be uncollectible. Any provisions recorded by the Company are reviewed regularly to determine if any of the balances provided for should be written off. The allowance for doubtful accounts could materially change as a result of fluctuations in the financial position of the Company's customers.

The Company completes a detailed review of its historical credit losses as part of its impairment assessment. The Company has had minimal historical impairment losses on its trade and other receivables, due in part to its credit management processes. As such, the Company assesses impairment losses on an individual customer account basis, rather than recognize a loss allowance on all outstanding trade and other receivables.

As at December 31, 2019, 9.4% (2018 - 13.8%) of the Company's trade receivables were more than 90 days old. The Company believes the unimpaired amounts greater than 90 days old are still collectible based on historic payment behavior and an analysis of the underlying customers' ability to pay.

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

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 risks on an ongoing basis to ensure that the risks are appropriately managed. The Company had no derivatives outstanding as at December 31, 2019 and 2018.

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.

The Company's revenues are from a diverse customer base that includes the energy, telecommunications, public sector, real estate, utility 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 industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the year ended December 31, 2019, the Company had one customer that accounted for 10.9% of the consolidated sales (2018 – no customers greater than 10%). The aging analysis of accounts receivables is as follows:

	2019	2018
0 to 30 days	**15,085**	18,667
31 to 60 days	**9,405**	11,730
61 to 90 days	**2,883**	4,246
Over 90 days	**2,818**	5,494
Holdbacks	**7**	62
Trade accounts receivable	**30,198**	40,199
Allowance for expected credit losses	**(317)**	(254)
Trade receivables, net of allowance	**29,881**	39,945
Accrued receivables	**1,154**	-
Other receivables	**1,784**	358
	32,819	40,303

The movement in the Company's allowance for expected credit losses account is as follows:

	2019	2018
Balance, beginning of the year	**(254)**	(62)
Receivables written off during the year	**159**	54
Recovery of previously written off balances	**236**	6
Additional allowance for expected credit losses	**(458)**	(252)
Balance, end of the year	**(317)**	(254)

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 operating loan, revolving loan and term loan (Note 15) 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 plus applicable margins can cause fluctuations in interest payments and cash flows. The Company does not use derivative financial instruments to alter the effects of this risk. As at December 31, 2019, with other variables unchanged, an increase or decrease of 1% in interest rates would impact income before income taxes by approximately $0.8 million (December 31, 2018 - $0.8 million).

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

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 denominated 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'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.

Management monitors liquidity using cash flow and debt covenant compliance forecasts, along with monitoring the availability of undrawn borrowing facilities.

As at December 31, 2019 the Company had determined that it was in compliance with the covenants. The Company's borrowings are also subject to a Borrowing Base calculation. The amounts outstanding under the operating loan and revolving facility must be below the Borrowing Base amount. As at December 31, 2019, the Company has access to $4.0 million of undrawn borrowing facilities, which expire on May 10, 2021.

As at December 31, 2019, significant liabilities of the Company include the operating loan, trade accounts payable and accrued liabilities, other liabilities, lease liabilities, revolving loan, equipment loans and term loan. Contractual maturities for financial liabilities on an undiscounted basis, including interest and principal as at December 31, 2019 are as follows:

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	15,927	-	**15,927**
Revolving loan	1,034	21,834	**22,868**
Term loan	9,817	38,812	**48,629**
Equipment loans	2,891	1,363	**4,254**
Other liabilities	2,050	1,011	**3,061**
Lease liabilities	6,606	19,693	**26,299**
Financial liabilities	38,325	82,713	**121,038**

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 net debt and shareholders' equity. Net debt is made up of operating loan, revolving loan, and term loan less cash. The Company continues to manage towards a more balanced split between the level of net debt and shareholders' equity in order to facilitate growth in capital markets.

The Company manages the capital structure and adjustments to the capital structure 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 borrowing covenants under its operating loan, revolving loan and term loan (Note 15).

28. Segmented information

The Company has two reportable segments described as Engineering and Environmental Consulting ("Environmental Consulting") and Environmental Services. The accounting policies and practices for each of the segments are the same as those described in Note 3. There are no significant inter-segment transactions. Segment capital expenditures are the total costs incurred during the year to acquire property and equipment and intangible assets.

a) Environmental Consulting consists of professional studies and services aimed at assisting clients to comply with regulatory requirements and ensure environmental sustainability. These activities include environmental studies, reclamation projects, well site completions and abandonments, regulatory compliance, and land use agreements. Clients operate in various industries including energy, telecommunications, public sector, utilities, mining, and agriculture.

b) Environmental Services consists of services and assets aimed at transportation, removal, storage, and disposal of materials, and maintenance of facilities, in an environmentally safe manner. Services include fluid hauling, equipment rentals, hydrovac services, well site services, industrial cleaning, and acoustic and insulation materials for various industries including energy, telecommunications, public sector, utilities, mining, and agriculture.

Previously, the Company disclosed two reportable segments, which were Environmental and Industrial. The Company has changed the reportable segments on a retrospective basis as a result of (i) a decline in the level of activity in the Industrial segment as major capital projects in the geographic areas in which the Company operates have been completed and no new projects are expected to begin in the near term (ii) a strategic shift in the focus of the Company resulting from acquisitions completed in the previous two years, as well as, long-term opportunities in the markets and areas in which the Company operates. Industrial is included in Other segments. There has been no change to how the Company identifies CGUs for the purposes of testing non-financial assets for impairment.

Financial information regarding the results of each reportable segment is included below. Performance is measured based on operating profit before depreciation and amortization, and follow the organization, management and reporting structure of the Company. Operating profit before depreciation and amortization is one of the primary benchmarks used by management to evaluate the performance of its operating segments. Operating profit before depreciation and amortization is calculated as gross profit less general and administrative expenses.

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

	For the year ended December 31, 2019			
	Environmental Consulting	**Environmental Services**	**Other**	**Total**
Revenue	45,860	113,885	8,325	**168,070**
Operating profit (loss) before depreciation and amortization	6,995	20,618	(5,307)	**22,306**
Property and equipment depreciation	333	13,272	3,738	**17,343**
Right of use asset depreciation	849	2,855	713	**4,417**
Intangible asset amortization	917	115	54	**1,086**
Operating profit (loss)	4,896	4,376	(9,812)	**(540)**
Other information				
Expenditures for additions to :				
Property and equipment	492	6,310	843	**7,645**
Intangible assets	-	-	801	**801**
As at December 31, 2019				
Total assets	51,031	106,367	14,520	**171,918**
Goodwill and intangible assets	21,191	7,757	747	**29,695**
Total liabilities	13,011	30,620	74,734	**118,365**

	For the year ended December 31, 2018			
	Environmental Consulting	**Environmental Services**	**Other**	**Total**
Revenue	35,559	86,508	28,318	150,385
Operating profit (loss) before depreciation and amortization	6,306	15,576	(1,273)	20,609
Property and equipment depreciation	483	12,584	3,830	16,897
Intangible asset amortization	917	68	-	985
Operating profit (loss)	4,906	2,924	(5,103)	2,727
Other information				
Expenditures for additions to :				
Property and equipment	1,081	9,662	1,106	11,849
Intangible assets	-	575	-	575
As at December 31, 2018				
Total assets	50,292	112,842	21,687	184,821
Goodwill and intangible assets	22,097	13,838	-	35,935
Total liabilities	15,319	26,082	77,725	119,126

29. Adoption of IFRS 16 pronouncement

The Company adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using the retrospective method. Under the retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. The Company has recorded ROU assets of $17.7 million and lease liabilities of $19.6 million.

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 12 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;
(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; and
(vi) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, the Company relied on its assessment made in applying IAS 17 and IFRIC 4, Determining whether an Arrangement contains a Lease.

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 at 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.

For leases previously classified as finance leases, the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

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

a) A reconciliation of lease commitments as at January 1, 2019, outlining the effect of the transition to IFRS 16 is outlined below.

	January 1, 2019
Operating lease commitments disclosed as at December 31, 2018	26,792
Incremental borrowing rate as at January 1, 2019	5.95%-7.37%
Discounted using the incremental borrowing rate at the date of initial application	**20,818**
Finance lease liabilities recognized as at December 31, 2018	7,477
Adjustments as a result of a different treatment of fixed and variable payments, extension options and termination options	(1,185)
Lease liabilities recognized as at January 1, 2019	**27,110**
Presented as:	
Current portion of lease liabilities	5,265
Lease liabilities	21,845
	27,110

The associated ROU assets were measured on a retrospective basis as if the new rules had always been applied. The ROU asset includes the reclassification of an onerous lease liability that was recorded on the consolidated statement of financial position as at December 31, 2018 of $0.5 million.

b) A reconciliation of the effect of transition to IFRS 16 on select accounts impacted on the Company's consolidated statement of financial position as at January 1, 2019 is as follows:

Selected accounts	As originally reported at December 31, 2018	IFRS 16 adjustments	January 1, 2019
Assets:			
Property and equipment	91,591	(8,039)	83,552
Right of use assets	-	26,367	26,367
Total assets	184,821	18,328	203,149
Liabilities and shareholders' equity:			
Accounts payable and accrued liabilities	17,188	588	17,776
Current portion of other liabilities	3,058	(466)	2,592
Current portion of lease liabilities	-	5,265	5,265
Current portion of loans and borrowings	10,600	(1,925)	8,675
Other liabilities	2,360	(40)	2,320
Lease liabilities	-	21,845	21,845
Loans and borrowings	77,005	(5,552)	71,453
Deferred income taxes	7,736	(371)	7,365
Total liabilities	119,126	19,344	138,470
Deficit	(18,622)	(1,016)	(19,638)
Total liabilities and shareholders' equity	184,821	18,328	203,149

30. Subsequent events

a) Secured Credit Facility

Subsequent to the year-end, the Company's lenders consented to amend its Secured Credit Facilities as described in the following. As of the date of these financial statements, legal documentation and final executed agreements are still to be completed.

i) *Maturity date*
The maturity date will be extended to November 11, 2021.

ii) *Borrowing covenants – Senior Credit Facility:*

- Net Syndicated Funded Debt to EBITDA ratio: the ratio of consolidated net senior indebtedness less subordinated term and working capital loans to EBITDA, calculated on a trailing 12-month basis, must not exceed:
    - 4.25:1.00 for the fiscal quarter ended March 31, 2020;
    - 5.00:1.00 for the fiscal quarters from June 30, 2020 through to March 31, 2021; and
    - 4.25:1.00 for each fiscal quarter thereafter.
- Net Senior Funded Debt to EBITDA ratio: the ratio of consolidated net senior indebtedness to EBITDA, calculated on a trailing 12-month basis, following the same fiscal quarter schedules as the Net Syndicated Funded Debt to EBITDA ratio plus an additional 0.50:1.00 on the above noted ratios.
- The ratio of net cash flow to fixed charges: the fixed coverage ratio must be more than 1.10:1.00 calculated on a rolling four quarter basis.

iii) *Term loan:*
Scheduled principal payments on the term loan based on the amended agreement will be $1,104 per quarter for three quarters beginning the quarter ended September 30, 2020 through to the quarter ended March 31, 2021, followed by two quarterly principal payments of $1,381 with a final payment of $38.1 million due on maturity of November 11, 2021. The requirement for a payment based on the excess cash flow calculation of $0.9 million (Note 15b) will be waived by the lenders. The principal payment of $1,523 due on March 31, 2020 (Note 15b) was deferred by the lenders to May 15, 2020 when it was paid by the Company.

iv) *Interest rates – Senior Credit Facility:*
Under an amendment dated March 31, 2020, the interest rates for the revolving and term loans were increased to rates ranging from HSBC's CAD prime rate or USD base rate plus 3.00%-4.25%, CAD bankers' acceptance rate and USD LIBOR loans plus stamping fees of 4.00%-5.25%. The standby fee on any unutilized portion of the revolving facility have increased to rates ranging from 0.80%-1.05%. Under the amending agreement currently in progress the interest rates will be fixed at the highest end of the range until the revised maturity date of November 11, 2021.

b) Subordinate term loan

Subsequent to the year-end HSBC Bank Canada has confirmed its approval of an additional term loan. As of the date of these financial statements the legal documentation and final execution of the agreement are still to be completed. The additional term loan for $6.3 million will be made under the Business Development Bank of Canada's ("BDC") Business Credit Availability Program to provide working capital to the Company. The loan will be 80% funded by BDC, will be secured by the assets of the Company ranking second to the Secured Credit Facility, will bear interest at the rate of HSBC's CAD prime rate plus 4.25% per annum, will be repayable in monthly interest only payments for the first year, monthly principal plus interest payments over five years commencing July 2021, and maturing June 2026. For the purposes of the covenants noted above, this loan meets the definition of net senior funded debt but does not meet the definition of net syndicate funded debt.

c) Subordinate working capital loan

Under a separate loan agreement dated May 11, 2020 with BDC, a loan for $2.0 million has been agreed to in order to provide additional working capital to the Company. The loan is secured by assets of the Company ranking second to the Secured Credit Facility, bears interest at the BDC's floating base rate of 4.55% less 1.75% per annum, and is repayable in monthly interest only payments beginning one month after the date of the first advance on the loan. The Company anticipates the first advance will be during the month of June 2020. On January 5, 2021, the Company is required to make twenty-three monthly principal plus interest payments of $33 with a final balloon payment of $1.2 million on January 4, 2023. For the purposes of the covenants noted above, this loan meets the definition of net senior funded debt but does not meet the definition of net syndicate funded debt.

d) Coronavirus Pandemic 2019 ("COVID-19")

Subsequent to the year-end, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). COVID-19 has had a pervasive adverse impact on the Canadian economy, the global economy, supply chains, the energy industry, the demand for oil, and the price of oil. The duration and extent of impact of COVID-19 is not known. Governments and central banks have introduced significant monetary and fiscal initiatives to mitigate these effects. However, the eventual efficacy of such measures is not known. As of the date of these financial statements, the Company has received $2.8 million under the Canada Emergency Wage Subsidy program. The expected negative impacts to the Company's revenues and results of operations may be material; however, such impacts are not quantifiable. In addition, expected reductions in forecasted revenues and profits may result in additional impairments of goodwill and non-financial assets, increased credit risk and resulting credit losses, and increased liquidity risk. In accordance with IFRS, the subsequent conditions caused by COVID-19 have not been reflected in the valuation of the Company's assets at the year-end. However, there have been additional impairments at March 31, 2020 totaling $3.7 million.