Vertex Resource Group Ltd.
Management's Discussion and Analysis

Three and six months ended June 30, 2018 and 2017

The following Management's Discussion and Analysis ("MD&A") is dated August 10, 2018, and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three and six months ended June 30, 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 and six months ended June 30, 2018, Vertex's 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 7.0 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 services to a diverse clientele across western Canada and 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 the second quarter being the slowest quarter 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, spanning 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, and the manufacturing and repair of self-frame and rigid-frame metal buildings.

2.0 Financial Highlights

2.1 Selected Financial Information

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Revenue	**27,692**	26,020	**62,378**	47,658
Direct costs	**18,965**	18,808	**44,850**	33,176
Gross profit	**8,727**	7,212	**17,528**	14,482
General and administrative expenses	**4,469**	4,063	**8,933**	7,931
Share-based compensation	**46**	-	**91**	-
Amortization	**3,269**	3,415	**6,497**	6,750
Finance costs	**5,081**	309	**6,612**	1,282
Loss before income taxes	**(4,138)**	(575)	**(4,605)**	(1,481)
Income tax recovery	**40**	(208)	**40**	(434)
Net loss and comprehensive loss for the period	**(4,178)**	(367)	**(4,645)**	(1,047)
Net loss and comprehensive loss for the period per share				
Basic and diluted	**(0.05)**	(0.01)	**(0.05)**	(0.02)
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic and diluted	**88,653,115**	70,973,522	**88,546,799**	68,946,129

	June 30, 2018	December 31, 2017
Total assets	**149,554**	144,156
Total loans and borrowings, less cash	**66,635**	61,864

2.2 EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net loss and comprehensive loss for the period	**(4,178)**	(367)	**(4,645)**	(1,047)
Add:				
Income tax recovery	**40**	(208)	**40**	(434)
Finance costs	**5,081**	309	**6,612**	1,282
Amortization	**3,269**	3,415	**6,497**	6,750
Share-based compensation	**46**	-	**91**	-
EBITDA (1)	**4,258**	3,149	**8,595**	6,551
Environmental Services	**4,605**	4,190	**8,537**	8,088
Industrial Services	**1,244**	971	**2,796**	1,486
Corporate Services	**(1,591)**	(2,012)	**(2,738)**	(3,023)
	4,258	3,149	**8,595**	6,551

(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 second quarter of 2018 were an improvement over the second quarter of 2017. The Company improved revenue, gross profit and EBITDA from the second quarter of 2017 to the second quarter of 2018. However, net loss increased as a result of a one-time finance cost related to the refinancing of its debt facilities in May 2018. Highlights below:

- Revenue increased to \$27.7 million or by 6.4% in the second quarter of 2018 from \$26.0 million for the same quarter of 2017. Growth in revenue is attributable to consistent customer spending in certain segments, acquisition impacts, cross-selling strategies between segments and industry diversification that resulted in greater demand for the Company's services.

- Gross profit for the second quarter of 2018 was \$8.8 million, up a 21.0% or \$1.5 million from the second quarter of 2017. Gross profit as a percentage of revenue ("gross profit margin") improved to 31.5% in the second quarter of 2018 versus 27.7% in the same quarter of 2017, due to revenue increases from higher margin service lines. Vertex's Environmental Services segment, which historically has higher gross profit margins, made up a larger share of Vertex's gross profits in the second quarter of 2018.

- General and administrative costs ("G&A") increased by 10.0% or \$0.4 million to \$4.5 million in the second quarter of 2018, from \$4.1 million in the second quarter of 2017. The increase is attributable to additional costs of Vertex being a public company and additional costs from the acquisitions completed in the fourth quarter of 2017 and in the second quarter of 2018. These acquisitions added staff, new locations and additional equipment in Manitoba, Saskatchewan and Alberta.

- EBITDA for the second quarter of 2018 was \$4.3 million, an increase of 35.2% compared to the second quarter of 2017. This increase was driven by the performance of Vertex's Environmental Services segment, specifically projects related to maintenance, turnarounds, industrial cleaning and equipment rentals, including a new large water management project. Vertex also continued performance within the Industrial segment.

- Net loss for the second quarter of 2018 increased by $3.8 million over the second quarter of 2017. The increase in net loss was due to a one-time finance cost of $3.6 million related to the refinancing of Vertex's debt facilities in May 2018. This was done in order to realize $2 million in annual interest savings, complement Vertex's capital structure with its long-term strategy and to bring in a syndicated lending group that supports Vertex's planned growth strategy.

- Vertex completed two complementary acquisitions in our Environmental Services segment, TSL Industries ("TSL") and a private hydrovac company ("Hydrovac") for fair value consideration of $7.6 million. These acquisitions closed May 31 and June 27, 2018, respectively, so impacts to the second quarter's results were minimal. In addition, Vertex closed the acquisition of Three Star Trucking Ltd. ("Three Star") on July 12, 2018 for fair value consideration of $7.8 million and an estimated bargain purchase gain of $6.1 million.

The results for the six months ending June 30, 2018 also showed growth in revenue, gross profit and EBITDA over the six months ending June 30, 2017, as highlighted below:

- Revenue increased to $62.4 million or by 30.9% in the six months ending June 30, 2018 from $47.7 million for the same six months of 2017. Growth in revenue continues to be attributable to rebounds in customer spending in certain segments, acquisition impacts, cross-selling strategies between segments and industry diversification that resulted in greater demand for the Company's services.

- Gross profit for the six months ending June 30, 2018 was $17.5 million, up 21.0% or $3.0 million in the same six months of 2017. Gross profit margin decreased slightly to 28.1% in the six months ending June 30, 2018 versus 30.4% in the same six months of 2017, due to revenue increases from lower margin service lines from the first quarter of 2018. As discussed above, when comparing Vertex's Environmental and Industrial Services segments, the Environmental Services have margins that are historically higher than Industrial Services. During the first quarter of 2018, the Industrial Services segment made up a larger share of Vertex's gross profits, as opposed to the second quarter when a larger portion of Vertex's gross profit margin was made by its Environmental Services segment.

- G&A increased by 12.6% or $1.0 million to $8.9 million in the six months ending June 30, 2018, over the first half of 2017. Vertex added staff, public company compliance costs, new locations and service offerings in Manitoba, Saskatchewan and Alberta due to acquisitions from the past several months. However, as a percentage of revenue, G&A was down to 14.3% in the six months ending June 30, 2018 versus 16.6% in the same six months of 2017. Vertex continues to aggressively reduce G&A through integrating acquisitions.

- EBITDA for the six months ending June 30, 2018 was $8.6 million, an increase of 31.2% compared to the same six months of 2017. This increase was driven by the efficient execution and completion of a major project in the six months ending June 30, 2018 that was secured in the second half of 2017. Also, the Environmental Services segment increased Vertex's EBITDA through additional projects related to maintenance, turnarounds, industrial cleaning and water management.

- Net loss for the six months ending June 30, 2018 increased by $3.6 million, from $1.0 million in the same six months of 2017, to a loss of $4.6 million. As noted above, the increase in net loss was due to a one-time finance cost of $3.6 million related to the refinancing of its debt facilities in May 2018.

- Cash generated from operating activities increased by $3.2 million to $5.8 million for the six months ending June 30 2018, from $2.6 million in the six months ending June 30, 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		Six Months Ended	
	June 30,		June 30,	
	2018	2017	**2018**	2017
Environmental Services	**20,818**	17,574	**44,049**	33,064
Industrial Services	**6,867**	8,425	**18,315**	14,553
Corporate Services	**7**	21	**14**	41
Consolidated revenue	**27,692**	26,020	**62,378**	47,658

Second Quarter 2018 versus Second Quarter 2017

Revenue increased by 6.4% or $1.7 million, from $26.0 million during the second quarter of 2017, to $27.7 million during the second quarter of 2018, due to an increase in revenues of $3.2 million in the Environmental Services segment offset by a decrease of $1.6 million in the Industrial Services segment.

Revenue increased by 18.5% or $3.2 million in the Environmental Services segment, from $17.6 million in 2017 to $20.8 million in 2018. The increase was due to organic growth and some acquisition growth as Vertex implemented its cross-selling strategies between the segments and integrated its acquisitions into operations. The Environmental Services segment had improved revenue in certain service lines, however unusually cold weather negatively impacted utilization well into the middle of the second quarter. The recent acquisitions of TSL, Hydrovac and Three Star had minimal impacts on Vertex's second quarter results but will provide positive contributions for the remainder of 2018. Also, within Vertex's Environmental Services segment, Vertex secured a large water management project in the second quarter along with a significant increase in rental equipment utilization in June 2018 to service customers in the midstream, construction and drilling industries. Vertex continues to experience positive momentum with current and new customers throughout the past several months and continues to experience consistent customer spending on recurring operating and maintenance projects.

Revenue decreased by 18.5% or $1.5 million in the Industrial Services segment, from $8.4 million in the second quarter of 2017 to $6.9 million in the second quarter of 2018, as the company efficiently completed major work in the quarter that was secured in the latter part of 2017. Vertex expects fewer large industrial projects in the foreseeable future and thus a corresponding decrease in this segment's results. Management has strict criteria for evaluating potential projects including profitability, contract execution, terms and conditions and customer credit worthiness. Given the current environment, management does not have good visibility on new acceptable opportunities for the foreseeable future. This segment's revenue depends heavily on the timing of maintenance and capital projects that can vary from quarter to quarter or year to year.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

Revenue increased by 30.9% or $14.7 million, from $47.7 million for the six months ended June 30, 2017 to $62.4 million for the six months ended June 30, 2018, due to an increase of $11.0 million in the Environmental Services segment and an increase of $3.8 million in the Industrial Services segment.

Revenue in the six months ending June 30, 2018 increased 33.2% or $10.9 million in the Environmental Services segment, from $33.1 million in 2017 to $44.0 million in same period of 2018. This was due to improved customer spending on operating and maintenance work along with positive impacts from acquisitions completed during the second quarter of 2017. The Company continues to make headway on cross-selling strategies between segments as well as integration of current and previous acquisitions.

Revenue in the six months ending June 30, 2018 increased by 25.9% or $3.7 million in the Industrial Services segment, from $14.6 million in 2017 to $18.3 million in 2018, as the Company completed a major project during the first five months of 2018. The level of 2017 backlog gave the Industrial Services segment a great start to the year; however, Vertex expects a decline in future quarters' revenue related to this segment, as larger industrial projects lack attractive margins for the level of risk. Vertex's long-term strategy is to reduce its exposure to this service line.

4.2 Gross Profit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Gross profit	**8,727**	7,212	**17,528**	14,482
Gross profit as a % of revenue	**31.5%**	27.7%	**28.1%**	30.4%

Second Quarter 2018 versus Second Quarter 2017

Gross profit increased by 21.0% or $1.5 million, from $7.2 million in the second quarter of 2017 to $8.7 million for the second quarter of 2018. Gross profit margin percentage was 31.5% in the second quarter of 2018 compared to 27.7% in the second quarter of 2017. Vertex was anticipating an increase of gross profit margins from the second quarter of 2017 due to a shift in service line revenue mix in the second quarter of 2018. There were two key impacts in the increase of gross profit margin.

First was the positive results from the Environmental Services segment in the second quarter of 2018 attributed to services related to operational turnaround and industrial cleaning work. The Environmental Services segment's gross profit margin during the quarter was approximately 34%, which improved gross profit margins on average.

The second key impact was Vertex's rental service line securing a large water management project in the second quarter along with a significant increase in utilization of equipment in June 2018 to service customers in the midstream, construction and drilling industries.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

Gross profit for the six months increased 21.0% or $3.0 million, from $14.5 million in 2017 to $17.5 million in 2018, due to the corresponding increase in revenue. As a percentage of revenue, gross margin was slightly down period over period at 28.1% for 2018 compared to 30.4% for 2017.

The Environmental Services segment recovered gross profits during the second quarter of 2018. However, during the first quarter of 2018, Vertex's equipment and rental service lines were impacted by rising input costs for fuel and reduced utilization. Also, work that was anticipated in the first quarter of 2018 in the Environmental Services segment was delayed until the second quarter of 2018 as a result of extended periods of cold weather. This segment secured new contracts during the second and third quarters of 2018 that has and will increase volumes and improve utilization for the remainder of 2018.

The Industrial Services segment's gross profit margin during the six months ending June 30, 2018 was consistent with prior periods.

4.3 G&A

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
G&A	**4,469**	4,063	**8,933**	7,931
G&A as a % of revenue	**16.1%**	15.6%	**14.3%**	16.6%

Second Quarter 2018 versus Second Quarter 2017

G&A increased by 10.0% or $0.4 million, from $4.1 million in the second quarter of 2017 to $4.5 million in the second quarter of 2018. The increase was a result of ongoing costs of being a public company and other costs associated with acquisitions completed in 2017 and 2018.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

G&A for the six months, as a percentage of revenue, decreased by 2.3%, to 14.3% in the first half of 2018 versus 16.6% in the first half of 2017, consistent with improvements in revenue noted above and Vertex's focus on managing its G&A structure and driving out redundant costs from acquisitions and improving operating efficiencies.

4.4 EBITDA

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	**2018**	2017
Environmental Services	**4,605**	4,190	**8,537**	8,088
Industrial Services	**1,244**	971	**2,796**	1,486
Corporate Services	**(1,591)**	(2,012)	**(2,738)**	(3,023)
	4,258	3,149	**8,595**	6,551
EBITDA(1) as a % of revenue	**15.4%**	12.1%	**13.8%**	13.7%

(1) See EBITDA definition Section 2.2.

Second Quarter 2018 versus Second Quarter 2017

EBITDA increased by 35.2% or $1.1 million, from $3.2 million in the second quarter of 2017 to $4.3 million in the second quarter of 2018. EBITDA increased by $0.4 million in the Environmental Services segment, and was up $0.3 million in the Industrial Services segment. In the Corporate Services segment, negative EBITDA decreased by $0.4 million.

The Environmental Services segment's EBITDA was up 9.9% or $0.4 million, to $4.6 million in the second quarter of 2018 from $4.2 million in the second quarter of 2017. Increased utilization of people and equipment in the quarter versus the second quarter of 2017 greatly contributed to the positive results. The segment was somewhat negatively impacted by a prolonged spring break up, rising fuel costs, and delays in projects shifting to the latter part of the second quarter and into the third quarter of 2018. Utilization is expected to improve during the last half of the year which is anticipated to positively impact future EBITDA.

The Industrial Services segment's EBITDA increased by $0.3 million, from $0.9 million during the second quarter of 2017 to $1.2 million in the second quarter of 2018 as several projects that started in late 2017 were completed during the second quarter of 2018.

The Corporate Services segment's negative EBITDA decreased by 35.2% or $0.4 million, from a loss of $2.0 million in the second quarter of 2017, to a loss of $1.6 million in the second quarter of 2018, due to reduction in costs associated with onerous leases during the quarter.

EBITDA for the second quarter, as a percentage of revenue, has improved by 3.3% to 15.4% in the second quarter of 2018 compared to 12.1% in the second quarter of 2017, as the gross profit margin in Vertex's Environmental Services segment was higher.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

EBITDA for the six months ended June 30, 2018 increased 31.2% or $2.0 million, from $6.6 million in 2017 to $8.6 million in 2018. EBITDA increased by $1.3 million in the Industrial Services segment. EBITDA was up $0.4 million in the Environmental Services segment. In the Corporate Services segment, negative EBITDA decreased by $0.3 million.

EBITDA for the six months ended June 30, 2018 increased 5.6% or $0.4 million in the Environmental Services segment, from $8.1 million in 2017 to $8.5 million in 2018, due to increased gross margin. The increase has been from a combination of organic growth, acquisition growth and improved activity levels in certain service lines. Vertex expects EBITDA margins to continue to be strong for the remainder of the year.

EBITDA for the six months increased 88.1% or $1.3 million in the Industrial Services segment, from $1.5 million in 2017 to $2.8 million in 2018, due to efficient execution and completion of major work resulting in additional EBITDA during this period as compared to the same period in 2017.

EBITDA for the six months, decreased 9.4% or $0.3 million in the Corporate Services segment, from a loss of $3.0 million in 2017 to a loss of $2.7 million in 2018 due to reduction in costs associated with onerous leases during the six months.

EBITDA for the six months, as a percentage of revenue, improved slightly to 13.8% in 2018 versus 13.7% in 2017.

4.5 Amortization, Finance and Share-Based Compensation Costs

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	**2018**	2017
Amortization	**3,269**	3,415	**6,497**	6,750
Finance costs	**5,081**	309	**6,612**	1,282
Share-based compensation	**46**	-	**91**	-
Total	**8,396**	3,724	**13,200**	8,032

Amortization was slightly down by 4.3% or $0.1 million, from $3.4 million in the second quarter of 2017 to $3.3 million for second quarter of 2018. Amortization was slightly down by 3.7% or $0.3 million, from $6.8 million in the six-month period ended June 30, 2017 to $6.5 million for same period of 2018.

Finance costs increased by $4.8 million, from $0.3 million in the first quarter of 2018 to $5.1 million in the second quarter of 2018 due to a one-time finance cost of $3.6 million related to fully expensing finance costs on its old credit facilities along with one-time penalties to refinance Vertex's debt facilities in May 2018. This refinancing was done in order to realize more than $2 million in annual interest and financing savings in the future. In addition, finance costs were up due to higher interest rates in the current quarter and acquisition gains that were realized in the second quarter of 2017 but not in 2018. Finance costs increased by $5.3 million, from $1.3 million in the six-month period ended June 30, 2017 to $6.6 million in the same period of 2018 for the same reason as noted above. In addition, finance costs were up due to higher interest rates in the six month period ending June 30, 2018 and gains that were realized in the second quarter of 2017 but not in 2018.

Vertex issued stock options on December 22, 2017 and incurred a nominal cost in the second quarter of 2018 and six months ending June 30, 2018.

4.6 Net Loss and Comprehensive Loss for the Period

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	**2018**	2017
Environmental Services	**1,258**	696	**2,058**	1,410
Industrial Services	**610**	274	**1,450**	207
Corporate Services	**(6,046)**	(1,337)	**(8,152)**	(2,664)
Net loss and comprehensive loss for the period	**(4,178)**	(367)	**(4,645)**	(1,047)

Second Quarter 2018 versus Second Quarter 2017

Net loss for the second quarter of 2018 was $4.2 million, increasing $3.8 million, from a loss of $0.4 million in the second quarter of 2017. The decline was directly related to the finance cost described above.

In the Environmental Services segment, net income for the second quarter of 2018 was $1.3 million, up $0.6 million, from $0.7 million in the second quarter of 2017. This increase was due to improved EBITDA in the quarter.

In the Industrial Services segment, net income for the second quarter of 2018 was $0.6 million, up $0.3 million, from a net income of $0.3 million for the second quarter of 2017 due to the improved gross margins.

In the Corporate Services segment, net loss for the second quarter of 2018 increased by $4.7 million, to a loss of $6.0 million, compared to a loss of $1.3 million for the second quarter of 2017. The increased loss was namely due to a one-time finance cost related to the refinancing of Vertex's debt facilities in May 2018, as discussed above.

Improvements in net income in the Environmental and Industrial Services segments were offset by additional corporate costs - specifically one-time refinancing costs, increased interest costs on debt before the refinancing was completed and a valuation allowance on taxes taken in the quarter. In addition, there were costs to support growth in operations and corporate costs related to being a public company, costs related to six complementary acquisitions done in the second half of 2017 and two complementary acquisitions completed in the second quarter of 2018.

Six Months Ended June 30, 2018 versus Six Months Ended June 30, 2017

Net loss and comprehensive loss for the six month period increased by $3.6 million, from a loss of $1.0 million for 2017 to a loss of $4.6 million for 2018 due to the one-time finance cost related to the refinancing of Vertex's debt facilities, as discussed above. These net losses were impacted positively by improved operating results in Vertex's Environmental and Industrial Services segments.

In the Environmental Services segment, net income for the six month period ending June 30, 2018 increased by 45.9% or $0.7 million, from net income of $1.4 million in 2017 to net income of $2.1 million in 2018. The improvement was due to improved margins.

In the Industrial Services segment, net income for the six month period ending June 30, 2018 increased significantly by $1.3 million, from net income of $0.2 million for 2017 to net income of $1.5 million for 2017. The improvement was due to efficient execution and completion of projects during the six month period of 2018.

In the Corporate Services segment, net loss and comprehensive loss for the six month period increased by $5.5 million, from a loss of $2.7 million for 2017 to a loss of $8.2 million for 2018. The increase in net loss was due to one-time costs on refinancing debt facilities, costs related to eight acquisitions, additional G&A to support growth in operations and a valuation allowance on taxes.

4.7 Summary of Quarterly Results

($000 except per share amounts)	**2018**		**2017**				**2016**	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	**27,692**	34,686	35,772	34,989	26,020	21,638	25,011	20,519
Net loss	**(4,178)**	(467)	(1,703)	(198)	(367)	(680)	(2,439)	(3,541)
Basic and diluted loss per share	**(0.05)**	(0.05)	(0.02)	(0.00)	(0.01)	(0.01)	(0.05)	(0.07)
EBITDA[(1)]	**4,258**	4,337	3,928	5,049	3,147	3,403	1,316	(492)

(1) See EBITDA definition Section 2.2.

Economic activity in industries in which Vertex operates 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 Vertex's 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 industries outside of the oil and gas with 40% of 2018's revenues being forecasted to be derived from non-oil and gas industries.

Management has worked diligently over the past several quarters to shift the Company's revenue composition from new development in oil sands construction and drilling to operating, maintenance and non-oil and gas customers. Management believes this focus allows for more consistent utilization of people and equipment.

EBITDA and revenue in 2017 reflected a slow recovery in the oil and gas industry which continued throughout 2018. The first and second quarters of 2018 include EBITDA for all acquisitions completed in fiscal 2017, and the second, 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, net loss increased relative to the other quarters of 2017 as Vertex incurred roughly $0.8 million of going public costs. In the second quarter of 2018, Vertex incurred $3.6 million in one-time costs related to refinancing its debt facilities.

4.8 Outlook

Vertex anticipates further improvements in utilization and profitability in certain operating segments. The Company expects it should surpass results from 2017. The recent acquisitions of TSL, Hydrovac and Three Star are expected to bolster revenue over the second half of 2018.

Vertex further expects continued progression in increasing its overall utilization as a result of improved activity levels of Vertex's customers, acquisitions and new awarded projects heading into the last half of the fiscal year. With the current cost structure and controls in place, increases in revenue should improve gross margins, EBITDA and net income.

Vertex continues to be encouraged by growth opportunities through abandonments, water management solutions, fluid hauling and environmental liability management for its customers both in western Canada and the United States heading into the last half of 2018. The Company continues to cultivate and pursue opportunities outside of the oil and gas industry in an effort to diversify its customer base while increasing its exposure directly to operating and maintenance budgets of its customers. Vertex anticipates the pricing of its services to improve slightly in the last half of 2018 as demand for these services is expected to increase, however these gains may be somewhat offset by increased costs. Vertex will continue to focus on achieving efficiencies and cost reductions throughout its operations, including a continued focus on the integration of recent acquisitions, the promotion of cross-selling opportunities between segments in order to lower customers' costs and providing integrated environmental solutions for its customers.

Vertex expects a decline in its Industrial Services segment's revenue given the highly competitively landscape, and the Company's unwillingness to accept the increased risks associated with contractual terms and customer credit worthiness in a segment whose margins have historically been low.

Vertex continues to focus on strengthening its balance sheet with acquisitions, debt repayments, managing working capital and adhering to prudent capital expenditure plans. Accretive, complementary and opportunistic acquisitions remain an essential component of Vertex's long-term growth plans as the Company continues to integrate acquisitions from the past twelve months and evaluate future opportunities when beneficial. 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:

	Six months ended June 30,	
	2018	2017
Cash generated from operating activities	**5,830**	2,637
Cash used in investing activities	**(2,278)**	1,291
Cash used in financing activities	**(3,073)**	(1,680)
	479	2,248

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 \$3.2 million to \$5.8 million for the six months ending June 30, 2018, from \$2.6 million in the six months ending June, 2017. The increase in cash generated was due to a 30.9% increase in revenue and a 31.2% increase in EBITDA in the quarter. Working capital requirements to support increased revenue and acquisitions in the second quarter of 2018 were substantial.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $3.6 million to $2.3 million for the six months ending June 30, 2018, versus cash generated of $1.3 million in the six months ending June 30, 2017. Vertex's capital expenditure program was higher in the first six months of 2018 in order to facilitate 2018 growth plans compared to the same six months of 2017. In addition, the 2017 acquisitions included more cash, compared to the 2018 acquisitions which had a net outflow.

5.3 Cash Used in Financing Activities

Cash used in financing activities increased by $1.4 million to $3.1 million in the six months ending June 30, 2018, from $1.7 million in the six months ending June 30, 2017. The increase was due to $1.4 million in principal repayments on the term debt. Vertex is focused on reducing its loans and borrowings through regular and additional repayments in 2018.

5.4 Working Capital

	June 30, 2018	December 31, 2017
Current assets	**37,832**	41,782
Current liabilities	**13,324**	12,629
Working Capital	**24,508**	29,153

Working capital at the quarter ended June 30, 2018 was $24.5 million compared to the 2017 year-end balance of $29.2 million, a decrease of $4.6 million. Accounts receivable decreased by $8.1 million from December 31, 2017 to June 30, 2018, due to lower revenues associated with the second quarter.

5.5 Credit Facilities

	June 30, 2018	December 31, 2017
Operating loans:		
Available operating facilities(1)	**30,000**	23,000
Drawn on operating facilities	**18,938**	18,302
	11,062	4,698

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

Debt as of June 30, 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 syndicated group of lenders (the "Lenders") led by HSBC Bank Canada, under which the Lenders have agreed to provide Vertex with $70 million in 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 replaced existing credit facilities and supports 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 and thereafter, that the refinancing will reduce the Company's overall interest rate and expense, resulting in annual cost savings of approximately $2 million.

On July 12, 2018, the Company amended its Credit Facility by adding $10.0 million on Vertex's term loan and $5.0 million on Vertex's revolving loan. The Company increased its available revolving loan limit to $30.0 million and increased its term loan to $50.0 million. The proceeds from the loans were used to retire existing debt of the above noted acquisition and fund the $4.2 million cash payment on closing. The terms and covenants of the amended agreement are the same as described in Note 5. As part of the amendment, the accordion facility remained at $20.0 million and the operating facility remained authorized to a maximum of $5 million to be used for general corporate purposes.

Debt Covenants

As of June 30, 2018, the Company complied with the terms and covenants of its secured credit facilities. Trailing twelve-month EBITDA attributable to businesses that the Company acquired is permitted to be added to EBITDA when calculating covenants. Trailing twelve-month EBITDA was $26.0 million for the trailing twelve months ending June 30, 2018, which was used to calculate covenants as detailed in Note 5 d) to the Company's Interim Financial Statements for the three and six month periods ending June 30, 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 with respect to the Company's contractual obligations:

	Due within one year	Due between one and five years	Total
Accounts payable and accrued liabilities	10,724	-	**10,724**
Revolving loan	-	18,938	**18,938**
Term loan	5,000	34,734	**39,734**
Equipment loans	1,065	2,467	**3,532**
Lease liabilities	1,424	3,782	**5,206**
Provisions	2,817	2,752	**5,569**
Long-term financial liabilities	10,305	62,674	**72,979**

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 June 30, 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 used in Investing Activities, were in line with the Company's approved capital plan for 2018. The Company's capital expenditures for the six months ending June 30, 2018 were $3.7 million compared to $1.8 million for the same period 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 six months ending June 30, 2018, the Company sold $2.0 million worth of capital assets compared to $1.0 million in the same six months of 2017.

Planned annual gross maintenance capital expenditures for 2018 has been reduced by $0.3 million to $3.6 million, while gross growth capital expenditures has been increased to $4.0 million. The $1.1 million increase is needed to meet customer demands. 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 six months ended June 30, 2018, the Company had one customer that accounted for 14.1% of the consolidated sales (year ended December 31, 2017 – two customers for 27.2%). The aging analysis of accounts receivable is as follows:

	June 30, 2018	December 31, 2017
0 to 30 days	**17,795**	15,058
31 to 60 days	**4,374**	9,531
61 to 90 days	**2,383**	6,756
Over 90 days	**2,494**	2,254
Holdbacks	**31**	77
Trade accounts receivable	**27,077**	33,676
Allowance for doubtful accounts	**(256)**	(62)
Trade receivables, net of allowance	**26,821**	33,614
Other receivables	**477**	1,286
	27,298	34,900

5.9 Outstanding Share Data

As of August 8, 2018, the Company had 93,413,124 Common Shares outstanding. As of the same date, the Company had outstanding 4,203,155 stock options and 2,197,206 warrants to purchase up to an aggregate of 6,400,361 Common Shares.

5.10 Transactions with Related Parties

All related party transactions are entered into 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 common director and officer.

		Three months ended		**Six months ended**	
	Nature of	**June 30,**		**June 30,**	
	relationship	**2018**	2017	**2018**	2017
Transactions:					
General and administrative expenses - rent	(i)	**225**	225	**450**	450
Property and equipment additions	(i)	**367**	-	**856**	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, 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.

In the quarter, the Company recognized a valuation allowance against taxes on current losses. The Company will revaluate its forecast of taxable income in each future quarter to determine if further valuation allowances are required.

6.3 Changes in Accounting Policies

IFRS 15 – Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") 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 – Financial

Instruments ("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 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 – Share-Based Payments ("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 Interim financial statements.

6.4 Future Accounting Standard Pronouncements

The following new standard has been issued, but was not effective for the quarter ended June 30, 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

Any "financial outlook" or "future oriented financial information" in this press release, as defined by applicable securities laws, has been approved by management of Vertex. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other circumstances.

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.