

Consolidated financial statements of

Vertex Resource Group Ltd.

Years ended December 31, 2023 and 2022

Vertex Resource Group Ltd.

December 31, 2023 and 2022

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INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Vertex Resource Group Ltd.

Opinion

We have audited the consolidated financial statements of Vertex Resource Group Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders’ equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Financial Statements***” section of our auditor’s report.

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the environmental consulting cash generating unit ("CGU") goodwill for impairment

Description of the matter

We draw attention to notes 4(e), 4(f), 6(i)(a), 6(ii)(b) and 12 to the financial statements. The goodwill balance is \$31,674 thousand, of which \$20,760 thousand relates to the environmental consulting CGU. The Entity performs an annual impairment test for CGU's containing goodwill or more frequently if events indicate that a carrying amount may be impaired. An impairment loss is recognized if the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of the CGU was determined based on fair value less costs of disposal using Level 3 inputs. Key assumptions used for recoverable amount calculations include the discount rate and budgeted earnings before interest, taxes, depreciation, and amortization ("EBITDA") growth rate.

Why the matter is a key audit matter

We identified the evaluation of the environmental consulting CGU goodwill for impairment as a key audit matter. This matter represented an area of higher risk. Significant auditor judgment was required to audit the budgeted EBITDA growth rate given the degree of management judgment and subjectivity. In addition, involvement of those with specialized skills and knowledge was required in performing and evaluating the results of certain procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's 2023 actual EBITDA to the amount budgeted for 2023 to assess the Entity's ability to accurately forecast.

We evaluated the appropriateness of budgeted EBITDA used in the estimate of the recoverable amount for the environmental consulting CGU by:

- Comparing budgeted EBITDA growth rates to historical EBITDA growth rates
- Comparing budgeted EBITDA growth rates to published reports of industry commentators and publicly available market data.



We involved a valuation professional with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Entity's discount rate assumption by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities
- Evaluating the Entity's estimate of the recoverable amount by comparing the estimate to market metrics and other external data.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Ravine Basahti Dirks.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants

Edmonton, Canada

March 27, 2024

Vertex Resource Group Ltd.

Consolidated statements of financial position

As at December 31

(in thousands of Canadian dollars)

As at	Notes	2023	2022
Assets			
Current assets			
Cash		1,030	2,591
Accounts receivable	8	60,842	71,366
Contract assets		444	664
Inventories		4,214	4,399
Prepaid expenses and deposits		3,878	3,053
		70,408	82,073
Property and equipment	9	83,120	82,800
Right of use assets	10	45,932	40,646
Intangible assets	11	7,288	8,486
Goodwill	12	31,674	31,674
Deferred income taxes	16	6,347	8,745
		244,769	254,424
Liabilities			
Current liabilities			
Bank indebtedness		3,040	-
Accounts payable and accrued liabilities	13	37,714	40,386
Contract liabilities		1,461	2,935
Current portion of loans and borrowings	14	14,701	18,508
Current portion of lease liabilities	25	10,722	9,711
Current portion of other liabilities		1,532	2,636
		69,170	74,176
Loans and borrowings	14	61,203	70,725
Lease liabilities	25	31,088	24,896
Other liabilities		1,000	2,557
Convertible debenture	15	12,942	12,566
Deferred income taxes	16	2,459	4,768
		177,862	189,688
Shareholders' Equity			
Common shares	17	91,514	92,415
Contributed surplus		5,872	5,259
Accumulated other comprehensive income		13	12
Deficit		(30,492)	(32,950)
		66,907	64,736
		244,769	254,424

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

Approved by the Board

(Signed) "Terry Freeman" Director

(Signed) "Brian F. Butlin" Director

Vertex Resource Group Ltd.

Consolidated statements of income and comprehensive income

Years ended December 31

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

	Notes	2023	2022
Gross revenue	19	255,237	257,161
Less flow through subcontractor costs	20	7,978	38,783
Net revenue	19	247,259	218,378
Direct costs ⁽¹⁾	20	185,575	166,127
Profit margin		61,684	52,251
General and administrative expenses	20	23,752	20,066
Depreciation and amortization	21	23,619	20,376
Finance costs	22	11,486	8,875
Share-based compensation	18	164	200
Income before income taxes		2,663	2,734
Income tax expense	16	205	692
Net income for the year		2,458	2,042
Other comprehensive income			
Foreign currency translation adjustment, net of tax		1	16
Total comprehensive income for the year, net of tax		2,459	2,058
Earnings per share			
Basic and diluted	23	0.02	0.02

(1) Direct costs do not include depreciation.

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

Vertex Resource Group Ltd.

Consolidated statements of changes in shareholders' equity

Years ended December 31

(in thousands of Canadian dollars)

	Notes	Common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, as at December 31, 2021		81,071	3,621	(4)	(34,992)	49,696
Net income for the year		-	-	-	2,042	2,042
Shares issued in business combination	7	11,344	-	-	-	11,344
Share-based compensation	18	-	200	-	-	200
Equity portion of convertible debenture		-	1,438	-	-	1,438
Foreign currency translation adjustment, net of tax		-	-	16	-	16
Balance, as at December 31, 2022		92,415	5,259	12	(32,950)	64,736
Net income for the year		-	-	-	2,458	2,458
Share-based compensation	18	-	164	-	-	164
Repurchase of shares	17	(901)	449	-	-	(452)
Foreign currency translation adjustment, net of tax		-	-	1	-	1
Balance, as at December 31, 2023		91,514	5,872	13	(30,492)	66,907

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

Vertex Resource Group Ltd.

Consolidated statements of cash flows

Years ended December 31

(in thousands of Canadian dollars)

	Notes	2023	2022
Operating activities			
Net income		2,458	2,042
Adjustments for:			
Depreciation and amortization	21	23,619	20,376
Finance costs	22	11,486	8,875
Loss (gain) on disposal of property and equipment		170	(778)
Income tax expense	16	205	602
Share-based compensation	18	164	200
		38,102	31,317
Changes in non-cash operating working capital items	25	6,874	(9,848)
Income tax paid		(26)	(28)
Cash provided by operating activities		44,950	21,441
Investing activities			
Purchase of property and equipment		(14,360)	(13,766)
Proceeds from disposal of property and equipment		7,739	3,633
Additions to intangible assets	11	(265)	-
Acquisition, net of cash acquired	7	-	(273)
Changes in non-cash investing working capital items	25	(2,279)	(2,432)
Cash used in investing activities		(9,165)	(12,838)
Financing activities			
Proceeds from loans and borrowings	25	9,099	21,244
Repayments of loans and borrowings	25	(22,393)	(18,641)
Principal payments of lease liabilities	25	(16,665)	(13,710)
Interest paid	25	(8,003)	(6,561)
Repayments of other liabilities	25	(2,830)	(1,867)
Proceeds from convertible debenture	25	-	15,000
Proceeds from (repayment of) operating loan	14	-	(400)
Financing charges		(418)	(968)
Repurchase of common shares	17	(452)	-
Changes in non-cash financing working capital items	25	1,275	(125)
Cash used in financing activities		(40,387)	(6,028)
Effect of foreign currency translation on cash		1	16
(Decrease) increase in cash		(4,601)	2,591
Cash, beginning of period		2,591	-
(Bank indebtedness) cash ⁽¹⁾ , end of the year		(2,010)	2,591
Comprised of:			
Cash		1,030	2,591
Bank indebtedness		(3,040)	-
		(2,010)	2,591

(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 consolidated financial statements.

Vertex Resource Group Ltd.

Notes to the consolidated financial statements

December 31, 2023 and 2022

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

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 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*

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), 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 March 26, 2024.

b) *Basis of measurement*

The Company's consolidated financial statements have been prepared on a going concern basis under the historical cost model unless otherwise indicated.

c) *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Transactions in 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 translated into the functional currency at the rates prevailing at that date.

d) *Principles of consolidation*

These consolidated financial statements include the results of the Company and its subsidiaries and its limited partnership. Subsidiaries and limited partnership 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 partnership 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 material subsidiaries and limited partnership at December 31, 2023 and 2022 are Vertex Resource Services Ltd., Vertex Professional Services Ltd., Acden Vertex LP, Vertex Resource Services Inc. Vertex Logistics USA Inc. 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.

For the purposes of presenting these consolidated financial statements, monetary assets and liabilities of the U.S. operations that have a U.S. dollar functional currency are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Non-monetary assets and liabilities that are measured at fair value in U.S. dollars are translated into the functional currency at the exchange rate when the fair value was determined. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which

Vertex Resource Group Ltd.

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December 31, 2023 and 2022

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

case the exchange rates at the dates of the transactions are used. Foreign currency differences are recognized in other comprehensive income and accumulated in equity.

3. Changes in material accounting policies

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 4, Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4. Material accounting policies

a) Amendments to accounting standards adopted in the year

- Amendments to IAS 1 change the requirements in IAS 1 with regards to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies.
- Amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments did not have any impact on the amounts recognized in the financial statements.

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. 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 income 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 liabilities classified as contingent consideration are recognized in income or loss.

c) Property and equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

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Cost includes expenditures that are directly attributable to the acquisition of the asset. Costs include the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are expensed in profit or loss as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as described below.

Buildings and improvements	20 years
Machinery and equipment	3-20 years
Office furniture and equipment	5-7 years
Rolling stock	5-30 years

Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful life and the term of the lease. Rolling stock includes highway tractors and trailers, hydrovacs, and light trucks and trailers.

The estimated useful lives and methods of depreciation are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

d) *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 expenditures are 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
Non-compete agreements	3-5 years
Development costs	3-5 years

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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.

e) *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.

f) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets, primarily consisting of property and equipment, intangible assets, and goodwill, 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.

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

g) Convertible debenture

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

h) Revenue recognition

Revenue is recognized when performance obligations are satisfied which is when a customer obtains control over the goods or services and when collection is reasonably assured.

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 an "over 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) Rendering of services: The Company's services revenue includes consulting, fluid management and logistics, waste and recycling, industrial cleaning and maintenance, hydro-excavating and equipment rentals. Revenue is recognized over time as the Company satisfies its performance obligations under the contract. These contracts are short-term with an expected duration of less than one year. The Company has elected to use the practical expedient under IFRS 15, 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. As a result, revenue is recognized in a manner that depicts the transfer of services to customers in an amount that reflects the consideration to which the Company is entitled to in exchange for those services.

b) Contracting: Contracting revenue includes revenue from contracts entered into to provide consulting services to various industries, including energy, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. Revenue from such contracts is recognized over time by measuring the progress towards satisfaction of the performance obligations under the contract.

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 fixed fee 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. For any

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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.

When the outcome of an over time 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.

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.

c) Net revenue:

While providing services, the Company incurs flow through costs paid to subcontractors that are billed and recoverable directly from customers. The recoverable amounts are included in the Company's gross revenue. Since these flow through costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company's revenue trends. Therefore, the Company also reports net revenue. The Company assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent. In general, the Company acts as a principal in its revenue arrangements because it obtains control of services before they are provided to the customer.

i) *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

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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 income 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.

j) 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:

- (Bank indebtedness) cash is initially recognized at fair value and is subsequently measured at amortized cost with changes therein recognized in net income (loss).
- 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, accounts receivable and contract assets are measured at amortized cost using the effective interest method, less any impairment losses.

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- Accounts payable and accrued liabilities and contract liabilities, operating loan, loans and borrowings and other liabilities including promissory notes issued on 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 borrowings are deferred and amortized using the straight-line method over the term of the loan.

k) *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 income or loss for all financial assets, even those that are newly originated or acquired. 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.

l) *Fair value measurement*

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs.

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.

The Company does not have any financial assets and liabilities measured at fair value on a recurring basis.

m) *Leases*

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

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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.

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. 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. 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 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 accounted for as expenses on a straight-line basis in the consolidated statements of net income and comprehensive income.

5. Future accounting standard pronouncements

The following amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2024 and thereafter, are to be applied retrospectively, with earlier adoption permitted:

- Amendments to IAS 1 may change the classification of certain liabilities as current or non-current. In addition, companies may need to provide new disclosures for liabilities subject to covenants.
- Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction.

The Company is currently evaluating the impact of adopting these standards on the consolidated financial statements and cannot reasonably estimate the effect at this time.

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6. Critical accounting judgments and key sources of estimation uncertainty

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.

(i) Critical judgments in applying the Company's accounting policies

a) *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.

Identifying events or changes in circumstances that may indicate or cause an asset's carrying value to exceed its recoverable amount requires judgment in assessing what events or circumstances would have such an impact.

b) *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.

c) *Business combinations*

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on information available on the acquisition date. The estimates of fair value of the acquired intangible assets (including goodwill), property and equipment and other assets and the liabilities assumed at the date of acquisition require management judgment. In determining the value assigned to the deferred tax asset acquired in a business combination, significant judgment was required to assess the extent of carryforward tax losses available to the Company in accordance with tax legislation.

d) *Limited partnership*

The Company has a limited partnership agreement with a third party for the purpose of executing certain contracts. The limited partnership is structured in such a way that profits earned are immediately distributed to the partners. As a result, an accumulation of profit or loss will never arise. The Company has determined, for the purpose of applying consolidation principles, that the Company controls this relationship.

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(ii) Key sources of estimation uncertainty

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 a 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, cash equivalents 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) Impairment of non-financial assets

The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the recoverable amount. 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 as disclosed in Note 12 to these consolidated financial statements.

c) Deferred tax assets

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be used. Future taxable income is determined based on the Company's cash flow projections. 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. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable income will be available against which they can be used. 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.

d) Property and equipment and definite lived intangible assets

Identifying useful lives and residual values involve judgement and estimates. The considerations for estimated useful lives and residual values are reviewed annually and 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.

e) Intangible assets acquired from business combinations

The Company assigns values to acquired intangible assets using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This involves management estimation and subjectivity to determine the cash flows forecast, forecast period, customer attrition rate, discount rate and contributory asset charge.

f) Convertible debenture

The equity component of the convertible debenture is determined using a valuation approach that includes inputs such as interest rate, share price volatility, risk-free rate, dilution and discount rates. Many of these inputs are subject to management estimation.

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7. Business combinations

Acquisitions of Cordy Oilfield Services Ltd (“Cordy”) and Young EnergyServe Inc. (“Young”)

Cordy Oilfield Services Ltd.

On April 25, 2022, the Company completed a definitive amalgamation agreement that combined the Company, in an all-share transaction, with Cordy a provider of environmental and hydro-excavating services. Under the terms of the amalgamation agreement, shareholders of Cordy received 0.081818 common shares of Vertex for every one common share of Cordy. The purchase price consisted of consideration of \$8.9 million comprised solely of 18,913,253 common shares at a fair value of \$0.47 per share and the assumption of \$11.9 million of lease liabilities. The goodwill recognized is attributable to expected future cash flows and business synergies from the acquired business operations. The goodwill is not deductible for tax purposes. Cordy's results are presented with the environmental services segment and form part of the environmental logistics CGU.

Gross revenue and net income from the date of acquisition to December 31, 2022 was \$17.6 million and \$0.7 million respectively. The Company estimates it would have reported consolidated gross revenue of approximately \$266.3 million and a net income of approximately \$0.8 million for the year ended December 31, 2022 if the acquisition had been completed on January 1, 2022.

Young EnergyServe Inc.

On September 29, 2022, the Company completed a share purchase agreement to acquire 100% of the outstanding shares of Young, a privately held company providing turnkey turnaround solutions, robotic tank cleaning services, and various other industrial services throughout Canada. The purchase price was comprised of the following: (i) cash of \$1.3 million, (ii) an unsecured promissory note with a fair value of \$4.0 million bearing interest at 4% per annum, principal and interest payable monthly, maturing on September 15, 2025, (iii) the issuance of 5,454,545 Class A common shares at a fair value of \$0.45 per share for \$2.5 million, and (iv) the assumption of \$11.6 million in loans and borrowings and lease liabilities. In addition, at December 31, 2022, the Company accrued an additional \$2.5 million payment to the previous shareholder of Young and paid this amount in fiscal 2023 upon finalization of working capital and net loans and borrowings adjustments. The goodwill recognized is attributable to expected future cash flows and business synergies from the acquired business operations. The goodwill is not deductible for tax purposes. Young's results will be presented in the environmental services segment and form part of the environmental logistics CGU.

Gross revenue and net loss from the date of acquisition to December 31, 2022 was \$1.8 million and \$0.7 million respectively. The Company estimates it would have reported consolidated gross revenue of approximately \$273.3 million and a net income of approximately \$3.0 million for the year ended December 31, 2022 if the acquisition had been completed on January 1, 2022.

Details of the acquisition accounting for the assets and liabilities based on their estimated fair values are as follows:

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	Fair value as at		Total
	April 25, 2022 Cordy	September 29, 2022 Young	
Cash and cash equivalents	993	-	993
Accounts receivable	3,470	5,497	8,967
Other current assets	114	745	859
Property and equipment	544	8,297	8,841
Right of use assets	11,861	4,245	16,106
Intangible assets	3,800	3,900	7,700
Deferred tax asset	7,019	-	7,019
	27,801	22,684	50,485
Current liabilities	(9,127)	(4,237)	(13,364)
Loans and borrowings	-	(7,383)	(7,383)
Lease liabilities	(11,861)	(4,245)	(16,106)
Deferred tax liability	-	(969)	(969)
Net assets	6,813	5,850	12,663
Fair value of consideration:			
Cash	-	1,266	1,266
Working capital adjustment	-	2,533	2,533
Promissory note, included with other liabilities	-	4,000	4,000
Common shares	8,889	2,455	11,344
	8,889	10,254	19,143
Goodwill	2,076	4,404	6,480

8. Accounts receivable

	2023	2022
Trade accounts receivable	57,739	61,789
Accrued receivables	4,190	10,480
Other receivables	277	164
Less: allowance for expected credit losses	(1,364)	(1,067)
	60,842	71,366

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9. Property and equipment

	Land, buildings, and improvements	Machinery and equipment	Office furniture and equipment	Rolling stock	Total
Cost					
As at December 31, 2021	10,414	57,981	5,928	60,025	134,348
Additions	457	1,714	421	13,824	16,416
Additions from business acquisitions (Note 7)	12	7,986	81	762	8,841
Transfer from right of use assets (Note 10)	-	-	-	955	955
Disposals	(234)	(6,692)	-	(9,651)	(16,577)
As at December 31, 2022	10,649	60,989	6,430	65,915	143,983
Additions	2,225	1,906	1,764	8,802	14,697
Transfer from right of use assets (Note 10)	-	-	-	9,605	9,605
Disposals	(1,512)	(5,435)	-	(22,083)	(29,030)
As at December 31, 2023	11,362	57,460	8,194	62,239	139,255
Accumulated depreciation					
As at December 31, 2021	6,170	34,774	3,415	17,199	61,558
Depreciation	480	2,810	772	8,714	12,776
Transfer from right of use assets (Note 10)	-	-	-	476	476
Disposals	(128)	(5,998)	-	(7,501)	(13,627)
As at December 31, 2022	6,522	31,586	4,187	18,888	61,183
Depreciation	623	4,125	731	8,174	13,653
Transfer from right of use assets (Note 10)	-	-	-	3,290	3,290
Disposals	(1,506)	(3,090)	-	(17,395)	(21,991)
As at December 31, 2023	5,639	32,621	4,918	12,957	56,135
Carrying value					
As at December 31, 2022	4,127	29,403	2,243	47,027	82,800
As at December 31, 2023	5,723	24,839	3,276	49,282	83,120

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10. 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			
As at December 31, 2021	21,280	13,968	35,248
Additions	6,326	4,326	10,652
Additions from business acquisitions (Note 7)	3,833	12,273	16,106
Transfer to property and equipment (Note 9)	-	(955)	(955)
Disposals	(2,389)	(787)	(3,176)
As at December 31, 2022	29,050	28,825	57,875
Additions	5,664	15,310	20,974
Transfer to property and equipment (Note 9)	-	(9,605)	(9,605)
Disposals	(3,697)	(2,486)	(6,183)
As at December 31, 2023	31,017	32,044	63,061
Accumulated depreciation			
As at December 31, 2021	10,409	3,050	13,459
Depreciation	3,549	3,053	6,602
Transfer to property and equipment (Note 9)	-	(476)	(476)
Disposals	(1,998)	(358)	(2,356)
As at December 31, 2022	11,960	5,269	17,229
Depreciation	4,860	3,643	8,503
Transfer to property and equipment (Note 9)	-	(3,290)	(3,290)
Disposals	(3,697)	(1,616)	(5,313)
As at December 31, 2023	13,123	4,006	17,129
Carrying value			
As at December 31, 2022	17,090	23,556	40,646
As at December 31, 2023	17,894	28,038	45,932

ROU assets acquired during the year ended December 31, 2023 totalled \$21.0 million (2022 - \$10.7 million) and have been treated as non-cash transactions for purposes of the consolidated statements of cash flows.

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11. Intangible assets

	Customer relationships	Non-compete agreements	Development costs	Total
Cost				
As at December 31, 2021	1,300	330	801	2,431
Additions (Note 7)	7,700	-	-	7,700
As at December 31, 2022	9,000	330	801	10,131
Additions	-	-	265	265
As at December 31, 2023	9,000	330	1,066	10,396
Accumulated amortization				
As at December 31, 2021	217	55	375	647
Amortization	772	66	160	998
As at December 31, 2022	989	121	535	1,645
Amortization	1,193	66	204	1,463
As at December 31, 2023	2,182	187	739	3,108
Carrying value				
As at December 31, 2022	8,011	209	266	8,486
As at December 31, 2023	6,818	143	327	7,288

12. Goodwill

Goodwill is measured by management at the CGU level. A CGU level summary of the goodwill allocation is presented below:

	Environmental consulting	Environmental logistics	Total
Carrying value			
As at December 31, 2021	20,760	4,434	25,194
Additions (Note 7)	-	6,480	6,480
As at December 31, 2022 & 2023	20,760	10,914	31,674

Impairment test for goodwill

The recoverable amount of the 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 assumptions similar to those of a market participant. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The Company performs its impairment tests annually.

Management performed the annual impairment test as at September 30, 2023. No impairment was recorded and no classes of assets were impaired for the years ended December 31, 2023 and 2022.

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a) Key assumptions used for recoverable amount calculations:

<i>In percent</i>	2023	2022
Discount rate		
Environmental consulting CGU	16.0	17.0
Environmental logistics CGU	16.0	16.0
Terminal value growth rate	2.5	2.5
Budgeted EBITDA growth rate (average of next five years)		
Environmental consulting CGU	4.5	4.7
Environmental logistics CGU	4.6	12.2

Management determined forecasted gross margins based on past performance and its expectations for market trends. Growth rates applied to expenditures in the forecasts 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 (2022 - DCF methodology). The significant assumptions applied in the goodwill impairment tests are described below:

- Cash flows: Estimated cash flows are based on budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA") along with forecasted capital expenditures and lease payments. The forecast is extended to a total of five years based on an analysis of the industry's expected growth rates, historical growth rates, historical and forecasted revenue changes and inflation rates.
- Discount rate: Each CGU's discount rate reflects their individual size, risk profile and is based on past experience and industry average weighted average cost of capital.
- 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 2028 cash flows increased by a terminal growth rate of 2.5% and is based on forecasted 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 the pre-tax discount rate by 1% and by lowering the terminal growth rate by 1% and noted no change to the annual impairment test results or conclusions noted above.

If budgeted EBITDA growth used in the FVLCD calculation for the environmental consulting CGU had been 2.3% lower in each of the five years of cash flows than management's estimates as at December 31, 2023, the change in this key assumption would result in a recoverable amount equal to the carrying value of the CGU. The recoverable amount of the environmental consulting CGU as at December 31, 2023 exceeds its carrying value by \$6.0 million. Any additional negative change in these assumptions would cause goodwill to become impaired.

Similarly, if the budgeted EBITDA growth used for the environmental logistics CGU had been 1.9% lower in each of the five years of cash flows than management's estimates as at December 31, 2023, the change in this key assumption would result in a recoverable amount equal to the carrying value of the CGU. The recoverable amount of the environmental logistics CGU as at December 31, 2023 exceeds its carrying value by \$26.2 million. Any additional negative change in these assumptions would cause goodwill to become impaired.

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13. Accounts payable and accrued liabilities

	2023	2022
Trade accounts payable	27,556	29,760
Employee related accounts payable	3,946	4,364
Accrued liabilities	6,212	6,262
	37,714	40,386

14. Loans and borrowings

	December 31, 2023			December 31, 2022		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Revolving loan	-	34,500	34,500	-	37,500	37,500
Syndicate term loan	5,236	21,773	27,009	6,981	27,282	34,263
Equipment loans	5,825	4,416	10,241	6,639	5,018	11,657
Co-lend term loan	3,229	-	3,229	4,479	-	4,479
Working capital loan	411	514	925	409	925	1,334
Total borrowings	14,701	61,203	75,904	18,508	70,725	89,233

Secured credit facilities

In 2023, the total secured syndicate credit facilities were \$72.0 million (2022 - \$79.3 million) and were comprised of three committed facilities: a \$40.0 million (2022 - \$40.0 million) syndicated facility ("revolving loan"), a \$27.0 million (2022 - \$34.3 million) term loan facility ("syndicate term loan") and a \$5.0 million (2022 - \$5.0 million) operating facility ("operating loan"). This agreement includes an additional \$20.0 million accordion facility. The syndicate credit facilities are for a committed term and are secured by a debenture over all assets of the Company.

Access to the Company's borrowings is 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, 2023, the Company has access to \$10.5 million of undrawn borrowing facilities.

The secured syndicate credit facilities maturity date is May 31, 2025.

a) Revolving loan

The revolving loan is authorized to a maximum of \$40.0 million and can be drawn, repaid and redrawn on a revolving basis from the closing date until the maturity date. The interest rate can be a mix of rates ranging from the lead syndicate lender's CAD prime rate or USD base rate plus 1.0%-2.3%, CAD Bankers' Acceptance rate and secured overnight financing rate ("SOFR") loans plus stamping fees of 2.0%-3.3% and matures on May 31, 2025. 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 0.4%-0.7%. The interest rate ranges are based on the funded debt to Bank EBITDA ratio [refer to (d) below] for the preceding quarter.

As at December 31, 2023, \$30.5 million (2022 - \$32.5 million) was drawn under CAD bankers' acceptances with a rate of 8.2% and \$4.0 million (2022 - \$5.0 million) was drawn under prime rate loans with a rate of 9.0%.

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b) *Syndicate term loan*

In 2022 the Company increased the syndicate term loan by \$10.0 million. The interest rate on the syndicate term loan can be a mix of rates ranging from the lead syndicate lender's CAD prime rate or USD base rate plus 1.0%-2.3%, CAD Bankers' Acceptance rate and SOFR loans plus stamping fees of 2.0%-3.3%. The interest rate ranges are based on the net senior funded debt to Bank EBITDA ratio for the preceding quarter. The syndicate term loan is repayable in five quarterly principal payments of \$1,354 commencing December 31, 2023, with a final payment of \$20.2 million due on maturity of May 31, 2025. In addition to the scheduled principal payments, the syndicate term loan includes an additional principal payment based on an annual excess cash flow. The excess cash flow calculation is applicable if the net syndicated funded debt to Bank EBITDA ratio as at December 31, 2023 exceeds 2.75:1.00. At year-end the excess cash flow calculation resulted in an additional payment on the term loan of nil (2022 - \$1.8 million), which has been included in the current portion of loans and borrowings on the consolidated statements of financial position. As at December 31, 2023, \$26.9 million (2022 - \$34.1 million) was drawn under CAD bankers' acceptances with a rate of 8.3% and \$0.5 million (2022 - \$0.5 million) was drawn under prime rate loans with a rate of 9.0%.

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 reborrowed 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 the lead syndicate lender's CAD prime rate or USD base rate plus 1.0%-2.3%. There was nil drawn on this facility as at December 31, 2023 (2022 - nil).

d) *Equipment loans*

Certain equipment loans are due on demand, bear interest at rates ranging from 3.1% to 9.0% and have maturity dates (assuming they are serviced until maturity) ranging from August 1, 2024, to January 4, 2029. Equipment loans are secured by rolling stock with a net book value of \$13.3 million (2022 - \$12.7 million) (Note 9).

e) *Co-lend term loan*

On June 24, 2020, under a separate loan agreement with the lead syndicate lender, a demand term loan for \$6.3 million was obtained under BDC Co-Lending Program. The loan is 80% funded by BDC, is secured by the assets of the Company ranking second to the secured syndicate credit facilities, bears interest at the rate of the lead syndicate lender's CAD prime rate plus 4.25% per annum, is repayable in monthly interest-only payments for the first year, then monthly principal payments of \$104 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 syndicated funded debt. As at December 31, 2023, the rate of interest on this loan was 11.5%.

f) *Subordinate working capital loan*

On October 23, 2020, under a separate loan agreement with BDC, a loan for \$2.0 million was agreed to. The loan is secured by assets of the Company ranking behind the secured credit facility and the co-lend term loan, bears interest at BDC's floating base rate less 1.75% per annum. For the purposes of the covenants noted above, this loan does not meet the definition of net senior funded debt or net syndicated funded debt. On November 7, 2022 the repayment terms were amended. As December 31,

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2023, the Company is required to make 26 monthly principal payments of \$34 plus interest payments with a final payment of \$34 on March 1, 2026. As at December 31, 2023, the interest rate was 7.6%.

g) *Borrowing covenants – senior credit facility*

All loans are being provided in Canadian dollars and are subject to the following financial covenants, as defined in the agreements, except for the subordinate working capital loan Note 14(g):

- The ratio of consolidated syndicated indebtedness to trailing bank earnings before interest, taxes, depreciation and amortization (EBITDA), calculated on a trailing 12-month basis,
- The ratio of consolidated senior indebtedness to trailing bank EBITDA, calculated on a trailing 12-month basis,
- The ratio of net cash flow to fixed charges, the fixed charge coverage ratio, calculated on a rolling 4-quarter basis.

As at December 31, 2023, 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	3,629	-	5,236	10,526
Two years	1,661	2,091	34,500	21,773	60,025
Three years	832	1,841	-	-	2,673
Four years	-	1,810	-	-	1,810
Five years	-	870	-	-	870
	4,154	10,241	34,500	27,009	75,904

Term loan includes an offset for transaction costs of \$377 (2022 - \$341) on new loans and borrowing agreements that are capitalized and amortized on a straight-line basis over the term of the respective agreements.

15. Convertible debenture

On March 7, 2022, the Company completed a \$15 million, private placement of secured and subordinated convertible debenture ("the Debenture") (Note 25). The Debenture has a five (5) year term from the date of issuance bearing interest at a rate of 8.0% per annum, payable monthly in arrears in cash. At any time during the term, the holders of the Debenture may elect to convert the outstanding net principal amount, or any portion thereof, into common shares of the Company at a conversion price of \$0.65 per share.

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

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16. Income taxes

A reconciliation of the effective income tax rate is as follows:

	2023	2022
Income before income taxes	2,663	2,734
Combined federal and provincial income taxes statutory rate	23.5%	23.5%
Expected income tax expense	626	642
Effect on income taxes of:		
Non-deductible items	140	144
Change in statutory tax rate	-	29
Change in valuation allowance in respect of future tax assets	(580)	(238)
Other	19	115
	(421)	50
Income tax expense	205	692

Income taxes were comprised of the following:

	2023	2022
Current income tax	116	90
Deferred income tax	89	602
Income tax expense	205	692

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

	2022	Recognized in profit or loss	2023
Deferred tax assets (liabilities) in relation to:			
Losses carryforward	8,767	3,331	12,098
Deferred financing charges	86	-	86
Investment tax credits	52	(52)	-
Right of use assets and liabilities, net	(256)	62	(194)
Convertible debenture	(572)	-	(572)
Property and equipment	(2,106)	(3,711)	(5,817)
Intangibles Assets	(1,994)	281	(1,713)
	3,977	(89)	3,888

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	2021	Convertible debenture	Acquired in business combination	Recognized in profit or loss	2022
Deferred tax assets (liabilities) in relation to:					
Losses carryforward	1,130	-	8,567	(930)	8,767
Right of use assets and liabilities, net	457	-	(473)	(240)	(256)
Deferred financing charges	124	-	-	(38)	86
Investment tax credits	101	-	-	(49)	52
Property and equipment	(2,292)	-	(235)	421	(2,106)
Intangibles Assets	(419)	-	(1,809)	234	(1,994)
Convertible debenture	-	(572)	-	-	(572)
	(899)	(572)	6,050	(602)	3,977

Deferred income tax balances are classified as follows:

	2023	2022
Deferred tax assets	6,347	8,745
Deferred tax liabilities	(2,459)	(4,768)
	3,888	3,977

	2023		2022	
	Gross Amount	Tax Effect	Gross Amount	Tax Effect
Unrecognized deferred tax assets in				
Non-capital income tax losses	12,045	2,864	13,772	3,244
Intangibles	211	50	444	104
Other	240	56	240	56
	12,496	2,970	14,456	3,404

Deferred tax assets have not been recognized in respect of losses that have arisen in subsidiaries that have not established indicators demonstrating that it is probable that future taxable profits will be available to utilize those loss carry-forwards or accessibility to the loss carry forwards may be restricted or both. These non-capital losses expire between 2032 and 2043. The recovery of the remaining unrecognized assets is dependent on future taxable earnings being more than those arising from the reversal of existing taxable temporary differences.

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17. Share capital

Common shares

Authorized, unlimited number

Class A common voting shares

Class B common non-voting shares

	Note	Class A #	Amount \$
As at December 31, 2021		91,253,115	81,071
Shares issued in business combinations	7	24,367,775	11,344
As at December 31, 2022		115,620,890	92,415
Repurchase of shares		(1,126,800)	(901)
As at December 31, 2023		114,494,090	91,514

On August 25, 2023, the Company announced that the TSX Venture Exchange approved a normal course issuer bid ("NCIB") permitting the repurchase for cancellation of up to 5,781,045 common shares. In the year ended December 31, 2023, the Company repurchased and cancelled 1,126,800 shares for a total of \$452. These shares had an average carrying value of \$0.80 for a total amount of \$901. Subsequent to the year end, the Company has repurchased and cancelled 1,808,000 shares for a total amount of \$726.

18. 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 granted at a price and vest in the manner determined by the Board at the time of the grant. The term of options granted is determined by the Board of Directors at the time of grant and cannot exceed ten years.

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

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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.

	December 31, 2023		December 31, 2022	
	Outstanding options	Weighted average exercise price (\$)	Outstanding options	Weighted average exercise price (\$)
Balance - beginning of period	2,400,000	0.56	3,000,000	0.63
Granted	2,290,000	0.45	-	0.00
Expired	(50,000)	1.00	(350,000)	1.00
Forfeited	(520,000)	0.55	(250,000)	0.73
Balance - end of period	4,120,000	0.49	2,400,000	0.56
Exercisable - end of period	1,230,000	0.55	833,333	0.58

The following table summarizes information about share options outstanding as at December 31, 2023:

Exercise Price (\$)	Options outstanding			Options exercisable	
	Outstanding options	Weighted average exercise price (\$)	Weighted average remaining term (years)	Outstanding options	Weighted average exercise price (\$)
0.55	1,845,000	0.55	3.00	1,230,000	0.55
0.45	2,275,000	0.45	5.00	-	-
	4,120,000	0.49	4.10	1,230,000	0.55

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	2023	2022
Volatility factor of expected market price (%)	40.0	97.2
Weighted average risk - free interest rate (%)	3.9	3.0
Weighted average expected life in years	3.5	4.0
Weighted average fair value per option (\$)	0.11	0.31

Total compensation cost recognized for share-based compensation awards for the year ended December 31, 2023, was \$164 (2022 - \$200) and is credited to contributed surplus on the consolidated statements of financial position.

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19. Gross and net revenue

Major categories of gross and net revenue from contracts with customers recognized during the year are as follows:

	2023	2022
<u>Gross revenue</u>		
Rendering of services	250,375	246,216
Contracting	4,862	10,945
	255,237	257,161
<u>Net revenue</u>		
Rendering of services	242,397	207,433
Contracting	4,862	10,945
	247,259	218,378

The Company invoices in accordance with contractual terms.

20. Expenses by nature

	2023	2022
Personnel	89,737	80,179
Subcontractors	59,025	51,565
Equipment costs	39,195	34,849
Materials	10,776	13,195
Flow through subcontractor costs	7,978	38,783
Property and maintenance	5,367	3,916
Other general and administrative expenses	5,227	2,489
Total expenses	217,305	224,976

Reported as:

	2023	2022
Direct costs	185,575	166,127
General and administrative expenses	23,752	20,066
Flow through subcontractor costs	7,978	38,783
Total expenses	217,305	224,976

21. Depreciation and amortization

	2023	2022
Depreciation of property and equipment	13,653	12,895
Depreciation of right of use assets	8,503	6,483
Amortization of intangible assets	1,463	998
	23,619	20,376

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22. Finance costs

	2023	2022
Interest on loans and borrowings	6,803	5,260
Interest accretion on lease liabilities	2,872	1,898
Interest on convertible debenture	1,200	979
Financing and bank charges	442	595
Interest accretion on other liabilities	169	143
	11,486	8,875

23. Earnings per share

	2023	2022
Numerator:		
Net income for the year	2,458	2,042
Denominator:		
Weighted average shares outstanding - basic & diluted	115,523,705	105,663,931
Earnings per share - basic and diluted	0.02	0.02

In calculating the earnings per share for the years ended December 31, 2023, the Company excluded 4,120,000 options (2022 - 2,400,000 options) and the conversion impact of the convertible debenture as their impact was anti-dilutive.

24. 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 private companies that are controlled by a director or officer.

Lease liabilities include \$3.4 million (2022 - \$4.1 million) relating to facility leases with an officer of the Company. Principal payments for these unsecured lease liabilities and associated interest accretion for the year ended December 31, 2023, were \$0.9 million (2022 - \$0.9 million).

Included in general and administrative expenses is remuneration of the key management personnel of the Company, which includes directors and executive management of the Company. For the year ended December 31, 2023, remuneration of \$1,411 (2022 - \$1,621) included \$1,315 of salaries and short-term benefits and \$96 of share-based compensation (2022- \$1,508 and \$113, respectively), which were paid to key management. Directors and key management own 25% of the Company.

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25. Supplemental cash flow information

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

	2023	2022
<i>Changes in non-cash working capital:</i>		
Accounts receivable	10,524	(7,202)
Contract assets	220	478
Inventories	185	552
Prepaid expenses and deposits	(825)	(42)
Accounts payable and accrued liabilities	(2,760)	(6,288)
Contract liabilities	(1,474)	97
Changes in non-cash working capital	5,870	(12,405)
<i>Changes in non-cash working capital items from:</i>		
Operating activities	6,874	(9,848)
Investing activities	(2,279)	(2,432)
Financing activities	1,275	(125)

Property and equipment additions include \$754 (2022 – \$3,033) for amounts not paid for at year end that are included in accounts payable and accrued liabilities. Repayments of loans and borrowings include \$1,354 (2022 – nil) for amounts not processed at year end that are included in account payable and accrued liabilities due to the timing of the last banking day of the year. In addition, refer to the table below for non-cash transactions related to lease liabilities.

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

	Convertible debenture	Other liabilities	Lease liabilities	Loans and borrowings
As at December 31, 2021	-	2,917	20,358	79,518
<i>Changes from financing cash flows:</i>				
Proceeds	15,000	-	-	21,244
Repayments	-	(1,867)	(13,710)	(18,641)
Interest paid	(979)	-	-	(5,260)
Debt issue costs	(501)	-	-	(467)
Total changes from financing cash flows:	13,520	(1,867)	(13,710)	(3,124)
Additions from business acquisition (Note 7)	-	4,000	16,106	7,383
Additions during year	-	-	9,955	-
Interest expense/accretion during the year	979	143	1,898	5,260
Amortization of deferred debt costs	77	-	-	196
Less amounts classified as equity, net of transaction costs of \$48	(2,010)	-	-	-
As at December 31, 2022	12,566	5,193	34,607	89,233
<i>Changes from financing cash flows:</i>				
Proceeds	-	-	-	9,099
Repayments	-	(2,830)	(16,665)	(22,393)
Interest paid	(1,200)	-	-	(6,803)
Total changes from financing cash flows:	(1,200)	(2,830)	(16,665)	(20,097)
Additions during year	376	-	20,996	(376)
Interest expense/accretion during the year	1,200	169	2,872	6,803
Amortization of deferred debt costs	-	-	-	341
As at December 31, 2023	12,942	2,532	41,810	75,904

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 Company classifies and measures its cash, accounts receivable, accounts payable and accrued liabilities at amortized cost and their fair values are not materially different from their carrying amounts due to their short-term nature.

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 remaining loans and borrowings and other liabilities are also deemed to approximate fair value as their maturity dates are short term.

The convertible debenture matures in 2027 and approximates fair value as interest is paid monthly and the rate of interest is at a market rate for similar debt instruments.

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Financial risk management

The significant financial risks to which the Company is exposed are credit risk, commodity price 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, 2023 and 2022.

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 limits its exposure to credit risk by holding its cash with high-quality credit institutions. 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, 2023, the Company had no customers that accounted for more than 10% of the consolidated sales (2022 - nil). The aging analysis of accounts receivables is as follows:

	2023	2022
0 to 30 days	34,141	31,128
31 to 60 days	10,534	15,750
61 to 90 days	8,424	7,035
Over 90 days	4,386	7,446
Holdbacks	254	430
Trade accounts receivable	57,739	61,789
Accrued receivables	4,190	10,480
Allowance for expected credit losses	(1,364)	(1,067)
Trade and accrued receivables, net of allowance	60,565	71,202
Other receivables	277	164
	60,842	71,366

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 at December 31, 2023, 7.6% (2022 – 12.1%) of the Company's 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.

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

	2023	2022
Balance, beginning of the year	(1,067)	(855)
Additional allowance for expected credit losses	(1,077)	(20)
Receivables written of during the year	654	67
Recovery of previously written of balances	126	546
Increase pursuant to business combination	-	(805)
Balance, end of the year	(1,364)	(1,067)

b) *Commodity price risk*

The Company is directly affected by fluctuation in the level of exploration, energy development and production carried on by some of its customers, which is in turn dictated by numerous factors, including world energy, prices and government policies. The demand, pricing and terms for services provided by the Company depend, in part, upon the level of industry activity for Canadian and U.S. oil and natural gas exploration and development. Industry conditions are influenced by numerous factors over which the Company has no control including: the level of oil and natural gas prices, expectations about future oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, worldwide weather conditions, global political, military, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing. The conflict between Ukraine and the Russian Federation will have a continuing impact on future commodity prices in energy, mining and agriculture. Input costs for the Company's transportation and logistics services are impacted by fluctuating commodity prices that the Company mitigates with fuel surcharges.

c) *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 syndicate term loan (Note 14) bear interest at variable rates based on the bank's prime lending rate and/or the bankers' acceptance rate plus 2.0% to 3.3%. The co-lend term loan and the subordinate working capital loan bear interest at the bank's prime lending rate plus 4.3% and BDC's floating base rate less 1.8% respectively. 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, 2023, with other variables unchanged, an increase or decrease of 1% in interest rates would impact income before income taxes by approximately \$0.9 million (2022 - \$1.1 million).

d) *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 US dollar purchases and US dollar sales transactions and has assets and liabilities that are denominated in US dollars and thus is exposed to financial risk of earnings fluctuations arising from changes in exchange rates and the degree of volatility of these rates. The Company does not currently use derivative instruments to reduce its exposure to US dollar currency risk. As at December 31, 2023, with other variables unchanged, an increase or decrease of 1% in foreign exchange rates would impact income before income taxes by approximately nil (2022 - \$0.1 million).

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e) *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, 2023, the Company had determined that it was in compliance with all its 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, 2023, the Company had access to \$10.5 million of undrawn borrowing facilities, which expire on May 31, 2025.

As at December 31, 2023, significant liabilities of the Company include the operating loan, trade accounts payable and accrued liabilities, loans and borrowings, lease liabilities, convertible debenture and other liabilities. Contractual maturities for financial liabilities on an undiscounted basis, including interest and principal as at December 31, 2023 were as follows:

Due Within	Bank indebtedness ⁽¹⁾	Loans and borrowings	Other liabilities	Convertible debenture	Lease liabilities	Total
One year	40,754	16,331	1,602	1,200	13,915	73,802
Two years	-	62,981	1,017	1,200	12,400	77,598
Three years	-	2,839	-	1,200	10,592	14,631
Four years	-	1,899	-	15,200	6,436	23,535
Five years	-	880	-	-	3,365	4,245
Thereafter	-	10	-	-	3,124	3,134
	40,754	84,940	2,619	18,800	49,832	196,945

(1) Bank indebtedness and accounts payable and accrued liabilities

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, loans and borrowings, other liabilities, and convertible debenture less cash. The Company continues to manage towards a lower level of net debt relative to shareholders' equity in order to facilitate the Company's 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 reacquire shares, acquire or dispose of assets, adjust the amount of cash through the refinancing of existing bank debt facilities to change amounts or terms and adjust long-term debt balances.

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The Company typically monitors its capital using measures that are consistent with the borrowing covenants under its secured credit facilities (Note 14).

28. Segmented information

The Company has two reportable segments described as Engineering and Environmental Consulting ("Environmental Consulting") and Environmental Services. Segment capital expenditures are the total costs incurred during the year to acquire property and equipment and intangible assets.

- a) Environmental Consulting consists of a variety of services related to assisting its clients to meet internal environmental standards, environmental legislation and related environmental compliance requirements. These services span multiple industries including energy, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include advisory services related to new capital expenditure and asset development, environmental consulting and monitoring on existing assets, emission management solutions, sub-surface engineering, facility engineering, asset retirement and land reclamation services.
- b) Environmental Services consists of a variety of services related to transportation; removal, storage 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.

Financial information regarding the results of each reportable segment is included below. Performance is measured based on operating profit before depreciation and amortization, and follows 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.

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For the year ended December 31, 2023				
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	69,534	189,915	(4,212)	255,237
Less flow through subcontractor costs	7,978	-	-	7,978
Net revenue	61,556	189,915	(4,212)	247,259
Operating profit (loss) before depreciation and amortization	7,312	37,135	(6,515)	37,932
Depreciation and amortization	2,005	21,322	292	23,619
Operating profit (loss)	5,307	15,813	(6,807)	14,313
Other information				
Expenditures for additions to :				
Property and equipment	1,374	13,152	171	14,697
Intangibles	265	-	-	265
As at December 31, 2023				
Goodwill and intangible assets	21,003	17,959	-	38,962
Total assets	63,950	175,470	5,245	244,665
Total liabilities	24,373	78,765	74,620	177,758
For the year ended December 31, 2022				
	Environmental Consulting	Environmental Services	Corporate	Total
Gross revenue	104,604	151,332	1,225	257,161
Less flow through subcontractor costs	38,783	-	-	38,783
Net revenue	65,821	151,332	1,225	218,378
Operating profit (loss) before depreciation and amortization	10,653	26,025	(4,493)	32,185
Depreciation and amortization	1,538	18,500	338	20,376
Operating profit (loss)	9,115	7,525	(4,831)	11,809
Other information				
Expenditures for additions to :				
Property and equipment	261	15,783	154	16,198
Intangibles	-	7,700	-	7,700
As at December 31, 2022				
Goodwill and intangible assets	20,760	19,400	-	40,160
Total assets	71,253	174,390	8,781	254,424
Total liabilities	26,332	68,374	94,982	189,688

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Geographic Financial Information

	For the years ended Dec 31,	
Gross Revenue	2023	2022
Canada	242,411	251,522
United States	12,826	5,639
	255,237	257,161

	As at Dec 31,	
Non-current assets	2023	2022
Canada	162,809	171,722
United States	11,552	629
	174,361	172,351

29. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.