Vertex Resource Group Ltd.
Management's Discussion and Analysis

Three and six months ended June 30, 2019 and 2018

The following Management's Discussion and Analysis ("MD&A") is dated August 9, 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 and six months ended June 30, 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 and six months ended June 30, 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, which are also Generally Accepted Accounting Principles 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 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 acoustical, self-frame and rigid-frame metal buildings and utilidor products.

2.0 Operational and Financial Highlights

The results for the second quarter of 2019 improved over the second quarter of 2018 despite negative headwinds from abnormally wet weather and substantially reduced drilling activities in second quarter of 2019, compared to the same quarter last year. The Company improved revenue, gross profit, EBITDA (see “EBITDA” definition in Section 2.2 – EBITDA) and net loss while reducing general and administrative costs (“G&A”) from the second quarter of 2018 to the second quarter of 2019 as highlighted below:

- Revenue for the second quarter of 2019 increased to $41.1 million, an increase of $13.4 million or 48.5% from $27.7 million for the same quarter of 2018. In the Environmental Services segment, revenue in the second quarter of 2019 increased to $37.9 million, up $17.1 million or 81.9%, from $20.8 million in the second quarter of 2018, due to continued growth from completed acquisitions and expansion into new markets and industries. Vertex continues to focus on cross-selling services to customers within this segment in an effort to increase revenues and improve the utilization of Vertex’s people and equipment. The Industrial Services segment’s revenue decreased to $3.3 million in the second quarter of 2019 down 52.7% or $3.6 million, from $6.9 million in the second quarter of 2018. This decrease is attributable to the completion of a large project in the second quarter of 2018. Vertex continues to see limited, near-term prospects for profitable projects within this segment and therefore is reducing the Company’s exposure.

- Gross profit for the second quarter of 2019 was $10.1 million, up 15.6% or $1.4 million from $8.7 million in the second quarter of 2018. Gross profit as a percentage of revenue (“gross profit margin”) decreased to 24.5% in the second quarter of 2019 from 31.5% in the same quarter of 2018, due to changes in revenue mix and abnormally wet weather in May and June of 2019 that resulted in decreased utilization of people and equipment.

- G&A decreased by 14.2% or $0.7 million to $3.8 million in the second quarter of 2019, from $4.4 million in the second quarter of 2018. As a percentage of revenue, G&A was down to 9.3% in the second quarter of 2019 versus 16.1% in the second quarter of 2018. The adoption of IFRS 16 – Leases (“IFRS 16”) resulted in a decrease of $1.5 million in 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 aggressively cut G&A costs.

- EBITDA for the second quarter of 2019 increased to $6.3 million, up $2.0 million or 46.9%, from $4.3 million in the second quarter of 2018. This increase occurred because of continued growth from completed acquisitions in Vertex’s Environmental Services segment during the quarter. EBITDA for the second quarter, as a percentage of revenue, was slightly lower at 15.2% in the second quarter of 2019 compared to 15.4% in the second quarter of 2018. EBITDA for the Environmental Services segment in the second quarter increased to $7.4 million in the second quarter of 2019, up by 59.8% or $2.8 million, from $4.6 million in the second quarter of 2018, due to positive contributions from acquisitions. EBITDA for the Industrial Services segment in the second quarter of 2019 decreased by 68.2% or $0.8 million from the second quarter of 2018 due to decreased revenue within this segment.

- Amortization expense increased by 41.7% or $1.3 million to $4.6 million in the second quarter of 2019 from $3.3 million in the second quarter of 2018. The increase in amortization is a result of acquistions completed in 2018. The Company also recognized $1.7 million in amortization of ROU assets during the quarter. Finance costs decreased by $3.4 million, despite increases in loans and borrowings to pay for acquistions in 2018, to $1.7 million in the second quarter of 2019 from $5.1 million for the second quarter of 2018. This decrease is primarily as a result of a one-time finance cost of $3.6 million related to fully expensing finance costs on Vertex’s old credit facilities along with one-time penalties to refinance its debt facilities in the second quarter of 2018 and an interest rate differential on Vertex’s term debt that was refinanced at lower rates in the second quarter of 2018, offset by recognizing $0.5 million in interest accretion on ROU liabilities.

- Net loss for the second quarter of 2019 decreased to a loss of $1.3 million, from a loss of $4.2 million in the second quarter of 2018.

The results for the six months ending June 30, 2019 continued to improve in most categories over the same six months ending June 30, 2018, as highlighted below:

- Revenue for the six months ending June 30, 2019 increased to $83.8 million, an increase of $21.4 million or by 34.3% from $62.4 million for the same six months of 2018. The increase is due to growth from completed acquisitions, increased customer spending to address their environmental liabilities and expansion into new markets and industries in the Company's Environmental Services segment offset by decreases in the Company's Industrial Services segment.

- Gross profit for the six months ending June 30, 2019 was $20.7 million, up 18.2% or $3.2 million from $17.5 million in the same six months ending June 30, 2018. Gross profit margin decreased to 24.7% in the six months ending June 30, 2019 versus 28.1% in the same six months of 2018, due to changes in revenue mix, an abnormally cold first quarter of 2019 and abnormally wet weather in the second quarter of 2019.

- G&A decreased by 8.8% or $0.8 million to $8.1 million in the six months ending June 30, 2019, from $8.9 million in the six months ending June 30, 2018. As a percentage of revenue, G&A was down to 9.7% in the six months ending June 30, 2019 versus 14.3% in the six months ending June 30, 2018. The adoption of IFRS 16 – Leases ("IFRS 16") resulted in a decrease of $2.8 million of costs previously classified as rent that are now being expensed as amortization of right of use assets ("ROU") and interest accretion.

- EBITDA for the six months ending June 30, 2019 increased to $12.6 million, up $4.0 million or 46.1%, from $8.6 million in the six months ending June 30, 2018. This increase occurred because of improved utilization of people and equipment in most service lines in Vertex's Environmental Services segment during the six months offset by abnormal weather in the first six months of 2019. EBITDA for the six months of 2019, as a percentage of revenue, improved to 15.0% for the six months of 2019 compared to 13.8% in the six months of 2018.

- Amortization expense increased by 43.1% or $2.8 million from $6.5 million in the six months ending June 30, 2018 to $9.3 million in the six months ending June 30, 2019. The increase in amortization is a result of acquistions completed in 2018. The Company also recognized $2.7 million in amortization of ROU assets during the six months ending June 30, 2019. Finance costs decreased by $3.5 million, from $6.6 million in 2018 to $3.1 million for the six months ending June 30, 2019.

- Net loss for the six months ending June 30, 2019 decreased to a loss of $1.9 million, from a loss of $4.6 million in the six months ending June 30, 2018.

2.1 Selected Financial Information

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	**41,123**	27,692	**83,751**	62,378
Direct costs	**31,036**	18,965	**63,041**	44,850
Gross profit	**10,087**	8,727	**20,710**	17,528
General and administrative expenses	**3,834**	4,469	**8,150**	8,933
Share-based compensation	**56**	46	**110**	91
Amortization	**4,632**	3,269	**9,296**	6,497
Amortization of right of use assets	**1,665**	-	**2,706**	-
Finance costs	**1,708**	5,081	**3,097**	6,612
Loss before income taxes	**(1,808)**	(4,138)	**(2,649)**	(4,605)
Income tax (recovery) expense	**(488)**	40	**(715)**	40
Loss and comprehensive loss for the period	**(1,320)**	(4,178)	**(1,934)**	(4,645)
Loss and comprehensive loss for the period				
Basic and diluted	**(0.01)**	(0.05)	**(0.02)**	(0.05)
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic and diluted	**91,253,115**	88,653,115	**91,253,115**	88,546,799

	June 30, 2019	December 31, 2018
Total assets	**199,974**	184,821
Total loans and borrowings, less cash	**80,381**	85,258

2.2 EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Net loss and comprehensive loss for the period	**(1,320)**	(4,178)	**(1,934)**	(4,645)
Add:				
Income tax recovery	**(488)**	40	**(715)**	40
Finance costs	**1,708**	5,081	**3,097**	6,612
Amortization	**4,632**	3,269	**9,296**	6,497
Amortization of right of use assets	**1,665**	-	**2,706**	-
Share-based compensation	**56**	46	**110**	91
EBITDA (1)	**6,253**	4,258	**12,560**	8,595
Environmental Services	**7,360**	4,605	**15,007**	8,537
Industrial Services	**396**	1,244	**808**	2,796
Corporate Services	**(1,503)**	(1,591)	**(3,254)**	(2,738)
	6,253	4,258	**12,560**	8,595

(1) "EBITDA" is defined as net income (loss) before interest, income taxes, depreciation, amortization and share-based compensation. 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 and share-based compensation. 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

Despite an abnormally wet quarter that hampered the Company's ability to get its equipment and people working in the field, Vertex performed strongly during the second quarter of 2019. Vertex drove increases in both revenue and EBITDA by continuing to execute on a strong backlog throughout the quarter, focusing on controlling costs, streamlining processes through technology improvements and cross-selling services to customers. The Company's current financial position is the direct result of these efforts, prudently purchased acquisitions which are performing well and the continued implementation of Vertex's strategic cross-selling and customer diversity initiatives. As such, 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.

For the remainder of the year, indicators point to a continuation of current trends with respect to client activity levels, pricing and margin pressures. Recent announcements regarding Canadian LNG, pipeline and oilsands projects are positive for both the oil and gas industry and Vertex's expected future results. With a change in the political landscape in Alberta, the new provincial government continues to create regulatory and economic reform that should bring investment confidence back to the oil and gas industry within western Canada, although this will take time to occur. Continued spending on planned maintenance programs, increased abandonments and the need for companies to focus on environmental liabilities to remain operational are expected to present Vertex with additional opportunities in the near future.

Vertex continues to focus on factors within its control and believes a more positive outlook is ahead for the remainder of 2019. The Company remains cautiously optimistic about future activity levels as it plans to focus on further integrating past acquisitions, consistent execution and active management of costs. Vertex offers a unique set of services that offers value to clients at each stage of a project from planning to execution of operations, to completion and reclamation which is unmatched by competitors. This integration of service offerings allows the Company to cross-sell complementary services between segments to clients within a variety of industries while lowering customer's costs and providing integrated solutions to address their environmental liabilities. This creates value for the Company's clients and is expected to present Vertex with additional opportunities both within and outside of the oil and gas industry. Vertex expects to continue growing organically by capitalizing on existing and emerging contracts and relationships within the upstream and midstream oil and gas, utilities, telecommunication, forestry, agriculture and government sectors.

Vertex remains committed to creating shareholder value for the longer term by continuing to focus on further improving its operational and financial performance. In addition to these commitments, Vertex continues to focus on 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.

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 June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
Environmental Services	**37,868**	20,818	**78,585**	44,049
Industrial Services	**3,248**	6,867	**5,146**	18,315
Corporate Services	**7**	6	**20**	14
Consolidated revenue	**41,123**	27,691	**83,751**	62,378

Second Quarter 2019 versus Second Quarter 2018

Revenue increased by 48.5% or $13.4 million, from $27.7 million during the second quarter of 2018, to $41.1 million during the second quarter 2019, due to an increase in revenues of $17.0 million in the Environmental Services segment offset by a decrease of $3.6 million in the Industrial Services segment.

Revenue increased by 81.9% or $17.0 million in the Environmental Services segment, from $20.8 million in second quarter of 2018 to $37.9 million in second quarter of 2019. The increase was due to organic and acquisition growth as Vertex implemented its cross-selling strategies between the segments and acquired businesses. The Environmental Services segment had improved revenue in certain service lines, however abnormally wet weather in May and June did negatively impact utilization well into the middle of July 2019. Vertex continues to experience consistent customer spending on recurring operating and maintenance projects.

Revenue decreased by 52.7% or $3.6 million in the Industrial Services segment, from $6.9 million in the second quarter of 2018 to $3.3 million in the second quarter of 2019, which is in line with Vertex's 2019 expectations. As stated in previous MD&As, the Company continues to shifts its focus to higher margin business lines. 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.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

Revenue increased 34.3% or $21.4 million, from $62.4 million for the six months ended June 30, 2018 to $83.8 million for the six months ended June 30, 2019, due to an increase of $34.5 million in the Environmental Services segment offset by a decrease of $13.1 million in the Industrial Services segment.

Revenue in the six months of 2019 increased 78.4% or $34.6 million in the Environmental Services segment, from $44.0 million in 2018 to $78.6 million in same period of 2019. This was due to both organic and acquisition growth as the Company continues to implement cross-selling strategies between segments and acquired businesses. The Environmental Services segment has improved revenue even though abnormally cold weather in February 2019 and abnormally wet weather in May and June negatively impacted utilization in some of Vertex's business lines.

Revenue in the six months ending June 30, 2019 decreased 71.9% or $13.2 million in the Industrial Services segment, from $18.3 million in 2018 to $5.1 million in 2019, as the Company expected. 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		**Six months ended**	
	June 30,		**June 30,**	
	2019	2018	**2019**	2018
Gross profit	**10,087**	8,727	**20,710**	17,528
Gross profit as a % of revenue	**24.5%**	31.5%	**24.7%**	28.1%

Second Quarter 2019 versus Second Quarter 2018

Gross profit increased by 15.6% or $1.4 million, from $8.7 million in the second quarter of 2018 to $10.1 million for the second quarter of 2019. Gross profit margin percentage was 24.5% in the second quarter of 2019 compared to 31.5% in the second quarter of 2018. Vertex was anticipating a decrease of gross profit margins from 2018 due to revenue mix and decreased utilization. However, the Company did not anticipate the abnormally wet weather in May and June of 2019 that also negatively impacted utilization. The increase in gross profit related to acquisition impacts in Vertex's Environmental Services segment.

Gross profit in the Industrial Services segment continues to trend downwards as revenue is down. However, gross profit margins are up as the Company continues to focus on higher profit margin services.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

Gross profit for the six months increased 18.2% or $3.2 million, from $17.5 million in 2018 to $20.7 million in 2019, due to the corresponding increase activity level overall in Vertex's Environmental Services segment. As a percentage of revenue, gross margin was down period over period to 24.7% for 2019 compared to 28.1% for 2018 given abnormal weather in the first and second quarter of 2019 which decreased utilization in some service lines, and impacted costs for repairs and maintenance, and fuel costs.

The Environmental Services segment had improved gross profits during the six months ending June 30, 2019 despite seasonality coupled with abnormally cold weather in the first quarter and abnormally wet weather in the second quarter of 2019. Gross margin was down due to revenue mix and a decrease in utilization due to abnormally cold and wet weather in the six months ending June 30, 2019.

Industrial Services' gross profit during the six months ending June 30, 2019 was below prior periods. However, gross profit margins were higher as the Company continues to focus on higher margin business lines.

4.3 General and Administrative Expenses (G&A)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
G&A	**3,834**	4,469	**8,150**	8,933
G&A as a % of revenue	**9.3%**	16.1%	**9.7%**	14.3%

Second Quarter 2019 versus Second Quarter 2018

G&A decreased by 14.2% or $0.6 million, from $4.4 million in the second quarter of 2018 to $3.8 million in the second quarter of 2019. The decrease was a result of adoption of IFRS 16, whereby previously expensed rental and operating lease 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 from three acquisitions completed in 2018. Vertex is actively integrating acquisitions from the second and third quarters of 2018, and continues to cut G&A where possible. G&A for the quarter, as a percentage of revenue, decreased to 9.3% in the second quarter of 2019 versus 16.1% in the second quarter of 2018.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

G&A decreased by 8.8% or $0.8 million, from $8.9 million in the six months of June 30, 2018 to $8.1 million in the six months of June 30, 2019. G&A for the six months, as a percentage of revenue, decreased to 9.7% in the first half of 2019 versus 14.3% in the first half of 2018, consistent with the adoption of IFRS 16, improvements in revenue noted above and Vertex's focus on managing its G&A structure and driving out redundant costs from acquisitions.

4.4 EBITDA

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Environmental Services	**7,360**	4,605	**15,007**	8,537
Industrial Services	**396**	1,244	**808**	2,796
Corporate Services	**(1,503)**	(1,591)	**(3,254)**	(2,738)
	6,253	4,258	**12,560**	8,595
EBITDA(1) as a % of revenue	**15.2%**	15.4%	**15.0%**	13.8%

(1) See EBITDA definition Section 2.2.

Second Quarter 2019 versus Second Quarter 2018

EBITDA increased by 46.9% or $2.0 million, from $4.3 million in the second quarter of 2018 to $6.3 million in the second quarter of 2019. EBITDA for the second quarter, as a percentage of revenue, decreased slightly to 15.2% in the second quarter of 2019 compared to 15.4% in the second quarter of 2018.

The Environmental Services segment's EBITDA was up 59.8% or $2.8 million, to $7.4 million in the second quarter of 2019 from $4.6 million in the second quarter of 2018. Vertex's EBITDA increased in this segment despite negative headwinds in an abnormally wet May and June 2019 coupled with a significant decline in drilling activity over the same quarter of 2018. The increase was due to improved revenue related to new customers in new markets and industries and additional operating results from acquisitions completed in 2018.

The Industrial Services segment's EBITDA decreased by $0.8 million, from $1.2 million during the second quarter of 2018 to $0.4 million in the second quarter of 2019 as revenue decreased and projects were completed at lower margins in order to secure new work.

The Corporate Services segment's negative EBITDA decreased by 5.6% or $0.1 million, from a loss of $1.6 million in the second quarter of 2018, to a loss of $1.5 million in the second quarter of 2019, due to cutting redundant costs as part of integrating acquisitions.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

EBITDA for the six months increased 46.1% or $4.0 million, from $8.6 million in 2018 to $12.6 million in 2019, and as a percentage of revenue, has improved to 15.0% in 2019 versus 13.8% in 2018.

EBITDA for the six months increased 75.8% or $6.5 million in the Environmental Services segment, from $8.5 million in 2018 to $15.0 million in 2019, due to a combination of organic growth, acquisition growth and improved activity levels in certain service lines, despite negative headwinds given abnormal weather and significant decreases in drilling activities for the first half of 2019.

EBITDA for the six months decreased 71.1% or $2.0 million in the Industrial Services segment, from $2.8 million in 2018 to $0.8 million in 2019.

EBITDA for the six months, decreased 18.9% or $0.5 million in the Corporate Services segment, from a loss of $2.7 million in 2018 to a loss of $3.3 million in 2019 due to increase in overhead costs associated with acquisitions.

4.5 Amortization, Finance and Share-based Compensation Costs

	Three months ended June 30,		**Six months ended June 30,**	
	2019	2018	**2019**	2018
Amortization	**4,632**	3,269	**9,296**	6,497
Amortization of right of use assets	**1,665**	-	**2,706**	-
Finance costs	**1,708**	5,081	**3,097**	6,612
Share-based compensation	**56**	46	**110**	91
Total	**8,061**	8,396	**15,209**	13,200

Second Quarter 2019 versus Second Quarter 2018

Amortization was up by $1.3 million or 41.7%, to $4.6 million in the second quarter of 2019 from $3.3 million for second the quarter of 2018. The increase was due to acquisitions completed in the second and third quarters of 2018. Vertex incurred $1.7 million in amortization related to ROU assets as the Company added additional operating equipment during the quarter.

Finance costs decreased by $3.4 million or 66.4%, to $1.7 million in the second quarter of 2019 from $5.1 million in the second quarter of 2018, as a result of a one-time finance cost of $3.6 million related to fully expensing finance costs on Vertex's old credit facilities along with one-time penalties to refinance its debt facilities in the second quarter of 2018 coupled with an interest rate differential on Vertex's term debt that was refinanced at lower rates in the second quarter of 2018. These amounts were offset by recognizing $0.5 million in interest accretion related ROU lease liabilities.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

Amortization was up by $2.8 million or 43.1%, to $9.3 million in the six months ending June 30, 2019 from $6.5 million for second the quarter of 2018. The increase was due to acquisitions completed in the second and third quarters of 2018. Vertex incurred $2.7 million in amortization related to ROU assets as the Company added additional operating equipment during the year.

Finance costs decreased by $3.5 million or 53.2%, to $3.1 million in the first half of 2019 from $6.6 million in the first half of 2018, due to expensing $3.6 million in one time financing costs and penalties, an interest rate differential on Vertex's term debt that was refinanced at lower rates in the second quarter of 2018, offset by recognizing $0.8 million in interest accretion related ROU lease liabilities.

4.6 Net Loss and Comprehensive Loss for the Period

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	**2019**	2018
Environmental Services	**777**	1,258	**2,297**	2,058
Industrial Services	**58**	610	**154**	1,450
Corporate Services	**(2,155)**	(6,046)	**(4,384)**	(8,152)
Loss and comprehensive loss for the period	**(1,320)**	(4,178)	**(1,934)**	(4,645)

Second Quarter 2019 versus Second Quarter 2018

Net loss for the second quarter of 2019 was $1.3 million, decreasing $2.9 million, from a loss of $4.2 million in the second quarter of 2018. The improvement was mostly related to the lack of one-time finance cost described above.

In the Environmental Services segment, net income for the second quarter of 2019 was $0.8 million, down $0.5 million, from $1.3 million in the second quarter of 2018. This decrease was due to total amortization in the quarter more than offsetting improved EBITDA.

In the Industrial Services segment, net income for the second quarter of 2019 was $0.1 million, down $0.5 million, from a net income of $0.6 million for second quarter of 2018 due to reduced EBITDA.

In the Corporate Services segment, net loss for the second quarter of 2019 decreased by $3.8 million, to a loss of $2.2 million, compared to a loss of $6.0 million for the second quarter of 2018. The decreased loss was namely due to a one-time finance cost and one-time penalties related to the refinancing of Vertex's debt facilities in May of 2018.

Six Months Ended June 30, 2019 versus Six Months Ended June 30, 2018

Net loss and comprehensive loss for the six-month period decreased $2.7 million, from a loss of $4.6 million for 2018 to a loss of $1.9 million for 2019 due to a one-time finance cost related to the refinancing of its debt facilities. These net losses were impacted positively by improved operating results in The Company's Environmental Services and Industrial Services segments.

In the Environmental Services segment, net income for the six-month period ending June 30, 2019 increased 11.6% or $0.2 million, from net income of $2.1 million in 2018 to net income of $2.3 million in 2019. The improvement is due to improved EBITDA offset by increased amortization.

In the Industrial Service segment, net income for the six-month period ending June 30, 2019 decreased by $1.3 million, from net income of $1.5 million for 2018 to net income of $0.2 million for 2019. The decrease is due to lower activity levels in this segment.

In the Corporate Service segment, net loss and comprehensive loss for the six-month period decreased $3.8 million, from a loss of $8.2 million for 2018 to loss of $4.4 million for 2019. The decrease in net loss is due to one-time costs on refinancing debt facilities, lower finance and interest costs, and offset by costs related to three acquisitions and additional G&A to support growth in operations.

4.7 Summary of Quarterly Results

($000 except per share amounts)	2019		2018				2017	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Revenue	**41,123**	42,628	46,582	41,425	27,692	34,686	35,772	34,989
Net income (loss)	**(1,320)**	(614)	430	6,506	(4,178)	(467)	(1,703)	(198)
Basic and diluted income (loss) per share	**(0.01)**	(0.01)	0.01	0.07	(0.05)	(0.02)	(0.02)	(0.00)
EBITDA(1)	**6,253**	6,307	5,938	6,076	4,258	4,337	3,928	5,049

(1) See EBITDA definition Section 2.2.

As discussed throughout this MD&A, 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 add to the bottom line. The Company continues to reduce G&A costs by streamlining and integrating past acquisitions and will continue to cross-sell services with its people and equipment in order to drive utilization. The first half of 2019 has been negatively impacted by abnormal weather. However, despite these factors, the Company continues to increase revenue, gross profit, and EBITDA and decrease net loss over the same periods in the prior year.

Vertex's operating and financial performance has continued to improve, with recent results trending positively. This is a result of expansion of Vertex's customer base through geographic and industry expansion and three complementary acquisitions completed over the past eight 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 weather, 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 while pricing to Vertex's customers has remained flat. The Company's results and corresponding utilization of its people and equipment were 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 which is estimated to climb to 47% in 2019 based on backlog, compared to 7% in 2015.

The last nine months included revenue and EBITDA for the three acquisitions completed in 2018 but also included volatility in WTI-WCS differential on Vertex's oil and gas customers and abnormal weather in the first and second quarter of 2019. The first and second quarters of 2019 included EBITDA for all acquisitions completed in fiscal 2018. The third and fourth quarters of 2018 included EBITDA from the three acquisitions completed during the first half of 2018. 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:

	Six months ended June 30,	
	2019	2018
Cash provided by operating activities	**12,000**	5,830
Cash used in investing activities	**(1,783)**	(2,278)
Cash used in financing activities	**(11,367)**	(3,073)
	(1,150)	479

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 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 Provided by Operating Activities

Cash generated from operating activities increased by $6.2 million to $12.0 million for the six months ending June 30, 2019, from $5.8 million in the six months ending June 30, 2018. The increase in cash generated was due to improved net loss and net collections of accounts receivable from December 31, 2018.

5.2 Cash Used in Investing Activities

Cash used in investing activities decreased by $0.5 million to $1.8 million for the six months ending June 30, 2019, from $2.3 million in the six months ending June 30, 2018, as the Company purchased less equipment.

5.3 Cash Used in Financing Activities

Cash used in financing activities increased by $8.3 million to $11.4 million in the six months ending June 30, 2019, from $3.1 million in the six months ending June 30, 2018. The increase was due to regular repayments of debt, additional repayments and provisions, 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

	June 30, 2019	December 31, 2018
Current assets	**45,600**	51,085
Current liabilities	**22,598**	18,367
Working Capital	**23,002**	32,718

Working capital at June 30, 2019 was $23.0 million as compared to $32.7 million at year end 2018, a decrease of $9.7 million as a result of collection of accounts receivable. On January 1, 2019, the Company adopted IFRS 16, which added a current portion of ROU lease liabilities of $5.8 million, which also impacted working capital.

5.5 Credit Facilities

	June 30, 2019	December 31, 2018
Revolving and operating loans:		
Available revolving and operating facilities[1]	**35,000**	35,000
Drawn on revolving and operating facilities	**26,400**	29,000
	8,600	6,000

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

Debt as of June 30, 2019, consisted of the items noted in Section 5.6 Commitment and Contingencies.

Debt Covenants

As of June 30, 2019, the Company was in compliance with the terms and covenants of its lending agreements on the operating loan, revolving loan and term loan. Trailing twelve-month EBITDA attributable to businesses acquired in the period is permitted to be added to EBITDA when calculating covenants along with one-time approved non-recurring expenses. Trailing twelve-month EBITDA was $22.3 million for the year ending June 30, 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	16,349	-	**16,349**
Revolving loan	-	26,400	**26,400**
Term loan	7,500	35,990	**43,490**
Equipment loans	1,670	1,886	**3,556**
Finance leases	1,882	6,250	**8,132**
Provisions	3,255	100	**3,355**
Right of use lease liabilities	5,816	23,331	**29,147**
Long-term financial liabilities	20,124	93,957	**114,080**

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

5.7 Capital Expenditures

The Company's gross capital expenditures, less finance leases, for the six months ending June 30, 2019 were $2.9 million compared to $3.7 million in the six months ending June 30, 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 six months ending June 30, 2019, the Company sold $2.7 million worth of capital assets compared to $2.0 million in the six months ending June 30, 2018. Rolling stock acquired under finance leases during the six months ended June 30, 2019 totalled $2.3 million (2018 - $4.1 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 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. The aging analysis of accounts receivable is as follows:

	June 30, 2019	December 31, 2018
0 to 30 days	16,856	18,667
31 to 60 days	6,330	11,730
61 to 90 days	2,569	4,246
Over 90 days	5,184	5,698
Holdbacks	2	62
Trade accounts receivable	30,941	40,403
Allowance for expected credit losses	(357)	(458)
Trade receivables, net of allowance	30,584	39,945
Other receivables	2,179	358
	32,763	40,303

5.9 Outstanding Share Data

As of August 9, 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 June 30, 2019	2018	Six months ended June 30, 2019	2018
Transactions:					
Amortization of right of use assets	(i)	**148**	-	**296**	-
Interest accretion on right of use lease liabilities	(i)	**112**	-	**187**	-
General and administrative expenses - rent	(i)	**-**	225	**-**	450
Property and equipment additions	(i)	**-**	367	**-**	856

(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 on January 1, 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.

The weighted average incremental borrowing rate for ROU lease liabilities recognized as of January 1, 2019 was 6.0% for a portfolio of leases designated as low value of leases and operating equipment and 7.4% for a portfolio of leases designated as high value. The designation of high and low value leases for the purpose of allocating them to portfolios was based a variety of factors including: the location of the lease, the term of the lease, the weighted average cash flow of the lease payments and the rate of the lease.

6.4 Future Accounting Standard Pronouncements

There are no new standards that were issued and effective for the six-month period ending June 30, 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; pricing and margin pressures; anticipated customer spending; supply and demand for the Company's services (including the impact of weather and the political landscape therein); availability of profitable projects in the Industrial Services segment; ; 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; the impact of recent announcements regarding Canadian LNG pipeline and oilsands projects; 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.