Vertex Resource Group Ltd.
Management's Discussion and Analysis

Three months ended March 31, 2019 and 2018

The following Management's Discussion and Analysis ("MD&A") is dated May 10, 2019, as approved by the Company's Board of Directors, 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, 2019 and 2018, 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, 2019, the annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the year ended December 31, 2018 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 TSX Venture Exchange publicly traded environmental services company providing industry leading solutions to a diverse range of clients across Canada and within select regions of the United States. Vertex helps its clients achieve their developmental and operational goals through a versatile suite of integrated 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 operating in numerous industries and Vertex trades under the symbol "VTX".

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 remote areas that are inaccessible other than during the winter months as the ground surrounding the project sites makes the area inaccessible during warmer seasons. 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.

The Company operates in two 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, 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 maintenance, as well as the construction of those assets, spanning a range of industries. These services span industries including: agriculture, forestry, government, public infrastructure, oil and gas production, mining and utilities. These services include the manufacturing and installation of custom insulation blankets and the manufacturing and repair of self-frame and rigid-frame metal buildings and utilidor products.

2.0 Operational and Financial Highlights

The results for the first quarter of 2019 were an improvement over the first quarter of 2018. The Company improved revenue, gross profit and EBITDA in the first quarter of 2019 as compared to the first quarter of 2018 as highlighted below:

- Revenue for the first quarter of 2019 increased to $42.6 million, an increase of $7.9 million or by 22.9% from $34.7 million for the same quarter of 2018. In the Environmental Services segment, revenue in the first quarter of 2019 increased to $40.7 million, up $17.5 million or 75.3%, from $23.2 million in first quarter of 2018, due to growth from completed acquisitions, improved customer spending associated with customers addressing their environmental liabilities and expansion into new markets and industries. Vertex continues to focus on cross-selling services to customers within this segment to add value for customers throughout different industries in an effort to drive revenues and improve the utilization of Vertex's people and equipment. The Industrial Services segment's revenue decreased to $1.9 million in the first quarter of 2019 down 83.4% or $9.5 million, from $11.4 million in the first quarter of 2018. This decrease is attributable to the completion of a large project that began in the third quarter of 2017 and was completed in the second quarter of 2018. Vertex continues to see limited, near-term prospects for profitable projects within this segment and therefore continues to monitor and reduce the Company's involvement in projects within this segment that have limited profit potential and a high-risk level.

- Gross profit for the first quarter of 2019 was $10.6 million, up 20.7% or $1.8 million from $8.8 million in the same quarter of 2018. Gross profit as a percentage of revenue ("gross profit margin") decreased slightly to 24.9% in the first quarter of 2019 versus 25.4% in the same quarter of 2018, due to changes in revenue mix and abnormally cold weather in February that resulted in increased repairs, maintenance and fuel costs related to the Company's equipment.

- General and administrative costs ("G&A") decreased by 3.3% or $0.2 million to $4.3 million in the first quarter of 2019, from $4.5 million in the first quarter of 2018. As a percentage of revenue, G&A was down to 10.1% in the first quarter of 2019 versus 12.9% in the first quarter of 2018. The adoption of IFRS 16 – Leases ("IFRS 16") resulted in a decrease of $1.3 million of costs previously classified as rent that are now being expensed as amortization of right of use assets ("ROU") and interest accretion. Vertex continues to integrate acquisitions and manage G&A costs closely.

- EBITDA (see "EBITDA" definition in Section 2.2 – EBITDA) for the first quarter of 2019 increased to $6.3 million, up $2.0 million or 45.4%, from $4.3 million in the first quarter of 2018. This increase occurred because of improved utilization of people and equipment in most service lines in Vertex's Environmental Services segment during the quarter. EBITDA for the first quarter, as a percentage of revenue, improved to 14.8% in the first quarter of 2019 compared to 12.5% in the first quarter of 2018, given improved EBITDA in Vertex's Environmental Services segment. EBITDA for the Environmental Services segment in the first quarter increased to $7.6 million in first quarter of 2019, up by 94.5% or $3.7 million, from $3.9 million in the first quarter of 2018, due to positive contributions from acquisitions and improved utilization of people offset by reduced activity levels for Vertex's equipment in February, as a result of abnormally cold weather. EBITDA for the Industrial Services segment in the first quarter of 2019 decreased by 73.4% or $1.1 million from the first quarter of 2018 due to decreased revenue within this segment. The Industrial Services segment's decrease in revenue in the quarter translated into lower EBITDA in the first quarter of 2019 albeit for higher gross profit margins as management remained focused on pricing and costs for services in this segment. The Corporate Services segment had negative EBITDA that increased because of overhead costs associated with acquisitions.

- Amortization expense increased by 44.5% or $1.5 million from $3.2 million in the first quarter of 2018 to $4.7 million in the first quarter of 2019. The increase in amortization is a result of acquistions completed in 2018. The Company also recognized $1.0 million in amortization of ROU assets during the quarter. Finance costs decreased by $0.1 million, despite increases in loans and borrowings to pay for acquistions in 2018, from $1.5 million in 2018 to $1.4 million for the first quarter of 2019. This decrease is due to an interest rate differential on Vertex's term debt that was refinanced at lower rates in the second quarter of 2018, offset by recognizing $0.3 million in interest accretion on ROU liabilities.

- Net loss for the first quarter of 2019 increased to a loss of $0.6 million, from a loss of $0.4 million in the first quarter of 2018. The increase was due to increased amortization offset by improved EBITDA.

2.1 Selected Financial Information

	Three months ended March 31, 2019	2018
Revenue	**42,628**	34,686
Direct costs	**32,005**	25,885
Gross profit	**10,623**	8,801
General and administrative expenses	**4,316**	4,464
Share-based compensation	**54**	45
Amortization	**4,664**	3,228
Amortization right of use assets	**1,041**	-
Finance costs	**1,389**	1,531
Loss before income taxes	**(841)**	(467)
Income tax recovery	**(227)**	-
Loss and comprehensive loss for the period	**(614)**	(467)
Loss and comprehensive loss for the period		
Basic and diluted	**(0.01)**	(0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share		
Basic and diluted	**91,253,115**	88,439,302

	March 31, 2019	December 31, 2018
Total assets	**204,072**	184,821
Total loans and borrowings, less cash	**84,577**	85,258

2.2 EBITDA

	Three months ended March 31, 2019	2018
Net loss and comprehensive loss for the period	**(614)**	(467)
Add:		
Income tax recovery	**(227)**	-
Finance costs	**1,389**	1,531
Amortization	**4,664**	3,228
Amortization right of use assets	**1,041**	-
Share-based compensation	**54**	45
EBITDA (1)	**6,307**	4,337
Environmental Services	**7,647**	3,932
Industrial Services	**412**	1,551
Corporate Services	**(1,752)**	(1,146)
	6,307	4,337

(1) "EBITDA" is defined as net income (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, intangible assets and right of use 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 Outlook

As expected, during the first half of 2019, Vertex continues to execute on its strong backlog and continues to withstand short term economic pains that appear to be subsiding. The Company's current financial position is the result of the efficient execution of work on a strong backlog from diverse industries, long standing customer relationships, and financial contributions of past, prudently purchased acquisitions which are performing well. Almost 50% of Vertex's backlog is from outside the oil and gas industry. Vertex continues to grow its customer base, with 47% of revenues for the remainder of 2019 expected to come from outside of the oil and gas industry. Specifically, Vertex's customers continue to grow and provide stable and attractive opportunities in the utilities, agriculture, municipalities and telecommunications industries.

The acquisitions completed during the last two years are positively adding to the Company's financial position. The acquisitions have improved Vertex's financial position and will continue to increase the utilization of Vertex's two main assets, its people and its equipment. Through the cross-utilization of people and equipment, Vertex expects to drive additional value to better serve its existing customer base, while expanding geographically and attracting new customers outside the oil and gas industry through offering integrated environmental solutions.

Vertex views the recent election of the United Conservative Party in Alberta, which campaigned on a platform of "Open for Business", as positive for Vertex, its customers and business in general. In addition to the positive election results, the narrowing of price differentials experienced in the first quarter of 2019 and improved plans for regulatory and economic reform beyond a government's term will likely bring investment confidence back to the oil and gas industry within western Canada, but this may not occur until the late 2019 or later in 2020, if at all. Regardless of the evolving geopolitical and investment backdrop, Vertex is continuing to face short-term pricing and margin pressure in 2019 due to the uncertainty on customers' budgets and cash flows. All of these factors could negatively impact Vertex, in certain service lines, during the first half of 2019. Despite this, the Company believes that a more positive outlook is ahead in the second half of 2019. Vertex is seeing additional opportunities with increased customer spending on planned maintenance programs, increased activity levels for abandonments and active environmental liability management coming to fruition.

Vertex continues to focus on factors within its control including growing organically, achieving efficiency through streamlining processes to reduce costs and improving margins where possible throughout its business segments. Vertex continues to focus on cross-selling complementary services between segments in order to lower customers' costs, expand into new markets and industries, and provide integrated solutions for the environmental liabilities of its customers. To this point, Vertex offers a unique set of service offerings from the start of a project to the end that is unmatched by its competitors.

Vertex remains committed to creating shareholder value for the longer term. To achieve these commitments, Vertex continues to focus on operational and financial results, reducing debt, reducing its cost of borrowing, actively managing working capital and evaluating its capital expenditure plans to match core and strategic opportunities. Accretive, complementary and opportunistic acquisitions remain an essential component of Vertex's long-term growth plans as it continues to integrate acquisitions and evaluate future opportunities when beneficial.

Vertex continues to expect positive momentum heading into 2020, as it anticipates modest improvements in future activity levels with major projects including LNG Canada, Coastal Gas Link, Trans Mountain Expansion, 5G network and new oil sand developments as the Company will be able to capitalize and benefit from existing contracts and relationships.

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 2019	March 2018	**$**	%
Environmental Services	**40,717**	23,231	**17,486**	75.3%
Industrial Services	**1,898**	11,447	**(9,549)**	-83.4%
Corporate Services	**13**	8	**5**	62.5%
Consolidated revenue	**42,628**	34,686	**7,942**	22.9%

First Quarter 2019 versus First Quarter 2018

Revenue increased by 22.9% or $7.9 million, from $34.7 million during the first quarter of 2018, to $42.6 million during the first quarter 2019, due to an increase in revenues of $17.5 million in the Environmental Services segment and a $9.6 million decrease in the Industrial Services segment's revenue.

Revenue increased by 75.3% or $17.5 million in the Environmental Services segment, from $23.2 million in the first quarter of 2018 to $40.7 million in the first quarter of 2019. The increase was due to both organic and acquisition growth as Vertex implemented its cross-selling strategies between the segments and acquired businesses. The Environmental Services segment has improved revenue even though abnormally cold weather in February 2019 that negatively impacted utilization in some of Vertex's business lines. Vertex continues to experience consistent customer spending on recurring operating and maintenance budgets.

Revenue decreased by 83.4% or $9.5 million in the Industrial Services segment, from $11.4 million in the first quarter of 2018 to $1.9 million in the first quarter of 2019, which is in line with Vertex's 2019 expectations. The Company continues to shifts its focus to higher margin business lines and continues to see limited near-term prospects for profitable projects within the Industrial Service segment. Also, this decrease was the result of a large project that began in the third quarter of 2017 and was completed in the second quarter of 2018.

4.2 Gross Profit

	Three Months Ended		Variance	
	March	March		
	2019	2018	**$**	%
Gross profit	**10,623**	8,801	**1,822**	20.7%
Gross profit as a % of revenue	**24.9%**	25.4%		

Gross profit increased by 20.7% or $1.8 million, from $8.8 million in the first quarter of 2018 to $10.6 million for the first quarter of 2019. Gross profit margin percentage was 24.9% in the first quarter of 2019 compared to 25.4% in the first quarter of 2018. Vertex was anticipating a slight decrease of gross profit margins from the first quarter of 2018 due to revenue mix and increased repairs and maintenance incurred during an abnormally cold February 2019. The increase in gross profit was related to improved activity levels overall in Vertex's Environmental Services segment whose profit margin during the quarter was approximately 25%.

Gross profit in the Industrial Services segment continues to trend downwards on revenue overall as the Company focuses on higher profit margin services.

4.3 General and Administrative Expenses (G&A)

	Three Months Ended		Variance	
	March	March		
	2019	2018	**$**	%
General and administrative expenses	**4,316**	4,464	**(148)**	-3.3%
G&A as a % of revenue	**10.1%**	12.9%		

G&A decreased by 3.3% or $0.2 million, from $4.5 million in the first quarter of 2018 to $4.3 million in the first quarter of 2019. The decrease was a result of adoption of IFRS 16, whereby previously expensed rental payments were capitalized under the new accounting framework offset, by increases in costs for added staff and support at new locations in Manitoba, Saskatchewan and Alberta due to three acquisitions over the past year. Vertex continues to integrate acquisitions from the second and third quarters of 2018, and continues to manage G&A closely. G&A for the quarter, as a percentage of revenue, decreased by 2.8%, to 10.1% in the first quarter of 2019 versus 12.9% in the first quarter of 2018.

4.4 EBITDA

	Three Months Ended		Variance	
	March	March		
	2019	2018	**$**	%
Environmental Services	**7,647**	3,932	**3,715**	94.5%
Industrial Services	**412**	1,551	**(1,139)**	-73.4%
Corporate Services	**(1,752)**	(1,146)	**(606)**	-52.9%
	6,307	4,337	**1,970**	45.4%
EBITDA as a % of revenue	**14.8%**	12.5%	**2.3%**	18.3%

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

Overall, EBITDA increased by 45.4% or $2.0 million, from $4.3 million in the first quarter of 2018 to $6.3 million in the first quarter of 2019.

The Environmental Services segment's EBITDA was $7.6 million in the first quarter of 2019, up by 94.5% or $3.7 million, from $3.9 million in the first quarter of 2018. Vertex's EBITDA increase in this segment was due to improved revenue related to customer spending and additional operating results from acquisitions completed in 2018. The increase was somewhat offset by abnormally cold weather in February impacting utilization and equipment repair and maintenance costs.

The Industrial Services segment's EBITDA decreased to $0.4 million during the first quarter of 2019, down by $1.1 million or 73.4%, from $1.5 million in the first quarter of 2018. The Industrial Services segment's higher gross profit margins were achieved, which Vertex attributes to disciplined pricing criteria for selecting new work on remaining services lines, which improved EBITDA as a percentage of revenue.

The Corporate Services segment's negative EBITDA increased by 52.9% or $0.6 million, to a loss of $1.7 million in the first quarter of 2019, from a loss of $1.1 million in the first quarter of 2018, due to overhead costs associated with acquisitions completed in the second and third quarters of 2018.

EBITDA for the first quarter of 2019, as a percentage of revenue, has improved by 2.3% to 14.8% in the first quarter of 2019 compared to 12.5% in the first quarter of 2018.

4.5 Amortization, Finance and Share-based Compensation Costs

	Three Months Ended		Variance	
	March	March		
	2019	2018	**$**	%
Amortization	4,664	3,228	**1,436**	44.5%
Amortization right of use assets	1,041	-	**1,041**	-
Finance costs	1,389	1,531	**(142)**	-9.3%
Share-based compensation	54	45	**9**	-
Total	7,148	4,804	**2,344**	48.8%

Amortization was up by $1.5 million or 44.5%, to $4.7 million in the first quarter of 2019 from $3.2 million for first the quarter of 2018. The increase was due to acquisitions completed in the second and third quarters of 2018. Vertex incurred $1.0 million in amortization related in ROU assets.

Finance costs decreased by $0.1 million or 9.3%, to $1.4 million in the first quarter of 2019 from $1.5 million in the first quarter of 2019, due to an interest rate differential on Vertex's term debt that was refinanced at lower rates in the second quarter of 2018, offset by recognizing $0.3 million in interest accretion related ROU lease liabilities.

4.6 Net Loss and Comprehensive Loss for the Period

	Three Months Ended		Variance	
	March	March		
	2019	2018	**$**	%
Environmental Services	**1,520**	800	**720**	89.9%
Industrial Services	**96**	840	**(744)**	88.6%
Corporate Services	**(2,229)**	(2,106)	**(123)**	-5.8%
Net loss and comprehensive loss for the period	**(614)**	(467)	**(147)**	-31.5%

Net loss for the first quarter of 2019 was $0.6 million, an increase of $0.1 million, from a loss of $0.5 million in the first quarter of 2018.

In the Environmental Services segment, net income for the first quarter of 2019 was $1.5 million, up $0.7 million, from $0.8 million in the first quarter of 2018. This increase was due to improved activity across all service lines in this segment compared to 2018.

In the Industrial Services segment, net income for the first quarter of 2019 was $0.1 million, a decrease of $0.7 million, from a net income of $0.8 million for first quarter of 2018 due to reduced overall revenue and activity.

In the Corporate Services segment, net loss for the first quarter of 2019 increased by $0.1 million, to a loss of $2.2 million, compared to a loss of $2.1 million for the first quarter of 2018. The increased loss was due to increased G&A expenses, which was partially offset by lower finance costs in the period compared to 2018.

4.7 Summary of Quarterly Results

($000 except per share amounts)	**2019**	**2018**				**2017**		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenue	**42,628**	46,582	41,425	27,692	34,686	35,772	34,989	26,020
Net income (loss)	**(614)**	430	6,506	(4,178)	(467)	(1,703)	(198)	(367)
Basic and diluted income (loss) per share	**(0.01)**	0.01	0.07	(0.05)	(0.01)	(0.02)	(0.00)	(0.01)
EBITDA(1)	**6,307**	5,938	6,076	4,258	4,337	3,928	5,049	3,147

(1) See EBITDA definition Section 2.2.

As discussed and illustrated above, over the past eight quarters, Vertex has continued to evolve the business to increase its service offerings over multiple industries and geographical locations and exit service lines that do not improve the bottom line. The Company continues to evolve, reduce costs during integration and will continue to cross-sell services with its people and equipment in order to drive utilization, producing improved gross profit margins for the Company and its shareholders.

Vertex's operating and financial performance has continued to improve, with recent results trending positively. This is a result of improvements in overall activity levels of its customers and nine complementary acquisitions completed over the past seven quarters. Improved activity and utilization in most service lines were driven by the stabilization of commodity prices in the first three quarters of 2018. However, some service lines have also been negatively impacted by oil and gas differentials, lack of investment in major industrial projects, less drilling and completions activity and the fact that margin pressure remains a challenge as costs increase, namely in fuel and maintenance. The Company's results and corresponding utilizations of its people and equipment are positively impacted by increased spending on operating, maintenance and capital budgets of Vertex's customers. Vertex continues to address the needs of a diversified customer base by actively servicing customers outside the oil and gas industry and expanding into new markets, service offerings and industries. This has resulted in an increase in the mix of revenue from non-oil and gas customers estimated to climb up to 47% in 2019 based on backlog compared to 7% in 2015.

Revenue and EBITDA in 2018 and 2017 reflect a stabilization in the oil and gas industry which continued throughout the first three quarters of 2018. The last six months included revenue and EBITDA for the three acquisitions completed in 2018 but also included volatility in WTI-WCS differential on Vertex's customers. The first and second quarters of 2018 included EBITDA for all acquisitions completed in fiscal 2017. The third and fourth quarters of 2017 included 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 costs associated with going public. In the second quarter of 2018, Vertex incurred $3.6 million in one-time costs related to refinancing its debt facilities and, in the third quarter of 2018, completed three acquisitions resulting in a gain on bargain purchase of $7.9 million. The Corporation adopted IFRS 16 January 1, 2019. Prior period results related to G&A, amortization on ROU assets and interest accretion on ROU lease liabilities are not comparable to the current year presentation as Vertex adopted IFRS 16 using the modified retrospective method.

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,	
	2019	2018
Cash provided by operating activities	**3,765**	7,784
Cash used in investing activities	**(269)**	(1,758)
Cash used in financing activities	**(4,874)**	(5,198)
	(1,378)	828

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 loans and capital lease lines as Vertex has in excess of $35 million to fund working capital requirements and planned expenditures.

5.1 Cash Generated from Operating Activities

Cash generated from operating activities decreased by $4.0 million to $3.8 million for the first quarter of 2019, from $7.8 million in the first quarter of 2018. The decrease in cash generated was due to increased working capital needs during the quarter, as revenue increased 22.9%.

5.2 Cash Used in Investing Activities

Cash used in investing activities decreased by $1.5 million to $0.3 million for the first quarter of 2019, from $1.8 million in the first quarter of 2018.

5.3 Cash Used in Financing Activities

Cash used in financing activities decreased by $0.3 million to $4.9 million in the first quarter of 2019, from $5.2 million in the first quarter of 2018. The decrease was due to timing of repayment of debt, all of which were funded by cash generated from operating activities. Vertex is focused on reducing its loans and borrowings through regular and additional repayments in 2019.

5.4 Working Capital

	March 31, 2019	December 31, 2018
Current assets	**49,912**	51,085
Current liabilities	**21,417**	18,367
Working Capital	**28,495**	32,718

Working capital at March 31, 2019 was $28.5 million as compared to $32.7 million at year end 2018, a decrease of $4.2 million. During the first quarter of 2019, the Company adopted IFRS 16, which added a current portion of ROU lease liabilities of $4.0 million.

5.5 Credit Facilities

	March 31, 2019	December 31, 2018
Revolving and operating loans:		
Available revolving and operating facilities(1)	**35,000**	35,000
Drawn on revolving and operating facilities	**29,000**	29,000
	6,000	6,000

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

Debt as of March 31, 2019, consisted of the items noted in Section 5.6 Commitment and Contingencies.

Debt Covenants

As of March 31, 2019, 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 $23.4 million for the trailing twelve months ending March 31, 2019.

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	16,526	-	**16,526**
Revolving loan	-	29,000	**29,000**
Term loan	7,188	37,833	**45,021**
Equipment loans	1,793	2,303	**4,095**
Finance leases	1,870	5,560	**7,430**
Provisions	3,493	631	**4,124**
Long-term financial liabilities	14,343	75,327	**89,670**

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, 2019 and 2018, the Company did not have any off-balance sheet arrangements.

5.7 Capital Expenditures

The Company's gross capital expenditures for the first quarter of 2019 were $1.4 million compared to $2.5 million in the first quarter 2018. 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 2019, the Company sold $0.6 million worth of capital assets compared to $0.2 million in the first quarter 2018. Rolling stock acquired under finance leases during the quarter ended March 31, 2019 totalled $0.5 million (2018 - $0.5 million) and have been treated as non-cash transactions for the purposes of the condensed consolidated interim statement of cash flows.

Annual net capital expenditures for 2019 are budgeted to be in the range of $5 million to $8 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 oil and gas, real estate, utilities, agriculture, municipalities, telecommunication 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, 2019, the Company had no customer that accounted for more than 10% of the consolidated sales (year ended December 31, 2018 – no customers greater than 10%). The aging analysis of accounts receivable is as follows:

	March 31, 2019	December 31, 2018
0 to 30 days	18,751	18,667
31 to 60 days	11,305	11,730
61 to 90 days	3,207	4,246
Over 90 days	4,324	5,698
Holdbacks	2	62
Trade accounts receivable	37,589	40,403
Allowance for expected credit losses	(353)	(458)
Trade receivables, net of allowance	37,236	39,945
Other receivables	2,326	358
	39,562	40,303

5.9 Outstanding Share Data

As of May 10, 2019, the Company had 93,413,124 Common Shares outstanding. As of the same date, the Company had outstanding 4,850,000 stock options and 2,197,206 warrants to purchase up to an aggregate of 7,047,206 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 director or officer.

	Nature of relationship	Three months ended March 31, **2019**	2018
Transactions:			
General and administrative expenses - rent	(i)	**225**	225
Property and equipment additions	(i)	**-**	489

(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.

Measure of progress

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

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

Cash-generating units ("CGU")

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 judgement about the outcome of future events, estimates of timing and amount of future expenditures, and discount rates. The amount recognized as a provision or contingency is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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 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, current economic trends as well as past experience. If future collections differ from estimates, future earnings would be affected.

Property and equipment and goodwill impairment

The Company tests property and equipment (if indicators are present) and goodwill annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the CGU or group of CGUs, to which the property and equipment and 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 16 – Leases

The Company adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. Vertex has recorded ROU assets of $25.0 million and ROU lease liabilities of $27.2 million. The amount recorded for ROU assets includes the reclassification of an onerous lease liability recorded on the balance sheet at December 31, 2018 of $0.5 million. As noted below, the Company used the practical expedient for the impairment assessment of ROU assets related to onerous contracts. An adjustment against the opening deficit was made in the quarter ending March 31, 2019, in the amount of $1.7 million for the net difference between the opening values of the ROU assets and ROU lease liabilities.

As part of the initial application of IFRS 16 the Company has elected to apply the following practical expedients permitted under the standard:

(i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
(ii) Leases of low dollar value will continue to be expensed as incurred;
(iii) Grandfathering IFRIC 4 assessment to conclude no leases are contained in service agreement;
(iv) Apply a single discount rate to a portfolio of leases with similar characteristics;
(v) Use the Company's previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on January 1, 2019.

6.4 Future Accounting Standard Pronouncements

There are no new standards that have been issued, but were not effective for the quarter ended March 31, 2019 that would have a material impact on the Company's results.

6.5 Financial Instruments

The Company considers managing risk 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 MD&A, 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. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: the Company's key strategies, objectives and competitive strengths; anticipated expenses; supply and demand for the Company's services; activity levels in the oil and gas industry and other industries in which the Company operates; improved confidence in the oil and gas industry within western Canada as a result of the Alberta election results; future development activities; and the Company's ability to retain existing clients and attract new business, particularly business outside of the oil and gas industry. 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.

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; positive future trends in revenue, gross profit margin, EBITDA and net income; the general continuance of current or, where applicable, assumed industry conditions; the mix of revenue from non-oil and gas customers in 2019; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to obtain qualified personnel and equipment in a timely and cost-effective manner; the Company's future debt levels; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; 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; client activity levels; anticipated market recovery; the Company's anticipated business strategies and expected success; the Company's ability to utilize its equipment; levels of deployable equipment; and future sources of funding for the Company's capital program.

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: volatility of the oil and natural gas industry; dependence on customer contracts and market acceptance; the Company's growth strategy may not achieve anticipated results; potential litigation claims; difficulty in attracting and retaining skilled personnel; adverse litigation judgments, settlements and exposure to liability resulting from legal proceedings could reduce profits or limit Vertex's ability to operate; the market for Vertex's products and services is subject to extensive government and regulatory approvals; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; the Company may fail to realize anticipated benefits of future acquisitions; Vertex's indebtedness may adversely affect its financial flexibility and competitive position; competition in the industries in which Vertex operates; downturns in general economic and market conditions; operational hazards and unforeseen interruptions for which Vertex may not be adequately insured; positive covenants in Vertex's material contracts could limit its ability to operate; third party credit risk; conservation measures and technological advances may reduce demand for hydrocarbons; loss of the Company's information and computer systems or cyber-attacks; director and officer conflicts of interest; a reassessment by tax authorities of Vertex's income calculations; volatility in the price of the Common Shares; and the risk factors set forth under the heading “Risk Factors” in the AIF.

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, including the AIF, is available on SEDAR at www.sedar.com and the Company’s website at www.vertex.ca.