Vertex Resource Group Ltd.
Management's Discussion and Analysis

Three and nine months ended September 30, 2019 and 2018

The following Management's Discussion and Analysis ("MD&A") is dated November 7, 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 nine months ended September 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 nine months ended September 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 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, oilsands, midstream, 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, wellsite accommodations, insulation blankets and acoustical buildings and products. The Company's operations are viewed as a single operating segment by its Executives for the purpose of resource allocation and assessing performance.

2.0 Operational and Financial Highlights

The results for the third quarter of 2019 improved over the third quarter of 2018 despite challenges from unseasonably wet weather conditions extending throughout the summer months, lower activity in oil and gas sector and competitive pricing. The Company improved revenue and EBITDA (see "EBITDA" definition in Section 2.2 – EBITDA) reducing general and administrative costs ("G&A") from the third quarter of 2018 to the third quarter of 2019 as highlighted below:

- Revenue for the third quarter of 2019 increased to $43.6 million, an increase of $2.2 million or 5.4% from $41.4 million for the same quarter of 2018, due to continued growth from cross selling services and expansion into new markets and industries.

- Gross profit for the third quarter of 2019 was $10.7 million, down 2.5% or $0.2 million from $10.9 million in the third quarter of 2018. Gross profit as a percentage of revenue ("gross profit margin") decreased to 24.4% in the third quarter of 2019 from 26.4% in the same quarter of 2018, due to changes in revenue mix, abnormally wet weather in the third quarter of 2019 that impeded field access and competitive pricing on some services lines within the oil and gas sector.

- G&A decreased by 30.3% or $1.5 million to $3.4 million in the third quarter of 2019, from $4.9 million in the third quarter of 2018. As a percentage of revenue, G&A was down to 7.8% in the third quarter of 2019 versus 11.7% in the third 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 also continues to streamline operations and aggressively manage G&A costs.

- EBITDA for the third quarter of 2019 increased to $7.3 million, up $1.2 million or 19.8%, from $6.1 million in the third quarter of 2018. This was a result of the growth in revenues and decline in G&A, including the effects of IFRS 16. EBITDA for the third quarter, as a percentage of revenue, was slightly higher at 16.7% in the third quarter of 2019 compared to 14.7% in the third quarter of 2018.

- Amortization expense decreased by 23.3% or $1.3 million to $4.2 million in the third quarter of 2019 from $5.5 million in the third quarter of 2018. Amortization of ROU assets during the quarter was $2.0 million. Finance costs increased by $0.5 million to $1.7 million in the third quarter of 2019 from $1.2 million for the third quarter of 2018 due to the recognition of $0.8 million in interest accretion on lease liabilities, offset with reduction of $0.3 million of other finance costs.

- Net income (loss) for the third quarter of 2019 decreased to a loss of $0.6 million, from income of $6.5 million in the third quarter of 2018. A bargain purchase gain of $6.8 million was recognized in the third quarter of 2018.

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

- Revenue for the nine months ending September 30, 2019 increased to $127.4 million, an increase of $23.6 million or by 22.7% from $103.8 million for the same nine months of 2018, due to growth from completed acquisitions, increased customer spending to address their environmental liabilities and expansion into new markets and industries. The increase in revenue was muted by the decline in revenues of $16.7 million in one of our service lines which completed a large project in the first five months of 2018 and lower activity within the oil and gas industry.

- Gross profit for the nine months ending September 30, 2019 was $31.4 million, up 10.2% or $2.9 million from $28.5 million in the same nine months ending September 30, 2018. Gross profit margin decreased to 24.6% in the nine months ending September 30, 2019 versus 27.4% in the same nine months of 2018, due to changes in revenue mix, a competitive environment, and extreme weather impacting execution, productivity and utilization.

- G&A decreased by 16.4% or $2.3 million to $11.5 million in the nine months ending September 30, 2019, from $13.8 million in the nine months ending September 30, 2018. As a percentage of revenue, G&A was down to 9.1% in the nine months ending September 30, 2019 versus 13.3% in the nine months ending September 30, 2018. The adoption of IFRS 16 – Leases ("IFRS 16") resulted in a decrease of $4.0 million of costs previously classified as rent that are now being expensed as amortization of right of use assets and interest accretion which was offset with increased G&A from acquisitions.

- EBITDA for the nine months ending September 30, 2019 increased to $19.8 million, up $5.1 million or 35.2%, from $14.7 million in the nine months ending September 30, 2018. This increase occurred because of increased revenue tempered by the impact of inclement weather through 2019, lower drilling and new development activity within the oil and gas industry and competitive pricing within the oil and gas industry. EBITDA for the nine months of 2019, as a percentage of revenue, improved to 15.6% for the nine months of 2019 compared to 14.1% in the nine months of 2018.

- Amortization expense increased by $0.1 million from $12.0 million in the nine months ending September 30, 2018 to $12.1 million in the nine months ending September 30, 2019. The Company also recognized $6.1 million in amortization of ROU assets during the nine months ending September 30, 2019. Finance costs decreased by $3.0 million, from $7.8 million in 2018 to $4.8 million for the nine months ending September 30, 2019.
- Net income (loss) for the nine months ending September 30, 2019 decreased to a loss of $2.5 million, from income of $1.9 million in the nine months ending September 30, 2018. In 2018 a bargain purchase gain of $6.8 million was recognized but was offset by a $3.6 million one-time finance charge.

2.1 Selected Financial Information

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Revenue	**43,655**	41,425	**127,406**	103,803
Direct costs	**32,988**	30,490	**96,029**	75,340
Gross profit	**10,667**	10,935	**31,377**	28,463
General and administrative expenses	**3,386**	4,859	**11,536**	13,792
Share-based compensation	**32**	49	**142**	140
Amortization	**4,217**	5,492	**12,126**	11,989
Amortization of right of use assets	**2,047**	-	**6,140**	-
Finance costs	**1,725**	1,163	**4,822**	7,840
Bargain purchase gain	**-**	(6,760)	**-**	(6,825)
(Loss) income before income taxes	**(740)**	6,132	**(3,389)**	1,527
Income tax recovery	**(187)**	(374)	**(902)**	(334)
Net (loss) income and comprehensive (loss) income	**(553)**	6,506	**(2,487)**	1,861
Net (loss) income per share				
Basic and diluted	**(0.01)**	0.07	**(0.03)**	0.02
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic and diluted	**91,253,115**	90,942,245	**91,253,115**	89,361,104

	September 30, 2019	December 31, 2018
Total assets	**198,813**	184,821
Total loans and borrowings and secured lease liabilities, less cash	**79,499**	85,258

2.2 EBITDA

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Net (loss) income and comprehensive (loss) income	**(553)**	6,506	**(2,487)**	1,861
Add:				
Income tax recovery	**(187)**	(374)	**(902)**	(334)
Bargain purchase gain	**-**	(6,760)	**-**	(6,825)
Finance costs	**1,725**	1,163	**4,822**	7,840
Amortization	**4,217**	5,492	**12,126**	11,989
Amortization of right of use assets	**2,047**	-	**6,140**	-
Share-based compensation	**32**	49	**142**	140
EBITDA (1)	**7,281**	6,076	**19,841**	14,671

(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, bargain purchase gain, 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

For the remainder of the year, indicators point to a continuation of current trends with respect to client activity levels, pricing and margin pressures. In the absence of significant commodity price increases, the Company expects spending on drilling and completions to remain cautious, with activity levels below the fourth quarter of 2018. However, Vertex anticipates that it will be able to continue to deliver positive results by focusing on strategic cross-selling and customer diversity initiatives; and growing its customer base with approximately 45% of revenues for 2019 expected to come from outside the oil and gas industry. For 2020, the Company plans to continue its diversification initiatives to further reduce the proportion of revenues from oil and gas. Specifically, Vertex's customers continue to grow and provide stable and attractive opportunities in the utilities, agriculture, municipalities and telecommunications industries.

Vertex continues to focus on factors within its control, namely growing market share, cost management and capital prudence. As a result, Management believes the company will continue to produce positive results for 2020 and beyond, despite the lack of positive economic indicators. The Company's strategies are expected to create opportunities for continued growth in revenue, with the expectation that margins will not deteriorate further in 2020. More normal weather and field conditions may result in a recovery of margin levels.

Recent announcements regarding Canadian LNG, pipeline and oilsands projects are positive in the longer term for both the oil and gas industry and Vertex's expected future results. 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 remains committed to creating shareholder value for the longer term by continuing to focus on further improving its operational and financial performance. A key focus in the coming year will be debt repayment to facilitate flexibility in operations, organic growth and potential future acquisitions. To date in 2019, the Company has repaid $9.2 million in debt. Vertex is planning a capital budget for 2020 for strictly maintenance capex unless new customer contracts merit the investment.

4.0 Results from Operations

4.1 Revenue

The following table sets forth revenue for the following periods:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
Revenue	**43,655**	41,425	**127,406**	103,803

Third Quarter 2019 versus Third Quarter 2018

Revenue increased by 5.4% or $2.2 million, from $41.4 million during the third quarter of 2018, to $43.6 million during the third quarter 2019, due to organic growth as Vertex implemented its cross-selling strategies and focused on geographic and industry expansion. Vertex continues to experience consistent customer spending on recurring operating and maintenance projects and increased customer spending on environmental liabilities.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Revenue increased 22.7% or $23.6 million, from $103.8 million for the nine months ended September 30, 2018 to $127.4 million for the nine months ended September 30, 2019, due to acquisitions completed in 2018, cross-selling strategies between business lines, increased customer spending to address environmental liabilities and expansion into new markets and industries. Revenue has improved in spite of extreme, unseasonable weather that negatively impacted field access and lower activity in oil and gas sector. In addition, there was a large oilsands project completed that contributed $16.7 million in the first five months of 2018, with no recurring revenues in 2019.

4.2 Gross Profit

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
Gross profit	**10,667**	10,935	**31,377**	28,463
Gross profit as a % of revenue	**24.4%**	26.4%	**24.6%**	27.4%

Third Quarter 2019 versus Third Quarter 2018

Gross profit decreased by 2.5% or $0.2 million, from $10.9 million in the third quarter of 2018 to $10.7 million for the third quarter of 2019. Gross profit margin percentage was 24.4% in the third quarter of 2019 compared to 26.4% in the third quarter of 2018. Vertex was anticipating a decrease of gross profit margins from 2018 due to revenue mix as some of the revenue growth relates to industries that are new to Vertex where margins are lower than our historical work. In addition, margins were impacted by the weather and competitive pricing in the oil and gas industry.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Gross profit for the nine months increased 10.2% or $2.9 million, from $28.5 million in 2018 to $31.4 million in 2019, which corresponds with increases in revenue. As a percentage of revenue, gross margin was down period over period to 24.6% for 2019 compared to 27.4% for 2018 given revenue mix between service lines, pricing pressures within the oil and gas industry and the impact of inclement weather in 2019 which impeded field access and impacted costs for repairs and maintenance and fuel.

4.3 General and Administrative Expenses (G&A)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
G&A	**3,386**	4,859	**11,536**	13,792
G&A as a % of revenue	**7.8%**	11.7%	**9.1%**	13.3%

Third Quarter 2019 versus Third Quarter 2018

G&A decreased by 30.3% or $1.5 million, from $4.9 million in the third quarter of 2018 to $3.4 million in the third 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 along with cost rationalization related to new locations in Manitoba, Saskatchewan and Alberta from three acquisitions completed in 2018. G&A for the quarter, as a percentage of revenue, decreased to 7.8% in the third quarter of 2019 versus 11.7% in the third quarter of 2018.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

G&A decreased by 16.4% or $2.3 million, from $13.8 million in the nine months of September 30, 2018 to $11.5 million in the nine months of September 30, 2019. G&A for the nine months, as a percentage of revenue, decreased to 9.1% in 2019 versus 13.3% in 2018. The adoption of IFRS 16 resulted in a decrease of $4.0 million of costs previously classified as rent that are now being expensed as amortization of right of use assets and interest accretion which was offset by increased G&A from acquisitions.

4.4 EBITDA

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
EBITDA	**7,281**	6,076	**19,841**	14,671
EBITDA(1) as a % of revenue	**16.7%**	14.7%	**15.6%**	14.1%

(1) See EBITDA definition Section 2.2.

Third Quarter 2019 versus Third Quarter 2018

EBITDA increased by 19.8% or $1.2 million, from $6.1 million in the third quarter of 2018 to $7.3 million in the third quarter of 2019, due to the impact of increased revenue from new customers and new markets and reduced G&A, including the effects of IFRS 16. EBITDA for the third quarter, as a percentage of revenue, increased to 16.7% in the third quarter of 2019 compared to 14.7% in the third quarter of 2018.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

EBITDA for the nine months increased 35.2% or $5.1 million, from $14.7 million in 2018 to $19.8 million in 2019 due to a combination of organic growth, acquisition growth and reduced G&A, including the effects of IFRS 16. As a percentage of revenue, EBITDA has improved to 15.6% in 2019 versus 14.7% in 2018.

4.5 Amortization, Finance and Share-based Compensation Costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
Amortization	**4,217**	5,492	**12,126**	11,989
Amortization of right of use assets	**2,047**	-	**6,140**	-
Finance costs	**1,725**	1,163	**4,822**	7,840
Bargain purchase gain	**-**	(6,760)	**-**	(6,825)
Share-based compensation	**32**	49	**142**	140
Total	**8,021**	(56)	**23,230**	13,144

Third Quarter 2019 versus Third Quarter 2018

Amortization was down by $1.3 million or 23.2%, to $4.2 million in the third quarter of 2019 from $5.5 million for third the quarter of 2018. The decrease was due the life cycle of property and equipment and the useful lives of the underlying assets and was offset by $2.0 million amortization expense for ROU assets related to real property and operating equipment during the quarter.

Finance costs increased by $0.5 million or 48.3%, to $1.7 million in the third quarter of 2019 from $1.2 million in the third quarter of 2018, due to accretion interest on lease liabilities of $0.8 million, offset by reduction of $0.3 million of other finance costs in the quarter.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Amortization was up by $0.1 million or 1.1%, to $12.1 million in the nine months ending September 30, 2019 from $12.0 million for third the quarter of 2018. Vertex incurred $6.1 million in amortization related to ROU assets.

Finance costs decreased by $3.0 million or 38.5%, to $4.8 million in 2019 from $7.8 million in 2018, due to expensing $3.6 million in one time financing costs and penalties in 2018 and other finance costs being $0.7 million less, offset by recognizing $1.3 million in interest accretion related to lease liabilities in 2019.

4.6 Net (Loss) Income and Comprehensive (Loss) Income

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	**2019**	2018
Income (loss) and comprehensive income (loss) for the period	**(553)**	6,506	**(2,487)**	1,861

Third Quarter 2019 versus Third Quarter 2018

Net (loss) income and comprehensive (loss) income for the third quarter of 2019 was $0.6 million, decreasing $7.1 million, from income of $6.5 million in the third quarter of 2018. The decrease was primarily related to the absence in 2019 of a bargain purchase gain from acquisitions which was $6.8 million in the third quarter of 2018.

Nine Months Ended September 30, 2019 versus Nine Months Ended September 30, 2018

Net (loss) income and comprehensive (loss) income for the nine-month period decreased $4.4 million, from income of $1.9 million for 2018 to a loss of $2.5 million for 2019. This decrease is due to a bargain purchase gain of $6.8 million from acquisitions offset with one-time finance cost related to the refinancing of debt facilities of $3.6 million in 2018.

4.7 Summary of Quarterly Results

($000 except per share amounts)	2019			2018				2017
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue	**43,655**	41,123	42,628	46,582	41,425	27,692	34,686	35,772
Net (loss) income	**(553)**	(1,320)	(614)	430	6,506	(4,178)	(467)	(1,703)
Basic and diluted (loss) income per share	**(0.01)**	(0.01)	(0.01)	0.01	0.07	(0.05)	(0.03)	(0.02)
EBITDA(1)	**7,281**	6,253	6,307	5,938	6,076	4,258	4,337	3,928

(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 when it is within the Company's control. The first nine months of 2019 has been negatively impacted by unusually poor weather and reduced activity in the oil and gas industry, yet despite these factors, the Company continues to increase revenue, gross profit, and EBITDA over the same periods in the prior year.

Vertex's operating and financial performance has continued to improve, with recent results trending positively from $35.8 million in fourth quarter 2017 to $43.7 million in third quarter of 2019. This is a result of expansion of Vertex's customer base through geographic and industry expansion and complementary acquisitions completed over the past eight quarters. Some service lines have 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 within the oil and gas industry has had pressure. The Company's results and corresponding utilization of its people and equipment are positively impacted by consistent 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 45% in 2019, compared to 7% in 2015.

The results for the last nine months included revenue and EBITDA for the acquisitions completed in 2018 but also included volatility in WTI-WCS differential on Vertex's oil and gas customers and unseasonably poor weather in 2019. All quarters in 2019 and the third and fourth quarters of 2018 included EBITDA from the 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 $6.8 million. The Company adopted IFRS 16 – Leases on January 1, 2019. Prior period results related to G&A, amortization on ROU assets and interest accretion on lease liabilities are not comparable to the current year presentation as Vertex adopted IFRS 16 - Leases 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:

	Nine months ended September 30,	
	2019	2018
Cash provided by operating activities	**20,088**	4,541
Cash used in investing activities	**(3,695)**	(6,464)
Cash (used in) provided by financing activities	**(17,360)**	2,527
	(967)	604

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.

5.1 Cash Provided by Operating Activities

Cash generated from operating activities increased by $15.6 million to $20.1 million for the nine months ending September 30, 2019, from $4.5 million in the nine months ending September 30, 2018. The increase in cash generated was due to net collections of accounts receivable from December 31, 2018. Adopting IFRS 16 - Leases has shifted approximately $5.6 million of outflows from operating activities to financing activities

5.2 Cash Used in Investing Activities

Cash used in investing activities decreased by $2.8 million to $3.7 million for the nine months ending September 30, 2019, from $6.5 million in the nine months ending September 30, 2018, as the Company did not acquire any businesses in the current period.

5.3 Cash (Used in) Provided by Financing Activities

Cash used in financing activities increased by $19.9 million to $17.4 million in the nine months ending September 30, 2019, from cash provided by financing activities of $2.5 million in the nine months ending September 30, 2018. The increase was due to regular repayments of debt, lease liabilities and provisions, all of which were funded by cash generated from operating activities, as well as the absence of debt refinancing which the Company completed in 2018. Vertex is focused on reducing its loans and borrowings through scheduled repayments in 2019. To date in 2019, $9.2 million in debt repayments have been made. Adopting IFRS 16 - Leases has shifted approximately $5.6 million of outflows from operating activities to financing activities

5.4 Working Capital

	September 30, 2019	December 31, 2018
Current assets	**45,603**	51,085
Current liabilities	**17,800**	18,367
Working Capital	**27,803**	32,718

Working capital at September 30, 2019 was $27.8 million as compared to $32.7 million at year end 2018, a decrease of $4.9 million primarily as a result of collection of accounts receivable.

5.5 Credit Facilities

	September 30, 2019	December 31, 2018
Revolving and operating loans:		
Available revolving and operating facilities	**35,000**	35,000
Drawn on revolving and operating facilities	**21,400**	29,000
	13,600	6,000

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

Debt Covenants

As of September 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 $21.6 million for the year ending September 30, 2019. The impact of IFRS 16 has been excluded for the purpose of calculating debt covenants.

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	17,520	-	**17,520**
Revolving loan	-	21,400	**21,400**
Term loan	6,398	40,601	**46,999**
Equipment loans	1,978	2,644	**4,621**
Provisions	2,846	-	**2,846**
Lease liabilities	7,636	29,164	**36,800**
Long-term financial liabilities	18,858	93,808	**112,666**

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 September 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 secured lease liabilities, for the nine months ending September 30, 2019 were $4.5 million compared to $4.7 million in the nine months ending September 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 nine months ending September 30, 2019, the Company sold $1.3 million worth of capital assets compared to $2.8 million in the nine months ending September 30, 2018. Rolling stock acquired under secured lease liabilities during the nine months ended September 30, 2019 totalled $2.5 million (2018 - $4.7 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 be expected to be in the range of $6.5 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, oilsands, midstream, 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 September 30, 2019, the Company had one 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:

	September 30, 2019	December 31, 2018
0 to 30 days	18,950	18,667
31 to 60 days	5,204	11,730
61 to 90 days	2,912	4,246
Over 90 days	3,499	5,698
Holdbacks	1	62
Trade accounts receivable	30,566	40,403
Allowance for expected credit losses	(414)	(458)
Trade receivables, net of allowance	30,152	39,945
Other receivables	2,124	358
	32,276	40,303

5.9 Outstanding Share Data

As of November 7, 2019, the Company had 93,413,124 Common Shares outstanding. As of the same date, the Company had outstanding 4,160,000 stock options and 2,197,206 warrants to purchase up to an aggregate of 6,357,206 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 September 30, **2019**	2018	Nine months ended September 30, **2019**	2018
Transactions:					
Amortization of right of use assets	(i)	**148**	-	**444**	-
Interest accretion on unsecured lease liabilities	(i)	**110**	-	**297**	-
General and administrative expenses - rent	(i)	-	225	-	675
Property and equipment additions	(i)	-	-	-	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

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

Cash-generating units ("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 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 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.

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of January 1, 2019. The incremental borrowing rates applied to the lease liabilities on January 1, 2019 ranged from 6.0% to 7.4%, depending on the relevant facts and circumstances, geographical location, and lease term duration of the leased property.

Secured operating equipment, formerly finance leases, are leases that include an option to purchase that the Company plans to exercise at the inception of the lease. Until the Company exercises the purchase option, the asset remains secured property of the lessor.

6.4 Future Accounting Standard Pronouncements

There are no new standards that were issued and effective for the nine-month period ending September 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.