Vertex Resource Group Ltd.

Management's Discussion and Analysis

For the three months ended March 31, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A") is dated June 19, 2020, and is a discussion of the consolidated financial position and results of Vertex Resource Group Ltd. ("Vertex" or the "Company") for the three months ended March 31, 2020 and 2019, and should be read together with Vertex's unaudited condensed consolidated interim financial statements and accompanying notes (the "Interim Financial Statements") for the three months ended March 31, 2020, the annual audited consolidated financial statements and accompanying notes (the "Annual Financial Statements") for the year ended December 31, 2019 and the Company's Annual Information Form ("AIF") for the same year filed on the Company's SEDAR profile at www.sedar.com. All dollar amounts contained in tables in this MD&A are in thousands of Canadian dollars, except per share amounts or unless otherwise stated.

This MD&A and the Interim Financial Statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which are also Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises in Canada. This MD&A contains forward looking information and reference should be made to Section 7.0 Forward-Looking Information.

1.0 Executive Overview

Vertex is a 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 has two reportable segments:

Environmental Consulting

Through Vertex's Environmental Consulting 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 energy, 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 and emergency spill response.

Environmental Services

Through Vertex's Environmental Services segment, the Company provides a variety of services related to transportation, removal, storage, disposal of materials, and maintenance of facilities in an environmentally safe manner. Services include fluid hauling, equipment rentals, hydrovac services, well site services, and industrial cleaning for various industries including energy, telecommunications, public sector, utilities, mining, and agriculture.

2.0 Operational and Financial Highlights

During the first quarter of 2020, the global economic environment started to degrade due to the global impacts of COVID-19. The world began to experience significant declines in energy demand and major economic disruption as various nations commenced implementation of containment measures. Falling demand for oil combined with failure by OPEC+ to reach a supply reduction agreement resulted in a price war among certain countries. This precipitated a material fall in the price of oil causing reduced exploration and development budgets and reduced demand for oilfield products and services. In addition, price competition resulting from reduced oil production in Western Canada during 2019 persisted into the first quarter of 2020 causing pressure on revenues and gross margins. Certain regions of Western Canada also experienced a prolonged period of extremely cold weather in January which contributed to delays in project start ups and negatively impacted the demand for Vertex's services.

Due to the foregoing conditions, the Company generated $38.4 million in revenues compared to $42.6 million in Q1 2019, while gross margin declined to 23.6% from 24.9%.

During the quarter, Vertex continued to aggressively manage its G&A costs to meet our goal of operating as efficiently as possible. Excluding the related restructuring costs, salaries and benefits declined from $2.9 million in Q1 2019 to $2.2 million in Q1 2020.

Adjusted EBITDA during the first quarter amounted to $5.3 million compared to $6.0 million in Q1 2019. Loss before impairment amounted to $2.0 million compared to $0.6 million the prior year due to the decrease in revenues and gross margins and total restructuring costs of $0.6 million, which were mitigated by the reduction in G&A expenses.

During Q1, the Company recorded $3.7 million in impairment charges related to goodwill and intangible assets within the environmental logistics business, due to the reduced near to medium term outlook resulting from COVID-19 impacts.

2.1 Selected Financial Information

	Three Months ended March 31,	
	2020	2019
Revenue	**38,426**	42,628
Direct costs	**29,342**	32,001
Gross profit	**9,084**	10,627
General and administrative expenses	**3,761**	4,601
Share-based compensation	**43**	54
Depreciation and amortization	**6,040**	5,521
Finance costs	**1,359**	1,303
Impairment	**3,665**	-
Restructuring costs	**629**	-
Loss before income taxes	**(6,413)**	(852)
Income tax recovery	**(814)**	(227)
Net loss and comprehensive loss for the period	**(5,599)**	(625)
Net loss per share		
Basic and diluted	**(0.06)**	(0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share		
Basic and diluted	**91,253,115**	91,253,115

2.2 Adjusted EBITDA

	Three Months ended March 31,	
	2020	2019
Net loss and comprehensive loss for the period	**(5,599)**	(625)
Add:		
Share-based compensation	**43**	54
Depreciation and amortization	**6,040**	5,521
Finance costs	**1,359**	1,303
Impairment	**3,665**	-
Restructuring costs	**629**	-
Income tax recovery	**(814)**	(227)
ADJUSTED EBITDA (1)	**5,323**	6,026
Environmental Consulting	**1,856**	1,857
Environmental Services	**4,446**	5,570
Other	**(979)**	(1,401)
	5,323	6,026

(1) "Adjusted EBITDA" is a non-IFRS financial measure which is calculated by adjusting net (loss) income for the sum of income taxes, finance costs including interest accretion on lease liabilities, gain on bargain purchase, depreciation of property and equipment and right of use assets, amortization of intangible assets, share-based compensation, restructuring costs and impairment. The Company uses Adjusted EBITDA as an indicator of its principal business activities operational performance prior to consideration of how its activities are financed and the impact of taxation, non-cash depreciation and amortization, restructuring costs and other non-cash expenses such as impairment required under IFRS. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts as important analytical tool and management of Vertex believes it is useful for providing readers with additional clarity on Vertex's operational performance. This measure is also considered important by the Company's lenders in determining compliance by the Company with the financial covenants under its lending arrangements.

3.0 Outlook

Earlier in 2020 optimism existed for improvement in the Western Canadian economy from the low levels experienced in 2019 based on expectations for increased spending on a number of major projects. However, the advent of the COVID-19 virus has resulted in significant uncertainties and reduced revenue and earnings outlooks for 2020 across all sectors. In the energy industry, oil companies have announced reductions in capital expenditure budgets and both upstream and downstream production activities.

In an attempt to limit and contain the spread of COVID-19, countries and governments around the world have implemented heavy restrictions on social interaction, public gatherings, travel, and business activities. This has resulted in concerns over supply chain disruptions, reduced demand for many products and services, and, overall, a severe contraction of economic activity. Various jurisdictions are currently in the process of relaxing restrictions and re-opening business activities in a controlled and measured manner. This may improve the global demand for products and services from recent levels. However, a return to normalcy in business activities is not expected for an extended period of time. Expectations and business activity may be tempered by the possibility of additional waves of COVID-19.

Vertex's services are considered essential and the Company has been able to continue providing its services to clients during the pandemic. To facilitate this, Vertex has implemented appropriate safety measures pertaining to physical distancing, travel, sanitization, personal protective equipment and supplies, and work from home arrangements.

While it is not possible to quantify the full effect of the economic uncertainties and financial impacts of COVID-19, Vertex has experienced pressure on its revenues and gross margins, especially in the upstream sector of the energy industry. Vertex has seen some increased demand for its rental products related to storage and accommodations, stable fluid hauling demand, and increased opportunities for environmental remediation services. It is not known whether these positive circumstances will continue.

Vertex generates significant revenues from sectors outside of oil and gas including midstream, utilities, industrial construction, mining, public sector, agriculture, and forestry. These sectors accounted for 43% of the company's revenues in 2019. Within the oil and gas sector, 77% of revenues were derived from operations and maintenance (O&M) and reclamation related services, with the remaining 23% coming from development and drilling related services. From all sectors, approximately 69% of the Company's revenues were derived from operations and maintenance (O&M) related services, 10% from environmental reclamation, 13% from development, and 8% from upstream drilling services.

Vertex maintains a diversified business consisting of various revenue streams including: environmental consulting, testing, and remediation; fluid hauling for upstream, midstream, mining, and agricultural sectors; hydrovac for construction; industrial cleaning and waste disposal; equipment rental for storage and containment of products and waste; manufacturing of acoustic products and metal buildings.

The Company has acted expeditiously to curtail discretionary expenditures, carefully manage operating costs, reduce labour costs, and re-assess planned capital expenditures.

It is important to note that Canada, as a country, is highly dependent on the energy sector. In 2018, the oil and gas extraction sector alone generated higher real GDP than the entire manufacturing sector of the province of Ontario. To date the federal government of Canada has provided major funding to support businesses in the form of liquidity loans to mid-market companies, bridge financing for large companies to support continuing operations, wage cost subsidies, and major funding for environmental remediation activities specifically for Alberta, Saskatchewan, and British Columbia. The Company has extensive expertise in environmental remediation and expects to benefit significantly from the available funding. Vertex has aggressively and successfully pursued available subsidies, loans, and funding opportunities and intends to continue doing so.

There is significant optimism for future growth in Western Canada based on progress on the Trans Mountain, Line 3 Replacement, Coastal Gas Link, and Keystone pipelines; LNG plant developments; and proposed petrochemical plants.

During 2020, Vertex intends to closely monitor developments and employ ongoing forecasting to ensure efficient adaptation to changing economics. Vertex will also continue to focus on controlled capital expenditures, efficient use of assets, and strategic repairs and maintenance programs to obtain maximum economic value from its existing complement of assets.

4.0 Results from Operations

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

	Three Months Ended		Variance	
	March 2020	March 2019	**$**	%
Environmental Consulting	**11,207**	10,921	**286**	2.6%
Environmental Services	**26,133**	29,359	**(3,226)**	-11.0%
Other	**1,087**	2,348	**(1,261)**	-53.7%
Revenue	**38,427**	42,628	**(4,201)**	-9.9%

First Quarter 2020 versus First Quarter 2019

Revenue decreased by 9.9% or $4.2 million, from $42.6 million during the first quarter of 2019, to $38.4 million during the first quarter 2020, due to decreases in revenues of $3.2 million in the Environmental Services segment and $1.3 million in the Other segment.

Revenue increased by 2.6% or $0.3 million in the Environmental Consulting segment, from $10.9 million in the first quarter of 2019 to $11.2 million in the first quarter of 2020 due to ongoing requirements for environmental compliance and well reclamations.

The Environmental Services segment experienced decreased revenue from lower activity levels due to delayed projects, reduction in clients' exploration and development expenditures, and abnormally cold weather in January 2020.

4.2 Gross Profit

	Three Months Ended		Variance	
	March 2020	March 2019	**$**	%
Gross profit	**9,084**	10,627	**(1,543)**	-14.5%
Gross profit as a % of revenue	**23.6%**	24.9%		

Approximately $1.05 million of the reduction in gross profit is due to the reduction in revenue from $42.6 million to $38.4 million. The remainder of the reduction is due to the decline in gross margin which was caused primarily by reduced upstream oil and gas activity which in turn resulted from continuing price competition, reductions in E&P budgets, and reduced demand for oil.

4.3 General and Administrative Expenses (G&A)

	Three Months Ended		Variance	
	March 2020	March 2019	**$**	%
General and administrative expenses	**3,761**	4,601	**(840)**	-18.3%
G&A as a % of revenue	**9.8%**	10.8%		

G&A decreased by 18.3% or $0.8 million, from $4.6 million in the first quarter of 2019 to $3.7 million in the first quarter of 2020. The decrease was primarily from reduced salaries and benefits resulting from continuous efficiency improvements and active management of costs in response to lower revenue levels. G&A for the quarter, as a percentage of revenue, decreased by 1.0%, to 9.8% in the first quarter of 2020 versus 10.1% in the first quarter of 2019.

4.4 Adjusted EBITDA

	Three Months Ended		Variance	
	March 2020	March 2019	**$**	%
Environmental Consulting	**2,249**	1,857	**392**	21.1%
Environmental Services	**4,053**	5,570	**(1,517)**	-27.2%
Other	**(979)**	(1,401)	**423**	30.2%
	5,323	6,026	**(703)**	-11.7%
Adjusted EBITDA as a % of revenue	**13.9%**	14.1%	**-0.3%**	-2.0%

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

Overall, Adjusted EBITDA decreased by 11.7% or $0.7 million, from $6.0 million in the first quarter of 2019 to $5.3 million in the first quarter of 2020.

The Environmental Consulting segment's Adjusted EBITDA increased to $2.2 million during the first quarter of 2020, up by $0.4 million or 21.1%, from $1.9 million in the first quarter of 2019. The improvement is attributable to disciplined controls in cost of sales and G&A, which improved EBITDA as a percentage of revenue in the first quarter of 2020.

The Environmental Services segment's Adjusted EBITDA was $4.1 million in the first quarter of 2020, down by 27.2% or $1.5 million, from $5.6 million in the first quarter of 2019. The decrease in this segment was due to lower revenue related to customer spending in March, cold weather affecting utilization in January, and price competition in the rentals business. These impacts were mitigated by control over G&A expenses.

The Other segment's negative Adjusted EBITDA decreased by 30.2% or $0.4 million, to a loss of $1.0 million in the first quarter of 2020, from a loss of $1.4 million in the first quarter of 2019, due to reduced overhead costs associated with lower activity levels and disciplined cost controls.

Adjusted EBITDA for the first quarter of 2020, as a percentage of revenue, has decreased by 0.2% to 13.9% compared to 14.1% in the first quarter of 2019.

4.5 Other items

	Three Months Ended		Variance	
	March 2020	March 2019	**$**	%
Share-based compensation	43	54	**(11)**	-20.4%
Depreciation and amortization	6,040	5,521	**519**	9.4%
Finance costs	1,359	1,303	**56**	4.3%
Impairment	3,665	-	**3,665**	-
Restructuring costs	629	-	**629**	-
Total	11,736	6,878	**4,858**	70.6%

Depreciation was up by $0.5 million or 9.4%, to $6.0 million in the first quarter of 2020 from $5.5 million for the first quarter of 2019. The increase was due to depreciation of assets and capitalized costs acquired in the second half of 2019 and owned assets, no longer classified as right of use.

Restructuring costs of $0.6 million, primarily in the form of severance payments, were incurred in the first quarter of 2020 as management responded to external market forces such as world oil price volatility and Covid-19 and their anticipated impact on the Company's geographic sphere of operations and clients. The impairment charge of $3.6 million resulted from the impact of COVID-19 on the near to medium term outlook.

4.6 Net Loss and Comprehensive Loss for the Period

	Three Months Ended		Variance	
	March	March		
	2020	2019	**$**	%
Net loss and comprehensive loss for the period	**(5,599)**	(625)	**(4,974)**	-795.8%

Net loss for the first quarter of 2020 was $5.6 million, an increase of $5.0 million, from a loss of $0.6 million in the first quarter of 2019. The loss for the quarter ended March 31, 2020 includes $0.6 million of restructuring expenses and $3.6 million of impairment of goodwill and intangible assets referred to above.

4.7 Summary of Quarterly Results

($000 except per share amounts)	**2020**	2019				2018		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenue	**38,426**	40,664	43,655	41,123	42,628	46,582	41,425	27,692
Net (loss) income	**(5,599)**	(8,871)	(552)	(1,266)	(625)	430	6,506	(4,178)
Basic and diluted (loss) income per share	**(0.06)**	(0.10)	0.00	(0.01)	(0.01)	0.01	0.07	(0.05)
Adjusted EBITDA[1]	**5,323**	4,472	6,475	5,333	6,026	5,938	6,076	4,258

(1) See Adjusted EBITDA definition Section 2.2.

(2) See note below.

With the exception of the last two quarters, over past quarters Vertex continued to expand its service offerings over multiple industries and geographic locations and exit service lines that do not improve the bottom line. The Company continues to cross sell services for our people and equipment to drive utilization and revenues to maintain successful operations in a challenging economic environment.

Vertex's operating and financial performance declined in the fourth quarter of 2019 as the majority of service lines experienced a contraction of opportunities beginning at the level of revenue. Overall, this resulted from client decisions to defer expenditures into 2020 due to full utilization of 2019 budgets. A lower revenue level has continued into the first quarter of 2020 due to an extended period of unusually cold weather, price competition, COVID-19, reduced demand for oil, and reduced upstream activity.

Revenue and Adjusted EBITDA remained stable from 2018 to 2019 due to 2018 acquisitions which offset contraction and increased competition in the oil and gas sector. As noted above, the fourth quarter of 2019 faced challenges from an opportunity perspective that negatively impacted operating results. In addition, $6.7 million in impairment charges were recognized during that quarter. Revenues for the second quarter of 2018 were impacted by the usual spring break up period. Net loss for that quarter reflects $3.6 million in one-time refinancing costs. Net income for the third quarter of 2018 reflects $6.6 million in bargain purchase gains from acquisition.

(2) Restatement of quarterly balances: Net (loss) income and Adjusted EBITDA in the first, second and third quarter of 2019 have been restated as a result of enhanced interpretation of the guidance of IFRS 16 – Leases. The changes result in an increase to direct costs and general and administrative expenses offset by a reduction of depreciation on right of use assets and interest accretion on lease liabilities.

In the three months ended March 31, 2019 net loss and Adjusted EBITDA were previously $614 and $6,307 respectively. In the three months ended June 30, 2019 net loss and Adjusted EBITDA were $1,320 and $6,253 respectively. Finally, in the three months ended September 30, 2019 net loss and Adjusted EBITDA were $553 and $7,281 respectively. Basic and diluted loss per share was not impacted by these changes.

5.0 Liquidity and Capital Management

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

	Three Months ended March 31,	
	2020	2019
Cash provided by operating activities	**3,750**	3,221
Cash used in investing activities	**(783)**	(269)
Cash used in financing activities	**(2,585)**	(4,330)
	382	(1,378)

The Company expects to generate sufficient cash flows from operations and continues to access its credit facilities to meet contractual obligations, planned expenditures and growth initiatives as they are required. The Company expects working capital investments will be required to support future revenue growth that is consistent with historical requirements. The Company typically utilizes its available committed operating loans and capital lease lines. Vertex has access to in excess of $35 million in credit facilities to fund working capital requirements and planned expenditures.

5.1 Cash Generated from Operating Activities

Cash generated from operating activities increased by $0.5 million to $3.7 million for the first quarter of 2020, from $3.2 million in the first quarter of 2019. The increase in cash generated was due to reduced working capital needs during the quarter as revenue decreased 9.9%.

5.2 Cash Used in Investing Activities

Cash used in investing activities increased by $0.5 million to $0.8 million for the first quarter of 2020, from $0.3 million in the first quarter of 2019. Capital expenditures were $0.9 million in both the first quarter of 2020 and 2019. Proceeds from disposal of property and equipment decreased to $0.1 million in the first quarter of 2020 from $0.6 million in the first quarter of 2019.

5.3 Cash Used in Financing Activities

Cash used in financing activities decreased by $1.7 million to $2.6 million in the first quarter of 2020, from $4.3 million in the first quarter of 2019. The decrease was due to timing of repayment of loans and borrowings in the first quarter of 2020. With the onset of Covid-19, Vertex entered into discussions with all of major lenders to discuss loan payment deferrals. As noted in the loans and borrowings note (Note 7) in the condensed consolidated interim financial statements the principal payment of $1.5 million due March 31, 2020 was deferred by the syndicate lenders until May 15, 2020 when it was paid. Deferrals for other lenders began in the second quarter of 2020.

5.4 Working Capital

	March 31, 2020	December 31, 2019
Current assets	**40,091**	40,366
Current liabilities (excluding current portion of loans and borrowings, other liabilities, and lease liabilities)	**15,968**	16,187
Working Capital	**24,123**	24,179

At March 31, 2020 working capital remained at the same level as the year-end.

5.5 Credit Facilities

	March 31, 2020	December 31, 2019
Revolving and operating loans:		
Committed revolving and operating facilities	**35,000**	35,000
Drawn on revolving and operating facilities	**21,400**	21,400
Available revolving and operating facilities	**13,600**	13,600

Debt as of March 31, 2020, consisted of the items noted in Section 5.6 Commitment and Contingencies.

In June 2020 additional amendments were made as outlined in the subsequent events note in the condensed consolidated interim financial statements for the quarter ended March 31, 2020. Salient features are as follow: a) the maturity date has been extended to November 11, 2021; b) a new covenant has been added – Net Syndicated Funded Debt to EBITDA which calls for ratios of 4.25:1 for the fiscal quarter ending March 31, 2020, increased to 5.00:1 for the fiscal quarters ending June 30, 2020 through March 31, 2021, and stepped down to 4.25:1 for each fiscal quarter thereafter; c) the Fixed Charge Coverage Ratio was reduced to 1.10:1, d) the Net Senior Funded Debt to EBITDA ratio was modified to be on the same schedule as the Net Syndicated Funded Debt to EBITDA ratio plus 0.5:1.00. Net Syndicated Funded Debt is consolidated net senior indebtedness less BDC co-lending facility and BDC working capital loan program.

Also in June, 2020 and May, 2020 an additional Term Loan and a Working Capital Loan supported by federal programs in the amounts of $6.25 million and $2.0 million respectively to support the Company's liquidity were agreed to and are also described in the subsequent events note in the condensed consolidated interim financial statements for the quarter ended March 31, 2020.

Debt Covenants

As of March 31, 2020, the Company complied with the terms and covenants of its Credit Facilities. Certain adjustments, as approved by the syndicate of lenders, are made to Adjusted EBITDA to derive Bank EBITDA, which amounted to $20.8 million for the trailing twelve months ending March 31, 2020.

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	15,798	-	**15,798**
Revolving loan	692	21,554	**22,246**
Term loan	9,091	38,249	**47,341**
Equipment loans	2,399	1,321	**3,720**
Other liabilities	1,297	1,058	**2,355**
Lease liabilities	4,660	20,796	**25,456**
Financial liabilities	33,937	82,979	**116,916**

Legal Claims

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

Off-Balance Sheet Arrangements

At March 31, 2020, the Company did not have any off-balance sheet arrangements.

5.7 Capital Expenditures

The Company's gross capital expenditures were $0.9 million in both the first quarter of 2020 and 2019. The Company undertakes to sell any under-utilized assets that cannot be redeployed in other geographical locations in order to improve utilization. In the first quarter of 2020, the Company sold $0.1 million worth of capital assets compared to $0.6 million in the first quarter 2019.

Annual net capital expenditures for 2020 have been revised downward from the 2020 annual budget. The net capital expenditures based on the revised budget are expected to be in the range of $3.5 million to $4.5 million. The maintenance and growth capital expenditures are not committed or required if factors related to economics, industrial and customer spending plans change.

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. Currently, the COVID-91 pandemic has had a material negative impact on the business prospects of companies both within and outside the energy industry. Therefore, the Company has to monitor accounts receivable more closely, maintain a heightened awareness of the possibility of bad debts, and advance its collection process. The vast majority of Vertex's revenues are derived from large investment grade clients for which the possibility of bad debts is considered as remote. However, revenues are also derived from more middle market companies for which the potential for bad debts has increased. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. For the quarter ended March 31, 2020, the Company had no customer that accounted for more than 10% of the consolidated sales (year ended December 31, 2019 – one customer greater than 10%). The aging analysis of accounts receivable is as follows:

	March 31, 2020	December 31, 2019
0 to 30 days	15,915	15,085
31 to 60 days	8,005	9,405
61 to 90 days	1,988	2,883
Over 90 days	2,876	2,818
Holdbacks	29	7
Trade accounts receivable	28,813	30,198
Allowance for expected credit losses	(353)	(317)
Trade receivables, net of allowance	28,460	29,881
Accrued receivables	1,643	1,154
Other receivables	911	1,784
	31,014	32,819

5.9 Outstanding Share Data

As of June 19, 2020, the Company had 91,253,115 Common Shares outstanding. As of the same date, the Company had outstanding 3,910,000 stock options and 2,197,206 warrants to purchase up to an aggregate of 6,107,206 Common Shares.

5.10 Transactions with Related Parties

All related party transactions are 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 controlled by a director or officer.

At March 31, 2020, lease liabilities includes $5.6 million (March 31, 2019 - $6.1 million) of liabilities relating to the leases with a related party and principal payments of unsecured lease liabilities and associated interest accretion for the three months ended March 31, 2020 were $0.2 million (three months ended March 31, 2019 - $0.2 million).

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, 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.

The Company has:

- continuously refined and documented its management and internal reporting systems to ensure that accurate and timely internal and external information is gathered and disseminated. Management also regularly evaluates these estimates and assumptions, which are based on past experience and other factors that are deemed reasonable under the circumstances; and
- hired employees and consultants who have the skills required to make such estimates and ensures that employees or departments with the most knowledge of the activity are responsible for the estimates.

Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

The Company's summary of significant accounting policies, estimates and critical judgements are contained in note 5 to the consolidated financial statements.

6.2 Future Accounting Standard Pronouncements

The Company has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2020 that significantly impact Vertex.

6.3 Financial Instruments

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

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

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

7.0 Forward-Looking Information

Any "financial outlook" or "future oriented financial information" in this 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; the Company's ability to integrate and capitalize on underutilized equipment through cross-selling opportunities across service lines and reducing redundant costs in 2020; growth opportunities in 2020; supply and demand for the Company's services; anticipated savings in 2020; activity levels in the oil and gas industry and other industries in which the Company operates; annual gross maintenance capital expenditures for 2019; 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, Adjusted EBITDA, Bank 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 2020; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to obtain qualified personnel and equipment in a timely and cost-effective manner; the Company's future debt levels; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; client activity levels; anticipated market recovery; the Company's anticipated business strategies and expected success; the

Company's ability to utilize its equipment; levels of deployable equipment; and future sources of funding for the Company's capital program.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements, including, without limitation: volatility of the oil and natural gas industry; dependence on customer contracts and market acceptance; the Company's growth strategy may not achieve anticipated results; potential litigation claims; difficulty in attracting and retaining skilled personnel; adverse litigation judgments, settlements and exposure to liability resulting from legal proceedings could reduce profits of 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 affects 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 part 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.