Vertex Resource Group Ltd.
Management's Discussion and Analysis

Three months ended March 31, 2018 and 2017

The following Management's Discussion and Analysis ("MD&A") is dated May 15, 2018, and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three months ended March 31, 2018 and 2017, and should be read together with Vertex's unaudited condensed consolidated interim financial statements and accompanying notes (the "Interim Financial Statements") for the three months ended March 31, 2018, the annual audited consolidated financial statements and accompanying notes(the "Annual Financial Statements") for the year ended December 31, 2017 and the Company's Annual Information Form ("AIF") for the same year filed on the Company's SEDAR profile at www.sedar.com. All dollar amounts contained in tables in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 8.0 Forward-Looking Information.

1.0 Executive Overview

Vertex is a publicly listed company on the TSX Venture Exchange ("TSXV") trading under the symbol VTX.

Vertex provides environmental and environmentally focused industrial services to a diverse clientele across western Canada and maintains a presence in select locations in the United States. Vertex helps its clients achieve their developmental and operational goals through a versatile suite of services. From initial site selection, consultation and regulatory approval, through the construction, operation and maintenance phases, to conclusion and environmental cleanup, Vertex offers services throughout the life cycle of its clients' projects. The Company services a wide array of high quality customers in many different industries noted below.

The Company provides services in western Canada where the level of operating activity is influenced by seasonal weather patterns. Certain project sites are located in areas that are inaccessible other than during the winter months because the ground surrounding the project sites in these areas is swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the demand for the services of the Company. Wet weather and the spring thaw can make the ground unstable; consequently, municipalities and provincial transportation authorities enforce road bans that restrict movement of vehicles and other heavy equipment, thereby reducing activity levels. This typically results in April and May being the slowest months of the year for Vertex, depending on weather.

The Company operates two operating segments:

Environmental Services

Through Vertex's Environmental Services segment, the Company provides 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: oil and gas, mining, utilities, forestry, private development, public infrastructure, telecommunications and government. More specifically, these services include environmental planning and regulatory approvals; reclamation; remediation; groundwater monitoring; abandonment, drilling and completion engineering; emergency spill response; vacuum, hydrovac, pressure testing and industrial cleaning; fluid management and logistic solutions; waste management bins and disposals; wellsite accommodations; and engineered chemistry products and solutions.

Industrial Services

Through Vertex's Industrial Services segment, the Company offers services related to infrastructure and facility construction, as well as the maintenance of those assets. These services span a range of industries, including: agriculture, forestry, government, public infrastructure, oil and gas production, mining and utilities. These services include industrial insulation, glycol tracing and utilidor products; the manufacturing and installation of custom insulation blankets; the manufacturing and repair of self-frame and rigid-frame metal buildings.

2.0 Financial Highlights

2.1 Selected Financial Information

	Three months ended	
	March 31, 2018	March 31, 2017
Revenue	**34,686**	21,638
Direct costs	**25,885**	14,368
Gross profit	**8,801**	7,270
General and administrative expenses	**4,464**	3,867
Share-based compensation	**45**	-
Amortization	**3,228**	3,335
Finance costs	**1,531**	974
Loss before income taxes	**(467)**	(906)
Income tax recovery	**-**	(226)
Net loss and comprehensive loss for the period	**(467)**	(680)
Net loss and comprehensive loss for the period per share		
Basic and diluted	**(0.01)**	(0.01)
Diluted	**(0.01)**	(0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share		
Basic and diluted	**88,439,302**	66,896,209

	March 31, 2018	December 31, 2017
Total assets	**139,488**	144,156
Total loans and borrowings, less cash	**56,784**	61,864

2.2 EBITDA

	Three months ended	
	March 31, 2018	March 31, 2017
Net loss and comprehensive loss for the period	**(467)**	(680)
Add:		
Income tax recovery	**-**	(226)
Finance costs	**1,531**	974
Amortization	**3,228**	3,335
Share-based compensation	**45**	-
EBITDA [(1)]	**4,337**	3,403
Environmental Services	**3,932**	3,898
Industrial Services	**1,551**	516
Corporate Services	**(1,146)**	(1,011)
	4,337	3,403

(1) ("EBITDA") is defined as net loss before interest, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure, calculated by adding back to net income (loss) the sum of income taxes, finance costs, amortization of property and equipment and intangible assets. The Company uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts as one of several important analytical tools and management of Vertex believes it is useful for providing readers with additional clarity on Vertex's operational performance prior to consideration of how its activities are financed, taxed, amortized or depreciated. This measure is also considered important by the Company's lenders and is adjusted in determining compliance by the Company with the financial covenants under its lending arrangements.

3.0 Operational Highlights

The results for the first quarter of 2018 were an improvement over the first quarter of 2017. The Company improved revenue, gross profit, EBITDA and its net loss from the first quarter of 2017 to the first quarter of 2018. The positive trends continued from the latter part of 2017 into the first quarter of 2018, as highlighted below:

- Revenue increased to $34.7 million or by 60.3% in the first quarter 2018 from $21.7 million for the same quarter of 2017. Growth in revenue is attributable to rebounds in customer spending in certain segments, acquisition impacts, cross-selling strategies between segments and industry diversification.

- Gross profit for the first quarter of 2018 was $8.8 million, up 21.1% or $1.5 million from $7.3 million in the same quarter of 2017. Gross profit as a percentage of revenue (“gross profit margin”) decreased to 25.4% in the first quarter of 2018 versus 33.6% in the same quarter of 2017, due to revenue increases from lower margin service lines. Specifically, Vertex’s Industrial Services segment, which historically has lower gross profit margins, made up a larger share of Vertex’s gross profits in the first quarter of 2018. In Vertex’s Environmental Services segment, increased underlying costs, cold weather and delays in work from Vertex’s customers reduced utilization of equipment and slightly brought down overall gross profits during the quarter. The timing of work and revenue in our Environmental Services segment shifted from the first to the second quarter given an extended spring breakup.

- General and administrative costs (“G&A”) increased by 15.4% or $0.6 million to $4.5 million in the first quarter of 2018, from $3.9 million in the first quarter of 2017. Vertex focused internal efforts on integrating acquisitions that closed in the fourth quarter of 2017. These acquisitions added staff, new locations and service offerings in Saskatchewan. As a percentage of revenue, G&A was down to 12.9% in the first quarter of 2018 versus 17.9% in the first quarter of 2017.

- EBITDA for the first quarter of 2018 was $4.3 million, an increase of 26.1% compared to the first quarter of 2017. This increase was driven by continued efficient execution of industrial projects producing additional EBITDA.

- Net loss for the first quarter of 2018 improved by 31.3% or $0.2 million, to a loss of $0.5 million, from a loss of $0.7 million in the first quarter of 2017. The improvement was due to a greater increase in EBITDA than the increase in interest costs.

- Cash generated from operating activities increased by $6.4 million to $7.8 million for the first quarter of 2018, from $1.3 million in the first quarter of 2017.

- $4.3 million paid down on total loans and borrowings in the first quarter of 2018 reducing to $57.9 million as of March 31, 2018 compared to $62.2 million as of December 31, 2017.

4.0 Results from Operations

4.1 Revenue

The following table sets forth revenue by reportable operating segment for the following periods:

	Three Months Ended		Variance	
	March	March		
	2018	2017	**$**	%
Environmental Services	**23,231**	15,490	**7,741**	50.0%
Industrial Services	**11,448**	6,128	**5,320**	86.8%
Corporate Services	**8**	20	**(12)**	-59.9%
Consolidated revenue	**34,687**	21,638	**13,049**	60.3%

First Quarter 2018 versus First Quarter 2017

Revenue increased by 60.3% or $13.0 million, from $21.7 million during the first quarter of 2017, to $34.7 million during the first quarter 2018, due to an increase in revenues of $7.7 million in the Environmental Services segment and $5.3 million in the Industrial Services segment.

Revenue increased by 50.0% or $7.7 million in the Environmental Services segment, from $15.5 million in 2017 to $23.2 million in 2018. The increase was due to both organic and acquisition growth as Vertex implemented its cross-selling strategies between the segments and integrated its previous acquisitions into operations. The Environmental Services segment has improved revenue however unusually cold weather did negatively impact utilization. Vertex continues to experience consistent customer spending on recurring operating and maintenance budgets.

Revenue increased by 86.8% or $5.3 million in the Industrial Services segment, from $6.1 million in the first quarter of 2017 to $11.4 million in the first quarter of 2018, as the company continued to execute on work secured in the latter part of 2017. The first quarter of 2017 did not have the same level of activity or backlog carrying forward from the previous year. This segment's revenue depends on the timing of maintenance and capital projects and can vary from quarter to quarter or year to year.

4.2 Gross Profit

	Three Months Ended		Variance	
	March	March		
	2018	2017	**$**	%
Gross profit	**8,801**	7,270	**1,531**	21.1%
Gross profit as a % of revenue	**25.4%**	33.6%		

Gross profit increased by 21.1% or $1.5 million, from $7.3 million in the first quarter of 2017 to $8.8 million for the first quarter of 2018. Gross profit margin percentage was 25.4% in the first quarter of 2018 compared to 33.6% in the first quarter of 2017. Vertex was anticipating a slight decrease of gross profit margins from the first quarter of 2017 due to revenue mix expectations in the first quarter of 2018. A driver for the decrease in gross profit margin was strong results from the Industrial Services segment in the first quarter of 2018. Industrial Services' gross profit margin during the quarter was approximately 20%, which pulled down gross profit margins on average.

Gross profit in the Environmental Services segment was down as it experienced rising input costs for fuel and reduced utilization in Vertex's equipment and rental service lines. Some work that was anticipated in the first quarter of 2018 in the Environmental Services segment was delayed until the second quarter of 2018 at the result of extended periods of cold weather. This segment has secured new contracts in the second quarter of 2018 that will increase volume and improve utilization for the remainder of 2018

4.3 G&A

	Three Months Ended		Variance	
	March	March		
	2018	2017	**$**	%
General and administrative expenses	**4,464**	3,867	**597**	15.4%
G&A as a % of revenue	**12.9%**	17.9%		

G&A increased by 15.4% or $0.6 million, from $3.9 million in the first quarter of 2017 to $4.5 million in the first quarter of 2018. The increase was a result of costs for facilities and other administrative costs associated with the six complementary acquisitions completed in 2017. Vertex continues to integrate and reduce costs as necessary to ensure efficiency in overhead costs.

G&A for the quarter, as a percentage of revenue, improved by 5%, to 12.9% in the first quarter of 2018 versus 17.9% in the first quarter of 2017, consistent with improvements in revenue noted above and Vertex's focus on managing its G&A structure while integrating acquisitions as quickly as possible.

4.4 EBITDA

	Three Months Ended			
	March	March	**Variance**	
	2018	2017	**$**	%
Environmental Services	**3,932**	3,898	**34**	0.9%
Industrial Services	**1,551**	516	**1,035**	200.7%
Corporate Services	**(1,146)**	(1,011)	**(135)**	-13.4%
	4,337	3,403	**934**	27.4%
EBITDA as a % of revenue	**12.5%**	15.7%		

(1) See Non-IFRS measure definition Section 2.2.

EBITDA increased by 27.4% or $0.9 million, from $3.4 million in the first quarter of 2017 to $4.3 million in the first quarter of 2018. EBITDA increased by $1.0 million in the Industrial Services segment. EBITDA was up slightly in the Environmental Services segment. In the Corporate Services segment, negative EBITDA increased by $0.1 million.

The Environmental Services segment's EBITDA was up slightly at 0.9% or $34,000, to $3.9 million in the first quarter of 2018 and 2017. Vertex's activity and EBITDA in this segment was slightly lower than Vertex expectations. This segment was impacted by a longer than normal winter, rising fuel costs and lower than anticipated utilization due to customer project work being shifted to the second and third quarters of 2018.

The Industrial Services segment's EBITDA increased by 200.7% or $1.0 million, from $0.5 million during the first quarter of 2017 to $1.5 million in the first quarter of 2018. The Industrial Services segment's higher revenue translated into a strong contribution to EBITDA in the first quarter of 2018.

The Corporate Services segment's negative EBITDA increased by 134% or $0.1 million, from a loss of $1.0 million in the first quarter of 2017, to a loss of $1.1 million in the first quarter of 2018, due to increased corporate costs related to supporting growth in operations.

EBITDA for the first quarter, as a percentage of revenue, has decreased by 3.3% to 12.5% in the first quarter of 2018 compared to 15.7% in the first quarter of 2017, as the mix of segment revenues on lower gross profit contributed to lower EBITDA margins in the quarter.

4.5 Amortization, Finance and Share-based Compensation Costs

	Three Months Ended			
	March	March	**Variance**	
	2018	2017	**$**	%
Amortization	3,228	3,335	**(107)**	-3.2%
Finance costs	1,531	974	**557**	57.2%
Share-based compensation	45	-	**45**	-
Total	4,759	4,309	**450**	10.4%

Amortization was slightly down by 3.2% or $0.1 million, from $3.3 million in the first quarter of 2017 to $3.2 million for first quarter of 2018.

Finance costs increased by 57.2% or $0.5 million, from $1.0 million in the first quarter of 2017 to $1.5 million in the first quarter of 2018 due to higher interest rates and finance costs related to new credit facilities that are being amortized over a five-year period.

Vertex issued stock options on December 22, 2017 and incurred a nominal cost in the first quarter of 2018.

4.6 Net Loss and Comprehensive Loss for the Period

	Three Months Ended		Variance	
	March	March		
	2018	2017	**$**	%
Environmental Services	**800**	715	**85**	12.0%
Industrial Services	**840**	(68)	**907**	1336.6%
Corporate Services	**(2,106)**	(1,327)	**(779)**	-58.7%
Net loss and comprehensive loss for the period	**(467)**	(680)	**213**	31.4%

Net loss for the first quarter of 2018 was $0.5 million, an improvement of 31.4% or $0.2 million, from a loss of $0.7 million in the first quarter of 2017. The improvement was due to a great increase in EBITDA than the increase in interest costs.

In the Environmental Services segment, net income for the first quarter of 2018 was $0.8 million, up slightly by $0.1 million, from $0.7 million in the first quarter of 2017. This increase was due to relatively flat EBITDA in the quarter.

In the Industrial Services segment, net income for the first quarter of 2018 increased by $0.9 million, from a net loss of $0.1 million for first quarter of 2017 due to the improved revenue and gross margins.

In the Corporate Services segment, net loss for the first quarter of 2018 increased by $0.8 million, to a loss of $2.1 million, compared to a loss of $1.3 million for the first quarter of 2017. The increased loss was namely due to increased interest costs on senior debt along with additional G&A supporting growth in operations.

4.7 Summary of Quarterly Results

($000 except per share amounts)	2018	2017				2016		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenue	**34,686**	35,772	34,989	26,020	21,638	25,011	20,519	17,785
Net loss	**(467)**	(1,703)	(198)	(367)	(680)	(2,439)	(3,541)	(1,775)
Basic and diluted loss per share	**(0.01)**	(0.02)	(0.00)	(0.01)	(0.01)	(0.05)	(0.07)	(0.04)
EBITDA [(1)]	**4,337**	3,928	5,049	3,147	3,403	1,316	(492)	274

(1) See Non-IFRS measure definition Section 2.2.

The last three quarters have shown that economic activity has slowly continued to rebound, with recent results trending more consistently and more positively over the first half of 2017. Increased activity and utilization in most service lines is being driven by the stabilization of commodity prices. The uptick from its customers tends to improve asset and personnel utilization across most business lines. The Company's results are positively impacted by increased spending on operating, maintenance and capital budgets of Vertex's customers. Vertex is diversifying its customer base by providing services to other industries. Another positive trend in 2017 was 35% of Vertex's revenue came from non-oil and gas industry customers compared to 7% in 2015. The positive trends have continued into 2018 as market factors impacting Vertex continue to stabilize.

In 2016, the Company was exposed to the western Canadian economic slump as the price of oil dropped to unprecedented lows, directly impacting all business lines and increasing mergers and acquisitions within Vertex's customers mix. As illustrated above, the Company experienced historically lower revenues and negative EBITDA along with a higher net loss. More specifically, in the second quarter ended June 30, 2016, up to and including the first quarter ended March 31, 2017, Vertex experienced lower work volumes as billing rates were compressed by customers, and projects were either cancelled or deferred due to economic uncertainty. Other factors impacting results in the second and third quarters of 2016 include customer consolidation, the forest fires in Fort McMurray and general downturn in the oil and gas industry operating, maintenance and capital spending, which directly and indirectly reduced revenues by over $6.0 million. Through the 2016 calendar year, management incurred $5.5 million of restructuring costs related to both a 2015 acquisition and general economic factors.

EBITDA and revenue in the second quarter ended June 30, 2016, up to and including the first quarter of 2017, reflected the downturn in the oil and gas industry. The first quarter of 2018 includes EBITDA for all acquisitions completed in fiscal 2017 and the third and fourth quarters ended December 31, 2017 include EBITDA from the four acquisitions completed during the first half of 2017. In the fourth quarter of 2017, the net loss increased relative to the other quarters of 2017 as Vertex incurred roughly $0.8 million of going public costs.

4.8 Outlook

Vertex anticipates further improvements in utilization and profitability in certain operating segments. The Company expects it will comfortably surpass results from 2017. Vertex further expects continued progression in increasing Vertex's overall utilization as a result of new work heading into the rest of the fiscal year. With the current cost structure and controls in place, increases in revenue are expected to have positive impacts on gross margins, EBITDA and net income as the Company focuses on profitability.

Vertex continues to be encouraged by growth opportunities in its Environmental Services segment through abandonments, water solutions and environmental liability management for its customers both in western Canada and the United States heading into the next nine months of 2018. Vertex continues to focus on diversifying its customer base and increasing its exposure directly to operating and maintenance budgets of its customers. The Company also continues to cultivate and pursue opportunities to diversify its customer base by providing its services to customers outside of the oil and gas industry. Vertex anticipates the pricing and margin of its services to improve slightly in 2018 as demand for its services are expected to increase. Vertex will continue to focus on achieving efficiencies and cost reductions throughout its operations, including a continued focus on the integration of recent acquisitions, cross-selling complementary services between segments in order to lower customers' costs and providing integrated solutions for the environmental liabilities of its customers.

Vertex continues to focus on reducing debt and interest costs, managing working capital and adhering to prudent capital expenditure plans. Accretive, complementary acquisitions remain an essential component of Vertex's long-term growth plans and it continues to evaluate opportunities as they arise. Vertex is committed to further improving its operational and financial performance while ensuring that it is creating shareholder value for the longer term.

5.0 Liquidity and Capital Management

The following table sets forth the Company's cash flow by activity for the following periods:

	Three months ended	
	March 31, 2018	March 31, 2017
Cash generated from operating activities	**7,784**	1,340
Cash used in investing activities	**(1,758)**	(378)
Cash used in financing activities	**(5,198)**	(798)
	828	164

The Company expects to generate sufficient cash flows from operations and continues to access its credit facilities to meet contractual obligations, planned expenditures and growth initiatives as they are required. The Company expects working capital investments will be required to support future revenue growth that is consistent with historical requirements. The Company typically utilizes its available committed operating loan to fund working capital requirements and planned expenditures.

5.1 Cash Generated from Operating Activities

Cash generated from operating activities increased by $6.4 million to $7.8 million for the first quarter of 2018, from $1.3 million in the first quarter of 2017. The increase in cash generated was due to a 60.1% increase in revenue and a 26.1% increase in EBITDA in the quarter. Working capital requirements to support increased revenue and acquisitions in the fourth quarter of 2017 were substantial.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $1.4 million to $1.8 million for the first quarter of 2018, from $0.4 million in the first quarter of 2017. Vertex's first quarter 2018 capital expenditure program was higher in order to facilitate 2018 growth plans compared to the same quarter of 2017.

5.3 Cash Used in Financing Activities

Cash used in financing activities increased by $4.4 million to $5.2 million in the first quarter of 2018, from $0.8 million in the first quarter of 2017. The increase was due to $2.1 million in principal repayments on the senior term debt and $3.1 million repaid on the operating loan, all of which was funded by cash generated from operating activities. Vertex is focused on reducing its loans and borrowings through regular and additional repayments in 2018.

5.4 Working Capital

	March 31, 2018	December 31, 2017
Current assets	**38,087**	41,782
Current liabilities	**13,164**	12,629
Working Capital	**24,923**	29,153

Working capital at the quarter ended March 31, 2018 was $24.9 million compared to the 2017 year end balance of $29.1 million, a decrease of $4.2 million. Accounts receivable decreased by $6.2 million from December 31, 2017 to March 31, 2018, which is a reflection in the mix of activity and timing of payments on large projects.

5.5 Credit Facilities

	March 31, 2018	December 31, 2017
Operating loans:		
Available operating facilities	**23,000**	23,000
Drawn on operating facilities	**15,225**	18,302
Available operating facilities (1)	**7,775**	4,698

(1) Calculated as available operating line less drawn credit facilities

Debt as of March 31, 2018, consisted of the items noted in Section 5.6 Commitment and Contingencies.

On May 11, 2018, the Company entered into an agreement with a syndicate group of senior lenders (the "Lenders") led by HSBC Bank Canada, under which the Lenders have agreed to provide Vertex with $70 million in senior secured credit facilities for a three-year term. This agreement includes an additional $20 million accordion facility available to support future growth initiatives of the Company. All loans are being provided in Canadian dollars and come with customary covenant terms similar to the terms as noted in the Company's Interim Financial Statements.

The financing arrangement will replace existing credit facilities and support the Company's ability to capitalize on both organic and acquisition opportunities as they arise while maintaining a prudent approach to leverage. It is anticipated, starting in 2019, that the refinancing will reduce the Company's overall interest rate and expense, resulting in annual cost savings of approximately $2 million.

Debt Covenants

As of March 31, 2018, the Company was in compliance with the terms and covenants of its lending agreements on the operating loan, senior debt and subordinated debt agreements. Trailing twelve-month EBITDA attributable to businesses acquired in the period is permitted to be added to EBITDA when calculating covenants. Trailing twelve-month EBITDA was $18.3 million for the trailing twelve months ending March 31, 2018.

5.6 Commitments and Contingencies

As part of the Company's normal operations, it often enters into contracts, such as leases and purchase contracts, which obligate the Company to make disbursements in the future. The following table summarizes these future payments required in respect to the Company's contractual obligations:

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	12,330	-	**12,330**
Operating loan	-	15,225	**15,225**
Term loans	135	446	**581**
Senior debt	5,000	29,694	**34,694**
Lease liabilities	727	1,181	**1,908**
Provisions	710	1,569	**2,279**
Subordinated debt	-	5,500	**5,500**
Long-term financial liabilities	6,572	53,615	**60,187**

The Company does not have any future payments that extend past five years.

Share Based Settlement of Obligations

The acquisition obligation with an aggregate face value of $1.8 million was settled for 1,924,320 common shares of the Company on January 10, 2018.

Legal Claims

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and other third parties. Management believes that adequate provisions have been made for potential claims in the Company's accounts. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the consolidated financial position of the Company.

Off-Balance Sheet Arrangements

At March 31, 2018 and 2017, the Company did not have any off-balance sheet arrangements.

5.7 Capital Expenditures

Capital expenditures, as discussed in Section 5.2 Cash Generated from Investing Activities, were in line with the Company's approved capital plan for 2018. The Company's capital expenditures for the first quarter of 2018 were $2.0 million compared to $0.7 million in 2017. The Company undertakes to sell any under-utilized assets that are not able to be redeployed in other geographical locations in order to improve utilization. In the first quarter of 2018, the Company sold $0.2 million worth of capital assets.

Gross maintenance capital expenditures for 2018 are planned to be $3.9 million, while gross growth capital expenditures are planned to be $2.6 million. The maintenance and growth capital expenditures are not committed for or required if factors related to economics, industrial and customer spending plans change or destabilize.

5.8 Credit Risk

The Company's revenues come from a diverse customer base, which includes the energy, real estate, utilities and mining industries in western Canada. The Company believes that there is no unusual exposure associated with the collection of accounts receivable outside of the normal risk associated with contract audits and normal trade terms common in the oil and gas industry. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the quarter ended March 31, 2018, the Company had one customer that accounted for 18.6% of the consolidated sales (year ended December 31, 2017 – two customers for 27.2%). The aging analysis of accounts receivable is as follows:

	March 31, 2018	December 31, 2017
0 to 30 days	**12,484**	15,058
31 to 60 days	**11,247**	9,531
61 to 90 days	**1,713**	6,756
Over 90 days	**1,815**	2,254
Holdbacks	**43**	77
Trade accounts receivable	**27,302**	33,676
Allowance for doubtful accounts	**(86)**	(62)
Trade receivables, net of allowance	**27,216**	33,614
Other receivables	**1,460**	1,286
	28,676	34,900

5.9 Outstanding Share Data

As of May 15, 2018, the Company had 90,813,124 Common Shares outstanding. As of the same date, the Company had outstanding stock options of 4,203,155 and warrants of 2,197,206 to purchase up to 6,400,361 Common Shares.

5.10 Transactions with Related Parties

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

		Three months ended	
	Nature of relationship	**March 31, 2018**	March 31, 2017
Transactions:			
General and administrative expenses - rent	(i)	**225**	225
Property and equipment additions	(i)	**489**	489
Repayments of advances from shareholders	(i)	**-**	2,151
Proceeds from sale of property and equipment	(i)	**-**	75

(i) Related by common director, officer

6.0 Critical Accounting Judgments, Estimates and Accounting Policy Developments

6.1 Critical Judgments in Applying the Company's Accounting Policies

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, and 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.

Percentage Completion

Judgment used to determine percentage of completion for construction contracts, specifically related to estimated costs to complete, include the various construction projects. Given that the expected period of contract revenue is based on judgment, future results could be affected if management's current assessment of its estimated costs to complete differ from actual performance.

Property and Equipment

As part of the capitalization process, management must estimate the expected period of benefit over which capitalized costs should be depreciated. The considerations for estimated useful lives include the timing of technological obsolescence and competitive pressures, as well as historical experience and internal business plans for the projected use of related assets. Given that the expected period of benefit is an estimate, future results could be affected if management's current assessment of its property and equipment's useful lives differs from actual performance.

Cash-Generating Units ("CGUs")

For the purpose of assessing impairment of non-financial assets, the Company must determine its CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. Management has determined that the appropriate CGUs for the Company are the Industrial, Consulting, Fluid Management and Rentals divisions.

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 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.

6.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimating uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Impairment of Non-Financial Assets

All of the Company's financial assets are reviewed for indicators of impairment. At the end of each reporting period, management reviews the individual balances in accounts receivable and assesses their recoverability based on the aging of outstanding balances, historical bad debt experience, and indicators of changes in customer credit worthiness, and changes in customer payment terms, to identify and determine the extent of impairment, if any. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration individual customer credit worthiness and current economic trends, as well as past experience. If future collections differ from estimates, future earnings would be affected.

Goodwill Impairment

The Company tests annually whether goodwill has suffered any impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the goodwill is allocated, exceeds its recoverable amount. The recoverable amount of the CGU, or group of CGUs, is the higher of its fair value less cost of disposal and its value in use. Management estimates expected future cash flows from each CGU, or group of CGUs, in determining the value in use. Management makes assumptions about future operating results and performs sensitivity testing of key assumptions in the process of measuring expected future cash flows which are based on future events and circumstances disclosed in Note 12 to the Annual Financial Statements.

Business Combinations

The Company applies the acquisition method of accounting to business combinations, which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair values. The Company uses valuation techniques in determining fair values of the various elements of a business combination, including intangible assets, based on future expected cash flows and a discount rate. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risks and weighted average cost of capital. If future events or results differ significantly from these estimates and assumptions, the Company may be required to record impairment charges in the future.

Deferred Tax Assets

Management estimates the probability of future taxable income in which deferred tax assets can be utilized based on Company forecasts. The Company also takes into consideration non-taxable income and expenses, and the various tax rules in effect or expected to be in effect at a future date. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific circumstances.

6.3 Changes in Accounting Policies

IFRS 15 – Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from Contracts with Customers retrospectively on January 1, 2018. IFRS 15 supercedes IAS 11 – Construction Contracts and IAS 18 – Revenue, and related interpretations. The Company has detailed below the impact of the transition to IFRS 15 on its accounting policy for revenue recognition.

The Company applied IFRS 15 retrospectively to all contracts that were not complete on January 1, 2018, the date of the initial application, in order to determine if a restatement was required for prior periods presented. The Company performed a comprehensive review of existing contracts, control processes and revenue recognition methodology. In evaluating the impact of IFRS 15 on previously reported comparative figures, the Company determined that there was no change required as the existing revenue recognition practices met the requirements of IFRS 15. There were no changes to the classification and timing of revenue recognition, the measurement of contract costs and the recognition of contract assets (unbilled revenue) and contract liabilities (deferred revenue). The Company continues to recognize revenue at a contract level as performance obligations are satisfied over time, using project stage of completion based on costs incurred, labour hours expended and resources consumed. Revenue is recognized by applying the five-step model under IFRS 15.

Recognition requirements surrounding contract modifications (variations and claims) have been implemented, where the Company is required to provide stronger evidence of customer acceptance. 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 probably that revenue will not reverse in the future.

IFRS 9 – Financial Instruments

In 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 to replace IAS 39 – Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 retrospectively on January 1, 2018. The adoption of this standard did not have a material impact on the condensed consolidated interim financial statements. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Specifically, the new standard require entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

IFRS 2, Share-Based Payments

In June 2016, the IASB published *Classification and Measurement of Share-based Payment Transactions*, providing clarification on the classification and measurement of certain types of share-based payment transactions. The Company adopted the amendments to IFRS 2 retrospectively on January 1, 2018. The amendments to IFRS 2 clarify that the accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments should follow the same approach as for equity-settled share-based payments. The adoption of these amendments did not have any material impact to the condensed consolidated interim financial statements.

6.4 Future Accounting Standard Pronouncements

The following new standard has been issued, but was not effective for the quarter ended March 31, 2018:

IFRS 16 – Leases

IFRS 16 – Leases ("IFRS 16"), was issued by the IASB on January 13, 2016, and will replace IAS 17 – Leases. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and financing leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company is evaluating the impact of this standard on its consolidated financial statements.

6.5 Financial Instruments

The Company considers managing risk as being an integral part of its development and diversification strategies. The Company uses a proactive and rigorous approach for management of the financial risks to which it is exposed.

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The Company's most significant financial risk exposure and its financial risk management policies are discussed in Note 26 to the Annual Financial Statements.

7.0 Forward-Looking Information

Certain statements contained in this document constitute "forward-looking information". When used in this document or by any of the Company's management, the words "may", "would", "will", "intend", "plan", "propose", "anticipate" and "believe" are intended to identify forward-looking information. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on its experience and expertise with respect to future events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any expected future results, performance or achievement that may be expressed or implied by such forward-looking statements.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company, including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; and certain cost assumptions.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements, including, without limitation: changes in the demand for or supply of the Company's services; unanticipated operating results; changes in tax or environmental laws, or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; increased costs; the impact of competitors; reliance on industry partners; and attracting and retaining skilled personnel.

Vertex's business is subject to a number of risks and uncertainties. Readers are encouraged to review and carefully consider the risk factors described in the AIF, which risk factors are specifically incorporated by reference herein.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A. The Company does not intend and does not assume any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless required by law.

8.0 Additional Information

Additional information is available on SEDAR at www.sedar.com and the Corporation's website at www.vertex.ca.