

Condensed Consolidated Interim Financial Statements of

Vertex Resource Group Ltd.

September 30, 2024

(Unaudited)

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

Vertex Resource Group Ltd.

September 30, 2024

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Vertex Resource Group Ltd.

Condensed consolidated interim statements of financial position

(in thousands of Canadian dollars)

(unaudited)

As at	Notes	September 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		1,383	1,030
Accounts receivable	3	52,822	60,842
Contract assets		1,297	444
Inventories		4,098	4,214
Prepaid expenses and deposits		5,096	3,878
		64,696	70,408
Property and equipment		89,417	83,120
Right of use assets		38,706	45,932
Intangible assets		6,158	7,288
Goodwill		31,674	31,674
Deferred income taxes		6,151	6,347
		236,802	244,769
Liabilities			
Current liabilities			
Bank indebtedness		-	3,040
Accounts payable and accrued liabilities	4	33,657	37,714
Contract liabilities		677	1,461
Current portion of loans and borrowings	5,10	12,685	14,701
Current portion of lease liabilities	10	9,318	10,722
Current portion of other liabilities		1,333	1,532
		57,670	69,170
Loans and borrowings	5,10	71,014	61,203
Lease liabilities	10	25,891	31,088
Other liabilities		-	1,000
Convertible debenture	10	12,942	12,942
Deferred income taxes		2,479	2,459
		169,996	177,862
Shareholders' Equity			
Common shares	6	89,543	91,514
Contributed surplus		7,041	5,872
Accumulated other comprehensive income		9	13
Deficit		(29,787)	(30,492)
		66,806	66,907
		236,802	244,769

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of net income and comprehensive income

(in thousands of Canadian dollars)

(unaudited)

	Notes	Three months ended		Nine months ended	
		September 30,		September 30,	
		2024	2023	2024	2023
Gross revenue		62,405	68,323	179,295	190,127
Less flow through subcontractor costs		126	1,518	1,808	4,211
Net revenue		62,279	66,805	177,487	185,916
Direct costs ⁽¹⁾		44,713	49,484	130,054	136,588
Profit margin		17,566	17,321	47,433	49,328
General and administrative expenses		5,642	6,732	18,562	19,168
Depreciation and amortization		6,994	5,851	19,290	17,158
Finance costs	7	2,894	3,162	8,482	8,758
Share-based compensation		59	50	178	150
Income before income taxes		1,977	1,526	921	4,094
Income tax expense		464	359	216	312
Net income for the period		1,513	1,167	705	3,782
Other comprehensive loss					
Foreign currency translation adjustment, net of tax		(3)	(4)	(4)	(4)
Total comprehensive income for the period, net of tax		1,510	1,163	701	3,778
Earnings per share					
Basic and diluted	8	0.02	0.01	0.01	0.03

(1) Direct costs do not include depreciation.

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of changes in shareholders' equity

(in thousands of Canadian dollars)

(unaudited)

	<i>Notes</i>	Common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, as at December 31, 2022		92,415	5,259	12	(32,950)	64,736
Net income for the period		-	-	-	3,782	3,782
Share-based compensation		-	150	-	-	150
Repurchase of shares		(6)	3	-	-	(3)
Foreign currency translation adjustment, net of tax		-	-	(4)	-	(4)
Balance, as at September 30, 2023		92,409	5,412	8	(29,168)	68,661
Balance, as at December 31, 2023		91,514	5,872	13	(30,492)	66,907
Net income for the period		-	-	-	705	705
Share-based compensation		-	178	-	-	178
Repurchase of shares	6	(1,971)	991	-	-	(980)
Foreign currency translation adjustment, net of tax		-	-	(4)	-	(4)
Balance, as at September 30, 2024		89,543	7,041	9	(29,787)	66,806

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

Vertex Resource Group Ltd.

Condensed consolidated interim statements of cash flows

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

(unaudited)

		Three months ended		Nine months ended	
	Notes	September 30,		September 30,	
		2024	2023	2024	2023
Operating activities					
Net income		1,513	1,167	705	3,782
Adjustments for:					
Depreciation and amortization		6,994	5,851	19,289	17,158
Finance costs	7	2,894	3,162	8,482	8,758
Gain on disposal of property and equipment		(34)	(181)	(115)	(552)
Income tax expense		464	342	216	288
Share-based compensation		59	50	178	150
		11,890	10,391	28,755	29,584
Changes in non-cash operating working capital	10	(2,190)	672	1,026	9,188
Cash provided by operating activities		9,700	11,063	29,781	38,772
Investing activities					
Purchase of property and equipment		(1,493)	(3,579)	(10,250)	(9,620)
Proceeds from disposal of property and equipment		624	2,230	2,067	5,714
Additions to intangible assets		-	(265)	-	(265)
Changes in non-cash investing working capital	10	172	(360)	(80)	(2,314)
Cash used in investing activities		(697)	(1,974)	(8,263)	(6,485)
Financing activities					
Proceeds from loans and borrowings	10	1,012	2,143	18,194	5,620
Repayments of loans and borrowings	10	(3,585)	(2,621)	(10,292)	(17,416)
Principal payments of lease liabilities	10	(7,335)	(4,084)	(17,416)	(12,371)
Interest paid	10	(2,224)	(2,028)	(6,357)	(6,270)
Repayments of other liabilities		(349)	(687)	(1,257)	(2,172)
Financing charges		(41)	-	(291)	-
Repurchase of common shares	6	-	(3)	(980)	(3)
Changes in non-cash financing working capital	10	(230)	(3)	278	(68)
Cash used in financing activities		(12,752)	(7,283)	(18,121)	(32,680)
Effect of foreign currency translation on cash		(3)	(4)	(4)	(4)
Increase (decrease) in cash		(3,752)	1,802	3,393	(397)
Cash (bank indebtedness) ⁽¹⁾ , beginning		5,135	392	(2,010)	2,591
Cash, end of period		1,383	2,194	1,383	2,194

(1) (Bank indebtedness) cash includes bank overdrafts that are repayable on demand and form an integral part of cash management.

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

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

September 30, 2024

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

(unaudited)

1. Description of business

Vertex Resource Group Ltd. ("the Company") is a publicly listed company on the TSX Venture Exchange ("TSXV") trading under the symbol VTX and maintains its head office in Sherwood Park, Alberta, Canada. The Company provides environmental consulting and support services to a diverse clientele across Canada and in select locations in the United States.

2. Basis of preparation

a) Statement of compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34).

The condensed consolidated interim financial statements were approved by the Board of Directors on November 13, 2024. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual financial statements as the accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those disclosed therein.

b) Significant accounting policies

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2023.

3. Accounts receivable

	September 30,	December 31,
	2024	2023
Trade accounts receivable	48,765	57,739
Accrued receivables	5,340	4,190
Other receivables	359	277
Less: allowance for expected credit losses	(1,642)	(1,364)
	52,822	60,842

4. Accounts payable and accrued liabilities

	September 30,	December 31,
	2024	2023
Trade accounts payable	23,870	27,556
Employee related accounts payable	3,354	3,946
Accrued liabilities	6,433	6,212
	33,657	37,714

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5. Loans and borrowings

	September 30, 2024			December 31, 2023		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Revolving loan	-	40,000	40,000	-	34,500	34,500
Syndicate term loan	4,467	23,752	28,219	5,236	21,773	27,009
Equipment loans	5,515	7,056	12,571	5,825	4,416	10,241
Co-lend term loan	2,292	-	2,292	3,229	-	3,229
Working capital loan	411	206	617	411	514	925
Total borrowings	12,685	71,014	83,699	14,701	61,203	75,904

At September 30, 2024, the Company was in compliance with the terms and covenants of its lending agreements.

Principal payments

Scheduled principal payments for the co-lend term loan, subordinate working capital loan, equipment loans, revolving loan and syndicate term loan, assuming they continue until maturity, within the next five years are as follows:

Due Within	Working capital and co-lend term loans	Equipment loans	Revolving loan	Term loan	Total
One year	1,661	3,929	-	4,467	10,057
Two years	1,248	3,869	-	4,467	9,584
Three years	-	3,041	40,000	19,285	62,326
Four years	-	1,515	-	-	1,515
Five years	-	217	-	-	217
	2,909	12,571	40,000	28,219	83,699

6. Share capital

Authorized, unlimited number

Class A common voting shares

Class B common non-voting shares

	Note	Class A #	Amount \$
As at December 31, 2023		114,494,090	91,514
Repurchase of shares		(2,467,200)	(1,971)
As at September 30, 2024		112,026,890	89,543

In the period ended September 30, 2024, the Company repurchased 2,467,200 shares for a total amount of \$980. These shares had an average carrying value of \$0.80 for a total amount of \$1,971.

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Notes to the condensed consolidated interim financial statements

September 30, 2024

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7. Finance costs

	Three months ended		Nine months ended	
	September 30, 2024	2023	September 30, 2024	2023
Interest on loans and borrowings	1,920	1,725	5,394	5,272
Interest accretion on lease liabilities	607	1,010	1,883	2,094
Interest on convertible debenture	300	300	900	900
Financing and bank charges	51	88	247	354
Interest accretion on other liabilities	16	39	58	138
	2,894	3,162	8,482	8,758

8. Earnings per share

	Three months ended		Nine months ended	
	September 30, 2024	2023	September 30, 2024	2023
Numerator:				
Net income for the period	1,513	1,167	705	3,782
Denominator:				
Weighted average shares outstanding - basic & diluted	112,026,890	115,620,482	112,636,614	115,620,753
Earnings per share - basic and diluted	0.02	0.01	0.01	0.03

In calculating the income per share for the three and nine-months period ended September 30, 2024, the Company excluded 4,065,000 options and the impact of the convertible debenture fully converted to common shares of 23,076,923 (three and nine-month periods ended September 30, 2023 – 2,125,000 options, 23,076,923 convertible debenture), as the impact was anti-dilutive.

9. Related party transactions

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

At September 30, 2024, lease liabilities include \$2.9 million (September 30, 2023 - \$3.6 million) of liabilities relating to facility leases with an officer of the Company. Principal payments of unsecured lease liabilities and associated interest accretion for the three-month period ended September 30, 2024 were \$0.2 million (three months ended September 30, 2023 - \$0.2 million) and for the nine-months ended September 30, 2024 were \$0.7 million (nine-months ended September 30, 2023 - \$0.7 million).

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10. Supplemental cash flow information

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>Changes in non-cash working capital:</i>				
Accounts receivable	(4,285)	(12,127)	8,020	12,878
Contract assets	62	490	(853)	664
Inventories	307	401	116	411
Prepaid expenses and deposits	(60)	(306)	(1,218)	(1,192)
Accounts payable and accrued liabilities	1,625	11,038	(4,057)	(4,530)
Contract liabilities	103	813	(784)	(1,425)
Changes in non-cash working capital	(2,248)	309	1,224	6,806
<i>Changes in non-cash working capital items from:</i>				
Operating activities	(2,190)	672	1,026	9,188
Investing activities	172	(360)	(80)	(2,314)
Financing activities	(230)	(3)	278	(68)

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

	Convertible debenture	Lease liabilities	Loans and borrowings
As at December 31, 2023	12,942	41,810	75,904
<i>Changes from financing cash flows:</i>			
Proceeds	-	-	18,194
Repayments	-	(17,416)	(10,292)
Interest paid	(900)	-	(5,394)
Debt issue costs	-	-	(291)
Total changes from financing cash flows:	(900)	(17,416)	2,217
Additions during year	-	8,932	-
Interest expense/accretion during the year	900	1,883	5,394
Amortization of deferred debt costs	-	-	184
As at September 30, 2024	12,942	35,209	83,699

11. Segmented information

The Company has two reportable segments described as Engineering and Environmental Consulting ("Environmental Consulting") and Environmental Services. The accounting policies and practices for each of the segments are the same as those described in Note 2. There are no significant inter-segment transactions. Segment capital expenditures are the total costs incurred during the year to acquire property and equipment and intangible assets.

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- a) Environmental Consulting consists of a variety of services related to assisting its clients to meet internal environmental standards, environmental legislation and related environmental compliance requirements. These services span multiple industries including energy, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include advisory services related to new capital expenditure and asset development, environmental consulting and monitoring on existing assets, emission management solutions, sub-surface engineering, facility engineering, asset retirement and land reclamation services.
- b) Environmental Services consists of a variety of services related to transportation; removal, storage and disposal of materials; and maintenance of facilities, in an environmentally safe manner. Services include fluid management and logistics, waste and recycling, industrial cleaning and maintenance, hydro-excavating, and site services for various industries including energy, telecommunications, public sector, utilities, mining and agriculture.
- c) The "Corporate" segment is comprised of intersegment eliminations and corporate costs.

	For the three month period ended September 30, 2024			
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	15,394	49,020	(2,009)	62,405
Less flow through subcontractor costs	126	-	-	126
Net revenue	15,268	49,020	(2,009)	62,279
Operating profit (loss) before depreciation and amortization	2,761	10,815	(1,652)	11,924
Depreciation and amortization	428	6,499	67	6,994
Operating profit (loss)	2,333	4,316	(1,719)	4,930
Other information				
Expenditures for additions to :				
Property and equipment	3	1,698	66	1,767

Vertex Resource Group Ltd.

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September 30, 2024

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

(unaudited)

	For the three month period ended September 30, 2023			
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	20,017	49,329	(1,023)	68,323
Less flow through subcontractor costs	1,518	-	-	1,518
Net revenue	18,499	49,329	(1,023)	66,805
Operating profit (loss) before depreciation and amortization	2,747	9,846	(2,004)	10,589
Depreciation and amortization	956	4,859	36	5,851
Operating profit (loss)	1,791	4,987	(2,040)	4,738
Other information				
Expenditures for additions to :				
Property and equipment	1	2,173	26	2,200
Intangibles	265	-	-	265

	For the nine month period ended September 30, 2024			
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	45,004	137,892	(3,601)	179,295
Less flow through subcontractor costs	1,808	-	-	1,808
Net revenue	43,196	137,892	(3,601)	177,487
Operating profit (loss) before depreciation and amortization	5,610	28,370	(5,109)	28,871
Depreciation and amortization	1,529	17,574	187	19,290
Operating profit (loss)	4,081	10,796	(5,296)	9,581
Other information				
Expenditures for additions to :				
Property and equipment	112	9,892	246	10,250

Vertex Resource Group Ltd.

Notes to the condensed consolidated interim financial statements

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

(unaudited)

	For the nine month period ended September 30, 2023			
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	47,557	145,510	(2,940)	190,127
Less flow through subcontractor costs	4,211	-	-	4,211
Net revenue	43,346	145,510	(2,940)	185,916
Operating profit (loss) before depreciation and amortization	5,751	30,800	(6,391)	30,160
Depreciation and amortization	1,543	15,382	233	17,158
Operating profit (loss)	4,208	15,418	(6,624)	13,002
Other information				
Expenditures for additions to :				
Property and equipment	316	7,980	300	8,596
Intangibles	265	-	-	265

	Environmental Consulting	Environmental Services	Corporate	Total
As at September 31, 2024				
Goodwill and intangible assets	20,915	16,917	-	37,832
Total assets	56,133	178,445	2,224	236,802
Total liabilities	13,535	79,381	77,080	169,996

As at December 31, 2023				
Goodwill and intangible assets	21,003	17,959	-	38,962
Total assets	63,950	175,470	5,349	244,769
Total liabilities	24,373	78,765	74,724	177,862

	For the three month period ended September 30,		For the nine month period ended September 30,	
Gross Revenue	2024	2023	2024	2023
Canada	58,908	64,373	165,293	180,741
United States	3,497	3,950	14,002	9,386
	62,405	68,323	179,295	190,127

	As at	
Non-current assets	September 30,	December 31,
	2024	2023
Canada	161,101	162,809
United States	11,005	11,552
	172,106	174,361